

## FWC Services for the Implementation of External Aid 2018



Democratic Republic of São Tomé and Príncipe

# Public Finance Management Assessment in Sao Tome and Principe

(based on the **PEFA** methodology)

(English version, translated from the Original in Portuguese)

**Project No.: 2019/405287/1**

## Final Report

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This is an English version of the original  
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**PFM Experts**



Project No. 2019/405287/1

## **PEFA Final Report**

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Submitted by

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## Sao Tome and Principe

Fiscal year

January 1 - December 31

Country currency and indicative exchange rates

Dobra (db)

<u>CURRENCY</u>	<u>PURCHASE</u>	<u>SALE</u>
EUR	24.5000	24.5000
GBP	28.3729	28.7985
JPY	0.1991	0.2021
USD	21.7875	22.1143
<u>XAF</u>	<u>0.0374</u>	<u>0.0379</u>

*Source: STP Central Bank (May 14, 2019)*

Weights and Measures

Decimal Metric system

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## Abbreviations and Acronyms

AFAP	Project Fiduciary and Administrative Agency
AFRITAC	IMF Regional Technical Assistance Centre for Central Africa
AN	National Assembly
ANP	National Petroleum Agency
BCG	Budgetary Central Government
BCSTP	Central Bank of Sao Tome and Principe
CG	Central Government
CGE	State Financial Statement
COFOG	Classification of the Functions of Government
COSSIL	Procurement and Coordination and Supervision Office
CPLP	Community of Portuguese-Speaking Countries
SA	State Account
CST	Santomense Telecommunications Company
DAF	Directorate of Administration and Finance
DB	Directorate of the Budget
DD	Directorate of Decentralization and Advisory Support to Local Governments
DeMPA	Debt Management Performance Assessment
DGA	Directorate-General of Customs
DGAP	Directorate-General of Public Administration
DI	Directorate of Taxes
DITEI	Directorate of Information Technology
DP	Directorate of Planning
DPA	Directorate of Public Accounting
DPE	Directorate of State Assets
DR	Diário da República
DT	Directorate of Treasury
DTI	Directorate of Information Technology
EGE	State Operational Costs
ENAPORT	National Port Administration Company
ENASA	National Airport and Air Safety Company
ETF	Financial Balance Fund
EUD	European Union Delegation
FIU	Financial Information Unit
GAMAP	Automatic Price Mechanism Office for Petroleum Products
GARFIP	Public Finance Reform Office
GD	Debt Office
GDP	Gross Domestic Product
GEPE	Economic Studies and Policies Office



GEPEP	Office of Studies, Planning and Public Companies
GFS	Government Finance Statistics
GGSDP	Public Debt Management and Tracking Office
GSAFE-e	State Financial Management Information System Coordination and Management Office
GSB	General State Budget
GSTP	Sao Tome and Principe Government
GUCE	Single Window for Business Registration
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IGF	General Inspectorate of Finance
IMF	International Monetary Fund
INAC	National Institute of Civil Aviation
INE	National Institute of Statistics
INSS	National Institute of Social Security
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IRS	Personal Income Tax
ISC	Superior Institution of Control
ISO / IEC	International Standards on Information Safety
ISSAIs	International Standards of Supreme Audit Institutions
ITIE	Extractive Industries Transparency Initiative
LCP	Public Tenders and Contracts
LOE	Budgetary Law of the State
MADR	Ministry of Agriculture and Rural Development
MdA	Ministry of Agriculture
MdE	Ministry of Education
MdS	Ministry of Health
MECC	Ministry of Education, Science and Culture
MEF	Ministry of Economy and Finance (former name)
MFCEA	Ministry of Finance, Trade and the Blue Economy
MIRNA	Ministry of Industry and Natural Resources
MOP	Major Options of the Plan
MPFEA	Ministry of Planning, Finance and Blue Economy
MS	Ministry of Health
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NDP	National Development Plan
NIF	Tax Identification Number
SB	State Budget

PAGEF	Economic and Financial Management Support Project
PARFIP	Public Financial Reform Action Plan
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMRP	Public Finance Management Reform Program
PPP	Private-Public Partnership
RAP	Autonomous Region of Principe
REO	Budget implementation reports
SAFE	State Financial Management Information System
SAFE-e	Electronic State Financial Management Information System
SAFINHO	Financial Information System (predecessor of SAFE-e)
SPAUT	Automated Payment System
STN	Nine STP Dobras
STP	Sao Tome and Principe
TdC	Audit Court
TIPA	Trade and Investment Promotion Agency
TOFE	State Financial Operations Table
ToR	Terms of Reference
TSA	Treasury Single Account
UG	Management Unit
UGEL's	Procurement Management Units
UIE	Strategic Intelligence Unit for Blue Economy
UNCTAD	United Nations Conference on Trade and Development
USD	US dollar
USTP	University of Sao Tome and Principe
WB	World Bank

## EXECUTIVE SUMMARY

In order to build a solid foundation for future reforms, the Government in Sao Tome and Principe has chosen to conduct a new PEFA assessment, with the specific objective of measuring the performance of the PFM system in the Country. This assessment will be used to draw a new PFM reform strategy, that would be beneficial for improving the country's democratic and economic governance by strengthening the government's ability to formulate and deliver transparent, comprehensive and liable budgets within the medium- and short-term frameworks.

This assessment exercise was led by the Ministry of Planning, Finance and Blue Economy (MPFEA) and started with technical and financial support of the European Union / DEU, in Gabon.

For quality assurance purposes, several reviewers provided comments, including all the entities of the Government involved in the assessment, as well as the PEFA Secretariat and many external partners, such as the International Monetary Fund (IMF), the African Development Bank, the World Bank and the European Union.

Despite the involvement of the PEFA Secretariat at all stages of this PEFA, its Terms of Reference were not submitted for approval by the PEFA Secretariat, before appointing the consulting firm and initiating the first field mission, and thus, the PEFA Check could not be granted to this report.

This executive summary provides an integrated and strategic overview of the report results. It covers the impact of public finance management of the government, over a three year period time, in fiscal and budgetary outcomes, namely, the achievement of aggregate fiscal discipline, the strategic allocation of resources and the efficient public service delivery, and outlines the main performance changes in public financial management (PFM), since the previous 2013 assessment, and is structured within the following 5 topics.

**1. Purpose and management of the 2019 PEFA.** The main reason of the assessment is related to the need of the Sao Tome and Principe government to build a solid foundation for future reforms aimed at improving the democratic and economic governance of the country, reinforcing the Government's ability to formulate and deliver transparent, comprehensive and credible budgets within a medium and short-term framework that will strengthen the aggregate fiscal discipline, the strategic allocation of resources and the efficient delivery of public services.

This assessment exercise was led by the Ministry of Planning, Finance and Blue Economy (MPFEA) and started with technical and financial support from the European Union / DEU in Gabon and implemented by a team of consultants from the DT Global consortium. All government institutions and government officials with PFM related positions in STP were involved in the PEFA assessment and made critical analysis and comments to the preliminary report and all of them have been considered in this version.

For the smooth operation of the missions and the high quality of the reports, a monitoring and quality procedure had been established.

**2. Scope, coverage and schedule.** The PEFA performance framework has covered the entire General Government (GG), including the Budgetary Central Government (BCG), according to the PEFA methodology requirements for each one of the indicators, and all management units, local governments and revenues collected by the Directorate of Taxes and the Directorate-General of Customs. The central and decentralized services of the BCG departments constitute a single institutional unit. The other units with distinct legal personality and operational autonomy, such as agencies or offices that are placed under the technical and financial tutoring of the line ministries are also included in the evaluation, as entities that are part of the BCG.

This evaluation covered the last three fiscal years, namely 2016, 2017, 2018, while some indicators were evaluated on the dates of the intervention.

For the PFM assessment in STP, was used the updated 2016 PEFA methodology, implemented in 3 sequential phases: pre-assessment, operational assessment and validation of the assessment, which were carried out by the PEFA team from April to November 2019, within a maximum working period of 7 months and 194 working days, as established in the ToR.

**3. Summary of the integrated assessment and the impact of the PFM on budgetary and fiscal results.**

Considering the specificities of the country-specific economic, political and administrative structure, and highlighting the key strengths and weaknesses identified in the report that are likely to influence the performance of the PFM, the government's three main fiscal and budgetary results, i.e., the fiscal discipline, the strategic resource allocation, and efficient service provision have been impacted, as follows:

Aggregate Fiscal Discipline. The aggregate fiscal discipline is limited due to the weaknesses of the internal control mechanisms in place for budget execution, as well as unreliable revenue and expenditure forecasts.

The country's economic weaknesses do not provide the space for significant revenue collection, while the technical limitations the two main revenue administrations are encountering do not allow them to effectively proceed with revenue collection. The proposed by the Government budget, once approved by the National Assembly, on an aggregated basis, is bypassed by the budget units (BUs) and the Government, using extensive administrative reallocations, during the fiscal year. The treasury shortfalls and cash management weaknesses, combined with the low CG control over the extrabudgetary entities' expenditures and revenues, as well as over the extrabudgetary revenues and expenses of budgetary entities and State Owned Enterprises, do not allow for the expenses to be committed within the available resources, resulting in significant, mismanaged and uncontrolled internal debt. The controls over contractual commitments is not effective and results in high stock of payment arrears. Finally, the weaknesses of the internal and external audit functions do not sustain the fiscal discipline.

Strategic Allocation of Resources. The chart of accounts in STP allows for some multidimensional expenditure analysis, but there is no any strong link between the government's strategic plans, the Mid-term Expenditure Frameworks (MTEFs), and the annual budgets, towards the achievement of steady results that would be supported by the strategic allocation of resources. This situation is due to: (i) the lack of economic, political and socio-environmental analysis needed for the definition of the government's strategic plans and the preparation of pluri-annual plans and medium-term perspectives, that could support the elaboration of the government's annual activity plans and the refinement of the budgeting process and (ii) the limitations of the programmatic approach in budget preparation. The current procedures for the elaboration of investment plans, are not usually provided well before the preparation of the annual budgets and they do not follow any pre-established investment projects' selection criteria, or implementation and monitoring procedures. Also, the implication of recurrent investment costs over the life of each investment is not considered during the budgeting process and the investment projects are not selected and prioritised after an economic and financial analysis, meant to generate the best return and cost-benefit ratios.

Efficient delivery of public services. The current shortcomings in the procurement system's competitive bidding negatively impact the efficient delivery of public services, especially in the education, health and agriculture sectors. Similarly, the weaknesses of the internal control and accountability mechanisms cannot yet be overcome because of (i) the persistent absence of procedures manuals and (ii) up-to-date organic laws, while the weaknesses of the internal and external audit functions do not strengthen the accountability and the efficient use of public resources. The financial integrity's shortcomings and the considerable delays registered for the elaboration of consolidated annual and quarterly financial statements limit the impact of the audits, which, in turn, hinders the effectiveness of the National Assembly's oversight of the public accounts. The lack of annual targets for government objectives and expected achievements, in the operational and financial reporting, as well as in the publication of performance targets and results from the institutions with administrative and financial autonomy, undermines the effectiveness of any attempt to analyse the efficiency of the use of the available resources by public service providers.

In relation with the revenue collection, the operational inefficiencies of tax collection entities have resulted in high volumes of accumulated tax arrears. The failure to collect tax debts effectively, undermines the credibility of taxation and the principle of equal treatment of the taxpayers. The weaknesses in the revenue estimates process, during the preparation of the State Budget have a major impact on budget's execution, jeopardizing the efficient provision of public services.

**4. PFM performance variations.** The main PFM performance variations since the last 2013 PEFA assessment, are summarized in part 4.4 of this report and detailed in Annex 4 of this report.

To this end, an additional evaluation was conducted, based on the 2011 PEFA methodology, to compare the evolution of the PFM performance since the 2013 PEFA (Annex 4).

Among the 28 individual indicators compared, 12 indicators were unchanged, while 16 have been downgraded.

However, the downgrading is not due to actual facts, but mostly to the criteria used and the evidence (or lack of evidence) in the 2013 PEFA assessment and, also, the consideration of decorative, discontinued and/or not fully implemented reforms, with no positive effects in the PFM in STP.

**5. PFM Reform Agenda.** In the PFM reform programs implemented or in progress in the country, the following achievements can be highlighted:

- Adoption of international good practices, such as those set out in the IMF's Fiscal Transparency Code, and the International Public Sector Accounting Standards Board (IPSASB);
- Identification of specific objectives, or Measures, to better establish the responsibilities and to facilitate the monitoring of the corrective actions' implementation;
- Preparation of a matrix of measures and actions for the Public Finance Reform with 14 objectives, associated with the Directorates of the Ministry of Finance and other State bodies according to the 2016 Public Finance Reform Plan, with a brief description of its content and meaning;
- Improvement of budget's reliability, by strengthening the public financial accountability and management, building up statistical capacity, and improving the framework for property's registration (WB project);
- Institutional strengthening, extension of the tax base and governance arrangements for the public companies (WB project);
- Improvement of revenue and expenditure forecasts, cash management, revenue collection and debt management, as well as containment of public sector payroll and payment arrears of the power company (AfDB project); and
- Strengthening of the SAFE-e system for budgeting, human-resource management, procurement, asset management and internal controls, as well as strengthening of the revenue collection system. (AfDB Project).

**6. Main deficiencies identified.** As part of this PEFA assessment, the main deficiencies identified are the following:

- Reduced capacity to make macroeconomic and fiscal forecasts;
- Reduced capacity to develop fiscal strategies;
- Incomplete State Budgets' documentation, without medium-term projections (MTEF);
- Misaligned State Budgets and sectoral strategic plans and national strategies;
- Challenges in producing accurate expenditure and revenue projections, not addressed in the recent years, diminishing budget credibility;
- Weakened revenue management;

- Extensive administrative reallocations during the fiscal year;
- Not fully adhered to international standards economic and functional classifiers;
- Reduced clarity of the budget proposal submitted to the Assembly, due to the limited information submitted by the Government;
- Transfers from the central government to the sub-national governments based on practices rather than predefined rules;
- Missing information on service delivery performance, without proper reporting;
- Limited public access to budget information;
- Lack of an integrated and inclusive process for the management of state assets and liabilities;
- Public investment program based on not clearly defined criteria;
- Poor management of public sector financial and non-financial assets;
- Weak management of domestic public debt and guarantees;
- Weak reconciliation of revenue accounts;
- Only short-term horizon visibility for the availability of resources, due to weaknesses in the information provided by MPFEA to the budget units about the fiscal space allowed;
- Very little information available on payment arrears;
- Poor control system in payrolls;
- Reduced visibility in the public procurement and contracting processes;
- Generally weak internal controls;
- Inefficient internal audits;
- Relatively poor financial data integrity, with lack of information about institutions with administrative and financial autonomy, such as INSS and the State Owned Enterprises;
- Coverage and submission of the external audits by SAI not meeting the international best practices;
- Inexistent legislative scrutiny of the public accounts and external audit reports.

**7. Summary of the PFM Performance Indicators.** The following table shows the scores of the 31 indicators, grouped under the 7 PFM pillars in STP.

**Basic Table: Summary of the PFM Performance Indicators**

Summary of the 2019 PEFA Assessment - STP							
PFM performance indicator		Scoring Method	Scoring of the dimensions				
			1.	2.	3.	4.	Overall Rating
<b>Pillar I. Budget reliability</b>							
PI-1	Aggregate expenditure outturn		D				D
PI-2	Expenditure composition outturn	M1	D	D	A		C
PI-3	Revenue outturn	M2	D	D			D
<b>Pillar II. Transparency of public finances</b>							
PI-4	Budget classification		C				C
PI-5	Budget documentation		D				D
PI-6	Central government operations outside financial reports	M2	D*	D*	D		D
PI-7	Transfers to subnational governments	M2	C	C			C
PI-8	Performance information for service delivery	M2	D	D	D	D	D
PI-9	Public access to fiscal information		D				D
<b>Pillar III. Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting	M2	D	D	D		D
PI-11	Public investment management	M2	D	D	C	D	D
PI-12	Public asset management	M2	C	D	D		D+
PI-13	Debt management	M2	C	D	C		D+
<b>Pillar IV. Policy-based fiscal strategy and budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	D	C	D		D+
PI-15	Fiscal strategy	M2	D	D	NA		D
PI-16	Medium-term perspective in expenditure budgeting	M2	D	D	D	D	D
PI-17	Budget preparation process	M2	D	D	D		D
PI-18	Legislative scrutiny of budgets	M1	B	A	D	B	D+
<b>Pillar V. Predictability and control in budget execution</b>							
PI-19	Revenue administration	M2	D	D	D	D	D
PI-20	Accounting for revenue	M1	B	B	C		C+
PI-21	Predictability of in-year resource allocation	M2	C	C	C	C	C
PI-22	Expenditure arrears	M1	D	C			D+
PI-23	Payroll controls	M1	D	D	D	D	D
PI-24	Procurement	M2	C	D	D	D	D
PI-25	Internal controls of non-salary expenditure	M2	B	D	D		D+
PI-26	Internal audit	M1	A	B	D	D*	D+



<b>Pillar VI. Accounting and Reporting</b>							
PI-27	Financial data integrity	M2	D	C	D	B	D+
PI-28	In-year budget reports	M1	C	D	C		D+
PI-29	Annual financial reports	M1	C	D	C		D+
<b>Pillar VII. External scrutiny and audit</b>							
PI-30	External audit	M1	D	D	C	D	D+
PI-31	Legislative scrutiny of audit reports	M2	D	D	D	D	D

# 1. Introduction

This part will explain the context and purpose of the PFM assessment, the process by which the PEFA report was prepared, and the methodology used to conduct the assessment.

## 1.1. Rationale and purpose

Sao Tome and Principe is a lower-middle-income archipelago that faces challenges typical of small States. It consists of two main islands in the Gulf of Guinea, has a surface area of 1,001 km<sup>2</sup>, and is administratively divided into six districts, in addition to the Autonomous Region of Principe (RAP). STP is a multiparty democracy and a unitary state, and its total population is of approximately 200,000 people, with 42.6 percent of the population at or under fourteen years of age. In 2018, the country's gross national income per capita was estimated at USD 3430, in purchasing power parity (PPP), and its gross domestic product per capita (GDP) was of USD 1890. As a small island country, STP is characterized by: (i) a small population, (ii) a small land area, (iii) remoteness; and (iv) a high fixed cost of public assets - all factors that affect the country's public capacity, the trade, the fiscal accounts and the human development.

Its economy, deprived of natural resources, is dominated by the agriculture and fisheries' sectors, with cocoa as its main export product, but its economic activity has decreased due to the contrasted effects of the increase in the price and volume of the oil imported, on the one hand, and the growth of exports and tourism revenues, as well as the increase in the production of cocoa (whose international prices fell), on the other hand, resulted in a deceleration of GDP growth, which stood at 3.9% in 2017, vs. 4.2% in 2016. These effects resulted in a reduction in external resource flows, which in turn impacted the dynamics of the public expenditure.

Law 3/2007 on the SAFE - state financial management system, as amended by Law 12/2009 (alteration of the state financial management system), introduced a modernized public finance management system to ensure the efficiency and transparency of the public finance management (PFM).

The assessment of the 2013 PFM using the 2011 PEFA methodology showed an improvement in the performance of half of the indicators, but with a regression in some indicators and showed that the public finance management system suffered structural problems, which significantly reduced its performance in terms of budgetary discipline and technical and allocative efficiency of resources. In 2014, the State Financial Management Information System Coordination and Management Office (GSAFE-e) was set up and, in 2017, by Decree 23/2017, the Public Finance Reform Office (GARFIP), which continued the new reform agenda of the PFM, over four years, with technical and financial support from the European Union.

Eager to build a solid foundation for future reforms, the Sao Tome and Principe government has chosen to conduct a new PEFA assessment, with the specific objective of measuring the performance of the PFM system in Sao Tome and Principe and its progress since the previous evaluation 2013. A new reform strategy based on the results of the 2019 PEFA would be beneficial for improving the country's democratic

and economic governance by strengthening the government's ability to formulate and deliver transparent, comprehensive and liable budgets within a medium- and short-term framework.

## **1.2. Assessment management and quality assurance**

This assessment exercise was led by the Ministry of Planning, Finance and Blue Economy (MPFEA) and started with the technical and financial support of the European Union / DEU in Gabon, responsible for the EU partnership with Sao Tome and Principe and is being implemented by a team of consultants from the DT Global consortium. The evaluation team initially consisted of four public finance experts, but the evaluation was finalized by only two of them (see Box 1 below).

All government institutions and government officials involved in the PFM in STP were actively involved in the PEFA assessment and in the preparation of the report, and made critics and comments during the submittal of the preliminary results and the review of the preliminary report.

The roles and contributions of other stakeholders in the evaluation of the oversight agencies such as Supreme Audit Institutions (IAS), the legislature, the development partners and non-state players such as civil-society organizations and the Chamber of Commerce were very important to capture information that allowed for further analysis throughout the process of this PEFA assessment.

For the smooth operation of the missions and quality of the reports, a monitoring and quality procedure was established. The above reports were submitted to the Chairperson of the Monitoring Committee and the Project Manager from the DEU, who forward them to the review and comments of the different partners, including the PEFA Secretariat. The final approval of these reports is up to the project manager / DEU as part of PEFA Check's quality certification mechanism. Despite the involvement of the PEFA Secretariat at all stages of this PEFA, its Terms of Reference were not submitted for approval by the PEFA Secretariat before appointing the consulting firm, and thus it will not be possible to grant the PEFA Check in this report.

The following table shows the arrangements for the assessment management and quality assurance mechanisms.

**Table 1.2. Assessment management and quality assurance mechanisms****Organization of the PEFA Assessment Management**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Oversight Team - President and members: [names and organizations]</li> </ul> | <p><u>President:</u><br/>Anita Silveira - GARFIP</p> <p><u>Members:</u><br/>Jukisia Salvador – GARFIP<br/>Cerineu Renner – GARFIP<br/>Jairson Barreto – GARFIP<br/>Geisel Menezes – DP<br/>Genésio da Mata – DB<br/>Hyuri do Espírito – DAF<br/>Cislau Costa – DCP<br/>Engrácio da Graça – DI<br/>Carlos Benguela – DGA<br/>Maria Tome – DT<br/>Edson Martins Soares – DTI<br/>Pedro Gouveia Neto de Lima – DPE<br/>Gessy do Espírito Santo – DEE</p> |
| <ul style="list-style-type: none"> <li>• Assessment Manager:</li> </ul>   | <p>Assessment Manager: Albert Losseau – DEU</p>   |
| <ul style="list-style-type: none"> <li>• Assessment PEFA team leader and team members:</li> </ul>                     | <p><u>Team leader:</u><br/>Nicolas Drossos – DT Global</p> <p><u>Team Members:</u><br/>Luis Maximiano – DT Global</p>   |

**Review of the concept note and/or terms of reference**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Date of revised concept note project and/or terms of reference:</li> </ul>   | <p>February 2019</p>   |
| <ul style="list-style-type: none"> <li>• Reviewers who provided comments: [name and organization for each, in particular the PEFA Secretariat and date(s) of the review(s) or as a group, for example, the oversight team]</li> </ul> | <p>The ToRs were prepared by the Government and revised by the DEU / Gabon, were not reviewed by the PEFA Secretariat.</p> |

**Review of the evaluation report**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Date (s) of the revised project report (s):</li> </ul>                       | <p>September 2019</p>  |
| <ul style="list-style-type: none"> <li>• Reviewers who provided comments: [name and organization for each]</li> </ul> | <p>Government Entities: Directorate of Budget, Directorate of Public Accounting, Directorate of Treasury, Directorate of Customs, INE, TdC.<br/>PEFA Secretariat;<br/>International Monetary Fund<br/>AfDB<br/>World Bank<br/>European Union</p> |

The flow of information was optimized between the PEFA team, DT Global (formerly AECOM) and DEU on any event that may have an adverse impact on PEFA's performance, to the reputation of DTG and EU to allow an immediate, efficient and fast reaction in relation to the EU and / or local governments. However, with the precious support of GARFIP, the evaluation was perfect.

### **1.3. Assessment methodology**

Depending on the indicators, the performance framework for the PEFA exercise covered the general state budget (GSB), including the local governments (municipalities and the autonomous region of Principe), considering that the decentralization process was not fully finalized, or only the budgetary central government (BCG). The central and decentralized services of the sectors constitute a single institutional unit. Other units with distinct legal personality and operational autonomy such as agencies or offices and placed under the technical and financial supervision of the ministries will also be included in the assessment under the PI-6 framework of indicators.

In section 2.3.2. on the institutional structure of the PFM's system in STP, is presented the public sector galaxy, which was assessed in this PEFA report.

For the management of the public finances of the local governments, priority was given to control the State transfers to local governments and to monitor their budgetary implementation. These entities were also integrated in the analysis of the indicator on the transfers to subnational administrations as well as "monitoring subnational governments" of the indicator on the budgetary risk report.

The evaluation focused on the three years ended, i.e., 2016, 2017, 2018, while some indicators were assessed on the intervention dates, in compliance with the 2016 PEFA framework, "Public Finance Management / Performance Measurement Framework," the original English version of which prevailed in the event of interpretation uncertainty. For any interpretation of the methodology, the experts informed the EU Delegation and addressed the PEFA Secretariat.

PEFA's evaluators visited various target groups in the country's central public administration, including the 3 main ministries and the Central Bank, 2-district city councils and the autonomous region of Principe, various autonomous institutions, as well as civil-society organizations and the technical and financial partners.

According to the technical specifications and terms of reference (ToR), the tasks were started by the PEFA team in the last week of April 2019 and completed in October 2019, within the expected maximum working time of 7 months and 194 days.

The PFM assessment activities used the updated 2016 PEFA methodology and were carried out in 3 sequential phases: pre-assessment, operational assessment and assessment validation, with indicators assigned to each PEFA team member, under the overall coordination of the Head of Mission and the oversight and logistical support of DT Global.

This PEFA assessment was carried out in two fieldwork missions and followed by a training mission of 12 key public officials (phase 4), tailored to meet the challenges identified in the PFM in STP.

The action plan and the implementation of tasks, as provided for under the ToR and Methodology, were amended in agreement with the DEU and the Reform Commission to maximize the efficiency of the project.

Before the end of the training workshop, a *half-day debriefing* meeting was carried out by the Head of Mission in Brussels to the European Commission officials.

Throughout the duration of the service and thereafter, all consultants are required to maintain strict confidentiality to third parties for any mission-related information collected on the occasion.

## 2. Country Background Information

This section of the report provides information on the country being evaluated, allowing the understanding of the context of reforms of the PFM, as well as the main characteristics of the PFM system in Sao Tome and Principe.

### 2.1. Country economic situation

#### 2.1.1. Country context

Sao Tome and Principe (STP) is an archipelago of 1,000 square kilometres in the Gulf of Guinea 350 km from the coast of Africa. STP is a democratic country with 197,700 inhabitants (2017), the official language being, Portuguese. Its economy is one of the smallest in Africa and faces the classic difficulties of small countries. The distances from the two main islands (Sao Tome and Principe), population dispersion, the limited availability of land and workers, prevent the country from diversifying its economy. These factors, combined with the country's insularity, increase the export costs, making it more vulnerable to impacts from trading conditions. The limitations in the production of public assets and the difficulty of providing services to a dispersed population imply a high cost of public assets and considerable public expenditure.

**Economic growth.** Gross domestic product (GDP) has increased by an average annual rate of 4.5% between 2009 and 2019, with a moderate deceleration since 2014, to reach a Gross Domestic Product (GDP) per capita of 1981.6 euros in 2018 (vs. 1755.1 in 2009) The agricultural production has declined since the independence (1975), but the agricultural products, and especially cocoa, constitute a major part of the country's exports. Tourism is beginning to be an important economic activity, while the commercial exploration of oil could start in 2020. Very few goods are produced locally, making STP heavily dependent on imports, including oil for the generation of electricity.

The GDP growth depends largely on government's expenditure and has not contributed significantly to poverty alleviation, because the government's spending is limited to the payments of current expenditures, while the investment expenses depend on external aid and are limited solely to external financing.

**Foreign trade.** STP's exports are highly concentrated in cocoa, and the country has large external structural deficits, with a current account deficit (excluding official transfers) reaching 25.2% of the GDP, in 2015, and falling to 20.8%, in 2016. The main factor contributing to the improvement in the foreign accounts was a drop in oil imports from 9.8% of the GDP in 2015 to 6.2% in 2016, due to the oil prices' decrease.

**Inflation.** The annual inflation rate in May 2019 was of 9% (Trading Economics). According to INE, the annual inflation rate in 2018 was of 9%, equal to the 9% reference interest rate per year, in STP, according to the Central Bank of STP (BCSTP).

**Exchange rate.** The exchange rate for the Dobra (STN), is fixed against the euro at 24.5 STN vs. EUR 1 since January 2010. According to the BCSTP, during this same period, the Dobra depreciated against the USD, and its exchange rate raised from 16.5 STN to 22.0 STN vs. 1 USD.

### 2.1.2. Main economic indicators selected

The table 2.1 below shows that the real Per Capita Income has been growing over the last three years, following the actual GDP increase. The GDP has been growing at a decelerating rate, reaching the 2.7% increase, in 2018, while inflation, as reflected by the CPI index, has risen to 7.9% in the same year. The total foreign reserves have been decreasing since 2016, and in 2018 corresponded to less than 2 months of imports. The external public debt is stable and relatively low. However, the total public debt has been maintained high, above 100% of the GDP, over the past three years, increasing the country's vulnerability to internal and external economic shocks.

Table 2.1: Economic indicators selected

Items	2016	2017	2018
GDP (in millions of Dobras)	7 698	8 154	8 763
GDP (in millions of USD)	347	375	419
GDP per capita (in USD)	1 794	1 897	2 077
GDP growth - constant values (%)	4.2	3.9	2.7
CPI (annual average change) (%)	5.4	5.7	7.9
External public debt * (% of GDP)	31.5	30.5	31.2
Public debt (% of GDP)	114.5	105.2	108.6
Current account balance (% of GDP)	-6.6	-13.3	-10.8
Total reserves (USD)	49.7	46.8	28.6
Total reserves (months of imports)	3.1	2.9	1.8

Sources: WB Country Economic Memorandum 2019 (based on estimates and projections by Government officials from STP, WB and IMF)

\* Trading Economics/Banco Mundial/FMI/BCSTP

### 2.1.3. Government's main economic challenges

Based on the preliminary findings of the April 4, 2019 mission of the technical team from the IMF, the government's main economic challenges are the following:

- Strong imbalances and slower economic growth;
- A need to broaden the structural reforms in the sectors of energy and tourism, in order to stimulate the potential of growth;
- Finalization of the discussions on economic policies and reforms that could be supported by a new agreement with the IMF.

The World Bank, in its *Country Economic Memorandum* (2019), mentions the following economic challenges the country is facing since 2015:

- Decline in the price of cocoa and its production;
- Deceleration of growth in the touristic activities;
- Decrease in donations and external credits / loans;



- Economic crisis in the energy sector, impacting the economic growth;
- Decrease in external debt, offset by the internal debt (internal loans and payment arrears);
- Macroeconomic instability, enhanced by the current deficits and trade deficits, as reflected in the fiscal results, below.

## 2.2. Fiscal results

The summary of the fiscal operations covers the 2015-2017 budget period due to the delay in the preparation of the 2018 General Government Account and the lack of statistics for the year 2018.

**The last three years in STP were characterized by a decrease of the domestic revenue collection, resulting in an increase of the global and primary deficits, which doubled in 2017.** As a percentage of GDP, the deficit has gone from 2% to 4%, despite the progress of the GDP in the recent years. The donations and external financing are an important source of funding for the operations of the Central Government.

**Table 2.2 Central government operations**

Summary of the Fiscal Operations of the Central Government (% of the GDP)			
	2015	2016	2017
Total Revenue	28%	28%	27%
- Own Revenue	16%	14%	13%
- Grants	12%	14%	13%
Total Expenditure	36%	33%	30%
- Noninterest expenditure	35%	33%	30%
- Interest expenditure	0.6%	0.4%	0.5%
Global Deficit (incl. grants)	-2%	-2%	-4%
Primary deficit	-2%	-2%	-3%
Net financing	17%	17%	14%
- External	17%	17%	13%
- Domestic	0%	0%	0%
<b>GDP in Dobras</b>	<b>6,999,600</b>	<b>7,859,200</b>	<b>8,546,880</b>
<b>GDP in Euros</b> ( <a href="https://fr.countryeconomy.com/gouvernement/pib/sao-tome-et-principe">https://fr.countryeconomy.com/gouvernement/pib/sao-tome-et-principe</a> )	<b>285M</b> (USD vs. EUR: 1.21)	<b>320M</b> (USD vs. EUR: 1.17)	<b>358M</b> (USD vs. EUR: 1.17)

Source: CGE 2015, 2016, 2017

**The GDP in Dobras, as shown in table 2.2 above, is different from the values in table 2.1, due to the distinctive sources of information, demonstrating the low reliability of data and statistics in the country.**

In 2017, the inflation began to rise to 7.9% in 2018, due to the impact of unfavourable weather conditions and the increase in import duties. The tax revenues fell below expectations, and the government partially

offset the deficit by lowering its expenditure. The primary and global deficits widened, driven by imports. While “banks were adequately capitalized and provisioned, the high level of low-income loans constrained the growth of bank loans by 2.5%.” (IMF Article IV 2018).

**The macroeconomic outlooks are generally positive.** The IMF estimates that growth would remain at 4% in 2018 and 5% over the medium term, mainly driven by the positive effects of new externally funded projects, notably for the expansion of the airport, the construction and maintenance of roads and the restoration of the electric power system. The inflation would be moderate at 6% by 2018. Therefore, it is important to maintain a strict budgetary discipline, combined with structural reforms to boost the fiscal revenues, reduce tax risks (especially from EMAE) and reduce the debt burden, especially the domestic one.

**Over the past 3 years fiscal consolidation has continued,** albeit at a slower than the expected rate, in part because the Government increased the health and education expenditure to meet the urgent needs in the country, including a virus outbreak. The General Public Services receive most of the state budget, but these expenditures are not detailed in the CGE, while the Industry and Mining, Commerce and Services and Labour receive a marginal part of the budget:

<b>Public Expenditure by Occupational Classification (% of the total)</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Public Services	32%	34%	31%
National defence	3%	3%	4%
Internal Security and Public Order	3%	4%	1%
<b>Education</b>	<b>14%</b>	<b>9%</b>	<b>17%</b>
<b>Health</b>	<b>12%</b>	<b>15%</b>	<b>14%</b>
Social Security and Welfare	2%	1%	2%
Housing and Community Services	1%	2%	4%
Culture and Sport	0%	1%	1%
Fuels and Energy	14%	8%	6%
Agriculture and Fishing	5%	6%	5%
Industry and Mining	0%	0%	0%
Transport and Communications	5%	8%	5%
Commerce and Services	0%	0%	0%
Work	0%	0%	0%
Environment	1%	1%	1%
Financial Burdens	7%	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Source: CGE 2015, 2016, 2017*

**The salary costs of the Central Government are rising.** The following table shows the trends in the government's economic allocation of resources, which confirm a steady increase in the Central Government's salary costs, offset by the control of expenditure on assets and services and the fluctuations in subsidies and current transfers, while the investment expenditure remained below 40% of the total expenditure:

Actual budgetary allocations by economic classification (% of total expenditures)			
	2015	2016	2017
<b>Current expenditures</b>	<b>59%</b>	<b>66%</b>	<b>63%</b>
- Wages and salaries	23%	24%	27%
- Goods and services	11%	8%	10%
- Interest payments	2%	1%	1%
- Transfers	23%	31%	24%
- Others	1%	1%	1%
<b>Capital expenditures</b>	<b>41%</b>	<b>34%</b>	<b>37%</b>
Total	100%	100%	100%

Source: CGE 2015, 2016, 2017

## 2.3. Legal and regulatory arrangements for PFM

Since the early 1990s, Sao Tome and Principe (STP) inaugurated a democratic phase, with elections that allowed the alternation of power and a climate of respect of the human rights, according to which, the President of STP is the head of state, and the Prime Minister is the head of government.

### 2.3.1 Legal framework for PFM

The Constitution of 2003, is the fundamental act of the Democratic Republic of STP, which establishes the primary objectives of the State, establishes the responsibilities of the Government (the Executive Power) and the National Assembly (the legislature) in relation to the State Budget, which defines the responsibilities of the Public Administration in relation to the provision of public services and the payment of taxes by the citizens, and which defines the following sovereign bodies in the country:

- a) President of the Republic;
- b) National Assembly;
- c) Government; and
- d) Courts.

In STP, the **Executive Power** is exercised by the government, and the **Legislative Power** is assigned to the National Assembly, while the **Judiciary** It is independent of the executive and the legislative powers.

The legal basis of the PFM system in STP is the Law 3/2007 and Law 12/2009 on the Financial Management System of the State (SAFE Law), which establishes the general principles and rules for the

public financial management in the country. These rules apply to the entire Public Sector at central and decentralized levels for the preparation and execution of the budget, and the operation of the five subsystems of the SAFE system - namely Budget, Treasury, Public Accounting, State Assets and Internal Control.

The legal basis of the Central Government is the Law 1/2019, which establishes the structure of the XVII Constitutional Government, composed of the sectoral ministries and the entities under their supervision within the central government's budget (BCG), narrower than the general government (GC) which includes the decentralized and autonomous entities, which are part of the general state budget (GSB).

The legal basis of the decentralization is Title IX of the Constitution of the Republic where the bodies of the Regional and Local Power are foreseen. The local governments or subnational governments were established by Law 5/80 of 21 November 1980, which defines the territorial organization within the country, for political and administrative purposes, divided the country into six districts, namely: Agua Grande, Mé-Zochi, Cantagalo, Caué, Lembá and Lobata, as well as an autonomous region (Principe), with the governments of these local governments directly elected and, in the PFM area, empowered to collect local revenues and determine their budgets.

Law 16/92 and Law 10/2005 on the revision of the Local Governments Framework Law gave the local governments property and financial autonomy within the framework of administrative decentralization and de-concentration that presuppose the political will to simplify the services, combat bureaucracy and approximate services to citizens and voters and are still providing the local governments with the human resources and material and financial means necessary to fulfil their end.

The Legal Regime of the State Owned Enterprises and the Public Business Sector is approved by Decree-Law 22/2011 on the State Business Sector, composed of Public Companies and Public Corporations in which the State is the majority shareholder and Subsidiary Corporations in which the State is the minority partner.

The other public entities, (see next subsection) such as extrabudgetary entities, have individual legal basis.

The basic PFM legislation in STP can be summarized as follows:

- The fundamental law which is SAFE Law - no. 3/2007 on the State Financial Management System (SAFE) and its amendment, which is Law 12/2009 - Amendment to SAFE LAW, which cover from the operation of the PFM to all levels of the public sector, establishing the rules regarding the operation of the PFM, including the preparation, submittal, discussion, approval, amendment and execution of the budget, as well as the operation of SAFE's subsystems: Budget, Treasury, Public Accounting, State Assets and Internal Control.
- Article 25 of the SAFE law establishes that, for the approval of the General State Budget, the Assembly deliberates on the draft General State Budget, submitted by the Prime Minister, by December 15 of each year and is binding to the entire public sector;

- The Circular Letter on the execution of the General State Budget, issued by the MFCEA with the instructions for the execution of the GSB;
- Law 8/2009, the Regulation on Public Procurement and Contracting, approves the regulatory framework governing Public Procurement and Contracting;
- The Safe Law (Law 03/2007, of 12 February) and Decree no. 42/2012, of 28 December that govern the preparation, structure and content of the CGE. The law defines the scope of the CGE by applying to all sovereign bodies, regional and local governments, as well as other state institutions: National Institutes or Agencies and State Companies. The national institutes or agencies and state-owned companies governed by specific legislation regarding their financial management and accountability shall submit to the Government, in addition to the report on the activities performed and the annual balance sheet, an annual statement of the revenue received from the State, and the expenses incurred on account of those expenses.
- Decree-Law 56/2006, which defines the mission and scope of action of the General Inspectorate of Finance;
- The SAFE law and the Organic Law of the Audit Courts, which defines this body are independent of external auditing for audits of all public entities;
- The SAFE law, pursuant to Article 61 (2), which states that the TdC's Report and Opinion shall be submitted to the AN by 31 July of the year following the account concerned, which establishes the obligation to scrutinize the CGE audited by the National Assembly;
- Article 214 of the 2007 Internal Regulations of the Assembly, which establishes that the General Government Account is submitted to the National Assembly, accompanied by the Audit Courts' report, if prepared, and the other elements necessary for its consideration;
- The Local Finance Law 16/1992 and Local Governments' Framework Law 10/2005 regulate the regional and local government's financial regime and specify the basis on which they must receive annual transfers from the Central Government.

The legal framework of the internal control mechanism in STP can be found in Articles 67th to 71st of the SAFE Law, which define the subsystem of the Internal Control (IC). This comprises the central, regional and local bodies and public institutions that intervene in the processes of collection, levying and use of public resources and cover the respective rules and procedures.

It also defines the competencies of all bodies, the objects of IC on the correct use of public resources and the accuracy and reliability of the accounting data, the specific principles and rules applicable by international auditing organizations, and the survey and accountability of all responsible for public assets or values.

The evolution of the legislation and the reforms in PFM in the country, is listed below:

- 1992 - Law 16/1992 Law of Local Finances;
- 2005 - Law 10/2005 Framework Law of Local Autarchies;
- 2005 - Creation of the Finance Reform Program;
- 2006 - Creation of the Reform Steering Committee (Minister of Finance and Finance Directors) to approve reform outlines and monitor its implementation;
- 2006 - Creation of the Reform Program Steering Committee to ensure the management of the program; (one coordinator and representatives from each Directorate);
- 2007 - Approval of Law 3/2007 (SAFE Law - State Financial Management Information System);
- 2007 - Change in the structure of the Steering Committee (directors from different areas of the Ministry of Finance assisted by one or two technicians);
- 2007 - Decree Law 4/2007 - Budget Classifier;
- 2009 – Law 12/2009 - Amendment of SAFE Law;
- 2009 - Law 8/2009 - Regulations on Public Tendering and Contracting;
- 2009 - Separation of the Treasury and Assets;
- 2009 - Decree 32/2009 - Organic Law of the Treasury;
- 2009 - Creation of a Treasury Single Account - TSA;
- 2012 - Creation of the electronic system of the financial management of the State;
- 2014 - Decentralization of the budgetary management and de-concentration of the electronic financial management system of the state to the executing Management Units (initially SAFINHO and later SAFE-e);
- 2014 - Decree-Law 1/2014 - Regulation of the Public Debt Framework Law;
- 2015 - Assessment of the risk profile of the Single External Foreign Trade Counter (GUCE);
- 2017 - Decree 23/2017 - Organic of the Reform office;
- 2017 - Creation of the Public Finance Reform Office - GARFIP;
- 2017 - Study on the use of Scanners for a better modernization strategy for the control and inspection area (Port);
- 2018 - Institutional capacity for the preparation of the Medium-Term Fiscal Framework (MTFF);
- 2018 -The Sydonia World System extended to the Autonomous Region of Principe;
- 2018 - Public Expenditure Review Study in STP (WB);
- 2019 - Decentralization of SAFE-e to the Directorate of Planning, for monitoring and assessment of public investments and the implementation of the Major Options of the Plan - GOP;
- 2019 - Organic of the XVII Government Decree-Law 1/2019, including the following:
  - Study and Planning Office
  - Entities under the supervision of MPFEA,
  - Directorate of Planning of MPFEA (DP) and
  - Directorate of Decentralization and Advisory Support to Autarchies

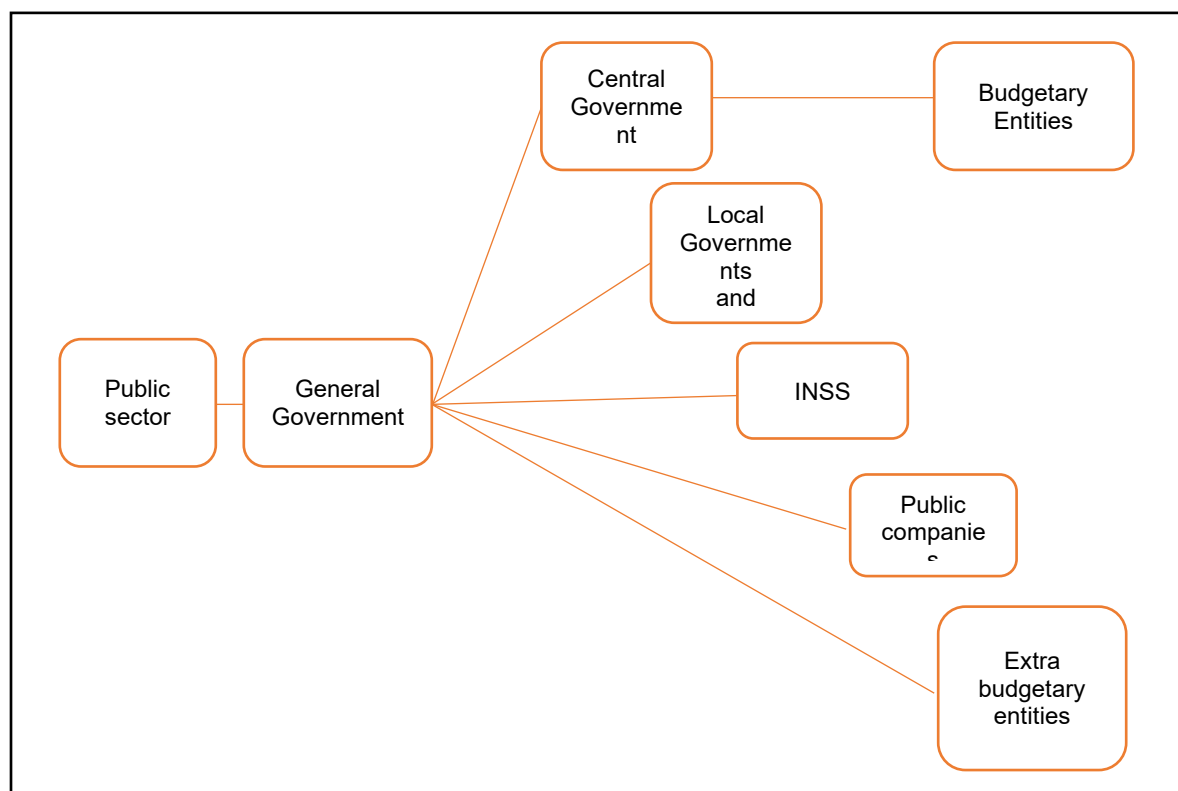
Thus, the Government's backbone in the area of **Public Financial Management (PFM)** is the Ministry of Planning, Finance and Blue Economy (MPFEA), while the Audit Court is the PFM's external oversight institution and the National Assembly is PFM's supreme external oversight institution in the country.

**The Organic Law of the XVII Government** was approved by the National Assembly by Law 1/2019, under the terms of paragraph c) of article 111th of the Constitution, and considering that the Government includes the Minister of Planning, Finance and Blue Economy.

### 2.3.2. Institutional arrangements for PFM

The public sector in STP includes the General Government, which in turn covers the Central Government (with its Budgetary Entities - sectors), the local governments, the Autonomous Region of Principe, the INSS, the public companies and the extrabudgetary entities.

**Table 2.3.3. The Public Sector in STP and its main components**



Thus, the 2019 GSB covers three types of institutions:

- The budgetary entities of the Central Government, which include the state powers (Prime Minister, National Assembly and Courts) and 12 Ministries;
- The Local Governments or subnational governments, covering the 6 municipalities and the Autonomous Region of Principe;

- The Extrabudgetary Entities, which are legally autonomous in relation to administrative, financial and patrimonial aspects. This category covers the various autonomous services, including public institutes and universities, autonomous funds and the government's regulatory agencies;
- The Public Companies.

The 16 public companies (including the Central Bank) and the INSS are part of the General Government. They are supervised by the ministerial sectors of the Central Government, but have administrative, financial and patrimonial autonomy.

The distribution of public resources is directed mostly to the Central Government, while the autonomous services, the public institutes and the subnational governments (RAP and District Councils) receive a marginal part of the GSB, as shown in the following table:

**Table 2.3.3 Designation of Selected Expenditure (General State Budget 2019)**

(in millions of Dobras)	Central Government	Transfers				Total GSB
		Autonomous Services	Public Institutes	RAP	District Councils	
Current expenditures	1.524	118	42	42	40	1.678
Investment expenditures	1.482	ND	ND	ND	ND	1.482
Total	3.006	118	42	42	40	3.160
<b>As a % of the total GSB</b>	<b>95.1%</b>	<b>3.7%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>100.0%</b>

The Central Government reserves most of the General State Budget, which finances current investment expenditures, while the transfers to the autonomous services, public institutes, RAP and District Councils are related to current expenditures. The transfers to investments are carried out in an *ad hoc manner* based on cash availability over the course of the fiscal year.

The MPFEA is headed by the Minister of the PFEA, which has established powers in the Organic of the Government and all those provided for in the related diplomas. The Directorate of Decentralization, Advisory and Support to Local Governments was transferred to the MPFEA, from the extinct Ministry of Defence and Internal Administration.

Thus, the MPFEA is the body of the Central Administration of the State whose **mission** is to propose, formulate, conduct, execute and evaluate the Government's financial policy, promoting the rational management of the public financial and patrimonial resources and the internal and external balance of the public accounts, as well as the general inspection and supervision of public finances.

Article 19 of the XVII Government's Organic establishes the organic structure of the MPFEA, with the following bodies and services:

- A) For consultation: The Advisory Board;



- B) For coordination and technical-administrative support: Office of the Minister; DAF; Legal office; Economic Studies and Policy Office (GEPE) Procurement and Coordination and Supervision Office (COSSIL); Public Finance Management Reform Office (GARFIP); Strategic Intelligence Unit for Blue Economy (UIE);
- C) For technical orientation: Directorate of Planning (DP); Directorate of the Budget (DB); Directorate of Treasury (DT); Directorate of State Assets (DPE); Directorate of Public Accounting (DCP); Directorate of Taxes (DI); Directorate-General of Customs (DGA); Financial Information Unit (FIU); Directorate of Information Technology (DITEI); Directorate of Decentralization and Advisory Support to Local Governments (DD);
- D) For taxation: General Inspectorate of Finance (IGF); Automatic Price Mechanism Office for Petroleum Products (GAMAP);
- E) Supervision: Sao Tome and Principe's Central Bank (BCSTP); National Institute of Statistics (INE); Trade and Investment Promotion Agency (TIPA); Permanent Secretariat of the Extractive Industries Transparency Initiative (EITI); Project Fiduciary and Administrative Agency (AFAP); Economic and Financial Management Support Project (PAGEF).

Furthermore, **Articles 12 and 13 of the XVII Government's Organic** established the figures of the Office of Studies and Planning, headed by an official nominated by the Minister MPFEA and the Administrative and Financial Directorate, responsible for the budgetary execution and financial management, assets' control, accounting, HR, and IT support to the various entities of the line Ministries.

### 2.3.3 Other important features of PFM and its operating environment

The institutional structure of the PFM in STP has evolved over the last few years due to the following reforms:

- Access of INE, IGF and TdC to SAFE-e reports;
- Implementation of the accountability procedure;
- Automation of the budget implementation reporting process;
- Creation of the website of the Ministry of Finance where relevant information is uploaded;
- Creation of Public Private Partnerships;
- Creation of the Directorate of Public Accounting;
- Creation of the Directorate of Information Technology;
- Creation of the Financial Information Unit - money laundering;
- In-depth diagnostic study on the current status of SAFE-e and Improvement Plan;
- Implementation of the study on the impact of public investment;
- Tax audit manual prepared.

### 3. Assessment of PFM performance

#### Pillar I: Budget reliability

##### PI-1: Aggregate expenditure outturn

Indicator / Dimension	Points	Rationale for the Score
<b>PI-1 Aggregate expenditure outturn</b>	<b>D</b>	<b>The budget implementation rate for 2 of the 3 years analysed, 2016 and 2018, is below 85%, standing at 76.2% and 67.8%.</b>
1.1. Aggregate expenditure outturn	D	In all three years analysed, the budget implementation rate was always lower than the initial forecasts and, in 2 of these three years, 2016 and 2018 the execution rate was below 85%, standing at 76.2 % and 67.8% respectively.

This indicator assesses the extent to which the aggregate expenditure outturn of the Budgetary Central Government (BCG) reflects the amount originally approved as defined in the budget documentation and in the government's fiscal reports. It is valued, in the case of Sao Tome and Principe, on a cash basis. The data are from the 2016 State Account (SA), the 2017 SA and the Budget implementation report for the fourth quarter of 2018, which pictures the preliminary performance of the State Budget considering that the execution of the budget, is not yet finalized. There is a dimension to this indicator.

##### *Dimension 1.1. Aggregate expenditure outturn*

The total expenses include the foreseen expenses, and those incurred as a result of exceptional events. Expenditures financed externally by loans or donations that are budgeted must be included together with contingency reserves(s) and the interest on the debt.

In STP, during the last 3 years, the budget reliability is low, impacted by the deviation from the initial budget approved by the National Assembly and the achieved budget, as demonstrated in the following table.

<b>Table 1: Budget and Budget Execution (millions of dobras)</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Original budget	3,544,232	3,058,277	3,162,381
Actual expenditure outturns	2,630,571	2,605,180	2,141,854
% deviation	74.2%	85.2%	67.7%

*Source: General Account of the State of 2016 and 2017 (PDD), implementation report for the fourth quarter of 2018 (PDD)*

In the table above, the expenditure incurred includes current and investment expenditures, as well as the payment of interest, transfers to the District Councils and the Regional Government of Principe and expenses financed by donations and external loans, but does not include the amortization or the retrocession of loans. As a result of this, there is a difference between the actual expenditure (shown in the

table above) and the actual revenue, as it is shown in the table of revenue execution in the PI-3.1 dimension below.

The execution rate of the budgets of 2016, 2017 and 2018, stood at 74.2%, 85.2% and 67.7%, respectively. Thus, in 2 of the 3 years analysed (2016 and 2018), the budget implementation was lower than 85%.

In 2018, the level of the budget implementation was strongly affected by the low level of disbursement of donations, which stood at 43%,

In 2017 and 2016, the budget implementation was also impacted by the low execution of donations, averaging 82%. In 2017, this was further restrained by the level of transfers and personnel expenses, in line with a lower level of revenue realization.

Thus, during this period, the current and investment expenditures were impacted by the low mobilization both of domestic resources, including from privatization resources that showed no inflows, and the moderate inflow of external financing.

**Considering that in all 3 years analysed the budget implementation rate was always lower than the initially forecast and Considering that in 2 of these 3 years 2016 and 2018, the budget implementation rate was below 85% standing at 74.2% and 67.7% respectively, dimension 1.1 is rated "D".**

#### Ongoing and planned reforms

The African Development Bank is supporting the operationalization of a Macro-Fiscal Unit which aims to improve the expenditure and revenue forecasts to make the budget preparation process more credible.

## PI-2: Expenditure composition outturn

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-2 Expenditure composition outturn</b>	<b>C</b>	<b>The variance in the expenditure composition, based on the administrative and economic classification has always been above 15% and there is no any contingency budget line in anyone of the 3 budgetary years.</b>
2.1. Expenditure composition outturn by function	D	The variance in the expenditure composition, based on the organic / administrative classification, in 2016, 2017 and 2018 was never less than 15%.
2.2. Expenditure composition outturn by economic type	D	The variance in expenditure composition by economic classification, in the 2016, 2017 and 2018 budget years was always above 15%.
2.3. Expenditure from contingency reserves	A	There is no any contingency line allocated in the 2016, 2017 and 2018 budget years.

This indicator measures the extent to which reallocations between the main budget categories of the Budgetary Central Government (BCG) during the execution of the budget, contributed to the variance in

expenditure composition. This indicator contains three dimensions. It is valued, in the case of Sao Tome and Principe, on a cash basis. The data are from the 2016 CGE, the 2017 CGE and the Budget implementation report for the fourth quarter of 2018, which corresponds to the execution of the BCG (the 2018 CGE, which corresponds to the execution of the GSB, is not yet finalized).

### **Dimension 2.1. Expenditure composition outturn by function**

This dimension measures the difference between the originally approved budget and the expenditure composition outturn by administrative rating over the past three years, excluding the contingency items, debt interest and subnational government outturn, included in the CGEs and in the REO (excluding 2018's). Other expenditures should be included—for example, expenditures incurred as a result of exceptional events such as armed conflict or natural disasters, expenditures financed by windfall revenues including privatization, central government subsidies, transfers, and donor funds reported in the budget.

**Table 1 - variance in the expenditure composition outturn by expenditure categories**

Exercise	Variance in the composition
2016	22.8%
2017	26.7%
2018	40.7%

Source: 2016 and 2017 General Government Account (PDD) and Fourth Quarter 2018 Budget implementation report (PDD)

The breakdown of the expenditure composition in the period from 2016 to 2018 was in the range of 22.8% and 40.7%, with an intermediate value of 26.7% in 2017. Thus, in this period, the composition had a very high variance, the explanation of which is found in the high variations in the level of execution of the MECC and MIRNA expenditures.

**Considering that the variance in the composition of expenditure per administrative classification was always higher than 15% in the budgetary years 2016, 2017 and 2018, dimension 2.1 is rated “D”.**

### **Dimension 2.2. Expenditure composition outturn by economic type**

This dimension measures the difference between the originally approved budget, and the expenditure composition outturn by economic rating over the past three years, including interest on debt, but excluding the contingency items and the subnational government outturns, which are included in the CGEs and REO.

**Table 2 - variance in the expenditure composition outturn by economic classification**

Exercise	Variance in the composition
2016	28.9%
2017	24.0%
2018	32.9%

Source: 2016 and 2017 General Government Account (PDD) and Fourth Quarter 2018 Budget implementation report (PDD)

During the 3 budget years under review, the variance in the expenditure composition outturn by economic nature was high, standing at 28.9% in 2016, 24% in 2017 and 32.9% in 2018. The most important factors of this variance in 2016 and 2017 were the fixed capital consumption and the donations, and for the 2018

budget year, the key factor was, in addition to donations, the remuneration of employees, which had an execution higher than the budgeted.

**Considering that the variances in the expenditure composition outturn, by economic classification, in 2016, 2017 and 2018 were always above 15%, dimension 2.2 is rated D.**

### **Dimension 2.3 Expenditure from contingency reserves**

This dimension measures the average amount of expenditure actually charged to a contingency vote over the last three years.

Although the different budgetary laws of 2016, 2017 and 2018 made reference in the budgetary law of 2018 and 2017, in Paragraph b, of no. 1 of Article 16 “...inscriptions or reinforcements of funds, with a counterpart in provisional appropriation entered in the General Burdens of the State (EGE)” or in Budgetary Law 2016, Article 20 “... contingency reserves equivalent to (1%) one percent of the total estimated current revenues” in fact, there is no contingency vote, which is considered an unallocated amount in the budget to cover additional expenditure during the execution, in any of these budgets. There is in each budget year, a line under the heading 'budgetary reserve' which is, nevertheless, allocated to predetermined economic headings.

Therefore, it is considered that there is no contingency allocation, as can be seen from the following table:

Exercise	Contingency Allocation
2016	0.0%
2017	
2018	

**Considering that there is no any contingencies allocated in any of the years under review, the score assigned to this dimension is “A”.**

### **Ongoing and planned reforms**

See PI-1.

## **PI-3: Revenue outturn**

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-3 Revenue outturn</b>	<b>D</b>	<b>The revenue collection rate for the last 3 years was below the 86%. Over the same period, there was a variance in revenue composition of over 21%. These figures derive from lower than expected execution of donations, offset by an over-collection of non-tax revenues.</b>
3.1. Aggregate revenue outturn	D	The revenue collection rate was of 85.8% in 2016, 85.3% in 2017 and 68.5% in 2018, below the lower threshold of the 92% to 116% range.

3.2. Revenue composition outturn	D	The variance in composition of the revenues was of 32.1%, 22.7%, and 49.3% in 2016, 2017 and 2018, respectively, thus exceeding 15% in all three years.
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This indicator measures the variance between the actual revenues and the budgeted revenue. This assessment includes domestic revenues (tax and non-tax) as well as donations from the country's development partners, excluding external loans. This indicator is valued, in the case of Sao Tome and Principe, on a cash basis. The data come from CGE 2016, CGE 2017, TOFE 2018 and the Fourth Quarter 2018 REO (showing different data from 2018 TOFE).

Institutional framework for revenue forecasting:

The responsibility for forecasting the revenue is distributed between the Directorate-General of Customs for taxes and duties, the Directorate of Taxes for other taxes and fees, the Directorate of Planning for donations and the Ministries for the fees charged by Customs for the provision of services.

Revenue Forecasting Methodology:

Revenue forecasting is not based on a strong Medium-Term Fiscal Framework. It is made using the **trend's** behaviour of the different components of the revenues, which in turn are adjusted considering the GDP growth rate, the forecast inflation rate for the following year and the forecast of oil price development in the international market, for the case of tax over petroleum products. In addition, the expected impacts of any policy measure impacting the tax base and / or tax rates are added.

### **Dimension 3.1. Aggregate revenue outturn**

This dimension assesses the extent to which actual revenues, taxes, social contributions, donations and other revenues deviate from the originally approved budget for 2016, 2017, and 2018, as shown in Table 1.

**Table 3.3. % of the Revenue execution for 2016, 2017 and 2018**

Type of revenue	2016		2017		2018	
	Budget	Achieved	Budget	Achieved	Budget	Achieved
Tax Revenue	1,170,400	979,313	1,235,863	1,040,301	1,253,355	1,099,411
Contributions to Social Security	0	0	0	0	0	0
Donations	1,348,948	1,092,759	1,328,276	1,102,958	1,669,060	715,510
Other revenues	105,825	181,068	112,373	139,288	113,236	265,896
<b>Total revenue</b>	<b>2,625,173</b>	<b>2,253,140</b>	<b>2,676,512</b>	<b>2,282,547</b>	<b>3,035,651</b>	<b>2,080,816</b>
<b>% of execution</b>	<b>85.8%</b>		<b>85.3%</b>		<b>68.5%</b>	

*Source: 2016 and 2017 General Government Account (PDD) and Fourth Quarter 2018 Budget implementation report (PDD)*

In this period, actual revenues accounted for 85.8% of the budgeted revenues for 2016, 85.3% for 2017 and 68.5% for budget year 2018.

Calculating the execution rates, excluding donations representing on average 52% of the budgeted revenues, there is an improvement in the revenue implementation rate to 90.9% in 2016, 87.5% in 2017 and 99, 9% in 2018, and for this rate, the contribution of the signing bonus of oil blocks 10 and 13, in the amount of USD 10 million, was greatly contributed.

Thus, as explained by the authorities, the amounts budgeted for donations are optimistic (average execution rate of 82% in 2016/17 and 43% for 2018) and include figures for which, to now, the disbursement is not confirmed for the economic year.

On the other hand, the execution of Tax Revenue has been between 84% and 88%, a level which has contributed, in 2016 and 2017, the execution under the budgeted foreign trade taxes has been contributing, as well as, for 2016, the income tax, profit and capital profit and gains over tax. In 2018, the execution of Tax Revenue was negatively impacted by the tax execution rate on income, profit and capital gains tax, which did not reach 60%.

**Considering that the revenue implementation rates, compared to the budgeted ones are below 92% in all 3 years analysed, dimension 3.1 is rated “D”.**

### *Dimension 3.2. Revenue composition outturn*

This dimension measures the variance in the revenue composition during the last three years. The actual revenues by category are compared to the originally approved budget using level three (3 digits) of GFS 2014 or a classification that enables consistent documentation to be produced according to comparable hierarchical levels and coverage. This includes the breakdown by main revenue types,

The data of the approved budget and the budget implementation for 2016, 2017 and 2018 have a sufficient breakdown for conducting the analysis as determined by the methodology.

Exercise	Composition of the variance
2018	49.3%
2017	22.7%
2016	32.1%

Thus, the variance in revenue composition is 32.1% in 2016, 22.7% in 2017 and 49.3% in 2018.

**Considering that the variance in revenue composition over 3 of the 3 years analysed is over 15%, to dimension 3.2 is given a score of “D”.**

## Pillar II. Transparency of public finances

### PI-4: Budget Classification

Indicator / Dimension	Points	Rationale for the Score
<b>PI-4 Budget Classification</b>	<b>C</b>	<b>Although the budget classifiers draw on the 1986 GFS handbook and the COFOG, the budget classification is not systematic, generalized or complete.</b>
4.1. Budget Classification	C	The budgeting and the execution of the budget for 2018 as well as the 2017 CGE is based on economic and functional classifiers that do not fully adhere to international standards as defined in the 2014 GFS handbook and in COFOG and the quarterly implementation reports do not use these classifiers in a complete manner.

This indicator assesses to what extent the government budget and account classification are consistent with the international standards, notably the 2014 Public Financial Statistics (GFS)<sup>1</sup> and the United Nations Classification of the functions of government (COFOG)<sup>2</sup>.

A sound classification system facilitates the linking of budget appropriations to the policies they are intended to embody, the recording of expenditure and monitoring transactions at a micro level, accompanying them at formulation, implementation and *reporting* levels of the budget. Thus, a robust classifier is critical to support the aggregate fiscal discipline, the resource allocation to strategic priorities, and an efficient service provision.

#### *Dimension 4.1. Budget classification*

The budget classifier used by the Government of Sao Tome and Principe (GSTP), approved by Decree no. 4/2007, supports the submittal of the budget, its implementation and reporting based on the following classifications:

- Organic - which, with 2 levels of classification, comprises the Ministries or Bodies and their respective budgetary units, and is composed of a 5 (five) digit code.
- Functional - which, with 2 levels of classification, integrates functions and sub-functions, aiming to identify the purpose and / or end of the expense. It serves as an aggregator of public spending by governmental action area and is composed of a four (4) digit code.
- Economic - which identifies the types of expenditures and revenues according to the economic process involved:

<sup>1</sup> <https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf>

<sup>2</sup> <https://unstats.un.org/unsd/publications/catalogue?selectID=145>



- Expenses - This classifier, with 3 classification levels, structured around a code of up to 6 (six) digits, comprises two categories: i) Current Expenses and ii) Capital Expenses, which in turn are subdivided into “group of nature of expenditure” and then “expense element”;
- Revenue - the classifier comprises two categories i) Current Revenue and ii) Capital Revenue (although this category is not explicitly mentioned in the body of Decree 4/2007, but only in one of its annexes - table 9 “economic nature of the revenue”). Equally, it should be noted that there are particular headings in the revenue classifier which provide information on budgeting and revenue collection for royalties and oil exploration bonuses.
- Programmatic - identifies the purpose of the government’s action aiming to achieve the strategic objectives defined in the Government Plan. The classifier is structured into Finalist Programs and Public Policy Management Programs, which are identified by a 3 (three) digit code.
- Per Source of Funds - allows the identification of revenue per origin and destination, being categorized under i) Ordinary Treasury Revenue; ii) Particular Revenues; iii) Income from Donations and iv) Income from Financing.
- Chart of accounts for SAFE’s accrual accounting - the SAFE Law, in Section II of Chapter III, establishes the use of accrual accounting, which has an associated Accounting Plan, structured in 8 (eight) classes, which is contained in the Public Accounting Manual applied to SAFE of July 2011.

These classifiers, except for those relating to accrual-based accounting, were systematically used in the preparation, implementation of the 2018 budget and the in the submittal of the 2017 General Government Account (CGE)<sup>3</sup>, and the programmatic is presented as if it were the 3rd level of the functional classification. The asset classifier is only used for budget implementation and the submittal of the CGE.

Analysing these classifiers, with respect to international standards, we have the following evaluation relating to the GSB and CGE, regarding the generation of documentation comparable to these standards:

- economic classifier - broadly adheres to the standards of the 1986 GFS manual, with adaptations but without an equivalence table for international standards;
- functional classifier - generally adheres to COFOG standards, but only up to levels 1 and 2 - function and sub-function but without an equivalence table for international standards;
- Programmatic classifier - although there is no standard for the programmatic classifier, this can, in principle, be a suitable substitute for the level 3 functional classifier. However, it has not been used in this way in covering realities that are embodied in effects as well as in products.

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<sup>3</sup> At the time of the assessment, only the preliminary version of the 2017 CGE was available.

In regard to quarterly implementation reports, they do not fully utilize the GFS / COFOG classifiers as they have the following limitations on classifications, which allow / disallow the generation of documentation comparable to these standards:

- Economic - only the 2nd classification level is used - expenditure nature group;
- Functional - information is submitted only with the 1st level - function;
- Programmatic - this one is not submitted.

**Considering that the budget formulation and execution in 2018 as well as in the 2017 CGE is based on economic and functional classifiers that do not fully adhere to the standards defined in the 2014 GFS handbook and COFOG, and the quarterly implementation reports do not use these classifiers in a complete manner, dimension 4.1 is rated “C”.**

#### Ongoing and planned reforms

The Government, with technical support from the International Monetary Fund, initiated the transition process from the different classifiers to the standards established in the 2014 GFS handbook, from 2018 to 2022.

## PI-5: Budget documentation

Indicator / Dimension	Points	Rationale for the Score
PI-5 Budget documentation	D	The OGE information included in the budget proposal submitted to the Assembly is limited and not comprehensive. Thus, only 1 of the 4 basic fiscal information elements and 2 of the 8 additional fiscal elements are submitted.
5.1. Budget documentation	D	In the latest General State Budget proposal submitted to the Assembly, the budget documentation presents only 1 of the 4 basic elements of fiscal information (fiscal deficit forecast) and 2 of the 8 additional elements (deficit financing and debt stock) of the PEFA methodology.

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation against a specific list of basic and additional elements defined by the PEFA methodology. The set of documents provided by the executive power should provide a complete overview of Budgetary Central Government forecasts of the 2019 budget proposal.

In STP, the contents that must be included in the budget proposal to be submitted to the National Assembly are defined in the scope of SAFE Law in paragraph 3 of Article 23, namely:

1. The proposed Budgetary Law and its respective maps.
2. The Major Options of the Plan / The Government's Economic and Social Plan;
3. The preliminary report on the execution of the current General State Budget;
4. The rationale for forecasting tax revenues and setting expenditure limits;
5. The demonstration of the overall financing of the General State Budget with a breakdown of the main sources of funds;

6. The list of all bodies and institutions; and
7. The proposed budgets from all bodies with administrative and financial autonomy and the state companies.

### *Dimension 5.1. Budget documentation*

The assessment is made by checking whether or not the budget proposal contains 4 (four) basic elements of tax information, absolutely necessary for the legislature to be able to pronounce itself, and 8 (eight) additional elements that are considered as good practice, according to the following tables:

Basic Elements	
Element	Available? Yes / No
<b>1. Forecast of fiscal deficit or surplus or accrual operating results for the year.</b>	<b>Yes.</b> The 2019 budget documentation includes, in Chapter V of the 2019 budget proposal, the forecast of the fiscal deficit.
<b>2. Previous year's budget outturn, presented in the same format as the budget proposal.</b>	<b>No.</b> Only the implementation of the previous year's revenue, 2017, is presented in the same format as the budget proposal. The execution of the expenditure at the level of economic classification is presented at the level of large aggregates, and for functional / programmatic and institutional / administrative classification, these are not submitted.
<b>3. Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.</b>	<b>No.</b> Although the implementation of the budget revenue for the current year, 2018, together with an aggregated description of its implementation, the same cannot be said for the expenditure. For these, the classification by economic category is presented at the aggregate level, without the corresponding functional and administrative/organic classifications.
<b>4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates. (Budget classification is covered in PI-4.)</b>	<b>No.</b> The 2019 budget proposal and the 2018 and 2017 budget implementation results contain expenditure and revenue data according to the main categories of the classifications. However, for the current year and the previous year's budget, no detailed breakdown of revenue and expenditure is submitted.

Additional Elements	
Element	Available? Yes / No
<b>5. Deficit financing, describing its anticipated composition</b>	<b>Yes.</b> The 2019 Budget proposal document includes a description of deficit financing and its expected composition between internal and external financing.
<b>6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.</b>	<b>No.</b> No. The macroeconomic assumptions in Chapter II.3 of the 2019 budget proposal include only estimates of GDP growth, of the inflation rate and annual average exchange rate for the US dollar. The assumptions about both domestic and external interest rate estimates are not presented, there is only a note on the Central Bank reference rate.

Additional Elements	
Element	Available? Yes / No
<b>7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.</b>	<b>Yes.</b> The proposed budget for 2019 includes in Chapter III - Table 4, details of the stock of domestic and foreign debts, broken down by type of creditors.
<b>8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.</b>	<b>No.</b> The 2019 proposal does not include a description of the financial assets.
<b>9. Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.</b>	<b>No.</b> There is no description of tax risks.
<b>10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.</b>	<b>No.</b> Explanations of the budget implications, of new policy initiatives, as defined in the document that approves the 2019 Major Options of the Plan, and of new public investments are not included in the budget proposal.
<b>11. Documentation on the medium-term fiscal forecasts.</b>	<b>No.</b> The budget proposal does not contain a medium-term projection for the revenue, expenditure or fiscal balance.
<b>12. Quantification of tax expenditures.</b>	<b>No.</b> The tax expenditures - exemptions, deductions and or tax credits - are not quantified in the budget proposal.

Considering that only 1 (one) basic fiscal information element and 2 (two) of the additional elements are presented in the budget proposals, the score assigned to the single dimension 5.1 is “D.”

## PI-6: Central government operations outside financial reports

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-6. Central government operations outside financial reports</b>	<b>D</b>	<b>The extent of the government expenditure and revenue not accounted for in the central government's financial reports cannot be established, while some reports submitted to the government are received later than nine months after the end of the fiscal year.</b>
6.1. Expenses outside financial reports	D*	Financial information on extrabudgetary expenditure of extrabudgetary and budgetary entities is not complete to assess the magnitude of expenditure incurred by budgetary and extrabudgetary units compared to total GSB revenue, which is not reported in the government's financial reports.
6.2. Revenue outside financial reports	D*	The financial information on extrabudgetary revenues of extrabudgetary and budgetary entities is not complete in order to assess the magnitude of the revenue achieved, compared to the total of the GSB revenues, which are not reported in the government's financial reports.
6.3. Financial reports of extrabudgetary units	D	The few reports delivered are mostly submitted to the government later than nine months after the end of the fiscal year.

This indicator assesses the extent to which the government's revenues and expenditures are reported outside the central government's financial reports, such as the CGE, or in other reports *ex-post* of budgetary and extrabudgetary units.

In order for the government to have a complete view of state revenues and expenditures across all categories, financial implementation reports are required, covering all central government's budgetary and extrabudgetary activities. This would be the case if (i) the expenditures and revenues of extrabudgetary units and (ii) the expenditures and revenues of budgetary units related to extrabudgetary activities are insignificant or (iii) such revenues and expenses are included in the central government's financial reports.

According to the IMF GFS-COFOG 2014 Handbook, the entities whose own budgets are not fully covered by the main budget are considered as extra-budgetary. Thus, as an extrabudgetary one is considered an economic entity capable in its own right of owning assets, incur in liabilities, and engage in economic activities and transactions with other entities.

Social Security Funds they can be classified according to the level of government they organize and manage. In STP, it is the National Institute of Social Security (INSS) whose fundamental mission is to manage the social security contributory scheme. The INSS is an institution governed by public law, endowed with its own legal personality and capacity and with financial and patrimonial administrative autonomy, pursuant to Decree-Law 39/94, whose fundamental task is the management of the social security contributory scheme. Other laws governing its operation are Law 1/90 and Law 7/2004 (Social Protection Framework Law). The Institute is under the Ministry of Labour, but has full autonomy, receives no resources from the General State Budget and can be considered as a separate extrabudgetary entity, not part of the Central Government, but of the General Government, at the same level as the subnational governments.

The most-recent financial information on revenue and expenditure by the INSS is reported in the financial statements for the year 2016. The INSS is facing difficulties in preparing financial reports due to the high employee turnover, also related to a change in the government. According to the information provided during the PEFA assessment, the institution's last audited financial report was the year 2014 report, while the last financial report prepared and approved by the Board of Directors was in 2016. Neither report was submitted by the directorate to PEFA experts during the assessment.

STP's Central Bank (BCSTP). The BCSTP is under MPFEA supervision, but has full autonomy, is not funded by the State Budget and according to GFS-COFOG 2014; it is correctly considered as a public company and as such, is evaluated in the context of PI-10.

Donations and other external financing. The revenues and expenses related to external financing are included in the state budget. No information was received on extrabudgetary revenue and expenditure.

### **Dimension 6.1. Expenses outside financial reports**

This dimension assesses the level of expenditure incurred by budgetary and extrabudgetary units (including INSS social security funds), not reported in central government's financial reports. Such expenditures may be those related to expenses financed by charges and fees that have been collected and retained by budgetary and extrabudgetary units, outside the budget approved by the Assembly, as well as project-related expenses, financed from external resources, not reflected in the central government's financial reports.

In STP, non-budget entities receive no transfers of resources from the central government, are not accountable and are not included in the CGE. At the time of the assessment, the financial reports and the information were not available for the year ended 2018. Therefore, the financial information provided is mostly for fiscal year 2017 (except for INSS with year 2016 information not provided).

The revenue and expenditure of identified extrabudgetary units as well as operations of budgetary units outside the central government's financial reports are presented in Table 6.1 below.

**Table 6.1 Revenue and expenditure outside financial reports**

Entity	Type of revenue not accounted for in CGE	Estimated Revenue (Million Dobras)	Type of expenditure not accounted for in CGE	Estimated value of the expenditure (millions of Dobras)	Evidence / Reports
<b>Extrabudgetary entities</b>					
Telecom Regulatory Agency		N/D		N/D	
National Petroleum Agency (ANP-STP)		N/D		N/D	
Directorate of Forestry		N/D		N/D	
Institute of Housing and Real Estate (IHI)		N/D		2,712.50	PDD / financial reports
Institute of Innovation and Knowledge (INIC)				2,392.94	PDD / financial reports

Maritime and Port Institute - STP (IMAP)				4,805.80	PDD / financial reports
National Institute of Statistics					
Institute of National Roads (INAE)		N/D		10,907.09	
National Institute of Meteorology (INM)		N/D		N/D	
<b>National Institute of Social Security (INSS)</b>		N/D		N/D	
National Institute for Gender Equality (INPG)				191.88	PDD / financial reports
Laboratory of Civil Engineering (LECSTP)		N/D		N/D	
National Radio		N/D		N/D	
Santomense TV		N/D		N/D	
Transport Planning and Tracking Unit (UPST)		N/D		N/D	
University of Sao Tome and Principe (USTP)				4,011.70	PDD / financial reports
<b>Operations of budgetary entities not accounted for in CGE (Autonomous Services and Funds)</b>					
Trade and Investment Promotion Agency (TIPA)		N/D		N/D	
National Petroleum Agency		N/D		7,923.90	PDD / financial reports
Health Areas		N/D		N/D	
Agricultural and Technological Research Centre (CIAT)		N/D		N/D	
Agricultural and Technological Research Centre (CIAT)		N/D		N/D	
Reprography Centre		N/D		N/D	
Sao Tome Hospital Centre		N/D		N/D	
Directorate of Culture		N/D		N/D	
Directorate of Fisheries		N/D		N/D	
Directorate of Transport		N/D		N/D	
Industry Fund		N/D		N/D	
Tourism Fund		N/D		6,907.80	PDD / financial reports
Road Fund		N/D		2,405.60	PDD / financial reports
Civil Aviation Institute		N/D		N/D	
Institute of Housing and Real Estate (IHI)		N/D		N/D	
National Institute of Statistics		N/D		N/D	
Polytechnic Higher Institute		N/D		N/D	
Education Sectors		N/D		N/D	
Registry and Notary Service		N/D		17,047.70	PDD / financial reports
Immigration and Border Service		N/D		N/D	
Judicial Courts		N/D		N/D	
Constitutional Court		N/D		N/D	
<b>Total</b>				<b>59,306.91</b>	

The Government of STP has no mechanism for monitoring extrabudgetary entities or extrabudgetary expenditure of budgetary entities. Table 6.1 above was prepared with random information provided by various government entities including the Directorate of Treasury and the Ministry of Infrastructure. The TdC and the National Assembly also do not have mechanisms for monitoring extrabudgetary revenues and expenses.

Thus, the information on extrabudgetary expenditure of extrabudgetary and budgetary entities is incomplete.

**Considering that the financial information on extrabudgetary expenses of extrabudgetary and budgetary entities is not complete in order to assess the magnitude of the revenue collected by the budgetary and extrabudgetary units compared to the total expenses of the General State Budget, which are not reported in the government's financial reports, dimension 6.1 is given the score "D\*\*".**

#### ***Dimension 6.2. Revenue outside financial reports***

This dimension assesses the level of the revenue achieved by budgetary and extrabudgetary units (including INSS social security funds), not reported in the central government's financial statements. As in the case of expenditure in PI-6.1, revenues may also be related to taxes and fees that have been collected and retained by budgetary and extrabudgetary units outside the Assembly-approved General State Budget, as well as revenue related to investment projects funded with external resources, not reflected in the central government's financial reports.

Thus, the information on extrabudgetary revenue from extrabudgetary and budgetary entities, presented in Table 6.1 above, is also incomplete and not available, as is not monitored by the Government.

**Considering that the financial information on extrabudgetary revenues of extrabudgetary and budgetary entities is not complete in order to assess the magnitude of the revenue achieved by the budgetary and extrabudgetary units compared to the total revenue of the General State Budget, which are not reported in the government's financial reports, dimension 6.2 is given the score D\*.**

#### ***Dimension 6.3 Financial reports of extrabudgetary units***

This dimension assesses the extent to which *ex-post* financial reports from extrabudgetary units are provided to the central government.

In accordance with Article 60 of the SAFE Law (Law 3/2007) on the account of autonomous bodies and Institutions, the Government must present, as an appendix to the CGE, the balance sheet of regional and local governments and public institutions, which do not integrate the electronic SAFE and the statement of expenses incurred and their balances in relation to resources transferred from the General State Budget. The form and deadline for delivery of information should be regulated by the Minister who oversees the Finance area. However, no regulation on the rendering of accounts of these entities was presented. Due



to lack of provision, it does not regulate the rendering of accounts and financial reports of autonomous entities, nor the internal revenues and expenses with internal resources.

In STP, there are at least 16 extrabudgetary entities and 22 budgetary entities with the possibility of collecting their own revenues. According to the PEFA methodology, within this dimension only the financial reports of extrabudgetary entities are considered.

The annual financial reports of the extrabudgetary entities should be presented in a timely manner (by April 30 of the next fiscal year), providing complete information and consistent with the central government's financial reporting requirements as described in indicator PI-30. Therefore, the information should include details of actual revenues and expenses, assets and liabilities, as well as long-term guarantees and obligations. The submittal of the financial reports of budgetary units for audit is assessed in indicator PI-29.

In STP, there are several entities monitoring extrabudgetary entities, such as the Ministry of Infrastructure, a team from the Treasury and the TdC. These entities receive financial reports or submissions of accounts from extrabudgetary entities. However, these reports are not systematically received or archived. Of the 16 entities identified, only 6 reports were submitted to the PEFA team by the Ministry of Infrastructure.

In addition, the financial information presented in the financial reports of these entities is generally not complete and does not comply with the minimum public accounting standards or IFRS international standards. The information presented generally covers revenues and expenses, liabilities and assets, but without equity details nor information about guarantees and long-term obligations.

The only financial reports found were some reports from public companies under the Ministry of Infrastructure. The additional information was delivered in an Excel file by the DC, compiled based on the submission of accounts of extrabudgetary entities. The limited monitoring of these entities was the result of the high turnover of the team and the lack of specific instructions on the methodology to be followed by the teams. Table 6.2 below shows the extrabudgetary entities identified with the reports and / or financial information delivered to the General Government.

Table 6.2 below shows the extrabudgetary entities identified with the reports and / or financial information delivered to the General Government.

**Table 6.2: Financial Reports of Extrabudgetary Units**

Entity	Fiscal year	Date of preparation of the financial reports	Date of delivery of the financial reports to PDD	Contents of the financial reports			Expenditure / Total Expenditure (%)	Expenditure (millions of dobras)
				Revenue and Expenditure per	Financial and non-Financial Assets and	LP Guarantees and Obligations		

				economic category	Liabilities			
<b>Autonomous Services</b>								
National Petroleum Agency	2017	N/D	6/5/2018	No	No	No	<b>13.4%</b>	7,923.90
National Institute for Gender Equality (INPG)	2017	N/D	2/9/2018	No	No	No	<b>0.3%</b>	191.88
National Institute of Social Security (INSS)		N/D						N/D
Institute of Innovation and Knowledge (INIC)	2017	N/D	3/20/2018	Yes	Yes	No	<b>4.0%</b>	2,392.94
National Institute of Statistics	N/D							N/D
Institute of National Roads (INAE)	2017	N/D	12/28/2018	Yes	Yes	No	<b>18.4%</b>	10,907.09
Maritime and Port Institute - STP (IMAP)	2017	N/D	11/28/2018	Yes	Yes	No	<b>8.1%</b>	4,805.80
Institute of Housing and Real Estate (IHI)	2017	N/D	1/25/2018	Yes	Yes	No	<b>4.6%</b>	2,712.50
University of Sao Tome and Principe (USTP)	2017	N/D	11/2/2018	Yes	Yes	No	<b>6.8%</b>	4,011.70
<b>Autonomous Funds</b>								
Agricultural and Technological Research Centre (CIAT)	N/D							N/D
Sao Tome Hospital Centre	N/D							N/D
Industry Fund	N/D							N/D
Tourism Fund	2017	N/D	4/9/2019	Yes	Yes	No	<b>11.6%</b>	6,907.80
Road Fund	2017	N/D	9/20/2018	Yes	Yes	No	<b>4.1%</b>	2,405.60
Registry and Notary Service	2017	N/D	12/3/2018	Yes	Yes	No	<b>28.7%</b>	17,047.70
<b>Other Entities</b>								
Telecom Regulatory Agency	N/D							N/D
National Petroleum Agency (ANP-STP)	N/D							N/D
Directorate of Forestry	N/D							N/D
Institute of Housing and Real Estate (IHI)	N/D							N/D
Institute of National Roads (INAE)	N/D							N/D
National Institute of Meteorology (INM)	N/D							N/D
National Institute of Social Security (INSS)	N/D							N/D
Laboratory of Civil Engineering (LECSTP)	N/D							N/D
National Radio	N/D							N/D
Santomense TV	N/D							N/D
Transport Planning and Tracking Unit (UPST)	N/D							N/D
<b>Total</b>							<b>100%</b>	<b>59,306.91</b>

The monitoring of the extrabudgetary entities is not systematic and the information about the financial reports of these entities is not organized. Finally, there is no entity with information relevant and consolidated with the extrabudgetary entities in a report and submitted to the government annually.

Thus, the financial reports of extrabudgetary entities are limited in some autonomous service entities and autonomous funds. The few reports delivered are mostly submitted to the government within nine (9) months after the end of the fiscal year.

**Considering that the few reports submitted are submitted to the government generally later than nine months after the end of the fiscal year, dimension 6.3 is rated “D.”**

## PI-7: Transfers to subnational governments

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-7. Transfers to subnational governments</b>	<b>D+</b>	<b>The existing rules for transfer are transparent, but are not used, while the information about transfers to subnational governments is determined by a non-formalized and a unstable schedule for the elaboration of the central government's annual budget, which generally provides some information about the transfers, early in the budget cycle, but it is not covering the investments.</b>
7.1 System for allocating transfers	D	Transparent rules exist for the allocation of transfers from the central government to subnational governments, but most allocations are based on practices using the values of previous years, adjusted considering some revenue forecasts.
7.2. Timeliness of information on transfers	C	The process by which the subnational governments receive information on their annual transfers is managed within the central government's budgetary calendar, which is not generally respected, provides clear and sufficiently detailed information, but only for the current expenditure (excluding expenditure for investments), allowing subnational governments to have 4 weeks to complete their budget plans and present their preliminary draft budgets, while the limits for the investments are indicated after the GSB's approval by the legislature.

This indicator evaluates the transparency and timeliness of the transfers from the central government to the subnational governments, with direct financial relationships with it. It examines the basis of the central government's transfers and whether the subnational governments receive information in a timely manner to facilitate the planning of their budgets.

The explanation of the GFS 2014 Manual, Chapter 2, on the differentiation between a subnational government and a central government unit is unclear. Therefore, in accordance with the 2010 OECD Regulatory Policy<sup>4</sup>, it is inappropriate to refer to regions and communities as "subnational levels" of the government, because the "national" level of the government encompasses the central/federal government, the regions and the communities. The "subnational" level of the government encompasses provinces and municipalities ("Communities").

In 1992, administrative decentralization and de-concentration began in Sao Tome and Principe, which presupposes a willingness to simplify the services, fight bureaucracy and bring services closer to the citizens and voters of the elected. The legal basis for local authorities is Local Finance Law 16/1992 and the Local Authorities Framework Law Revision No. 10/2005.

Thus, there are two types of subnational / local governments based on the principle of decentralization and political-administrative de-concentration: (i) the City Councils and (ii) the Autonomous Region of Principe.

<sup>4</sup> The interface between subnational and national levels of government, <https://www.oecd.org/gov/regulatory-policy/45424282.pdf>

They are considered a second-tier government at this stage of the decentralization / de-concentration, and as they have assets and generate revenue, are in line with definition of a subnational government of the PEFA Methodology.

### **Dimension 7.1. System for allocating transfers**

This dimension assesses the extent to which transparent, rule-based systems are applied to budgeting and the actual allocation of conditional and unconditional transfers.

Transfers to support subnational government's expenditure can be made in the form of unconditional grants, where their final use is determined by the subnational governments through their budgets. Under the aforementioned legal framework, it is foreseen that there is an instrument for transferring funds between the central government and the local governments, which is the transfer of the General State Budget through the Financial Balance Fund (ETF). However, the ETF was never implemented, and the transfers are made directly by TSA, after financial coverage of the values to be transferred in SAFE-e by the DB.

The systems for determining horizontal allocations and transfers between the central and local governments are defined by Law 16/92, Articles 3rd (autonomous agencies' revenue), 4th (overall share percentages), 5th (share allocation criteria), with clearly defined criteria. However, during recent years, the transfer values are not determined using the calculations defined by law, but by changing the historical limits, depending on the economic environment of the country and the anticipation of revenues for the budgetary year.

Thus, despite the existence of clear criteria for the distribution of subsidies to subnational governments, which should be based on pre-established resource allocation formulas, the medium and short-term predictability of local governments on the funds available for planning and budgeting purposes for spending programs is low. This is because Law 16/92 was never fully enforced in the recent years, because the decentralization process was not finalized. The basis for the allocation of transfers is the 2007 budget, and the amounts are assigned depending on the forecasts of future revenues. Only for the 2007 General State Budget were the clear and transparent criteria of law 16/1992 considered.

Thus, the amount of transfers to subnational governments is determined in the Budget Preparation Circular Letter and written in the GSBs approved by the National Assembly. The current rule used is based on practice and the value of annual transfers roughly corresponds to the value of previous years.

**Table 7.1: Transfers to Subnational Governments from the Central Government**

Names of the entities	Total Transfers 2018 (millions of Dobras)	Amount transferred through transparent, rule-based systems	Ad hoc Transfer Amount	Reasons
Total City Councils	37,745	0	37,745	All values were transferred through transparent systems, but outside the established rules.
Total RAP	38,167	0	38,167	As above
<b>Total overall</b>	<b>75,913</b>	<b>0</b>	<b>75,913</b>	

Thus, the amounts actually transferred in 2018 to the District Councils and the RAP, correspond to 91.5% and 93.4% of the corresponding amounts in the 2018 GSB.

In accordance with the SAFE and Budgetary laws, these amounts should be transferred quarterly. However, due to the Treasury's low liquidity, the transfers are made monthly, after the receipt of the submissions of accounts, also monthly.

**Considering that transparent rules exist for the allocation of transfers from the central government to subnational governments, but most allocations are based on practices using previous years' figures, actualized considering some revenue forecasts, dimension 6.1, is given the score " D."**

### *Dimension 7.2. Timeliness of information on transfers*

This dimension assesses the timeliness of reliable information provided to the subnational governments on their allocations from the central government for the coming year. The evaluation period is the last fiscal year, 2018, for the preparation of the budget 2019.

In Sao Tome and Principe, there is no official calendar for budgeting. However, the SAFE law specifies the date of submission of the budget proposal to the Assembly (October 31 based on Law 12/2009 amended the SAFE law), but did not set a schedule for its preparation. In STP, there are some practices by the initiative of the Directorate of the Budget (DB), with dates changing according to the political situation in the country and the government's visibility on the expected revenues for the next fiscal year.

Generally, the subnational governments receive information on the annual allocations provided by the central government before the completion (and preferably before commencement) of their own budgeting processes. The budget 'limits' are presented to the 6 district councils (Agua Grande, Cantagalo, Caué, Lemba, Lobata and Mezochi) in Sao Tome, and the Special Autonomous Region of Principe, an Autonomous Region, through a Circular Letter for the preparation of a budgetary proposal.

However, sending the circular letters with the limits and the guidelines for the preparation of the preliminary draft budgets, as well as the time allotted for the provision of the preliminary projects to the DB varies from one to four weeks. In 2018, the Circular Letter from DB on the 2019 budget preparation was sent on December 24, 2018, requesting the submission of the preliminary draft budgets by January 21, 2019. Thus, the subnational governments had 4 weeks to prepare and submit their preliminary draft budgets to the DB.

During the previous years, the process was delayed by the Government's requests to extend the deadline for the submission of the General State Budget's proposal, with the Circular Letters from the DB sent to the General State Budgets 2018 and 2017, on 31 August 2017, and 12 August 2016, respectively, allocating 4 weeks for the preparation of the preliminary draft budgets.

Accordingly, the information communication on transfers for the subnational government budgets is determined by the non-formalized and generally unstable schedule of the central government annual

budget, which generally provides indications of allocations early in the cycle. However, this information relates to transfers with current expenses, while the investment expenses are decided in little time before the submission of the General State Budget's proposal to the Assembly. The investment limits are sent to subnational governments following the approval of the General State Budget.

**Considering that the process by which the subnational governments receive information on the annual transfers is managed within the central government's budgetary calendar, which is not generally respected, provides clear and sufficiently detailed information, but only for current expenditure (excluding expenditure for investments), allowing subnational governments 4 weeks to complete their budget plans and present their preliminary budgets, while the limits for the investments are informed after the GSB approval by the legislature, dimension 7.2, is rated "C."**

## PI-8: Performance information for service delivery

Indicator / Dimension	M2 score (AV)	Rationale for the Score
PI-8 Performance information for service delivery	D	There is no organized information on the performance of public services delivery by Government entities, both at the output and expected outcome levels, thus, there are no performance indicators information provided neither in the budget support documents, nor in the implementation interim or annual reports, during the last three years.
8.1. Performance plans for service delivery	D	There is no information, neither in the budget proposal documents, nor in the budget implementation reports or other public service delivery reports from the line ministries, about expected outputs and outcomes.

8.2. Performance achieved for service delivery	D	The budget proposal, the annual or interim financial and operational reports do not contain any output and outcome information about service delivery performance from the line ministries, but only financial information on budget execution.
8.3. Resources received by service delivery units	D	There is no information or survey conducted during the last 3 budgetary years on the amount of resources transferred and / or provided to first-line units of primary health and elementary education, or on the performance results from the use of these funds in public service delivery.
8.4. Performance evaluation for service delivery	D	Over the last 3 years, some service efficiency and effectiveness assessments have been conducted, but they covered less than 25% of the line Ministries (only 2).

This indicator analyses information on the performance of public service provision that is contained in the executive's budget proposal or in the supporting documents and implementation reports, either infra-annual or year-end. It determines whether audits or performance reviews were performed. It also assesses the extent to which the information on resources received by the service provision units, including basic health facilities or schools, is collected and recorded. This indicator contains four dimensions.

For this indicator, the term “provision of services” refers to programs or services that are provided either to the general public or to certain target groups of citizens, with total or partial government resources. These include services such as education and training, health care, social and community support, law enforcement, road construction and maintenance, support to agriculture, water and sanitation and other services. “Performance information” refers to output and outcome indicators and the results expected or achieved in relation to those indicators.

### ***Dimension 8.1. Performance plans for service delivery***

This dimension assesses the extent to which key performance indicators for the planned outputs and outcomes of programs or services that are financed through the budget are included in the executive's budget proposal or related documentation, at the function, program or entity level

Although the Major Options of the Plan (GOPs), which is submitted annually to the National Assembly for discussion and approval, along with the budget proposal, contains the public policy guidelines for the next budgetary year, they are not quantified in terms of expected outputs and outcomes and, as a result, there are no performance indicators to track them. Similarly, no information on the type effect of the budget is available.

In addition, no performance information is reported in the official, infra-annual or annual budget implementation reports, allowing the level of program implementation to be tracked.



**Considering that there is no information, neither in the budget proposal documents, nor in the budget implementation reports or other public service delivery reports from the line ministries, about expected outputs and outcomes, the score given to this dimension is "D."**

### *Dimension 8.2. Performance achieved for service delivery*

This dimension examines the extent to which performance results for outputs and outcomes are presented either in the executive's budget proposal or in an annual report or other public document, in a format and at a level (program or unit) that is comparable to the plans previously adopted within the annual or medium-term budget.

The supporting documents for the budget proposal or other annual or infra-annual reports, although they contain information for not containing output and outcome objectives or their effect indicators, do not provide performance information.

**Considering that the budget proposal, the annual or interim financial and operational reports do not contain any output and outcome performance service delivery information from the line ministries, but only financial information on budget execution, the score given to this dimension is "D."**

### *Dimension 8.3 Resources received by service delivery units*

The dimension measures the extent to which information is available on the level of resources actually received by service delivery units of at least two large ministries (such as schools and primary health clinics) and the sources of those funds. The information captured by ministries on resources should support the comparison of service performance with the actual resources received.

The budgetary information is disaggregated in the education sector at the level of secondary schools and zone delegations and in the health sector, at the level of hospital centres and district health areas. These levels are used in the accountability documents, which do not contain information on the performance of the services provided.

**Considering that there is no information or survey conducted during the last 3 budgetary years on the amount of resources transferred and / or provided to first-line units of primary health and elementary education, or on the performance results from the use of these funds in public service delivery, the score given to this dimension is "D."**

#### ***Dimension 8.4 Performance evaluation for service delivery***

This dimension considers the extent to which the design of public services and the appropriateness, efficiency, and effectiveness of those services is assessed in a systematic way through program or performance evaluations. The evaluations are considered within the scope of this dimension if they cover all or a material part of service delivery or if they are cross-functional and incorporate service delivery functions. Independent evaluations in this context are those undertaken by a body that is separate from, and not subordinate to, the body that delivers the service.

The service units should not only deliver services, but should do so based on rationality principles with a view to achieving efficiency and effectiveness, and should therefore be regularly and systematically evaluated and against performance indicators defined for that purpose.

In this context, the evaluations in the table below were conducted in Sao Tome and Principe to assess the relevance, process, efficiency and effectiveness of the following programs / areas of intervention:

Ministry	Evaluated program or service	Date of the evaluation report	Assessment		Author	Expenses covered by the assessment (amount or %)
			Efficiency	Effectiveness		
Health	Family planning	2016	Y	Y	Independent Consultants	ND
Health	Fight against tuberculosis	2017	Y	N	Independent Consultants	ND
Health	Emergency obstetric and neonatal care	2017	Y	Y	UNFPA	
Education	Capacity building for secondary school teachers	2017	Y	Y	Independent Consultants	ND
Education	Basic and Secondary Education	2018			Competency assessment report of primary and secondary school students	
Cross-sectional	Communication for the development	2016	Y	N	UNICEF C4D Evaluation in STP	

Considering that over the last 3 years, some service efficiency and effectiveness assessments have been conducted, but they covered less than 25% of the line Ministries (only 2), the score given to this dimension is "D."

## PI-9: Public access to fiscal information

Indicator / Dimension	Points	Rationale for the Score
<b>PI-9 Public access to fiscal information</b>	<b>D</b>	<b>The public access to budget information, on fiscal plans, positions and government performance is limited by the fact that only 1 out of 5 basic information elements is published.</b>
PI-9.1 Public access to fiscal information	D	Only 1 (one) basic element on budget information and no any of the additional element are made publicly available by the government. This situation limits the available information and the capacity to analyse the public policy proposals, and also the content of the budget proposal, their comparison with the current and previous year's budget implementation, and the audit reports produced.

This indicator assesses the completeness of budgetary information that is made public based on a set of essential elements to which the public should have access.

### Dimension 9.1. Public access to fiscal information

The budget transparency depends on the ease of public access to information on plans, the situation and the results of the budget implementation. The scope and relevance of publicly available information influence the population's ability to engage in discussions with the government and to understand how the public resources are used. The access to this information allows a better allocation of resources by strengthening the dialogue between the government and public policy stakeholders, but also enhances the service provision. This evaluation is made using 5 (five) basic elements and 4 (four) supplementary elements.

Basic elements										
Element	Available? Yes / No									
<b>1. Annual executive budget proposal documentation.</b> A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	<b>Yes.</b> The set of documents constituting the proposed budget for 2018 was provided on the website of the Ministry of Planning, Finance and Blue Economy ( <a href="http://www.mf.gov.st">http://www.mf.gov.st</a> ), on the same day of its submission to the National Assembly, i.e., 15 November 2017.									
<b>2. Enacted budget.</b> The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	<b>No.</b> Law 4/2018, which approved the state budget for 2018, was approved on March 9, 2018, and was published ten days after its approval, on March 19, only in the Diário da República, means of dissemination whose access is limited, as it is paid.									
<b>3. In-year budget execution reports.</b> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28	<b>No.</b> Although published regularly, on the website of the <a href="http://www.mf.gov.st">Ministry of Planning, Finance and Blue Economy</a> ( <a href="http://www.mf.gov.st">www.mf.gov.st</a> ), the publication of the quarterly reports for the year 2018 was made systematically after one month of the end of the quarter, as shown in the table below: <table border="1" data-bbox="794 1899 1394 1989"> <thead> <tr> <th>Report</th> <th>Deadline</th> <th>Date of publication</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>30 April 2018</td> <td>22 May 2018</td> </tr> <tr> <td>Quarter 2</td> <td>30 July 2018</td> <td>12 October 2018</td> </tr> </tbody> </table>	Report	Deadline	Date of publication	Quarter 1	30 April 2018	22 May 2018	Quarter 2	30 July 2018	12 October 2018
Report	Deadline	Date of publication								
Quarter 1	30 April 2018	22 May 2018								
Quarter 2	30 July 2018	12 October 2018								

Basic elements				
Element	Available? Yes / No			
	Quarter 3	30 October 2018	13 November 2018	
	Quarter 4	30 January 2019	24 April 2019	
<b>4. Annual budget execution report.</b> The report is made available to the public within six months of the fiscal year's end.	<b>No.</b> The General Government Account (CGE) for the 2018 budget year was not provided within six months from the end of the economic year. The latest CGE available is from 2017, which contains a narrative analysis of the budget implementation using the budget classifiers provided by law. The CGE covers the 3 following parts: Part I - with information on budgetary, financial and asset implementation broken down by the perspectives: Economic; Fiscal; Budgetary; Accounting and Equity; Social and Government Sector Actions. Part II - presents the result of the actions of the different levels of the Government with emphasis in the evaluation of the performance of the public policies. Part III - the consolidated account of the public administration from the point of view of the economic nature of the revenue and the expenditure.			
<b>5. Audited annual financial report, incorporating or accompanied by the external auditor's report.</b> The reports are made available to the public within twelve months of the fiscal year's end.	<b>No.</b> Considering that the CGEs are submitted to the opinion of the Audit Courts more than 12 months after the end of the fiscal year, the CGEs with res judicata do not meet this deadline, as can be seen, for the last 3 presented:			
	<b>Civil year</b>	<b>CGE Year</b>	<b>Date Received by the TdC</b>	<b>Date of delivery of opinion to the National Assembly</b>
	<b>2018</b>	2016	31 July 2018	There is no opinion
	<b>2017</b>	2015 2014	14 December 2017 10 May 2017	05/12/18 30/06/2018

Additional Elements	
Document	Available? Yes / No
<b>6. Prebudget statement.</b> The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	<b>No.</b> The Government does not prepare a prebudget statement.
<b>7. Other external audit reports.</b> All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission	<b>No.</b> At the time of the evaluation, there were no external audit reports available for consultation (possibly via the Audit Court's website, which at the time of the evaluation was inoperative).
<b>8. Summary of the budget proposal.</b>	<b>No.</b> A summary of the budget proposal is not available nor is a "citizen budget" published.
<b>9. Macroeconomic forecasts.</b> The forecasts, as assessed in PI-14.1, are	<b>No.</b> The macroeconomic forecasts do not include all the necessary elements as assessed in PI-14.1.

Document	Available? Yes / No
available within one week of their endorsement.	

The information provided to the public allows a reading of the budgetary reality of the country, with a description of the budgetary implementation of 2017, a numerical presentation of last year's implementation (2016) and the economic, financial and budgetary perspectives for 2018, and outlines the main policy measures to be implemented.

However, given the fact that the language used is technical, although with the provision of a glossary of the main concepts, and the budget proposal is not directly linked to the policy measures to be implemented and contained in the Major Options of the Plan, they reduce its clarity and consequently reduce the number of people with the ability to understand the proposal. Also, as stated by the organizations representing the civil society and the private sector, there is no adequate socialization of the budget proposal, with the private sector and civil society prior to its discussion and approval by the National Assembly (AN), with only the radio transmission of the discussions that take place in the AN plenary for the approval of the budget.

Regarding the main means of access to information, this is generally advertised to the public through its publication on the website of the Ministry of Finance<sup>5</sup>. The budgetary law is also published in the Diário da República, whose access is paid, thus limiting the access to information.

**Considering that only 1 (one) basic element and no any of the additional element of the budget information and no additional element is provided to the public in the last economic year, the scores assigned to the dimension and indicator are "D."**

### Pillar III. Management of assets and liabilities

#### PI-10: Fiscal risk reporting

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-10. Fiscal risk reporting</b>	<b>D</b>	<b>The central government's supervision of the tax risk is inefficient, with only a few audited financial reports received from the SOEs, lack of audited reports from the subnational governments, and poor monitoring the contingent liabilities and other fiscal risks of extrabudgetary entities.</b>
10.1 Monitoring of public corporations	D	The government receives only a few financial reports from the State-Owned Enterprises, randomly, within 5 months from the end of each fiscal year and does not produce any consolidated financial performance report for the public corporations.
10.2. Monitoring of subnational governments	D	The budget execution information for all subnational governments is published in the CGE annually, but there are no published any audited or unaudited reports on their financial position and performance.

<sup>5</sup> The International Telecommunications Organization estimated that 29.93% of the country's population had access to the internet in 2017.

10.3. Contingent liabilities and other fiscal risks	D	The government does not issue state guarantees, but the oversight of the extrabudgetary entities is not efficiently organized (BCSTP guarantees have not been considered), and central government entities and public institutions do not quantify contingent liabilities in their financial reports.
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This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extrabudgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters.

### *Dimension 10.1 Monitoring of public corporations*

This dimension assesses the extent to which the information on financial performance and associated fiscal risks of the public companies is available through audited annual financial statements. It also assesses the extent to which the central government publishes an annual report on the financial performance of the public corporation sector.

The Legal Regime of Public Companies and the Public Business Sector is approved by Decree-Law 22/2011 on the State Business Sector, is composed of Public Companies and Public Corporations in which the State is the majority shareholder and Subsidiary Corporations in which the State is the minority partner. This decree, known as the Public Company Framework Law provides a solid foundation for corporate governance of Public Companies, although the amendments passed in 2013 weakened many key provisions. This Decree Law incorporates several key concepts of the modern corporate governance, including timely financial reports and their public disclosure (Art. 6 and 8); internal and external financial controls (Art. 7); operational and financial autonomy (Art. 10); management reports (Art. 11); a Board of Directors with broad advisory and supervisory positions, comprising only non-executive members (Articles 22, 23 and 25); and the scrutiny by the three-member Board (Tax Advisor - Art. 28-29), whose role includes part of the function of an external auditor and some of an internal auditor (see para. 37). Another positive characteristic of the law on public companies is that it defines as a broad principle that the public companies are subject, by default, to commercial law. However, this law has not been enforced.

In STP, monitoring public institutions depends on the sectoral ministries, the Directorate of the Treasury of the MEF and the National Assembly.

Supervising ministries. A ministry was identified having links with some of the public companies.

- **Ministry of Public Works and Infrastructure:** This ministry has under its supervision several public companies. The DAF of this ministry has some monitoring, by sending a memorandum to its Minister about the financial and operational situation of the companies that submit their reports. However, **there are neither audited financial reports nor systematic monitoring** and enquiry of reports not received, nor the preparation of any monitoring report, or the remittance of recommendations to improve the management of these companies. The public companies under the supervision of this ministry are identified in table 10.1 below.

Directorate of Treasury / MEF. According to the Treasury bylaws and the bylaws of the public companies, the latter must send their financial reports to the Treasury. Article 12th of the Treasury Bylaws, is incumbent upon the Section of Subsidiaries, among others, to analyse and monitor the situation of bodies subject to State financial supervision and companies with majority public capital or in which the State is entitled to special shareholder's rights. **Only 3 audited financial reports were submitted by this Directorate**. The audited financial report of the Central Bank of STP was found on the website of the institution. However, the 15 public companies identified report annually on a balance sheet basis with information limited to the net income and dividends assigned to the Government. This is the information included in the CGE:

Tabela 35: Participação do Estado e Apuramento de Dividendos em 2017  
(em milhões de Dobars)

Entidade	Capital Social/ Estat.	Partic. do Estado		R. Líquido 2017	Dividendos		
		%	Valor		2016	2017	% V.H.
BCSTP	108 721	100,0	108 721	-41 391	0	0	...
CORREIOS	582	100,0	582	-143	0	0	...
EMAE	104 580	100,0	104 580	-226 585	0	0	...
ENASA	495	100,0	495	1 657	0	0	...
ENAPORT	50	100,0	50	2 259	0	0	...
AGER	1 902 088	100,0	1 902 088	-692	0	0	...
INAC	1 801 253	100,0	1 801 253	-879	0	0	...
CST	10 000	49,0	4 900	42 763	0	0	...
BISTP	150 000	48,0	72 000	39 155	9 455	11 277	19,3
Empharma	2 450	37,0	907	N/D	0	0	...
STP Airways	29 976	35,0	10 491	11 383	0	0	...
Empresa Cunha Gomes	6 110	30,0	1 833	N/D	0	0	...
ENCO	27 420	16,0	4 387	N/D	3 830	0	...
AGRIPALMA	183 328	12,0	21 999	N/D	0	0	...
STP- Cabo SARL	350	0,1	0,4	N/D	0	0	...
<b>Total</b>	<b>4 327 403</b>		<b>4 034 287</b>		<b>13 285</b>	<b>11 277</b>	<b>-15,1</b>

Fonte: DT-MFCEA

National Assembly. Several articles of the Assembly's 2007 Regulation establish the following:

- Article 69: the appraisal of the accounts of the State and of other public entities determined by law is one of the priorities of the Assembly;
- Article 86: The Plenary should meet, according to the agenda set by the President, after hearing the verification to, among others, conduct the appraisal of reports from entities outside the National Assembly;
- Article 217 (on the accounts of other public entities): The provisions of the previous articles (215 and 216) are applicable, mutatis mutandis, to the appraisal of the accounts of other public entities that, under the law, must submit them to the National Assembly.

However, no audited financial report of public companies was found in this institution.



**Table 10.1: Financial reports of public corporations**

Entity	Fiscal year	Date of preparation of the financial reports	Date of delivery of the financial reports to PDD	Contents of the financial reports			Expenditure/ Total Expenditure (%)	Expenditure (millions of dobras)
				Revenue and Expenditure per economic category	Financial and non-Financial Assets and Liabilities	Long Term Guarantees and Obligations		
<b>Public companies</b>								
AGER	2017	N/A	12/12/2018	Yes	Yes	No	3%	19.70
AGRIPALMA	N/A	N/A	N/A					N/A
BCSTP	2017	N/A	9/5/2018	Yes	Yes	No	19%	149.70
BISTP	2017	N/A	9/21/2018					N/A
POSTAL SERVICE	2017	N/A	11/9/2018	Yes	Yes	No	1%	5.30
CST	2017	N/A	4/11/2018					N/A
EMAE	2017	N/A	9/5/2018	Yes	Yes	No	55%	420.00
Empharma	N/A	N/A	N/A					N/A
Empresa Cunha Gomes	2017	N/A	2/7/2018					N/A
ENAPORT	N/A	N/A	N/A	Yes	Yes	No	11%	87.30
ENASA	2017	N/A	9/14/2018	Yes	Yes	No	11%	87.50
ENCO	N/A	N/A	N/A					N/A
INAC	2017	N/A	12/31/2018					N/A
STP Airways	2017	N/A	9/20/2018					N/A
STP- Cabo SARL	2017	N/A	4/11/2018					N/A
<b>Total</b>								<b>769.50</b>

Thus, the oversight of the financial performance and the associated tax risks of the central government's public institutions is not systematic and has many weaknesses, while the general government has never published consolidated reports on the financial performance of the public institutions' sector.

**Considering that the government receives only a few financial reports from the State Owned Enterprises at random within 5 months and does not produce any consolidated report on the financial performance of the public institutions, dimension 10.1 is rated "D."**

#### **Dimension 10.2. Monitoring of subnational governments**

This dimension assesses the extent to which information on financial performance, including the central government's potential exposure to fiscal risks, is available through the audited annual financial statements of subnational governments. It also assesses whether the central government publishes a consolidated report on the financial performance of the subnational government sector annually.

In STP, according to the Directorate of Treasury, the public institutions and city councils account for more than 50% of the country's internal debt, due mostly to EMAE. This situation may add the tax risks created by the subnational governments, compromise the debt service payments and delay the payment of unfunded pension expenses and obligations (according to the INSS, the state's debt due to late contributions is high) that could be guaranteed by the central government.

Decree 42/2012 and the budgetary law define the details on the accountability of the District Councils, the RAP, autonomous services and funds. The period of delivery of the accounts is 10 working days after the end of the month; up to 30 calendar days for the quarter; 90 days for the year. The submissions of accounts are sent to DC via a form made by DC to complete in the amounts of income, expenses, bank balances, with economic classification, but do **not** include the liabilities of these entities.

The 2018 elections and government changes, as well as the replacement of DAFs employees, had a negative impact and delayed the submission of the accounts by subnational governments (District Councils RAP). An aggravating factor in the inefficient supervision of the subnational governments is the non-decentralization of SAFE-e at the subnational level. Thus, RAP uses the former system, Safinho, and the Councils, mostly Excel. The autonomous institutions (Assembly, Audit Courts, IMAP, etc.) each use their own system, not linked to SAFE-e.

The District Councils and RAP financial accounts are not audited annually and there are no audited financial reports. However, TdC conducts occasional audits in the District Councils and, until this year 2019, in two RAP secretariats.

Thus, the net fiscal positions of subnational governments that have direct fiscal relations with the central government are not monitored on an annual basis, with essential information on tax risks reported to the central government authority (notably TdC and DT), which is responsible for overseeing the subnational governments.

**Considering that the budget implementation of all subnational governments is published in the CGE on an annual basis, but there are no audited or unaudited report published on their financial position and performance, dimension 10.2 is rated "D."**

### ***Dimension 10.3. Contingent liabilities and other fiscal risks***

This dimension assesses monitoring and reporting of explicit and significant contingent liabilities (with a potential cost of more than 0.5% of the total General State Budget expenditure) from their own programs and projects, including those from extrabudgetary units. Explicit contingent liabilities include umbrella state guarantees for various types of loans, such as mortgage loans, student loans, agriculture loans, and small business loans. Explicit contingent liabilities also include state insurance schemes, such as deposit insurance, private pension fund insurance and crop insurance. The financial implications of ongoing litigation and court cases should be included, although these are often difficult to quantify.

In STP, the oversight of extrabudgetary entities is not efficiently organized, and the Treasury's staff of 4 assigned (among other activities) to monitor public companies and other autonomous entities, has no guidance or manual of procedures nor received any specific training.

The Accounting Department monitors the public debt, tax exemptions, outstanding (taxpayer) debt, but not contingent liabilities. The oversight of public companies is focused solely on the investment income framework prepared and integrated in CGE, while the public companies and institutions inform and justify to Accounting, the number of dividends they will pay, without providing information on eventual tax risks.

The government does not issue state guarantees (such as collateral, sureties, etc. provided for in the debt framework law) for non-sovereign loans from private-sector companies and private investment guarantees from different types of financing, nor for special financing instruments such as PPPs. PPPs are under the control of the Directorate of Assets, which confirmed that since the PPP law was approved, no PPP or guarantees were approved.

The BCSTP issues guarantees to the state name, but these guarantees are not monitored by the DC or the DT.

In the case of acquisitions of property by governments and public companies, the financing banks require the Treasury guarantee through a letter of comfort. However, the debt framework law 1/2014 rejects the possibility of the letter of comfort as a guarantee, does not involve the State's liability and is not considered as a required guarantee because it does not comply with the conditions of validity of Article 33 of that law.

Finally, in STP, there are no implied contingent liabilities, such as financial redemption plans, unsecured pension fund bankruptcy, natural disasters, armed conflict and other possible events also pose as significant risks.

Lastly, the oversight of extrabudgetary entities is not organized efficiently and, except for the BCSTP, the government issues no guarantees or other implicit contingent liabilities.

**Considering that the government does not issue state guarantees, but the oversight of extrabudgetary entities is not organized in an efficient manner (BCSTP guarantees have not been considered) and the central government entities and public institutions do not quantify any contingent liabilities in their financial reports, dimension 10.3 is rated "D."**

## PI-11: Public investment management

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-11 Public investment management</b>	<b>D</b>	<b>There is no any system in place for the economic evaluation of investment projects nor any formal, documented mechanism for their selection, prioritization and ranking and no formal and clear mechanisms for monitoring the implementation of the projects selected.</b>
11.1. Economic analysis of investment proposals	D	There is no structured system containing guidelines, processes, criteria and procedures for conducting the economic evaluation of investment projects.
11.2. Investment project selection	D	There is no formal, transparent and documented mechanism in place for the assessment, selection, prioritization and ranking of more than 25% of the large public investment projects before their integration in any of the latest GSBs.
11.3. Investment project costing	D	In 2018, the overall investment expenditure of the major projects was included in the 2019 budget, but there is no evidence of information about their overall cost for the next fiscal year.
11.4. Investment project monitoring	D	There is no evidence of a monitoring mechanism of the physical and financial progress of the investment projects, or of the elaboration annual project implementation progress reports, in 2018.

This four-dimensional indicator assesses the degree of economic appraisal, selection, costing and monitoring public investment projects by the government, with emphasis on the largest and most significant projects, which are selected based on the following criteria:

- The total investment cost of the project amounts to 1 percent or more of the total annual budget expenditure; and
- The project is among the top 10 projects (by total investment cost) of each of the 5 largest units of the central government, measured by the amount of investment project expenditure of these units.

Thus, based on the above criteria, 4 projects were selected. There are no PPPs that could be included in the analysis of this indicator.

### *Dimension 11.1. Economic analysis of investment proposals*

This dimension assesses the extent to which robust appraisal methods, based on economic analysis, are used to conduct feasibility or prefeasibility studies for major investment projects and whether the results of analyses are published and provided to the public, and if the analysis was reviewed by an entity other than the sponsoring entity. The economic analysis used to take decisions must also be sufficiently updated to have a meaning. Very outdated analysis, for which the market conditions have changed considerably, are unlikely to be a useful basis for decision making.

The analysis of proposals for public investment projects in STP is the responsibility of the Directorate of Planning of the Ministry of Planning, Finance and Blue Economy, in accordance with article 2, paragraphs j), k) and l) of Decree-Law 24/2016, which approves the Organic Law of the Directorate of Planning.

In this context, the public investment projects must be analysed from an economic point of view. However, the country does not have a structured process for selecting public investment projects to be implemented and there are no specific provisions and special procedures for project selection and management in the country's public finance legislation. The analysis conducted in STP for the selection and decision-making of large public investment projects do not use clear criteria for their analysis including aspects related to their expected return. There are no formal and judicious selection processes for investment projects and consequently, there are no formal and clear mechanisms for monitoring the implementation of selected projects.

**Considering that there is no structured system in place, with guidelines, processes, criteria and procedures for conducting the economic evaluation of the investment projects, the score assigned to this dimension is "D."**

#### *Dimension 11.2. Investment project selection*

The public investment projects should be prioritized based on a clear and known set of previously defined and agreed criteria. There must also be strict and transparent provisions for the selection of investment projects to contribute to the sustainable use of state resources. This dimension provides for a centralized review of evaluations of major investment projects to be undertaken before including such projects in the Budget submitted to the legislature. It also requires governments to publish and adhere to standard criteria for the selection of projects. "Standard Criteria" refer to a set of formal government procedures used for each project or group of related projects, with common characteristics, within and between central government units.

In STP, Decree-Law 24/2016 that approves the Organic Law of the Directorate of Planning, describes (Article 2, paragraph k) that, it is this Directorate's responsibility "to define the eligibility criteria and hierarchy of the projects to be inserted in the national portfolio." The Directorate of Planning is thus responsible for the selection, classification or recommendation of public investment projects, but to date has no structured process for selecting and ranking public projects.

The selection of public investment projects is based on the availability of budget resources and the preference of donors and creditors to fund specific projects. Thus, there is no evidence of previous and centralized analysis of major projects as defined in the introductory part of this indicator.

**Considering that there is no formal, transparent and documented mechanism in place for the evaluation, selection, prioritization of more than 25% of major public investment projects before their inclusion in the last General State Budget, the score assigned to this dimension is "D."**

### *Dimension 11.3 Investment project costing*

This dimension assesses whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether their budget process for capital and recurrent spending are fully integrated into the state budget. Sound budget management requires the preparation of comprehensive, forward-looking, cost-of-capital and recurring budget plans for the entire life of the investment project. Projections of the project's current and capital cost implications should be planned and incorporated into future budgets. Solid budget and cash flow management, as well as cost-benefit analysis, depend on comprehensive financial analysis of investment projects.

According to the budgets of the years under review, 2016, 2017 and 2018, it was found that the medium-term projections of public investment projects on a two-year sliding basis were included and classified as investment expenditure, with internal and / or external financing. Equally, all investment expenditures are globally integrated into budgets, although there is no evidence that the projections of recurrent cost implications of projects are made in budgets for the subsequent years.

**Thus, considering that in 2018, the overall investment expenditure of the major projects was included in the budget, but there is no evidence about their overall cost for the next years, the score assigned to this dimension was “D.”**

### *Dimension 11.4 Investment projects monitoring.*

This dimension assesses the extent to which prudent project monitoring and reporting arrangements are in place for ensuring value for money and fiduciary integrity. The monitoring system should maintain records on both physical and financial progress, including estimates of work in progress, and produce periodic project-monitoring reports. Monitoring should cover projects from the point of approval and throughout implementation. The system should allow supplier payments to be linked to evidence of physical progress. Such a system should also identify deviations from plans and allow for identification of appropriate actions in response.

The payment or disbursement of funds for the different phases of implementation of the public investment project is ensured by the DAFs of the areas or sectors in which the project is allocated from the budgetary point of view. The disbursements are sometimes not made according to physical progress due to the inability of public institutions, to monitor (see previous dimension) and oversee the projects. Although there is a unit within DAF's structure responsible for ensuring the procedural and legal compliance of all expenditure processes that are submitted for payment, there is no evidence that the payments to investment projects are conditional upon the submission of physical progress reports.

Some projects, particularly in the area of infrastructure construction, have associated independent contractors who must ensure and report on the physical progress of the works so that the DAFs make disbursements of payment instalments as planned. However, at both the GEPEP and Directorate of Planning levels, clear monitoring systems are not available to control the implementation of investment projects. The only control existent is from the execution of the funds reported by the Directorate of Public Accounting.

**Considering that there is no evidence about a monitoring mechanism of the physical and financial progress of the investment projects, or the elaboration of an annual project implementation progress report in 2018, the score assigned to this dimension is “D.”**

### Ongoing and planned reforms

The Institutional Planning legal framework was reinforced by the institutionalization of the planning offices in the Sectoral Ministries and the publication of Law 6/2017, the National Planning System Law. The National Development Plan (NDP 2017-2021) will be revised and updated based on the 17th Constitutional Government Program, and it is not yet clear when this reform action will be completed. With regard to Public Investment, the Public Expenditure Review (PER) study was published, and the technical assistance from the World Bank is under way to update the standards, modernize the methodology and implement a support database for the portfolio management of Public Investment projects. Scheduled for completion by December 2019, the purpose of this technical assistance is to help the Government to prepare, prioritize and monitor the investment projects, from the preparation to appraisal phases of results and asset management. During the World Bank’s mission, the team worked closely with technicians from the Directorate of Planning in the formulation of i) Project Drawings, ii) Regulatory Framework of the National Public Investment System, and iii) Project Formulation and Evaluation Manual, in line with the new National Planning System Law. It is expected that the Public Investment system will be concluded by the end of December 2019.

## PI-12: Public asset management

Indicator / Dimension	M2 score (AV)	Rationale for the Score
PI-12 Public assets management	D+	Although there is a modern regulatory framework, the public asset management is negatively impacted by the lack of integrated and up-to-date information on state financial assets, in the Treasury-managed component, and by the incomplete inventory of non-financial assets. The transparency of non-financial assets management is limited because the state’s financial reports do not contain financial information about the acquisition cost and disposal value of each financial asset.
PI-12.1 Financial assets monitoring	C	The BCSTP provides and publishes annual information on the performance of financial assets under its management, but the Treasury has no integrated and up-to-date information on the management and performance of the state’s financial assets, with regard to its interest in (public, mostly public or private) enterprises.

PI-12.2 Nonfinancial assets monitoring	D	There is no complete and up-to-date inventory of all non-financial asset classes of the State, although there is a partial and centralized reporting on fixed and mobile assets.
PI-12.3 Transparency of asset disposal	D	The information on the cost of acquisition and value of disposals of each non-financial asset is not available in the State's financial reports, although there is some information in the 2017 CGE on the quantities of mobile assets and the disposed or written-off vehicles.

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. The indicator contains three dimensions.

#### *Dimension 12.1. Financial asset monitoring*

This dimension assesses the nature of financial asset monitoring, which is critical to identifying and effectively managing the key financial exposures and risks to overall fiscal management.

Financial asset monitoring is done by two entities:

- The Directorate of Treasury in regard to state treasury balances in local and foreign currency, State holdings in public companies, in mostly public companies and private companies;
- The BCSTP in what refers to the management of the country's foreign assets, embodied in reserves and / or securities' investments.

The legal framework for monitoring the Directorate of Treasury is set out in Article 3 (u) of Decree 32/2009, which approves the organic law of this Directorate. Within the department of financial operations, the Subsidiaries' Section is responsible for "Analysing and monitoring the situation of bodies subject to State's financial protection," maintaining the "...inventory of securities ... and holdings" of the State in the capital of companies, as well as by Article 9 of Decree-Law 20/2009, on the State Inventory, in the financial assets' component of the State.

However, oversight conducted by the Subsidiaries' Section is not systematic, as it does not have access to structured and up-to-date information on the economic and financial performance of companies in which the State holds interests, namely reports and accounts, and their external audit reports. Accordingly, the latest available information is contained in the 2017 General Government Account, which lists only the State holdings valued at acquisition cost:

Entity	Capital Stock	State Participation	
		%	Value
BCSTP	108,721	100	108,721
POSTAL SERVICE	582	100	582
EMAE	104,580	100	104,580
ENASA	495	100	495
ENAPORT	50	100	50
AGER	1,902,088	100	1,902,088
INAC	1,801,253	100	1,801,253



CST	10,000	49	4,900
BISTP	150,000	48	72,000
EMPHARMA	2,450	37	907
STP AIRWAYS	29,976	35	10,492
EMPRESA CUNHA GOMES	6,110	30	1,833
ENCO	27,420	16	4,387
AGRI PALMA	183,328	12	21,999
STP - CABO SARL	350	0.1	0.4
<b>TOTAL</b>	<b>4,327,403</b>		<b>4,034,287</b>

Source: CGE 2017

With respect to monitoring financial assets under the control of the BCSTP, which is a legal entity governed by public law, with administrative and financial autonomy and its own assets, there is annual information in the BCSTP Annual Report for the financial year 2018. This includes foreign-currency assets, third-country treasury securities, government, public and private sector assets and the participation of SPAUT SA.

The foreign-currency transactions are converted to STN at the exchange rate on the acquisition date, and the balances are revalued daily at the exchange rate of the day. Other assets are recognized on the BCSTP balance sheet at the settlement date.

The 2018 Annual Report describes the performance of the portfolio of financial assets under BCSTP's management, which was managed in accordance with the Investment Policy Manual, approved in 2014, which establishes the internal management rules and procedures.

Accordingly, the portfolio of assets as at 31 December 2018 consisted of:

Account Headings	Value in STN
Term Deposit Abroad	137,669,700
Demand Deposit Abroad	80,511,535
Stocks in DES	6,360,404
Third-Country Treasury Securities Investments	677,259,411
<b>TOTAL</b>	<b>901,801,050</b>

**Considering that while the BCSTP provides and publishes annual information on the performance of financial assets under its management, as there is no integrated and up-to-date information on the management and performance of the State's financial assets, with regard to its interest in companies (public, mostly public or private), dimension 12.1 is rated "C."**

#### Ongoing and planned reforms

With funding from the World Bank, it will create a monitoring unit for state-owned subsidiaries, provide it with guidelines and tools for effective monitoring, as well as train technicians in economic and financial analysis.

### Dimension 12.2. Nonfinancial asset monitoring

Dimension 12.2 assesses the features of nonfinancial asset monitoring for the Budgetary Central Government.

STP's non-financial asset management and monitoring support legal framework is comprised of:

- Law 3/2007 or SAFE Law, in its Article 64, which defines the scope of State Assets as “the coordination and management of State Assets, the organization of information relating to the inventory of such assets and the compilation of the inventory thereof.”;
- Decree-Law 20/2009, which approves:
  - The State General Inventory, which defines the obligation for all central and autonomous administration services and bodies to conduct / update the State Assets inventory annually;
  - The State Asset Inventory and Registration Regulation, which establishes the rules for the systematization of inventories of every movable assets, vehicles and real estate (except for the assets assigned to the Armed Forces), the form of registration, identification forms' models, valuation, depreciation and approves the respective general classifiers, so that this information can be included in the balance sheet of the State, which is included in the CGE.
- Decree 36/2014, which republishes the Organic Diploma of the Directorate of State Assets (DPE) and which assigns to it the “...management of all state assets, including the conclusion of public contracts for the acquisition and sale of movable assets, real estate and vehicles, their registration and inventory.”
- Decree-Law 21/2014, as amended by Decree-Law 15/2018, which establishes the general regime for the management of real estate, vehicles and other movable assets that constitute the State's Assets and others and creates the figure of the Asset Exactor, who is responsible for the custody, control and inventory of State assets allocated to the Ministry, Services and Agency where it is located, which is operationally dependent on the DPE, and can only be exonerated by the Minister of Finance.

It is therefore, up to the Asset Exactor, supported by operators assigned by the bodies, to conduct the inventory, organize it and transmit it to the DPE, through the Inventory and Registration Department, which compiles this information in an information system developed in Access, which does not allow remote multi-session editing, which makes the Inventory preparation process difficult. In this table, the following data summarizes the results of the inventory process on 31/12/2018:

Category	Subcategory	Where it is registered	Quantity	Remarks
Fixed assets	Urban buildings	DPE	269	Information incomplete, covering only the Agua-grande district
	Machinery and other equipment	-	-	
	Mobile Assets	DPE	24581	Information incomplete, given it does not include all Ministries

Category	Subcategory	Where it is registered	Quantity	Remarks
	Vehicles and motorcycles	DPE	1194	Information incomplete, given it does not include all Ministries
Non-produced assets	Rustic Buildings	DPE	2036	Only those assigned to midsize businesses and family plots
	Deposits and energy resources	ANP	ND	They were not incorporated into the Inventory, although the National Petroleum Agency has this information.

**Considering that there is no complete and up-to-date inventory of all non-financial assets of the State, although there is partial and centralized reporting of fixed and mobile assets, dimension 12.2 is rated “D.”**

#### **Ongoing and planned reforms**

With funding from the World Bank, it is intended to begin the process of finalizing the inventory of state assets.

#### **Dimension 12.3. Transparency of asset disposal**

It assesses whether the procedures for transfer and disposal of assets are established through legislation, regulation, or approved procedures. It examines whether information is provided to the legislature or the public on transfers and disposals.

The regulation of transfers or disposals of assets is reflected, as regards to non-financial assets in Decree-Law no 21/2014, as amended by Decree-Law no15/2018, which defines the Legal Regime for Public Property Management. The responsibility for authorizing the disposal of real estate is under the Council of Ministers; for vehicles, ships and aircraft, the State Assets Coordinating Committee, for movable assets, the sectoral Minister or the head of the body with property autonomy, in which case the operational responsibility is assigned to the Directorate of State Assets.

The process of disposal or transfer is initiated by the verification of the incapacity of the assets or their non-use by the services, through a commission of two to three employees, that prepares a report containing the description of the assets, their allocation and inventory number, as well as the value and year of purchase, as well as the intended destination of the same assets.

One of the following modes of asset disposal and transfer is used:

Modes	Type	Entity Responsible
<b>Public Tender - Preferred Method</b>	Disposal of real estate; Disposal of vehicles, vessels, aircraft and other movable assets whose purchase price exceeded 2,450 STN	DPE
<b>Closed Auction</b>	Ditto and only when there is a tie in a public tender	DPE
<b>Public Auction</b>	Assets not subject to public tender	DPE
<b>Direct Covenant</b>	State houses rented for housing	DPE
<b>Public Fair</b>	There is desertion of the assets in second and third rounds in the public auction; Scrap of movable assets or loose parts of several assets	DPE

The proceedings end with the settlement of the sale value, the issuance of the settlement statement and / or the execution of a public deed, when applicable. However, the results of disposals and / or write-offs of non-financial assets are not incorporated in State financial reports, except for the information provided to CGE concerning the quantities of movable, disposed or written-off vehicles.

**Considering that the information on the cost of acquisition and the value of disposals of each non-financial asset is not available in the State's financial reports, although there is information in the 2017 CGE on the quantities of mobile assets and the disposed or written-off vehicles, dimension 12.3 is rated "D."**

## PI-13: Debt management

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-13 Debt management</b>	<b>D+</b>	<b>The information on domestic public debt does not include information on government issued guarantees, the procedures for contracting debt and issuing guarantees are not relevant, while the quality of the debt management strategy is limited.</b>
13.1 Recording and reporting of debt and guarantees	C	The GGSDP produces quarterly reports on domestic and foreign government debt, with quarterly updated data and mostly reconciled over the same period, but which, however, does not include information on State guarantees.
13.2 Approval of debt and guarantees	D	The legislation foresees the mechanisms and the entities responsible for approving and contracting new loans, issuing new debt and guarantees as well as the related procedures, but there is i) no formal operational documentation for this purpose, (ii) or evidence about the functioning of some envisaged bodies, such as the National Debt Committee and the Technical Committee for Debt Management; (iii) no evidence that the procedures prescribed by law have been followed and iv) no evidence that there was a formal approval for the Public Debt Policy for 2018.
13.3 Debt management strategy	C	The Government prepared and published a debt management strategy for the period 2012-2020, with the desired fluctuation of the interest rates, the exchange rates and the refinancing, but (i) it has not been approved by law, (ii) it does not provide information about the annual public debt levels, (iii) it does not allow comparison with the budgeted amounts. Thus, its level of implementation cannot be assessed.

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. The indicator contains three dimensions.

### ***Dimension 13.1 Recording and reporting of debt and guarantees***

The dimension assesses the integrity and comprehensiveness of domestic, foreign, and guaranteed debt recording and reporting. A system to monitor and report regularly on the main features of the debt portfolio is critical for ensuring data integrity and effective management, such as accurate debt service budgeting, making timely debt service payments, and ensuring well-planned debt rollovers.

In STP, Decree 32/2009, which approves the Organic Diploma of the Directorate of Treasury, assigns to it, in article 3, point h), the responsibility of managing the internal and external public debt, through the Public Debt Section, called the Public Debt Management and Follow-up Office (GGSDP), notably by systematizing all public debt registration operations and following the debt repayment procedures, based on an annual payment plan.

The external and internal debts are recorded by GGSDP in Excel format files, as the previous information system used, CS-DRMS, ceased to function due to problems with the supporting server.

On this basis, new loan agreements, loan disbursements as well as debt service payments (principal and interest), organized by lender, instrument type and maturity are recorded. The information on debt operations is regularly reconciled with creditors, and in some cases the process of reconciling disbursed amounts and payments is done in deadlines higher than the end of the quarter.

The GGSDP publishes a quarterly public debt report which includes the following information:

- Breakdown of external and domestic debt broken down by - stock and debt service, creditor, instrument type, loan currency,
- Analysis of the debt profile and the evolution of public debt operations in the period and their impacts and, in the annual report, it also analyses the risk and debt sustainability indicators.

Regarding guarantees or endorsements, they are followed up in an Excel file in which only letters of comfort are listed / compiled, for which no supporting documentation is available, and there is no guarantee record in GGSDP. However, the 2016 DeMPA report (*Debt Management Performance Assessment*), prepared by the World Bank, as well as the BCSTP Annual Report and Accounts for 2017 and 2018, confirm the existence of a state bank guarantee in favour of a Commercial Bank, which should be included in the database and the reports published by the GGSDP, containing at least the following information: consecutive control number, date of issue, number of the loan, name of the secured institution, the name of the creditor, the amount of the guarantee, the term of the guarantee, the schedule of the obligation.

It should be noted that there is a lack of documented procedures for recording and reporting on both domestic and external debt and guarantees.

**Thus, considering that GGSDP produces quarterly reports on domestic and foreign government debt, with quarterly updated data and mostly reconciled over the same period, but which, however, does not include information on State guarantees, dimension 13.1 is rated “C.”**

#### **Ongoing and planned reforms**

The framework of a financing from the World Bank includes the in-house development of an information system for the recording and management of debt and guarantees, with the ability to generate automatically reporting support frameworks and tools to support the Debt Sustainability Analysis, the preparation of the National Debt Strategy and the Public Debt Policy. The work is expected to start in the course of 2019.

#### ***Dimension 13.2 Approval of debt and guarantees***

This dimension assesses the arrangements for the approval and control of the government’s contracting of loans and issuing of guarantees, which is crucial to proper debt management performance.

The debt framework Law 1/2013, which regulates public debt processes and establishes in its article 1 the purposes for which the State may sign loan agreements, namely:

- a. To finance the general state budget deficit;
- b. Maintain the credit balance in the Treasury Account at a level determined by the Ministry responsible for the Finance;
- c. Provide loans to local governments, public companies, and any other entity for project financing purposes that have been previously approved by the National Assembly;
- d. Fulfil obligations under outstanding state guarantees;
- e. Refinance pending state debt or repay a loan before the amortization date;
- f. Protect or immediately eliminate the effects of a natural, environmental disaster or other national emergency;
- g. Responding to requests from the Central Bank of Sao Tome and Principe to issue Public Debt securities with the sole purpose of supporting monetary policy objectives

To achieve these purposes, the Framework Law and its regulation, approved by Decree-Law 1/2014, define the procedures to be followed by the different entities that intervene in the approval and contracting of public debt and guarantees, applying to all State institutions, including bodies of the political power and public companies, and by creating the following structures:



The Debt Framework Law assigns, in its Article 5, that the Minister has the responsibility for public debt management, namely that he or the person with powers expressly delegated by the Prime Minister is responsible for signing the loan agreements, which must be ratified by the National Assembly in accordance with Article 82 of the Constitution (as it has powers to negotiate and ratify international agreements) and Article 52 of the Framework Law. The operational responsibility is assigned to the GGSDP, notably in the preparation of the Public Debt Policy, which should be an integral part of the General State Budgetary Law,

It determines the level of concessionality of external loans, the maximum limits of indebtedness of each public sector's institution for the economic year, being drawn up annually and approved by the Council of Ministers by 30 May of each year, so that the indebtedness budget proposal is consistent with its forecasts and the National Debt Strategy.

There is no evidence of the formal approval by the Council of Ministers of the Public Debt Policy of 2018, nor of its formal submission to the Assembly, together with the proposed budgetary law.

In order to start negotiating a medium or long-term loan agreements, Article 39 requires prior authorization from the Minister of Finance and the GGSDP to participate in the negotiations, which must first verify the compatibility of the loan with the National Debt Strategy and with the National Annual Debt Plan.

At the end of the negotiations, in the case of external debt under Article 42, the GGSDP and the BCSTP should give a technical opinion on the impacts of this new loan agreement in terms of stock, service and indicators of debt sustainability and macroeconomic stability.

For short-term domestic indebtedness, these are authorized by the Minister of Finance after authorization by the Council of Ministers and may be contracted by public sector institutions, including state-owned companies and regional and district governments, to finance expenditure covered by the state budget in the debt contracting year.

With regard to domestic debt using government bonds, bonds and treasury bills, it is the responsibility of the Ministry of Finance and should, in the case of financing for the smoothing of the cash flow, be authorized by

the National Assembly. The issues, which are made by the BCSTP on behalf of the Treasury, have the procedures regulated by Decree-Laws no. 2/2014 and 16/2017 (Treasury Bills) and Decree-Law 17/2017 and Decree 23/2018 (for Treasury Bonds).

However, except for the domestic debt issuance procedures, there is no evidence of full compliance with the procedures provided for in the different legal acts, namely the request for authorizations to initiate external debt negotiations or the issuance of an opinion by the BCSTP, with no procedure manual.

At another level, there was no evidence of the functioning of the entities provided for by the different legal acts, namely the National Debt Committee and the Debt Management and Monitoring Committee and consequently, of the performance of its functions with regard to the National Debt Strategy, its semi-annual evaluation report and the National Annual Debt Plan.

With respect to guarantees, the legal framework establishes that guarantees can only be issued by the Minister of Finance, after a formal decision of the Council of Ministers or the highest responsible body of the requesting body, followed by authorization by the National Assembly, as determined by articles 56 to 60 of the Debt Framework Law. This should be done by documenting the existence of financial resources to match the service debt.

Following the issuance of the guarantees, GGSDP shall register the guarantee in the system, and the beneficiary entity shall report monthly on the evolution of the guarantees' service payment and the progress of the investment implementation.

There is no evidence that the process prescribed by the Law has been followed, on the sole assurance that the information is available, namely authorization by the National Assembly, and it is not registered with the GGSDP.

**Considering that the legislation foresees the mechanisms and the entities responsible for approving and contracting new loans, issuing new debt and guarantees as well as the related procedures, but there is i) no formal operational documentation for this purpose, (ii) or evidence about the functioning of some envisaged bodies, such as the National Debt Committee and the Technical Committee for Debt Management; (iii) no evidence that the procedures prescribed by law have been followed and iv) no evidence that there was a formal approval for the Public Debt Policy for 2018, dimension 13.2 is rated “D.”**

### ***Dimension 13.3 Debt management strategy***

The dimension assesses whether the government has prepared a debt management strategy (DMS) with the long-term objective of contracting debt within robust cost–risk trade-offs.



The Debt Framework Law, in its Article 11, provides for the preparation of the DMS, to be submitted by the Ministry of Finance to the National Assembly for approval and publication, after its validation by the Council of Ministers.

This Strategy, with a time horizon of 5 to 10 years, must respect the long-term debt management objectives, in the context of the Government's fiscal policy, namely its long-term sustainability, so that it does not endanger budgetary and balance of payments balances. To this end, the Strategy should incorporate scenarios for the evolution of key macroeconomic variables, such as exchange rates and interest rates and their impact on debt service and their results being assessed in the context of the preparation of the Debt Management Strategy and Monitoring Annual Report.

The current Debt Management Strategy, prepared in 2013 and published by the Government on its website, covers the period from 2012 to 2020 and meets the requirements of the legislation. However, under the terms of the Framework Law, it must be (i) formulated by the Public Debt Management and Monitoring Committee and submitted to the Minister of Finance, (ii) subject to annual review by the National Debt Committee and (iii) consistent with the Annual Debt Policy, there is now no evidence of the effective functioning of the two bodies, nor of the compliance of the Strategy with the Annual Debt Plan, which is supported by the annual budget and the evaluation report, nor has it been updated.

**Considering that the Government prepared and published a debt management strategy for the period 2012-2020, with the desired fluctuation of the interest rates, the exchange rates and the refinancing, but (i) it has not been approved by law, (ii) it does not provide information about the annual public debt levels, (iii) it does not allow comparison with the budgeted amounts; thus, its level of implementation cannot be assessed, dimension 13.3 is rated "C."**

## Pillar IV. Policy-based fiscal strategy and budgeting

### PI-14: Macroeconomic and fiscal forecasting

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI 14. Macroeconomic and fiscal forecasting</b>	<b>D+</b>	<b>The ability to prepare macroeconomic forecasts is quite recent and weak. The forecasts made by BCSTP and MPFEA integrate the macroeconomic indicators of GDP growth, inflation and exchange rate. The fiscal forecasts concern only the next fiscal year and are not complete. No alternative fiscal scenarios are prepared.</b>
14.1. Macroeconomic forecasts	D	The macroeconomic projections presented to the NA, as part of the annual General State Budget proposal, include estimates of GDP growth, inflation rate and annual average exchange rates only for the next budget year and do not include (i) estimates of projections on internal and external interest rates, (ii) projections for the next two years and (iii) review by an external authority.
14.2. Fiscal forecasts	C	The government prepares estimates of revenue, expenditure and budgetary results for the budget year and the following two fiscal years, but the (i) information for the following two financial years has only been included in the documentation submitted to the legislature in only one of the three budget years (2016) and (ii) the forecasts do not explicitly formulate the medium-term effects of fiscal or budgetary policy decisions, or explain the variations from the previous year's forecasts.
14.3. Macro fiscal sensitivity analysis	D	The Government does not elaborate alternative fiscal scenarios, with the exception of the debt sustainability analysis, but they do not include macro fiscal forecasts or qualitative assessments for the impact of each alternative macroeconomic assumption.

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. The indicator contains three dimensions.

The ability to make macroeconomic forecasts in STP is low and is a fairly recent practice.

## Macroeconomic Indicators 2017 - 2021

## Projeção Macroeconómica 2019 - 2021

	2017	2018	2019	2020	2021
<b>PIB, preço e população</b>					
PIB real (taxa %)	3,9	2,8	4,0	4,2	4,5
IPC (v.h. %)	7,7	9,0	6,6	6,4	6,2
<b>FMI</b>					
PIB real (taxa %)	3,9	2,8	3,5	3,0	
IPC (v.h. %)	7,7	9,0	4,5	4,0	
<b>Fiscal (%PIB)</b>					
Receitas Totais	28	24	34	33	32
Despesas Totais	29	24	33	33	33
Investimento publicos	12	8	16	17	17
Saldo primario ex doação (%PIB)	-1,9	-2,1	-1,2	-1,6	-1,4
<b>Síntese Monetária Global</b>					
Massa Monetária (M3)	0	15	5	14	12
Activo externo (liquido)	-25	4	19	16	12
Crédito a Economia	4	-2	3	3	3
<b>Sector Externo</b>					
Balança corrente (%PIB)	-20	-16	-16	-15	-14
Balança de capital (%PIB)	8	7	8	8	8
Balança financeira (%PIB)	-12	-9	-8	-7	-7

Source: 2019 GSB Macroeconomic Framework (BCSTP)

#### Dimension 14.1. Macroeconomic forecasts

This dimension assesses the extent to which comprehensive medium-term macroeconomic forecasts and underlying assumptions are prepared for the purpose of informing the fiscal and budget-planning processes and are submitted to the legislature as part of the annual budget process. To be consistent with PI-5, element 6, forecasts must include at least estimates of GDP growth, inflation, interest rates, and the exchange rate.

The annual macroeconomic projections are prepared by the Ministry of Finance and, in addition, by the Central Bank of Sao Tome and Principe. These only include estimates of GDP growth, inflation rate and the average annual US dollar exchange rate for the budget year of the proposal. The assumptions about both domestic and external interest rate estimates are not presented, there is only a note on the Central Bank reference rate. The information on the macroeconomic projections for the year of the budget proposal is summarized in the document submitted to the National Assembly. The broader analyses are not made public.

These projections are not reviewed by external entities, such as a public finance council, except for the analyses made by the International Monetary Fund under missions of Article IV or evaluation of the existing program in STP.

**Considering that the macroeconomic projections presented to the NA, as part of the annual General State Budget proposal, include estimates of GDP growth, inflation rate and annual average exchange rates only for the next budget year and do not include (i) estimates of projections on internal and external interest rates, (ii) projections for the next two years and (iii) review by an external authority, the score assigned to this dimension is “D.”**

### ***Dimension 14.2. Fiscal forecasts***

This dimension assesses whether the government has prepared a fiscal forecast for the budget year and the two following fiscal years based on updated macroeconomic projections and that reflects government-approved expenditure and revenue policy settings. The updated revenue projections should be presented by revenue type and should clearly identify underlying assumptions (including rates, coverage, and projected growth). The updated expenditure estimates should be based on the following year estimates of the preceding approved budget, adjusted to take into account the budget and medium-term fiscal impact of any post-budget expenditure policy decisions (including approved adjustments for inflation and public service wages). Variations between the final approved fiscal forecast and the projections included in the previous year's approved budget should be explained and published as part of the annual budget process.

The Government, through the MPFEA, with the support of BCSTP and INE technicians, prepares the fiscal forecasts for the year to which the State Budget refers, according to the macroeconomic projections, which encompass the following two years.

This forecast conforms to the State Budget proposal submitted to the Assembly, but it does not explicitly formulate the medium-term effects of fiscal or budgetary policy decisions, nor does it explain the variations in the forecasts included in the budget proposal of the previous year. It is supported by the integration in the State Financial Operations Table (TOFE) budget proposal documentation that includes key fiscal indicators, including revenues (per type), aggregate expenditure, and budget balance for the budget proposal year and the following two financial years, in this case only for the Budget Proposal for 2016.

**Considering that the government prepares estimates of revenue, expenditure and budgetary results for the budget year and the following two fiscal years, but the (i) information for the following two financial years has only been included in the documentation submitted to the legislature in only one of the three budget years (2016) and (ii) the forecasts do not explicitly formulate the medium-term effects of fiscal or budgetary policy decisions, or explain the variations from the previous year's forecasts, the score assigned to this dimension is "C."**

### ***Dimension 14.3 Macro fiscal sensitivity analysis***

This dimension assesses the capacity of governments to develop and publish alternative fiscal scenarios based on plausible unexpected changes in macroeconomic conditions or other external risk factors that have a potential impact on revenue, expenditure, and debt. Such analyses would typically involve an analysis of debt sustainability.

In STP, alternative tax scenarios are not prepared. Consequently, they are not used for the budget preparation and the discussion process. Meanwhile, the World Bank and the International Monetary Fund prepare, with the support of the Ministry of Finance and the Central Bank of Sao Tome and Principe, annual reviews of the debt sustainability, which are published.

Considering that the Government does not elaborate alternative fiscal scenarios, with the exception of the debt sustainability analysis, but they do not include macro fiscal forecasts or qualitative assessments for the impact of each alternative macroeconomic assumption, the score assigned to this dimension is “D.”

### Ongoing and planned reforms

In order to improve the articulation between policies, planning and budget, and to allocate resources based on pre-defined programs and priorities, the Decree for the creation of the Macro-Fiscal Committee, whose operation will be supported by the African Development Bank was approved. In 2018, technical staff from various directorates of the MPFEA and BCSTP underwent training, funded by UNDP, in the area of macroeconomic forecasting with a view to forecast, monitor and evaluate macroeconomic policies.

In this aspect, several employees Ministry of Planning, Finance and Blue Economy received training for the preparation of the Medium-Term Fiscal Framework (MFFF) with the support of AFRITAC. The conclusion of the Medium-Term Sector Expenditure Framework (MTEF) 2020-2022 is also expected to be completed this year, according to the work plan prepared.

## PI-15: Fiscal strategy

Indicator / Dimension	M2 score (AV)	Rationale for the Score
PI 15. Fiscal strategy	D	<b>There is no evidence that a Fiscal Strategy has been prepared for any of the last three years (2016, 2017 to 2018) and, as a consequence, an assessment of the progress towards the objectives set in such a strategy. Likewise, there is no evidence that the Government has made estimates of the fiscal impact of the fiscal policy changes, as part of the budget proposals submitted to the National Assembly.</b>
15.1. Fiscal impact of policy proposals	D	Over the 3 years under review (2016 to 2018) there is no evidence that the Government has prepared estimates of the fiscal impact of proposed changes to revenue and / or expenditure policies for the upcoming fiscal year.
15.2. Fiscal strategy adoption	D	In 2018, no fiscal strategy (with qualitative objectives) was prepared for the FY 2019, while the sectoral strategies do not cover the entire Central Government.
15.3. Reporting on fiscal outcomes	NA	For 2017 and 2018, there is no Government fiscal strategy and, thus, the Government (i) has not produced any internal report on fiscal outcomes and (ii) has not submitted, together with the Annual Budget, a report describing the progress made towards the achievement of its fiscal strategy and goals set.

This indicator provides an analysis of the Government's ability to develop and implement a clear fiscal strategy. It also measures its ability to develop and assess the fiscal impact of expenditure and revenue policy proposals that support the achievement of defined fiscal targets. The indicator contains three dimensions.

#### *Dimension 15.1. Fiscal impact of policy proposals*

This dimension assesses the Government's ability to estimate the fiscal impact of revenue and expenditure policy proposals developed during the budget preparation. The assessment of the fiscal implications of policy changes is critical to ensuring that policies are affordable and sustainable. The failure to accurately estimate the fiscal implication of policies can result in the loss of revenues or increase of expenses, leading to unwanted deficits and increased debt, which undermines the government's ability to provide services to its citizens.

**Considering that, over the 3 years under review (2016 to 2018) there is no evidence that the Government has prepared estimates of the fiscal impact of proposed changes to revenue and / or expenditure policies for the upcoming fiscal year, the score assigned to this dimension is “D.”**

#### *Dimension 15.2. Fiscal strategy adoption*

This dimension assesses the extent to which government prepares a fiscal strategy that sets out fiscal objectives for at least the budget year and the two following fiscal years. A well-formulated fiscal strategy includes numerical objectives, targets or policy parameters (such as the level of fiscal balance), aggregate central government expenditures or revenues, and changes in the stock of financial assets and liabilities. A fiscal strategy may be presented as a formal statement or plan, specified as targets within the annual budget documentation, or as fiscal rules established through legislation.

No fiscal strategy was prepared for the year under review, 2018, and neither was a report produced for the National Assembly including this information. Within that period, the STP Government has developed medium-term sectoral fiscal strategies with qualitative fiscal policy objectives, targets and policy parameters that are clear but need to be consolidated.

Meanwhile, a medium-term fiscal strategy was prepared for the period 2019-2021. However, the deadlines, objectives, targets and parameters of this fiscal strategy have not been consolidated yet and it does not cover the entire Central Government.

**Therefore, considering that in 2018, no fiscal strategy (with qualitative objectives) was prepared for the FY 2019, while the sectoral strategies do not cover the entire Central Government, the score assigned to this dimension is “D.”**

#### *Dimension 15.3 Reporting on fiscal outcomes*

This dimension assesses the extent to which the government makes available—as part of the annual budget documentation submitted to the legislature—an assessment of its achievements against its stated fiscal objectives and targets. The assessment should also include an explanation of any deviations from the approved objectives and targets as well as proposed corrective actions. Actions should refer to specific initiatives that directly link to improvements in fiscal outcomes.

**Considering that, for 2017 and 2018, there is no Government fiscal strategy and, thus, the Government (i) has not produced any internal report on fiscal outcomes and (ii) has not submitted, together with the Annual Budget, a report describing the progress made towards the achievement of its fiscal strategy and goals set., the score assigned to this dimension is “NA.”**

#### Ongoing and planned reforms

See PI-14.

### PI-16: Medium-term perspective in expenditure budgeting

Indicator / Dimension	M2 score (AV)	Rationale for the Score <sup>2</sup>
<b>PI 16. Medium-term perspective in expenditure budgeting</b>	<b>D</b>	<b>The General State Budget provides expenditure estimates for the budget year concerned according to the functional and economic classification of expenditure, but does not provide fiscal data for subsequent years. Seven sectors prepare MTEFs with aggregate expenditure limits for the budget year before the first budget circular letter and without a prior government's approval. Some MTEFs are misaligned with the sectoral strategic plans as well as the national strategies.</b>
16.1. Medium-term expenditure estimates	D	The annual budgets provide expenditure estimates for budget year N + 1 according to an administrative or economic classification, but does not provide expenditure estimates for the following two years.
16.2. Medium-term expenditure ceilings	D	Although the ministries and governmental institutions receive information on the expected limits for the preparation of their medium-term expenditure, there is still wide variation between the indicative limits and the prepared and approved budgets. These limits are only used in the QDMP preparation step.
16.3. Alignment of strategic plans and medium-term budgets	D	There is no alignment between the sectoral strategic plans and MTEFs.
16.4 Consistency of budgets with previous year's estimates	D	In the last two GSB proposals (2018 and 2019) no MTEFs were presented, while there were significant differences between the values estimated under the last two sectoral MTEFs, with no explanation for the variations.

This indicator examines the extent to which the expenditure budgets are developed for the medium term and within the explicit limits of a medium-term planning and budgeting framework. It also examines the extent to which the annual budgets are or are not derived from medium-term forecasts and the degree of alignment between the annual budget estimates and the medium-term forecasts and the underlying strategic plans.

The annual budget in STP provides expenditure estimates for the budget year concerned according to the functional and economic classification of expenditure, but does not provide fiscal data for subsequent years. Seven sectors develop MTEFs with aggregate expenditure limits for the budget year, prepared before the first budget circular letter and which are not generally approved by the Government.

Some MTEFs are misaligned with the sectoral strategic plans as well as the national strategies.

### **Dimension 16.1. Medium-term expenditure estimates**

This dimension assesses the extent to which medium-term expenditure estimates are prepared and updated as part of the annual budget process. The preparation of medium-term estimates is intended to strengthen fiscal discipline and improve predictability of budget allocations. Medium-term estimates should be disaggregated by high-level administrative, economic, and program or functional classification. The administrative classification should identify the relevant budget head of appropriation—for example, the ministry or department.

The multi-annual budget forecasts in STP are obtained by preparing *Medium Term Expenditure Frameworks (MTEF)*, developed on a sectoral basis, defining medium-term expenditure plans and updating them annually. This practice is in effect in the following sectors: Education, Health, Environment, Youth and Sports, Agriculture, Tourism, Commerce and Industry, Water and Sanitation, Labour, Justice, Defence, Internal Administration.

In 2017, the conceptual model for the budget program was approved, as well as the creation of a legal framework for the *Public Policy and Program Monitoring and Evaluation System*. Both are reform measures that are still in the early stages of implementation and will take some time to produce the expected effects.

However, there is no direct alignment between MTEFs and government strategic plans. MTEFs are not designed within explicit expenditure limits and are not part of the General State Budget.

**Considering that the annual budgets provide expenditure estimates for budget year N + 1 according to an administrative or economic classification, but does not provide expenditure estimates for the following two years, the score assigned to this dimension is “D.”**

### **Dimension 16.2. Medium-term expenditure ceilings**

This dimension assesses whether medium-term expenditure ceilings are applied to the estimates produced by ministries to ensure that expenditure beyond the budget year is consistent with government fiscal policy and budgetary objectives. Such ceilings should be issued to ministries before or when the first circular is distributed at the commencement of the annual budget preparation cycle.

The budget preparation Circular Letter is produced in STP and provided to state ministries and institutions to guide the preparation of their budget proposals.

The aggregate expenditure limits for the budget year and the following two years are prepared even before the first budget Circular Letter is issued and circulated within the key ministries, but are not approved by STP's government. The limits of budget expenditure are not in line with some programs funded with external support.



**Considering that the ministries and governmental institutions receive information on the limits for the preparation of their medium-term expenditure, but they are not approved by the government and there is a wide variation between the indicative limits and the prepared and approved budgets, while these limits are only used in the QDMP preparation step, this dimension is evaluated with a "D".**

#### *Dimension 16.3 Alignment of strategic plans and medium-term budgets*

This dimension measures the extent to which approved expenditure policy proposals align with costed ministry strategic plans or sector strategies. Strategic plans should identify resources required to achieve medium- to long-term objectives and planned outputs and outcomes.

In STP there is limited alignment between strategic and operational planning. This lack of alignment implies that, at the end of the implementation period of a given plan, it is difficult to monitor and assess its degree of compliance and performance by analysing the annual budget implementation reports. There are several support plans for Government strategic planning (for example the *National Development Plan 2017-2021*, *Government Program*, *National Poverty Reduction Strategy*, *National Investment Plan for Agriculture*, *Food Security and Nutrition*, *Vision 2030 For Sao Tome and Principe*, among others).

However, these plans (i) do not have estimates of the costs of activities and the programs to be implemented; (ii) do not detail the resources required for their implementation; and (iii) do not include the medium-term expenditure program or for at least the first 3 years of implementation.

**Considering that there is no alignment between the sectoral strategic plans and the MTEFs, this dimension is evaluated with a "D".**

#### *Dimension 16.4 Consistency of budgets with previous year's estimates*

This dimension assesses the extent to which the expenditure estimates in the last medium-term budget establish the basis for the current medium-term budget. This will be the case if every expenditure variation between the corresponding years in each medium-term budget can be fully explained and quantified.

In STP, no comparisons or explanations about the differences between the consequent annual MTEFs are given. Thus, the medium-term budget is not functioning as a dynamic process, with each subsequent budget based on its predecessor. Furthermore, the medium-term planning is not incorporated into the budget preparation and is not used as a tool to strengthen the budget discipline beyond the annual General State Budget.

**Considering that in the last two GSB proposals (2018 and 2019) no MTEFs were presented, while there are significant differences between the estimated values under the last two sectoral MTEFs, without explanations for the variations, this dimension is evaluated with a "D."**

#### **Ongoing and planned reforms**

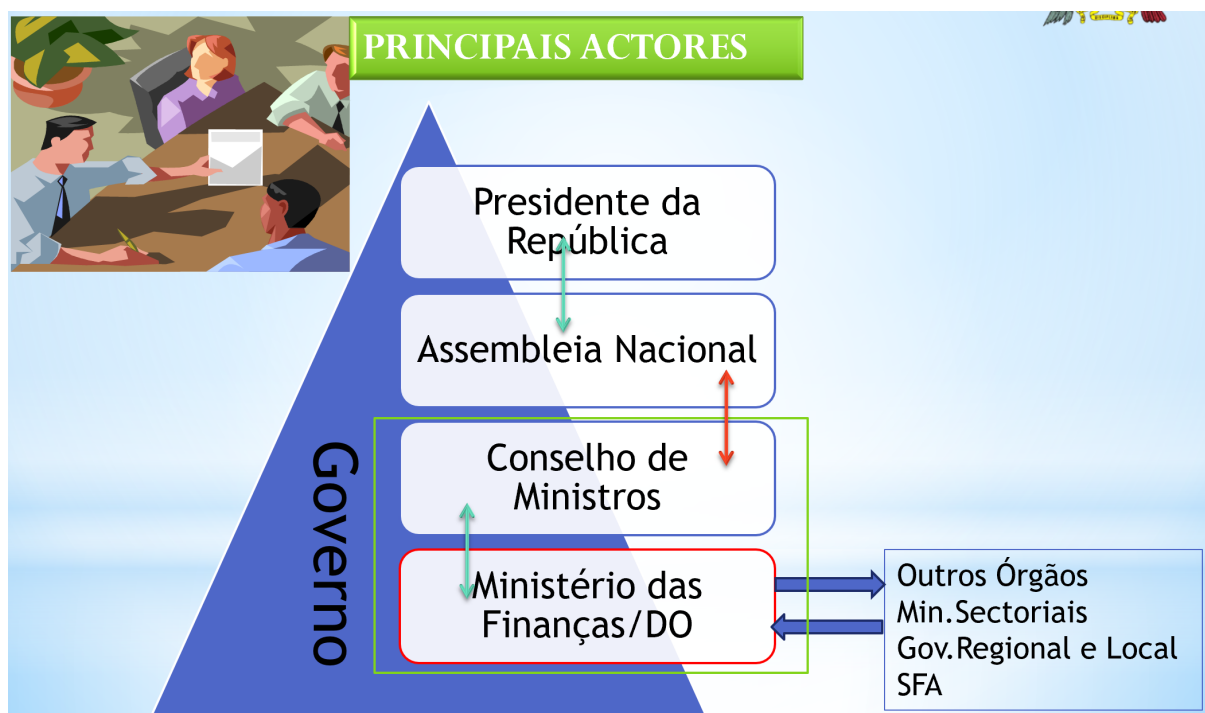
See PI-14.

## PI-17: Budget preparation process

Indicator / Dimension	M2 score (AV)	Rationale for the Score
PI-17 Budget preparation process	D	The preparation process of the GSB is impacted by the instability of the budgetary calendar, the circular letters with the limits allocated to the UGs without forecast for investments and significant delays in the submittal of the GSB to the National Assembly.
17.1. Budget calendar	D	There is a theoretical budgetary calendar, with a 4-week timeframe allocated for the preparation and submittal of the preliminary draft budget by the budgetary units, but over the last three years the government has significantly changed, the calendar dates with the budgetary circular letters sent late and without investment limits, not allowing the UGs to draw up reliable and timely draft budgets.
17.2. Guidance on budget preparation	D	Comprehensive and clear budgetary circular letters, reflecting the maximum limits, with guidelines for the preparation of the budget, are issued to the budgetary units and distributed as approved by the Council of Ministers, before the submission of the preliminary drafts to the MPFEA, but covering only the current expenditure (without limits on investment expenditure) for the next financial year.
17.3. Budget submission to the legislature	D	During the past 3 years, only the 2018 annual budget proposal has been presented by the government to the National Assembly at least one month before the start of the fiscal year.

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely.

In STP, according to Law 3/2007 the budget preparing process is led by the Directorate of the Budget (DO), with the participation of the DFAs of the ministries, other budgetary public entities and subnational governments, as illustrated below.



Source: DB / MPFEA 2018

Based on Article 13 of the SAFE Law, the preparation of the budget observes the following principles and rules:

- **Annuality:** The budget has a validity period of 1 year
- **Unit:** The General State Budget is only one for the whole country. It comprises all central, regional and local bodies;
- **Universality:** The expenditure and revenue resulting from the change in the net assets of the State must be mandatorily entered.
- **Specification:** All expenditure and revenue are to be appropriately broken down by their corresponding description.
- **Non-Compensation:** The revenue and expenditure must be grossly entered.
- **No Consignment:** the proceeds from any revenue shall not be allocated to specific expenses.
- **Balance:** All budgeted expenses must be covered by resources registered in the GSB.
- **Publicity:** All information deemed relevant contained in the approved GSB shall be published.
- **Organic Classification:** "Who?" (which State body) is responsible for programming and implementing the expenditure.
- **Functional Classification - "In what area?"** will the expense be incurred?
- **Programmatic Structure - "What purpose?"** will the expense be incurred?
- **Economic Nature:** "How will the expense be made in economic terms?"
- **Source of Resources - "What Source of Resources?"** will it be used to support the expense?
- *Source: DB / MPFEA2018*

The preparation of the budget is done at the former SAFINHO at central government level and at RAP, and also in Excel worksheets at the level of other public entities and District Councils. The current SAFE-e is not a fully integrated system and does not have a budget preparation module. The operation of the budgetary calendar, the guidelines for budget preparation and its submittal to the National Assembly are presented below.

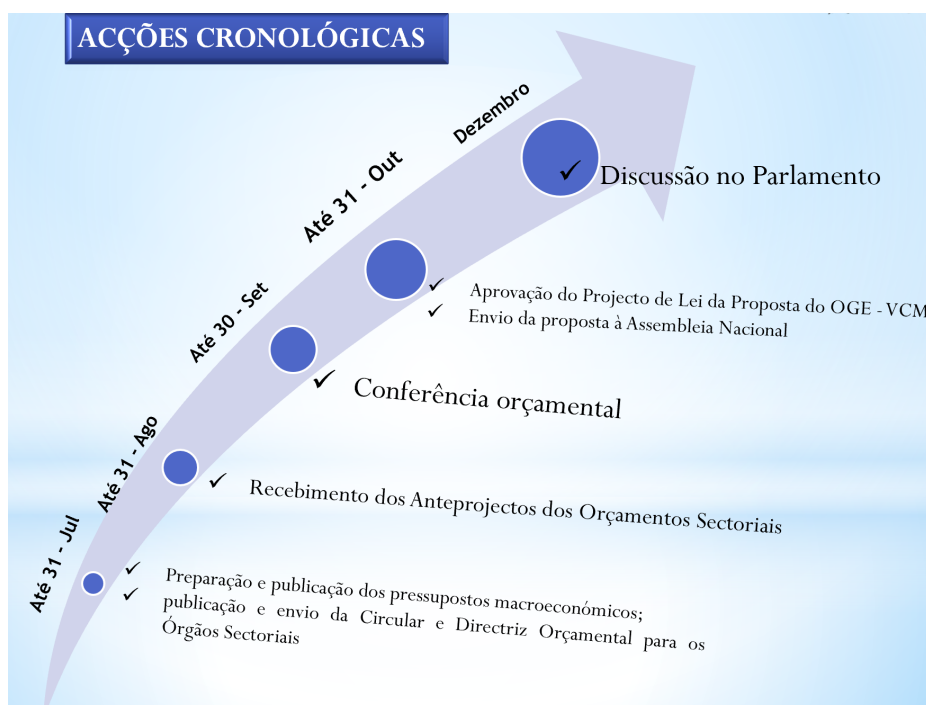
#### **Dimension 17.1. Budget calendar**

This dimension assesses whether a fixed budget calendar exists and the extent to which it is adhered to.

In STP, the annual budget preparation cycle has the 3 following phases:

1. Preparation phase - January to July;
2. Consideration phase - August to September;
3. Approval phase - October to December.

Within the above phases, the budget preparation process has 5 activities, as defined in the Calendar prepared by DB in 2016 and updated annually in the budget preparation circular letter sent to all Central Government Management Units (GUs), which defines the timeframe established for the preparation of the budget, as shown in the illustration below:



Source: DB / MPFEA2018

Normally, the process is started considering the targets agreed with the International Monetary Fund in June-July. After setting the goals, the next steps are the following:

- ✓ By 31 July, the DB sends the “limits” to the managing units through the Circular Letter and the guidelines on the budget preparation;
- ✓ By 31 August the management units send their budgetary proposals:
  - The ministries send the detailed proposals;
  - The District Councils and the RAP send proposals in 2 lines: public investment expenditure and current expenditure;
- ✓ Until September 30, the Budgetary Conference is held: all management units are invited to analyse and evaluate the proposals;
- ✓ In early October, the preliminary draft / budget proposal is submitted to the MEF;
- ✓ Until 31 October, the proposed law is approved by the Council of Ministers and submitted to the Assembly;
- ✓ By 31 December the Assembly must approve the budgetary law;
- ✓ The President of the Republic enacts the budgetary law for its entry into force.

In the event of a delay in the enactment of the budgetary law, GUs are allowed to make expenditure based on the twelfths of the previous year's budget, decreased by 10%.

In STP, the UGs have the possibility of starting their work for the preparation of budget estimates well before the start of the budgetary calendar. However, these units and the MEF are inhibited to start the preparation of the budget. Thus, over the past few years, the timing mentioned above has remained theoretical and not respected, impacted by limited future revenue visibility, because most of the GSB revenues come from external partners. As most budget financing is dependent on partners, the Government devotes its efforts to fundraising rather than on the rational preparation of the budget based on a strategic plan and medium-term planning.

The agreed time for the preparation of preliminary draft budgets by the budgetary units is usually 4 weeks. The subnational governments and all budgetary units receive information on annual allocations (“budgetary

limits") submitted to GUs through a Circular Letter for the preparation of the budget proposal by the MPFEA's DB before the completion and generally before starting the process of drawing up their own preliminary draft budgets.

In 2018, the DB Circular Letter on budget preparation 2019 was sent on December 24, requesting the submission of preliminary draft budgets by January 21, 2019. Thus, the subnational governments had 4 weeks to prepare and submit their preliminary draft budgets to the DB. However, the information on annual allocations is related to transfers for current expenditures, while the investment-related expenditures are decided in the last minutes before the submission of the General State Budget proposal to the National Assembly, limiting the capacity of the GUs to draw up reliable preliminary draft budgets.

During the preceding years, the budgetary process was delayed by requests from the Government to extend the deadline for the submission of the GSB proposal. However, the DB Circular Letters were sent always allocating 4 weeks for the preparation of the preliminary draft budgets.

Thus, the delays in the process, the lack of investment limits and the budget approvals create uncertainties about the expenditure and revenue figures of the year N+1, reducing the capacity of the UGs to program their activities, especially in the inclusion of investment projects in the preliminary draft budget.

**Considering there is a theoretical budgetary calendar, with a 4-week timeframe allocated for the preparation and submittal of the preliminary draft budget by the budgetary units, but over the last three years the government has significantly changed, the calendar dates with the budgetary circular letters sent late and without investment limits, not allowing the UGs to draw up reliable and timely draft budgets, dimension 10.1 is rated "D."**

#### ***Dimension 17.2. Guidance on budget preparation***

This dimension assesses the clarity and comprehensiveness of top-down guidance on the preparation of budget submissions. It examines the budget circular(s), or equivalent, to determine whether clear guidance on the budget process is provided, including whether expenditure ceilings or other allocation limits are set for ministries or other budgetary units or functional areas. Only Budgetary Central Government units receiving funds directly or authorized directly by the Assembly.

In STP, while subsequent years relevant to medium-term budgetary systems are not used, the budget for the entire next budgetary year is covered by the guidance provided by the budget circular letter, reflecting the limits for the current expenditure. However, the value of the investments is not included in the Budget Circular Letter.

The annual budget circular letter is based on decisions taken at the Council of Ministers meeting on the government's budget process and strategy. Thus, the Council of Ministers should consider and establish annually the process, the calendar, the priorities and strategy for the preparation of the next budget. Therefore, the government appoints the directorate of the next budget in order to provide the necessary guidance to the GUs on the objectives to be achieved during the next budgetary year and the funding amounts that will be available in the budget within the budgetary envelope. The Directorate of the Budget allocates the total aggregate budgetary envelope (limit) to current costs for each Ministerial line and state institution to guide the preparation of their budgets.

Thus, budgetary units receive the information on the annual allocations provided by the central government, before the start of the process of preparing their own budgets.

**Considering that comprehensive and clear budgetary circular letters, reflecting limits, with guidelines for the preparation of the budget are issued to the budgetary units and distributed as approved by the Council of Ministers before the submission of the preliminary draft to the MPFEA, but covering only the current expenditure (excluding investment expenditure limits) for the next financial year, dimension 17.2 is rated "D."**

### ***Dimension 17.3. Budget submission to the legislature***

This dimension assesses the timeliness of submission of the annual budget proposal to the legislature or similarly mandated body so that the legislature has adequate time for its budget review and the budget proposal can be approved before the start of the fiscal year.

In STP, the annual budget of the Budgetary Central Government is prepared based on the Major Options of the Plan and uses an integrated process, ensured through a budgetary process, defined in SAFE Law 3/2007 and in Law 12/2009., altering SAFE Law, as well as in the 2007 Assembly's Rules of Procedure providing the following:

- ✓ By October 31 of each year, the Government shall submit to the National Assembly the proposal of the General State Budget;
- ✓ The draft law for the Major Options of the Plan for each year is submitted to the National Assembly within the legally established period;
- ✓ The Prime Minister submits to the President of the National Assembly, by 31 October of each year, the draft law of the Major Options of the Plan and the draft law of the General State Budget for the following economic year, with its accompanying documentation.

In recent years these dates were not met due to Government requests to the Assembly to extend the deadline, awaiting funding confirmations from partners.

The 2017 and 2018 annual budget proposals were submitted to the Assembly in less than one month and one and a half month, respectively, before the beginning of the following budgetary year. The 2019 budget proposal was submitted during the same year due to national elections in 2018, which disrupted the normal budget preparation process. The budget preparation process was expedited, and the government could submit the budget proposal in less than 3 months after the end of 2019.

**Table 17.3 Submittal of the General State Budget to the Assembly**

Budget / Fiscal Year	Date of submittal	Months before next budgetary year
2016 (GSB 2017)	02/12/2016	<1 month
2017 (GSB 2018)	15/11/2017	< 1.5 months
2018 (GSB 2019)	05/03/2019	Delayed

Thus, the weakness in the timely preparation of reliable forecasts by the Government results in delays in finalizing and submitting the GSB to the National Assembly.

**Considering that, during the past 3 years, only the 2018 annual budget proposal has been presented by the government to the National Assembly at least one month before the start of the fiscal year, dimension 17.3 is rated "D."**

## PI-18: Legislative scrutiny of budgets

Indicator / Dimension	M1 score (AV)	Rationale for the Score
<b>PI-18 Legislative scrutiny of budgets</b>	<b>D+</b>	<b>The scope of the scrutiny of the General State Budget by the Assembly is relevant, but without evaluating the fiscal policies and aggregates for next year, nor the mid-term projections, with pre-established procedures and close to best practices, but with significant delays in the GSB's approval calendar, while there are clear rules, generally respected, but with extensive administrative reallocations during the budgetary year.</b>
18.1. Scope of budget scrutiny	C	The legislative review covers fiscal policies and aggregates for the coming year, as well as details of expenditures and revenues, with no mid-term projections.
18.2. Legislative procedures for budget scrutiny	A	The legislative procedures for the scrutiny and approval of the GSB's proposals (i) are established before the holding of the budget hearings, (ii) are monitored and (iii) include provisions for public consultations, and (iv) there are the 2nd and other specialized sectoral committees for the analysis, that (v) the processes rely on technical support and negotiation procedures established.
18.3. Timing of budget approval	D	The National Assembly approved the general state budget within one month of the beginning of the year, in only one of the last three fiscal years.
18.4. Rules for budget adjustments by the executive	B	There are (i) clear rules for making ongoing budget adjustments by the executive power, (ii) they are respected in most instances, and (iii) the rules allow extensive administrative reallocations.

This indicator assesses the nature and extent of the legislative scrutiny of the annual General State Budget (GSB). It considers the extent to which the legislature scrutinizes, debates, and approves the GSB, including the extent to which the legislature's procedures for scrutiny are well-established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature.

### *Dimension 18.1. Scope of budget scrutiny*

This dimension assesses the scope of legislative scrutiny in relation to the documentation received by the Government with the proposed budgetary law.

In STP, there is a well-functioning legislature, the National Assembly, and its role in the budget process is very important. The scope of the budgetary control includes, by the Assembly, a relevant amount of discussion and public hearing of the budgetary framework and relatively limited documentation, compiled into 3 documents that make up the government's proposed budgetary law, as provided for in Article 23 of the SAFE Law:

1. Major Options of the Plan for the following fiscal year;
2. General State Budget, including:
  - a. Preliminary report on the implementation of the General State Budget of the current year (TOFE);
  - b. Rationale for forecasting the tax revenues and setting expenditure limits (reporting law);
  - c. Expenditure and revenue per function and economic nature;
  - d. Demonstration of GSB's global financing with breakdown of the main sources of funds;
  - e. List of all bodies and institutions;

3. Annex with the budgets and budget implementation of 7 Public Companies.

The budget proposal of all bodies with administrative and financial autonomy is not attached. However, the amounts to be transferred by the Central Government are presented in the GSB, except for the National Assembly.

In the section on the macroeconomic assumptions of the GSB's proposal sent to the Assembly, the Government's objectives regarding inflation and exchange rate parity, which could support the implementation of expansionary monetary policies, such as the reduction of market interest rates, are presented. However, these objectives are theoretical, with no objectives and tax policies and tax aggregates for the coming year set. However, the specific details of the expenditure and revenue estimates are submitted and reviewed by the Assembly.

Thus, the GSB documentation is relevant, but does not include the review of fiscal policies for the coming year, nor the medium-term fiscal projections and medium-term priorities. Accordingly, the budget proposal is not expected to be revised in two or more steps, possibly involving a gap between the mid-term review of the budget and the revision of the estimate details for the next fiscal year.

**Considering that the review by the legislature covers details of expenditures and revenues for the coming year, but not the fiscal policies and aggregates for the next year, nor the medium-term fiscal projections, dimension 18.1 is rated "C."**

***Dimension 18.2. Legislative procedures for budget scrutiny***

This dimension assesses the extent to which review procedures are established and adhered to. The procedures relate to the legislative provisions for public consultation arrangements, internal organizational arrangements, including legislature committees, technical support and negotiating procedures.

In STP, the legislature's procedures for the consideration of budget proposals are prepared and approved by the legislature well in advance of the budget hearings and are followed in practice. Article 25 of the SAFE law establishes that, for the approval of the GSB, the Assembly shall deliberate on the GSB draft law, submitted by the Prime Minister, by December 15 of each year, provided the deadlines set in Article 24, as amended by law 12/2009 (amendment of SAFE law), i.e., until October 31, are respected. The same date is also provided for in Article 205 of the Rules of Procedure of the National Assembly. During the last years, these provisions are not being respected. Indeed, the political changes and the high reliance on the state budget on external financing, carried out by the external budget support mechanism, delay the preparation of the proposal of the budgetary law and its submission to the Assembly.

The assembly procedures for budget approval include internal organizational arrangements such as specialized review committees, technical support and negotiating procedures.

The 2nd Committee of the Assembly is responsible for analysing the proposal of the budgetary law. This committee counts on the technical support of the committees specialized in the various economic sectors, in accordance with their competences in the different subjects and calls for clarifications, members of the Government, if necessary. Gathering the opinions of the different committees, the 2nd Committee produces



a consolidated opinion which it submits at the Plenary of the Assembly. Rule 220 of the Rules of Procedure of the Assembly establishes the following procedures for public debates as follows:

- The debate on the Government Program begins after the clarifications provided for (in the previous article or), at the request of any member of the parliament, within 48 hours after the distribution of the Program's text;
- The debate shall be organized by the Conference in accordance with article 158;
- During the debate on the Government Program, the meetings of the Assembly have no period before the agenda;
- The debate ends with the interventions of a Member of each parliamentary group and the Prime Minister, who closes it.

After the public debates on the draft law of the GSB, with the participation of members of the Government, the 2nd Commission once again submits the amended GSB to the Plenary for final approval. The procedures also include internal organizational arrangements, whereby the 2nd Commission counts on the support of technicians specialized in the analysis of the GSB and in preparing an opinion for the Plenary.

Thus, in the area of budgetary law approval procedures, the process of analysis and scrutiny of the budget proposal by the Assembly is consistent with the best international practice.

**Considering that the legislative procedures for the scrutiny and approval of the GSB's proposals (i) are established before the holding of the budget hearings, (ii) are monitored and (iii) include provisions for public consultations, and (iv) there are the 2nd and other specialized sectoral committees for the analysis, that (v) the processes rely on technical support and negotiation procedures established, dimension 18.2 is rated "A."**

#### *Dimension 18.3. Timing of budget approval*

This dimension assesses the timeliness of the scrutiny process in terms of the legislature's ability to approve the budget before the start of the new fiscal year.

The deadline for the approval of the GSB is important so that budgetary units to receive information about the resources they will have at their disposal for service delivery. An important factor that defines the time taken by the Assembly for its scrutiny is the timeliness of the submittal of the executive's budget proposals to it.

Table 18.3 below shows the dates for the submission of budget proposals to the National Assembly and the approval of the GSBs by the Assembly for the fiscal years (FY) 2016 to 2019.

**Table 18.3: GSB submission and approval dates**

Budget Fiscal Year	Date of submittal	Date approved by the Assembly	Date of enactment by the President of the Republic
2016	20/11/2015	19/01/2016	04/02/2016
2017	02/12/2016	27/01/2017	31/01/2017
2018	15/11/2017	09/03/2018	14/03/2018
2019	05/03/2019	02/04/2019	16/04/2019

In the table above, the actual time required by the legislature to review and approve the budget proposal can be seen.

Thus, the delays by the government for the submittal of the budgetary law's proposal and the Assembly to finalize budget approval procedures result in delays in the approval of the GSB, which usually occurs after the start of the budget year. However, the Assembly reviews and approves the GSBs within the average period of one month following its submittal by the Government, except for the 2018 GSB which took more than 3 months due to the 2018 elections, which disrupted the punctuality of the budgetary process.

**Considering that the National Assembly approved the annual budget within one month after the beginning of the year, in only one of the last three fiscal years, dimension 18.3 is rated "D."**

#### ***Dimension 18.4. Rules for budget adjustments by the executive***

This dimension assesses the legal arrangements made to consider in-year budget amendments that do not require ex-ante legislative approval. Such amendments are a common feature of annual budget processes. To avoid undermining the credibility of the original budget, any authorization of amendments by the executive must adhere to clearly defined rules.

In STP, Article 35 of the SAFE Law establishes the rules on budgetary amendments as follows:

- Changes to the limits set in the GSB are made by law upon a duly substantiated Government proposal;
- It is the Government's responsibility to redistribute appropriations within the limits established by the Assembly in the budgetary law;
- The transfer of appropriations from one-State body or institution to another should be dealt with in the GSB in order to identify the entities involved.

Despite the fact that Article 15 of the SAFE Law establishes that no expenditure may be assumed, ordered or incurred without being legally registered in the approved SGB, it has the appropriate budget allocation and is justified, the 2019 in its Article 16, in accordance with Article 35 of the above-mentioned SAFE law, gives the Government great discretionary power to make budgetary amendments during the fiscal year.

Thus, the rules for making budget adjustments are clearly defined and during the last fiscal year 2018, the budget adjustments were made by the executive without the approval of the Assembly. The adjustments were not related to expansion of the total expenditure. The Government cannot increase the total value of the GSB if it does not pass the Assembly, except investments with external resources, but it can decrease the total value, as happened in 2018, with the decrease by 30% in the GSB (excluding salaries). The organic and cross-source relocations are frequent and significant, as identified in PI-2, with collateral impacts at the functional level.

**Considering that (i) there are clear rules for making adjustments to the ongoing budget by the executive power, (ii) they are respected in most instances and (iii) the rules allow for extensive administrative reallocations, dimension 18.4 is rated "B."**

#### **Ongoing and planned reforms**

AfDB is supporting the development of a SAFE module for the preparation of the budget.

## Pillar V. Predictability and control in budget execution

### PI-19: Revenue administration

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-19 Revenue administration</b>	<b>D</b>	<b>The revenue management capacity is penalized by the registration limitations, lack of practical and up-to-date information on resources of the tax administration decisions, limitations on revenue risk management, non-implementation of Sydonia World, lack of a monitoring and compliance improvement plan and weaknesses in monitoring the arrears.</b>
19.1 Rights and obligations for revenue measures	D	The information provided on their websites by the Directorate of Taxes and the Directorate-General of Customs, the entities responsible for collecting most revenue, although containing the main legislation applicable to the rights and obligations of taxpayers, does not cover all registration stages nor do they contain practical or up-to-date information on the ways and procedures for appealing tax administration decisions.
19.2 Revenue risk management	D	The existing framework for assessing and prioritizing risks arising from non-compliance with tax regulations is neither comprehensive nor systematic and does not cover the four areas, for the Directorate of Taxes and is not implemented in the <i>Sydonia world</i> , for revenue managed by the Directorate-General of Customs.
19.3 Revenue audit and investigation	D	There is no compliance improvement plan, and only 41.2% of the audits and inspections were completed.
19.4 Revenue arrears monitoring	D	Data from the Directorate of Taxes' arrears show that 86% of arrears are over 12 months old and represent 25% of 2018 tax revenues and data from the Directorate-General of Customs do not allow us to know the age of the arrears.

This indicator evaluates the procedures used to collect and monitor the central government revenues. Recommendations on audit by the legislature

In Sao Tome and Principe, the entities that manage the majority (83%) of the current revenues are the Directorate of Taxes and the Directorate-General of Customs, as shown in the following table:

Entities	Category of the revenue	Revenue Collected	
		Value	% of the Total
<b>Directorate of Taxes</b>		<b>610,654,640</b>	<b>45%</b>
	Personal Income Tax	247,359,594	18%
	Corporate Income Tax	97,780,722	7%
	Property tax	13,467,535	1%
	Excise tax	156,014,121	11%
	Sundry taxes	96,032,668	7%
<b>Directorate-General of Customs</b>		<b>515,360,511</b>	<b>38%</b>
	Import Duties	232,201,748	17%
	Import Duty Surcharge	253,784,581	19%
	General Customs Fees	3,621,335	0%
	Sundry taxes and fees	25,752,847	2%
<b>Directorate-General of Treasury</b>		<b>212,347,000</b>	<b>16%</b>
	Oil Revenue	212,019,000	16%

<b>Other Entities</b>		<b>26,271,953.8</b>	<b>2%</b>
	Others	27,271,953.8	<b>2%</b>
<b>TOTAL</b>		<b>1,365,306,104.5</b>	<b>100%</b>

### *Dimension 19.1 Rights and obligations for revenue measures*

This dimension assesses the extent to which individuals and enterprises have access to information about their rights and obligations, and also to administrative procedures and processes that allow redress, such as a fair and independent body outside of the general legal system (ideally a “tax court”) that is able to consider appeals.

With regard to taxes managed and collected by the Directorate of Taxes, the main tax legislation: Laws approving codes of corporate and personal income taxes, inheritance and donation taxes, regulations on stamp duty, SISA tax, urban property tax and decree laws on the local production excise tax service provision, as well as the general tax code and the tax proceedings and procedures (which is not up to date) are publicly available on the Directorate’s website (<http://www.impostos.gov.st>). Minutes and forms for statement of commencement of activity, for the payment of taxes and a timetable for compliance with tax obligations are also available on the website.

At the Directorate of Taxes’ counter in the city of Sao Tome, brochures are available with explanations of the changes in the tax legislation conducted in 2016, statement of commencement of activity and of the income statement, which also uses communication at the times of payment of taxes, however, not focusing on a communication on tax education aiming at the taxpayers’ respect and compliance with tax obligations.

With regard to taxes managed by the Directorate-General of Customs, it provides links on its website (<http://www.alfandegas.st>) for the consultation of customs legislation (Customs Code), as well as access to brochures on the processing of customs obligations and access and use of Sydonia by official customs clearing agents. The Chamber of Official Customs Clearing Agents confirms the availability of information on the legal framework, as well as the procedures related to customs clearing.

However, there is no accessible and easily understandable information tailored to each type of taxpayer (i) on the taxpayer registration process, namely the tax identification number (TIN) that is used for processing taxpayers’ tax and non-tax obligations, receipt of State securities, for the creation of bank accounts and registration in the social security system, (ii) on the payment of tax debts nor (iii) on the complaint / appeal system for the decisions of the Directorate-General of Customs and the Directorate of Taxes. In the latter case, the information available on the website does not include the amendment made, by Decree-Law 22/2016, to the Tax Procedure and Procedure Code in the powers and procedures component of the Tax Administration for tax enforcement proceedings, moving to this competence, previously assigned to the Courts.

Regarding the decisions of the Tax and Customs Administration, after the taxpayer’s complaint, an administrative appeal is forwarded to the Minister responsible for the area of finance and if dismissed, a judicial appeal to the Judge of the National Tax Court (being he a Supreme Court Counsellor-at-Law) and the Supreme Court respectively. However, in relation to the lawsuits, there is no evidence of lawsuits submitted to these instances in the last 12 (twelve) months.

**In this context, considering the information provided on their websites by the Directorate of Taxes and the Directorate-General of Customs, the entities responsible for collecting most revenue, although containing the main legislation applicable to the rights and obligations of taxpayers, does not cover all registration stages nor do they contain practical or up-to-date information on the ways and procedures for appealing tax administration decisions, this dimension is rated "D."**

#### **Ongoing and planned reforms**

The Directorate-General of Customs is currently developing a web portal to enable the best dissemination of information to taxpayers.

#### **Dimension 19.2 Revenue risk management**

The dimension assesses the extent to which a comprehensive, structured and systematic approach is used within the revenue entities for assessing and prioritizing the risks of taxpayer default, specifically in the 4 stages of (i) registration, (ii) reporting, (iii) payment and (iv) reimbursement of taxes and customs' duties.

The main taxes managed by the Directorate of Taxes, namely the income tax for category B legal and natural persons, are self-declared in April, with the taxpayer paying the tax amount and the payment based on the previous year. Based on the declaration made, the Directorate of Taxes proceeds with the analysis and eventual setting of additional settlement. In order to better manage the revenue risk, the Directorate of Taxes has set up a Large Taxpayers Unit within its organic units to manage large taxpayers (whose turnover is over 10 million Dobras), approximately 80 companies, accounting for about 70% of the revenue collected by the Directorate of Taxes.

However, while focusing on the analysis of statements made and paid by large contributors, the Unit does not have a comprehensive risk management plan and is not active in the registration and reporting stages of large contributors (in 2017, it was estimated that only 27 of the 67 major contributors had submitted their statement). Similarly, the Directorate of Taxes has not defined a specific approach for the medium contributors. In addition, there is no strategic plan defining medium-term objectives, expected results and indicators to measure the achievement of the targets set.

The Directorate-General of Customs does not have a documented plan, processes and procedures for risk management in all 4 phases, although it has structure, anti-fraud services, with the mission, *inter alia*, to "...prepare strategies, plan ... and propose measures needed to combat tax evasion and tax fraud ... and ... organize and maintain up-to-date databases for the use of risk analysis technique...".

With regard to the Directorate-General of Customs' Support Information System, Sydonia World, it counts on functionalities for automated risk management by creating processing risk profiles for the importing or exporting entity, imported goods, their statements and control. However, these functionalities are not operational as they have not yet been parameterized, thus not allowing customs risk management to be carried out and automated, which would allow the Directorate-General's interventions to focus on priority risk areas.

**Thus, considering that the existing framework for assessing and prioritizing risks arising from non-compliance with tax regulations is neither comprehensive nor systematic and does not cover the**

**four areas, for the Directorate of Taxes and is not implemented in the Sydonia World, for revenue managed by the Directorate-General of Customs, this dimension is rated "D."**

#### Ongoing and planned reforms

As part of its strategic plan, the Directorate-General of Customs has foreseen the systematization and parametrization of risk profiles in the Sydonia World system, allowing the automation of this control.

#### Dimension 19.3 Revenue audit and investigation

This dimension assesses whether sufficient controls are in place to deter evasion and ensure that instances of non-compliance are revealed.

The main taxes managed by the Directorate of Taxes are audited and inspected, under the terms of the law, through the supervisory section and the tax inquiries from the Department of Tax Inspection and Action, which performs its work with 11 employees, supported by an *ad hoc* brigade consisting of elements from other directorates.

In this context, in 2018, the following audits and inspections were performed:

Type of taxpayer	Planned	Unplanned	Total	Concluded	% of conclusion
Major Contributor	14	4	18	4	22%
Others	16	0	16	10	62.5%

Source: Inspection Section Implementation Report

However, the performance of this section is negatively impacted by the fact that the Initial Inspection Plan of 2018 has no clear objectives, results and targets, to bring the taxpayer to voluntarily comply with the tax obligations and the plan proposed by the International Monetary Fund has not been implemented. Their action is also reduced by the fact that they have not implemented the instruments for audit and inspection planning and implementation, prepared with technical support from the International Monetary Fund, nor has the proposal for the Tax Audit Manual been finalized. In 2018, the Supervisory Plan was updated to cover the years 2019-2020, although it had not yet been approved at the time of this assessment.

The Directorate-General of Customs has its legal audit framework for post-customs clearance of goods, as defined by Decree 24/2009, which sets out the rules governing the implementation of such audits, namely which entities may be subject to them, the procedures to be conducted, the basis of analysis and the rights and duties of the parties to the proceedings, although they are not organized in terms of identifying major contributors. However, during 2018, only 3 audits were conducted.

**In this context, given the lack of an audit compliance improvement plan and the fact that only 41.2% of audits and inspections were completed, this dimension was rated "D."**

#### Ongoing and planned reforms

Through its Legal Service, the Directorate-General of Customs foresees the preparation of a proposal for Internal Audit Regulation, which will allow this activity to be adhered to and to serve as a basis for the development of the internal audit general framework.

### Dimension 19.4 Revenue arrears monitoring

The dimension assesses the extent to which overdue payments are adequately managed in the entities which manage the revenue, with a focus on the level and age of the revenue arrears.

In STP, there is no formal and operational definition of arrears, no manuals containing rules or procedures for managing arrears and no regular reporting on the issue. In general, arrears are defined as revenue not collected on the due date for payment, pursuant to the current legal and regulatory framework. Thus, in the case of the Directorate of Taxes, this anomalous situation is aggravated by the fact that its IT system assumes all the revenue paid as overdue, as reported by the technicians of this Directorate. At the level of the Directorate-General of Customs, all receipts from customs clearance made and withdrawn that were not paid are assumed to be overdue.

Accordingly, the Directorate of Taxes provided the following data, which should be interpreted with the restrictions mentioned above:

Item	Value (STN million)	In % of total arrears (31 December 2018)	In % of 2018 Tax Revenue
Stock overdue > 12 months to 31 December 2018	235,273,958	86%	21%
Overdue in 2018	38,826,085	14%	4%
<b>Total Arrears on 31 December 2018</b>	<b>274,100,043</b>	<b>100%</b>	<b>25%</b>
<b>Total Tax Revenue 2018</b>	<b>1,099,410,559</b>		<b>100%</b>

Source: Data from DI and TOFE 2018 (DC) in millions of dobras

Arrears older than 12 months represent 86% of the total stock of arrears on 31 December 2018 and 25% of 2018 tax revenues.

The Directorate-General of Customs has provided global data on arrears, which do not contain a sufficient breakdown to determine their antiquity.

Arrears in the Sydonia World System per year		
2016	2017	2018
4 419 053	5 162 158	8 247 532

Source: DgA data in millions of dobras

Taking into account (i) that the arrears data provided by the Directorate of Taxes, with the above limitations, show that 86% of arrears are over 12 months old and represent 25% of 2018 tax revenues and ii) that Directorate-General of Customs does not disclose the age of the arrears, dimension 19.4 is rated "D".

## PI - 20: Accounting for revenue

Indicator / Dimension	M1 score (WL)	Rationale for the Score
<b>PI-20 Accounting for revenue</b>	<b>C+</b>	<b>The accounting and transfer processes to the Treasury Single Account are effective, for most of the revenue collected. However, the processes related to the reconciliation of tax settlements, collections, payments and arrears are not done timely and regularly.</b>
PI-20.1 Information on revenue collections	B	The Directorate of Treasury receives, daily, a report from the Directorate of Taxes, consolidating the revenue collection from this and from the Directorate-General of Customs, and these figures represent the majority (approximately 80%) of the tax and non-tax revenues collected in STP in the year 2018.
PI-20.2 Transfer of revenue collections	B	The Directorate of Taxes and the Directorate-General of Customs, which collect most of the central government's tax and non-tax revenue, transfer the collected revenue to the Treasury Single Account within a maximum of 24h and 48h respectively, dimension 20.2 is rated "B."
PI-20.3 Revenue accounts reconciliation	C	The entities which collect most of the revenues, the Directorate of Taxes and the Directorate-General of Customs, reconcile transfers to the Treasury daily by integrating this information with SAFE-e, but nonetheless, the information on Taxes due and taxes in arrears cannot be provided by the Directorate of Taxes until 8 weeks after the end of the semester.

### **Dimension 20.1 Information on revenue collections**

This dimension assesses the extent to which the Ministry of Planning, Finances and Blue Economy (MPFEA) or a body with similar responsibilities, coordinates revenue administration activities and collects, accounts for, and reports timely information on collected revenue.

The Ministry of Planning, Finance and Blue Economy has the responsibility of "... *conducting, implementing... the government's financial policy ...*" and promoting "... *the rational management of financial resources ...*"

In 2018, through the Directorate of Taxes and the Directorate-General of Customs, it is responsible for levying, collecting and accounting for almost 80% of tax and non-tax revenues, which are later centralized by the Directorate of Treasury and the Directorate of Public Accounting.

The Directorate of Taxes is the body of the MPFEA, responsible for settling and collecting IRC, IRS, among other taxes and fees. It produces consolidated information, broken down by type, of the revenues it collects through the tax information system. This is fed by information on the receipt of revenue deposited by taxpayers or by the treasury for taxes in the BCSTP-based Treasury Single Account.

The Directorate-General of Customs is the body that charges and collects customs' duties and other fees established by customs' legislation. To this end, it uses the information system called Sydonia World, developed by the United Nations Conference on Trade and Development (UNCTAD). The revenue collected is initially deposited in an existing checking account with a commercial bank which, within 48 hours, transfers it to the BCSTP-based Treasury Single Account, accompanied by information on the collection of import duties.

This information is integrated by the Directorate of Taxes in the respective information system upon receipt of the amounts.

Thus, the Directorate of Taxes produces daily consolidated information of approximately 80% of the tax and non-tax revenues collected, broken down by type of revenue, and transmits it to the Directorates of Treasury and Public Accounting for inclusion in the SAFE-e.



There are, however, entities that levy and collect fees, such as the Directorate-General of Registries and Notaries, the Immigration and Borders Service and the Agricultural Technological Research Centre and whose collection information is only reported to the Directorate of Public Accounting and the Directorate of Treasury, within more than one month.

**Considering that the Directorate of Treasury receives, daily, a report from the Directorate of Taxes, consolidating the revenue collection from this and from the Directorate-General of Customs, and these figures represent the majority (approximately 80%) of the tax and non-tax revenues collected in STP in the year 2018, dimension 20.1 is rated “B.”**

### ***Dimension 20.2 Transfer of revenue collections***

This dimension assesses the promptness of transfers to the Treasury or other designated agencies of revenue collected, to ensure funds are available as soon as possible to support cash management and, ultimately, spending.

The SAFE Law assigns the Public Treasury subsystem, the responsibility for the management of the treasury. Thus, it provides, in article 40, the unit of the Treasury, i.e., that all “...*public resources should be centralized...*” To this end, Article 41 establishes the creation of a single account, based in the Central Bank of Sao Tome and Principe, called the Treasury Single Account (TSA), for levying and collecting revenues and paying expenses, covering all tax and non-tax funds.

Thus, in 2018, approximately 80% of the total amount of tax and non-tax revenues was collected and collected through TSA. Directly by paying taxes and fees managed by the Directorate of Taxes, or indirectly by transferring, within a maximum of 48 hours, from an account held in a commercial bank, the taxes and fees charged by the Directorate-General of Customs or through the deposit made by the Directorate of Taxes of the collections made in its treasury.

**Considering that the Directorate of Taxes and the Directorate-General of Customs, which collect most of the central government's tax and non-tax revenue, transfer the collected revenue to the Treasury Single Account within a maximum of 24h and 48h respectively, dimension 20.2 is rated “B.”**

### ***Dimension 20.3 Revenue accounts reconciliation***

This dimension assesses the extent to which aggregate amounts related to assessments/charges, collections, arrears and transfers to the Treasury take place regularly and are reconciled in a timely manner. This will ensure that the collection and transfer system functions as intended and that the level of arrears and revenue float are monitored and minimized.

The reconciliation of the aggregate amounts received at TSA and accounted for by the tax information system is made daily between the Treasury and the Directorate of Taxes.

The reconciliation of tax and non-tax revenue settlements for a given period and the collections made for the same period is not done systematically and as a result, the information on overdue amounts cannot be

obtained. This situation is magnified by the fact that the Directorate of Taxes does not have an operational definition of what a tax in arrears is.

Considering that the entities which collect most of the revenues, the Directorate of Taxes and the Directorate-General of Customs, reconcile transfers to the Treasury daily by integrating this information with SAFE-e, but nonetheless, the information on Taxes due and taxes in arrears cannot be provided by the Directorate of Taxes until 8 weeks after the end of the semester, dimension 20.3 is rated “C.”

## PI-21: Predictability of in-year resource allocation

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI 21. Predictability of in-year resource allocation</b>	<b>C</b>	<b>The cash balances are prepared by BCSTP and submitted to the Treasury daily, with most balances subsequently consolidated on a monthly basis. For the quarterly and monthly update of the treasury forecasts DT does not receive information from the sectors, while the release of funds is made monthly, increasing the impact of frequent budgetary adjustments by the Government.</b>
21.1. Consolidation of cash balances	C	Most cash balances are consolidated daily, but most balances (over 75%) are subsequently consolidated on a monthly basis.
21.2. Cash forecasting and monitoring	C	DT prepares annual treasury forecasts, updated quarterly and monthly, but without receipt and consolidation of treasury forecasts prepared by the CGs, resulting in interim cash flows that are not based on current income and expense information.
21.3. Information on commitment limits	C	Reliable monthly information is sent to the UGs about the release of resources and the maximum commitments for next month.
21.4 Significance of in-year budget adjustments	C	In 2018 the amendments and budgetary adjustments performed by the executive are relatively transparent but frequent and significant.

This indicator assesses the extent to which the MPFEA can forecast expenditure commitments against its cash needs and availabilities and thus provide reliable information on the availability of funds to budgetary units for service delivery.

In STP, the cash balances are prepared by BCSTP and submitted to the Treasury daily. They are subsequently consolidated on a monthly basis. There is a gradual and increasing reduction of accounts outside the TSA and a greater control of the existing accounts. The UGs prepare cash flow forecasts for each fiscal year and prepare monthly updates, the latter not always shared with the Treasury. On the other hand, the financial implementation system allows the financial coverage of the expenditure for long periods and above three months. For example, in 2015 there were budgetary amendments without the awareness of the supervisory bodies.

### *Dimension 21.1. Consolidation of cash balances*

This dimension assesses the extent to which the MPFEA can identify and consolidate cash as a basis for informing the release of funds for budgetary implementation. Use of a Treasury single account (TSA), or accounts that are centralized at a single bank, usually the Central Bank, facilitates the consolidation of bank accounts, and is the good practice.

In STP, the TSA is a set of linked BCSTP bank accounts through which the Government manages its expenditure and revenue and allows it to forecast its cash flow. Despite the existence of several Central Government's accounts not directly controlled by the BCSTP and the Treasury, the resources carried over are marginal.

The Directorates of the Treasury and Public Accounting receive a daily report from the Directorate of Taxes, consolidating its revenue collections and bank balances and from the Directorate-General of Customs. The amounts represent the majority (approximately 80%) of tax and non-tax revenues collected in STP, in 2018.

Furthermore, the Central Bank consolidates the Central Government's bank accounts daily and communicates this information by issuing a statement to the Directorate of Treasury. The statement contains the description of the movements and the balance of the previous day's Treasury Single Account.

Other entities levy and collect fees outside the TSA, such as the Directorate-General of Registries and Notaries, the Migration and Borders Service and the Agro-technological Research Centre and this collection fee information is only reported to the Accounting Department and the Directorate of Treasury within more than one month.

All expenses are incurred by the TSA, except for some not fully quantified marginal expenditures by budgetary entities with extra budgetary resources.

The Directorate of Treasury makes daily reconciliation, which, however, are partial, as it only reconciles bank and expenditure accounting data. The revenue reconciliation is done only by the Directorate of Taxes, while Customs' do not send their bank reconciliation, which weakens the information on balances.

Although the TSA was created, there are still bank accounts in commercial banks, public, budgetary and extrabudgetary institutions, including entities with administrative and financial autonomy, as well as the National Institute of Social Security. Similarly, several projects, funded by donations and / or loans, have commercial bank accounts.

These accounts are reconciled on a monthly basis by the entities managing them, but the information is only shared with the Ministry of Finance when preparing the General Government Account at the end of the financial year. There is therefore, no integrated view of any differences between the transactions recorded in the accounts and the transactions recorded in all Government bank accounts within appropriate timeframes.

Thus, it can be considered that a majority (50%) of bank balances are consolidated daily, while most cash balances are consolidated monthly.

Considering that most cash balances are consolidated daily and most (over 75%) balances are consolidated on a monthly basis, this dimension was rated "C."

### ***Dimension 21.2. Cash forecasting and monitoring***

This dimension assesses the extent to which budgetary unit commitments and cash flows are forecast and monitored by the Ministry of Finance. Effective cash flow planning, monitoring, and management by the Treasury facilitates predictability of the availability of funds for budgetary units.

The Directorate of Treasury prepares a consolidated cash flow plan at the beginning of each financial year and consequently, makes monthly and quarterly updates. Generally, the UGs prepare their annual treasury plans, but most of them do not share this document with the Treasury, which is the entity responsible for preparing the consolidated cash flow. Thus, the annual, quarterly and monthly forecasts made by the Treasury are generally incomplete.

Additionally, there is no expenditure financial coverage plan for cash flow monitoring based on realistic information. Accordingly, the MPFEA does not have a monitoring mechanism on the commitments made by the management units, nor does it have estimates of future revenues for the coming periods (quarters and/or months), resulting in outdated and unrealistic cash flows during the fiscal year.

**Considering that DT prepares annual treasury forecasts, updated quarterly and monthly, but without receipt and consolidation of treasury forecasts prepared by the CGs, resulting in interim cash flows that are not based on current income and expense information, this dimension was rated “C.”**

#### *Dimension 21.3 Information on commitment ceilings*

This dimension assesses the extent to which the MPFEA can forecast commitments and cash requirements and provide reliable information on the availability of funds to budgetary units for the service provision. The effective service provision and budget implementation according to work plans require the budgetary units to receive reliable information on the availability of funds, so they can control the commitments and make payments for non-financial assets, assets and services.

No. 2 of Article 29 of the SAFE Law provides that “the expenditure, commencement of the implementation of assets and services and the execution of contracts without the proper budgetary allocation are forbidden.”

The management units have their own budgets allocated due to their organic classification within the Budget. In accordance with the SAFE Law, the units must receive resource forecasts for the next three months to meet their expenses. However, the MPFEA, considering the weak liquidity, sends the information on resource release to the UGs monthly.

However, in practice, many UGs proceed with contracting and engaging expenses without funding their future expenses in the system, resulting in uncontrollable arrears and internal debt levels.

**Considering that monthly and reliable information about resource release and maximum commitments for next month is sent to the UGs, this dimension was rated “C.”**

#### *Dimension 21.4 Significance of in-year budget adjustments*

This dimension assesses the frequency and transparency of adjustments to budget allocations initially approved by the budgetary Law of the State. The Governments may need to make in-year adjustments to allocations in light of unanticipated events that affect revenues or expenditures. Specifying in advance the mechanism that relates such adjustments to the budget priorities in a systematic and transparent manner minimizes the impact of the adjustments on the predictability and on the integrity of the original budget allocations.

Pursuant to Paragraph c) of Article 111 of the Constitution of the Country, it is incumbent upon the Government to legislate, by decree-laws, decrees and other normative acts, in matters concerning their own organization and operation.

Any budgetary amendment is properly framed in Article 13 of Law 3/2007 on the State Financial Management Information System (SAFE Law). Thus, " In the event of insufficient funds provided for in the preceding paragraph, justified by the extent and duration of the phenomena that generate unforeseeable and unavoidable expenses, the Government shall submit to the National Assembly a proposal to amend the duly substantiated budgeted amount, which shall be considered, as a matter of urgency, preceding the discussion of all other matters."

Article 35 of the SAFE Law on Budgetary Amendments provides that changes to the limits set in the GSB are made by law upon a duly substantiated the government's proposal, and that it is the Government's responsibility to redistribute appropriations within the limits established by the AN in GSB's Law.

The legal and regulatory framework has been stable since the last PEFA assessment. In practice and in line with the discretionary power conferred by the law the executive has, the budgetary amendments are generally made without the submission of supplementary laws to the AN. Thus, Article 16 of Budget Law 4/2018, in paragraphs 6,7, 8, 9 and 16, establishes the framework for budgetary amendments by additional credits, consignment expenses and blocking. The blockade is only a restriction on the use of the appropriation in budgetary restraint policy situations of the government.

In 2018, in compliance with the powers conferred by law, the Government determined the following:

1. The budgeted allocations for purchases of assets and services are blocked by 30%.....;
2. The budgetary transfers to the Autonomous Services and Funds, the Regional Government and Local Governments are maintained at the level of the amount implemented in 2017;
3. Under the Public Investment Program - PIP, the implementation of projects with (internal) financing which contribute to the deterioration of the primary balance is suspended;
4. The decisions provided for in this Order (24/2018) may be amended if the cash-flow situation so permits;
5. The exceptional cases will be dealt with upon prior opinion of the DT.

Despite being relatively transparent and legally and economically justified provisions, Order 24 / 2018, by its provisions informed above, led to several significant budgetary amendments and adjustments during fiscal year 2018 and this is clearly noticeable from the results of the calculations carried out under the indicators PI-1 and 2.

**Considering that in 2018 the budgetary amendments and adjustments made by the executive are relatively transparent, but frequent and significant, this score assigned to this dimension is "C."**

#### **Ongoing and planned reforms**

Within the policies and measures defined in PARFIP 2018, the Directorate of Treasury recommended some reform actions aimed at the pursuit of its objectives, namely the consolidation of the Treasury Single Account,

the strengthening of control of public companies, the connection of the payment system with the Central Bank, the creation of cash management tools for the treasury, capacity building of the public debt management system and staff training.

Regarding the closure of the bank accounts of the state central management and their integration into the Treasury Single Account (TSA), this reform action was partially completed; DAF's (Directorates for Administration and Finance) accounts were closed, but the national coverage has not yet been reached due to the resistance from some revenue generating sectors, mainly the autonomous sectors.

Throughout 2018, some progress was made in improving the TSA, the treasury management and the monthly revenue projections. The Directorate of Treasury developed a monthly treasury program, and some of the financial resources managed outside its control (such as Notary Services inhouse resources) and were included in the TSA. Meetings were held with the Health and Education Sectors to develop revenue collection mechanisms to be deposited in the TSA and to include expenditures of these Sectors in the General State Budget within the transparency framework in the management of public resources.

As for the amendment of the Treasury Regime, it was found that a final regulation in the ownership of the Legal Office for Government approval already exists, but has not yet been submitted to the Directorate of Treasury.

Due to the lack of funding, some reform actions were not implemented, especially the Study Visits to Cape Verde as part of the adoption of a conceptual model of state payment mechanisms; The connection of the electronic payment system with the Central Bank, the development of a liquidity forecasting method and the development of the treasury forecasting and control module.

Regarding the connection of the electronic payment system with the Central Bank, it should be noted that studies have already been carried out, including the procedures manual for this purpose, being only in the phase of financing release for this purpose.

The reform actions related to training and capacity building of staff of the Directorate of Treasury were partially implemented.

## PI-22: Stock of expenditure arrears

Indicator / Dimension	M1 score (WL)	Rationale for the Score
<b>PI 22. Stock of expenditure arrears</b>	<b>D+</b>	<b>The internal debt stock management procedures are new, in a narrow range, and are periodically updated annually. The practice of collecting late-payment information is not institutionalized and there is no clear mechanism for monitoring and settling the arrears.</b>
22.1. Stock of expenditure arrears	D	Arrears (short-term only) exceed 40% of the total expenditure in at least two of the last three fiscal years completed.
22.2. Expenditure arrears monitoring	C	Monitoring domestic debt related to late payments is a relatively new exercise, and the control procedures for managing and verifying arrears are reduced in most institutions, but the Government presents data on debt stock and the composition of arrears annually at CGE (with a quarterly report in Q4-2018).

This indicator assesses the extent to which there is a stock of arrears (arising from non-settlements, or non-payment of invoices for the provision of services or provision of assets and services to state suppliers), and to what extent this can be considered a problem, or if it is systemic, if it is being addressed and controlled.

In STP, it has been found that the procedures for debt stock management (with invoices issued, received and paid) are reduced and their update is not periodic. The practice of collecting information on arrears is not institutionalized either and there is no clear mechanism for monitoring the settlements of arrears.

#### ***Dimension 22.1. Stock of expenditure arrears***

This dimension assesses the extent to which there is a stock of arrears. Arrears are debts, assets and bonds. They constitute a form of non-transparent financing. Arrears can cause increased costs to government: creditors may adjust prices to compensate for late payment; or delayed supply of inputs may affect service delivery. A large volume of arrears may indicate a number of different problems, such as inadequate commitment controls, cash rationing, inadequate budgeting for contracts, underbudgeting of specific items, and lack of information.

In accordance with international best practice, arrears are considered to be expenses for the supply of goods, works or services not paid for two or more months, as well as arrears with staff assigned to the State administrative machinery not paid for more than one month.

In STP, arrears are considered to be payments not made at the end of the fiscal year. However, there is no official terminology on the nature of arrears.

In the last three years, most large arrears are associated with public companies, namely EMAE, CST and ENCO.

#### **Table 22.1 Evolution of Public Debt Stock (arrears), until March 2019**

EM milhões de USD

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Até Março DE 2019		
										Total	Atrasado	S/Atrasado
<b>TOTAL</b>	<b>156,4</b>	<b>181,9</b>	<b>228,2</b>	<b>232,4</b>	<b>244,3</b>	<b>274,2</b>	<b>278,9</b>	<b>291,9</b>	<b>296,0</b>	<b>319,0</b>	<b>97,5</b>	<b>221,6</b>
<b>Mult.+ Bilat.</b>	<b>156,4</b>	<b>181,9</b>	<b>205,6</b>	<b>215,5</b>	<b>230,6</b>	<b>261,6</b>	<b>266,7</b>	<b>261,4</b>	<b>264,0</b>	<b>265,9</b>	<b>97,5</b>	<b>168,4</b>
<b>Multilateral</b>	<b>38,0</b>	<b>42,1</b>	<b>41,0</b>	<b>43,7</b>	<b>41,5</b>	<b>42,4</b>	<b>40,3</b>	<b>44,5</b>	<b>49,5</b>	<b>51,9</b>	<b>0,0</b>	<b>51,9</b>
BAD/FAD	3,2	2,2	2,1	5,5	5,3	5,2	4,4	6,9	11,8	14,4	0,0	14,4
IDA	13,4	14,9	14,1	14,0	14,0	13,8	12,3	11,9	11,8	11,8	0,0	11,8
FIDA	6,5	7,9	8,0	7,7	6,9	6,7	6,4	5,8	5,4	5,4	0,0	5,4
OPEC	4,0	5,5	4,5	4,1	3,3	2,8	2,4	2,0	1,7	1,6	0,0	1,6
BEI	1,4	0,9	0,9	0,6	0,3	-0,2	0,0	0,0	0,0	0,0	0,0	0,0
BADEA	5,1	5,8	5,9	5,8	7,1	9,4	10,4	12,0	12,0	11,8	0,0	11,8
FMI	4,4	4,9	5,5	6,0	4,6	4,6	4,3	5,9	6,9	6,9	0,0	6,9
<b>Bilateral</b>	<b>118,5</b>	<b>139,8</b>	<b>164,6</b>	<b>171,8</b>	<b>189,1</b>	<b>219,2</b>	<b>226,4</b>	<b>216,9</b>	<b>214,5</b>	<b>214,0</b>	<b>97,5</b>	<b>116,5</b>
<b>Clube de Paris</b>	<b>0,8</b>	<b>0,9</b>	<b>1,0</b>	<b>1,0</b>	<b>1,1</b>	<b>0,8</b>	<b>0,8</b>	<b>0,8</b>	<b>0,8</b>	<b>0,8</b>	<b>0,0</b>	<b>0,8</b>
ALEMANHA	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
BÉLGICA	0,8	0,9	1,0	1,0	1,1	0,8	0,8	0,8	0,8	0,8	0,0	0,8
ESPAÑA	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FRANÇA	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
RUSSIA	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Não Clube de Paris</b>	<b>117,6</b>	<b>138,9</b>	<b>163,6</b>	<b>170,8</b>	<b>188,0</b>	<b>218,4</b>	<b>225,6</b>	<b>216,0</b>	<b>213,6</b>	<b>213,2</b>	<b>97,5</b>	<b>115,7</b>
PORTUGAL <sup>2</sup>	13,1	27,3	39,8	47,3	47,3	54,5	57,2	59,6	57,2	56,7	0,0	56,7
ANGOLA(atrasada)	22,0	22,0	22,0	22,0	22,0	22,0	22,0	30,6	30,6	30,6	30,6	0,0
ANGOLA	10,0	10,0	10,0	10,0	27,0	41,0	45,5	50,9	50,9	50,9	2,9	48,0
ARGELIA	3,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
CHINA <sup>3</sup>	17,0	17,3	17,3	18,6	18,8	18,4	18,4	0,0	0,0	0,0	0,0	0,0
CABO VERDE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
JUGUSLAVIA <sup>4</sup>	8,8	8,8	8,8	8,8	8,8	8,8	8,8	0,0	0,0	0,0	0,0	0,0
<b>Div. Comercial</b>	<b>25,8</b>	<b>25,8</b>	<b>25,8</b>	<b>24,3</b>	<b>24,3</b>	<b>34,3</b>	<b>34,3</b>	<b>34,3</b>	<b>34,3</b>	<b>34,3</b>	<b>24,3</b>	<b>10,0</b>
ITALIA	25,8	25,8	25,8	24,3	24,3	24,3	24,3	24,3	24,3	24,3	24,3	0,0
CHINA	0,0	0,0	0,0	0,0	0,0	10,0	10,0	10,0	10,0	10,0	0,0	10,0
<b>Div. Curto Prazo</b>	<b>17,7</b>	<b>27,7</b>	<b>39,8</b>	<b>39,8</b>	<b>39,8</b>	<b>39,4</b>	<b>39,4</b>	<b>40,7</b>	<b>40,7</b>	<b>40,7</b>	<b>39,7</b>	<b>1,0</b>
NIGERIA	10,0	20,0	30,0	30,0	30,0	30,0	30,0	30,0	30,0	30,0	30,0	0,0
BRASIL	4,3	4,3	4,3	4,3	4,3	4,3	4,3	4,3	4,3	4,3	4,3	0,0
ANGOLA(atrasada)	3,4	3,4	3,4	3,4	3,4	3,4	3,4	4,8	4,8	4,8	4,8	0,0
GUINÉ EQUATORIAL	0,0	0,0	2,1	2,1	2,1	1,6	1,6	1,7	1,7	1,7	0,7	1,0
<b>DIVIDA INTERNA</b>	<b>0,0</b>	<b>0,0</b>	<b>22,6</b>	<b>16,9</b>	<b>13,7</b>	<b>12,6</b>	<b>12,2</b>	<b>30,6</b>	<b>32,0</b>	<b>53,2</b>	<b>0,0</b>	<b>53,2</b>
<b>Div.c/ Fornecedores</b>	<b>0,0</b>	<b>0,0</b>	<b>22,6</b>	<b>16,9</b>	<b>13,7</b>	<b>12,6</b>	<b>12,2</b>	<b>13,5</b>	<b>12,5</b>	<b>12,0</b>	<b>0,0</b>	<b>12,0</b>
MSF	0,0	0,0	7,4	6,4	5,4	4,9	4,7	5,1	4,8	4,8	0,0	4,8
HIDROELECTRICA	0,0	0,0	2,7	2,7	2,5	2,3	2,2	2,5	2,4	2,3	0,0	2,3
SYNERGY	0,0	0,0	3,6	3,6	4,5	4,5	4,4	5,0	4,3	4,5	0,0	4,5
OUTROS	0,0	0,0	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,0	0,0	0,0
ATRAS. INTERNOS	0,0	0,0	8,7	4,0	1,0	0,8	0,7	0,8	0,8	0,3	0,0	0,3
<b>NOVOS ATRS.INTERNOS<sup>5</sup></b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>18,4</b>	<b>0,0</b>	<b>18,4</b>
ESTADO/EMAE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	4,8	0,0	4,8
ESTADO/CST	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	6,7	0,0	6,7
ADIANTAMENTO SALÁRIO	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	6,5	0,0	6,5
TRANSF. EMBAIX.NO ESTR.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,2
TRANSF.DOENT. PORTUG.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,2
INSS	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>B. TESOURO</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>17,0</b>	<b>19,5</b>	<b>22,8</b>	<b>0,0</b>	<b>22,8</b>
AFRILAND FIRST BANK	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8	0,3	0,0	0,0	0,0
BISTP	0,0	0,0	0,0	0,0	0,0	0,0	0,0	10,5	13,7	17,6	0,0	17,6
BGFI BANK	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,9	3,2	2,8	0,0	2,8
ECOBANK	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,8	2,3	2,5	0,0	2,5

Source: Directorate of Treasury, Department of Financial Operations, Public Debt Management and Monitoring Office

The Chamber of Commerce has no consolidated data on the government arrears, while the INSS reported (the PEFA team) that the government arrears to this institution are very high, but without quantifying the amount and without submitting its annual accounts. Other sources of information on government arrears are not available.

Thus, during the last 3 fiscal years 2016, 2017 and 2018, only for the first two years is there information available on arrears in the 2016 and 2017 CGE, while the 2018 CGE is not present yet.



Finally, by the practices of various UGs to initiate bidding processes, sign contracts and receive assets, works and services without the prior engagement of funds in SAFE-e, the reliability of data extracted by the SAFE-e system is low. The government's information on arrears has no details on the history and age of the arrears.

The various sources of information on arrears have large discrepancies. In Table 22.1 above, the domestic debt with suppliers amounts to **USD 13.5 million** for 2017, while in 2017 CGE (see table 22.2 below) this figure is 1.240988 million dobras, equivalent to approximately **USD 56.408 million** (with a USD / STN exchange rate of 22).

Despite these differences, the following table shows the values provided in the 2016 and 2017 CGE; 2018 CGE is not yet finalized:

(in millions of Dobras)	2016	2017	2018
Total Expense *	2,733,378	2,716,335	N/D
Late payments **	1,471,990	1,240,988	N/D
Percentage	54%	46%	N/D

\* CGE Table 15: Implementation of Expenses per Source of Resources

\*\* CGE Table 38: Short-term Government Bonds

The above table shows the percentage of short-term arrears (in the reference years) at the end of each fiscal year compared to the total expenditure.

**Considering that the arrears (short-term only) exceed 40% of the total expenditure in at least two of the last three fiscal years completed, the score for this dimension was rated "D."**

### *Dimension 22.2. Expenditure arrears monitoring*

This dimension assesses (i) the extent to which any expenditure arrears are identified and monitored, (ii) which are the various aspects of arrears that are monitored and (iii) how frequently and quickly the information is generated.

At MPFEA level it is up to the Treasury, through the Public Debt Office to survey overdue payment expenses and monitor its management through an unpaid expenditure plan. However, this process of identifying and controlling overdue payments only started in FY 2018 and without clear criteria for updating and monitoring.

According to DT, the availability of information, control and respective management is quite wide. The contracts for the provision of services and their monitoring are carried out by the various central government DAFs, and the payments due are generally entered in the GSB. The internal / external arrears considered relevant are monitored by the respective departments and monitored by the IMF and World Bank teams periodically (quarterly).

However, no relevant and reliable information was found in the various reports submitted by the government. The availability of information for the oversight and control of debt stock is very limited. On a quarterly basis, only the fourth quarterly implementation report for 2018 had information on the accounting and equity outlook for domestic debt (short-term payables providers) and the arrears for the provisions of services. In manual mode, information was found on arrears in the 2016 and 2017 CGEs

Since 2016, the scope of coverage of information on government liabilities has been extended to include information on short-term domestic debt values arising from the several financial instruments (treasury bills) used to finance the temporary cash flow deficit. Also, the internal debt accounting and equity perspective (Short-term Accounts Payable Suppliers) was incorporated into the arrears for the provision of communication and water and energy services, together with Companhia Sao-Tomense de Telecomunicação (CST) and the Water and Electric Power Company (EMAE), as well as the debt arising from the fuel price differential due to the National Fuel and Oil Company (ENCO).

In section 4.1.3.3.2. Among the others, there are debts with the companies HIDROELECTRICA, related to the power supply from the Bôbô-Forro power plant; MSF, concerning the Rio Contador water supply projects; SYNERGIES Lda. relating to compensation for the contractual termination of the management of the hydroelectric plant of Rion Contador, BANCO ECUADOR, referring to the ComisSao Instaladora STP/Airways, INS, concerning the State Debt with Social Security, CIEM LDA, regarding the Debts of the CPLP Summit, Lda, Enco, arrears in providing communication, water and energy services with CST and EMAE.

**Table 22.2. Arrears in 2017**

Tabela 38: Obrigações do estado em 2017  
(em milhões de Dobras)

Designação	Stock Inicial	Novas Dívidas	Desincorporação	Actulização (incl. juros)	Pagamentos	Stock Final	% Variação
Obrigações Internas	1 471 990	151 855	0	-120 603	262 254	1 240 988	(15,7)
<i>Sendo que:</i>							
Diferencial Combustível	1 037 777	0	0	-123 726	118 012	796 039	(23,3)
Prestação de Serviços	0	0	0	0	0	0	...
Aquisição de Serviços	216 070	151 855	0	-819	131 808	235 298	8,9
Construção/Reabilitação	111 776	0	0	-104	6 217	105 455	(5,7)
Indemnização	106 368	0	0	4 045	6 217	104 196	(2,0)
Bilhetes do Tesouro	0	0	0	0	0	0	...

Fonte: Direcção do Tesouro & GAMAP-MFCEA

While the Government has no detailed information on the accumulated stock and the history and age of arrears, the data on the domestic debt stock and the composition of arrears are generated annually at the end of each fiscal year and presented to the CGE.

At the time of the assessment, the data on stock and the composition of available late payments were submitted in the fourth quarter report 2018 and in the 2016 and 2017 CGEs and are annually generated at the end of each fiscal year.

**Considering that monitoring domestic debt related to late payments is a relatively new exercise, and the control procedures for managing and verifying arrears are reduced in most institutions, but the Government presents data on debt stock and the composition of arrears annually at CGE, the score for this dimension was rated "C."**

## PI-23: Payroll controls

Indicator / Dimension	M1 score (WL)	Rationale for the Score
<b>PI 23. Payroll controls</b>	<b>D</b>	<b>There is no formally defined deadline for reconciling payroll data, nor established procedures for making changes to personnel records. The level and scope of internal controls for changes to personnel records and payroll are weak and there is no adequate audit record to maintain the history of changes, or internal or external payroll audits.</b>
23.1. Management of payroll changes	D	The personnel hiring and promotion are verified by the DAFs and by the DO comparing against the approved monthly budget, but the payroll reconciliation with the personnel records is not done regularly.
23.2. Management of payroll changes	D	In addition to the general provisions of the SAFE Law, there are no defined operational procedures for changes to personnel records, with clear indication of deadlines and documents to be used.
23.3. Internal control of payroll	D	There are no established procedures for changes to the personnel record, nor adequate audit records to maintain a history of changes.
23.4 Payroll audit	D	No payroll audits are performed.

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls.

In STP, there is no formally defined deadline for reconciling payroll data with data from the personnel record system. The reconciliation is between employee data, and the data contained in the payroll. The hiring and promotion of staff are verified against the approved budget, but the Directorate-General of Public Administration (DGAP) has no control over the total number of civil servants and whether they have their salary on time. The level and scope of internal controls for changes to personnel records and payroll are quite weak. There are no records of payroll audits in the last three years.

### *Dimension 23.1 Integration of payroll and personnel records*

This dimension assesses the degree of integration between personnel, payroll, and budget data. The payroll should be underpinned by a personnel database that provides a list of staff to be paid every pay period and the acts that affect the payments (absences, leaves, promotions, etc.). This list should be checked against the approved establishment list, or any other approved staff list on which the budget allocations are based, as well as against individual personnel records or staff files. The controls should also ensure that staff employment and promotion is undertaken within approved personnel budget allocations.

In STP, the Directorate-General of Public Administration of the Ministry of Justice, Public Administration and Human Rights is responsible for managing the staff of the Santomense State apparatus. SAFE-e currently advocates the existence of a human resources payroll management module, but there is no Human Resources (HR) data management system in this Ministry. There are physical processes with employee data collection and in recent years, this Directorate has been systematizing the data using an Excel sheet, which contains the employee's name, date of entry into the state apparatus, category, gender, the institution

of employment, the contractual status, the order of appointment and the publication number in the Diário da República. This is important data but limited for proper HR management and the resulting payroll. Both physical process control and data systematized in Excel are not safe for efficient and effective HR management.

For the issuance of a payroll it is necessary to process the effectiveness of employees from 1 to 30/31 of each month (delivered by the 8th of each month). The DAFs control the employee attendance and enter the number of days worked per employee in SAFE-e.

The payroll of the State administrative machine is prepared by the DAFs and submitted to the Directorate of the Budget which assesses the budget availability and prepares the payment orders and sends them to the Directorate of Treasury for consideration and payment.

Currently at DGAP, there is no exact record of employees entering the administrative machine, control of those who die or leave or retire so no “ghost” or duplicate employee data exists. The Directorate-General of Public Administration has no information on staff numbers from 2006 until now. The only institution that is conducting employee proof of life is the INSS. The Treasury, through SAFE-e, has information on personnel at retirement age by automatically blocking salary payments when the employee reaches the age of 62.

There is a reconciliation that is made between employee data and payroll data by DGAP, but manually and *ad hoc*. This process is only possible through employees registered in SAFE-e and has certain weaknesses, because the employees in the DGAP registry are still a minority compared to the total number of employees within SAFE-e.

There is currently a pilot for the implementation of a digital effectiveness control system (in use at the Ministry of Finance - Directorate of the Budget, National Assembly, Judicial Court) connected to SAFE-e, not yet available to all other state institutions.

**Thus, as personnel hiring and promotion are verified by the DAFs and by the DO comparing against the approved monthly budget, but the payroll reconciliation with the personnel records is not done regularly, the score for this dimension was rated "D."**

### ***Dimension 23.2. Management of payroll changes***

This dimension assesses the timeliness of changes made to personnel and payroll data. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit record and changes to the payroll.

In general, any changes to personnel and payroll data should be actions with immediate results, but they are not. In the case of an employee who has been deceased for several months and his beneficiaries have already received the necessary compensation, until it is reported to the bank and the employee's name is not removed from the list, the salary payments continue to occur normally without the system creating alerts or blocking this situation.

On the other hand, there is no personnel database to monitor the salary database. There is no automated salary indicator grid in the salary management program - and the salaries are entered manually. Within SAFE-e, any changes to the payroll are made based on their own profile in order to know who prepared the

payroll and who checked whether it is compliant. One noteworthy advance is the inclusion of the IRS which requires the inclusion of all employee income on the payroll.

If a payroll error occurs, when the payroll is already in the Treasury, it will be returned to the DAFs of the respective entities. If it has already been processed, the complaining employee will receive the retroactive payments the following month.

The level and scope of internal controls on changes to personnel records and payroll is quite weak.

**Considering that in addition to the General Provisions of the SAFE Law, there are no defined operational procedures for changes to personnel records, with clear indication of deadlines and documents to be used, the score for this dimension was rated “D.”**

### *Dimension 23.3 Internal control of payroll*

This dimension assesses the controls that are applied to the making of changes to personnel and payroll data. Effective internal controls should: restrict the authority to change records and payroll; require separate verification; and require production of an audit trail that is adequate to maintain a permanent history of transactions together with details of the authorizing officers.

There is no effective control over changes to personnel and payroll, although at this time there is separate (and often manual) payroll verification by the DB. There is no procedures' manual on the controls to be used for payroll changes. It has not been practical to conduct an inspection and / or audit on payrolls in STP. The internal controls on the payroll are only in relation to the data consistency analysis, e.g., the career and category of employees and whether the salary payment is correct and due. There is no guiding principle, containing clear and transparent instructions for a periodic payroll check and update that can be followed at all levels of expenditure implementation.

**Thus, considering there are no established procedures for changes to the personnel record, nor adequate audit records to maintain a history of the changes, the score for this dimension was rated “D.”**

### *Dimension 23.4 Payroll audit*

This dimension assesses the degree of integrity of the payroll. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps and identify control weaknesses in order to shield or strengthen the system in use.

At the level of the last three years, there is no record or evidence of any audit or even timely checks on the payroll.

**Thus, considering that no payroll audits are performed, the score for this dimension was rated “D”.**

### **Ongoing and planned reforms**

Law 2/2018 was published, the Civil Service Bylaws updated in the Diário da República no. 20 on March 5, 2018. This is a bylaw appropriate to the current socio-economic status of STP that came into force upon its publication. The training plan was also carried out in partnership with USTP (University of Sao Tome and Principe) as well as training courses in various fields. However, some activities, as they are continuous

actions, are still ongoing, namely the “Functional analysis of the structures in the elaborated Public Administration and Study of training needs carried out and validated.” The Conceptual Model for Employee Database Building (includes protection system) was not conducted due to the lack of funding.

## PI-24: Procurement

Indicator / Dimension		M2 score (AV)	Rationale for the Score
PI-24 Procurement		D	<b>The visibility of public procurement and contracting processes is low, although there is a globally appropriate legal framework as there is no centralized integrated information system and as a result, there is no information on bidding planning and results easily accessible to the public. In terms of complaint management, the non-functioning of the appeal body reduces the guarantees given to competitors.</b>
24.1	Procurement monitoring	C	The bidding and procurement processes of 3 (three) Ministries, which represented 65% of the budgeted expenditure for 2018, contained accurate and complete data for most methods of procurement of assets, services and works.
24.2	Procurement methods	D	There is no information on the values of competitive and non-competitive contracts, but the only information obtained was from bids from 3 (three) Ministries, which represented 30% of the budgeted expenditure for 2018, and it is impossible to analyse the processes of the other Ministries in the sample.
24.3	Public access to procurement information	D	Only 1 (tendering opportunity) of the 6 key elements of Public Procurement and Contracting information is available to the public through advertisements on national television, radio and websites of the Ministry of Finance and sectoral ministries.
24.4	Procurement complaints management	D	The STP bid and procurement complaint review system includes an appeal body, which meets the 1st and 4 (four) of the 6 (six) best practice criteria. However, it did not operate in the economic year under assessment, 2018, because its members were not appointed.

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. The scope of the indicator covers all contracts for assets, services, civil works and large investments in equipment, whether or not classified as recurring or investment expenditure, except for the defence sector.

### *Dimension 24.1 Procurement monitoring*

This dimension assesses the extent to which prudent monitoring and reporting systems are in place within government for ensuring value for money and for promoting fiduciary integrity.

The legal and regulatory framework for public tenders and procurement is based on Law 8/2009, which regulates the Public Procurement and Contracting (LCP). This law defines the legal framework for public work contracts, procurement, supply of goods, provision of services, consultancies and concessions. Its scope extends to the Central Management of the State, Public Institutes, National Agencies, Public Companies, Local Governments and the Autonomous Region of Principe.

To coordinate and monitor the bidding and public procurement process, it was created through Article 5 of Law 8/2009, the COSSIL - Procurement and Coordination and Supervision Office. The latter, acting under the oversight of the Minister responsible for financial area, has the responsibility of defining bidding policies,

for centralized management of data and information, and verifying compliance of processes for the regulation, as well as promoting ethical and transparent practices for bidding, as defined by Order No. 25/2009 of the Minister of Finance.

In support to its activity and under its control, at the level of each ministry, there are the Procurement Management Units (UGEL's), responsible for the management, implementation and monitoring of the bids and contracts, created by Order No. 25/2009 of the Minister of Finance, using these the standard bidding documents approved by Joint Orders Nos. 12, 14, 15, 17 and 19 all of 2009.

There is no centralized information system on public tenders and procurement, although the legal framework provides this. COSSIL has only information on annual procurement plans and individual bids when issuing an opinion on the legal compliance with the bidding process. Thus, after the start of the bidding process and until contracting, COSSIL does not systematically receive information that allows it to monitor the activities within its competence.

The assessment of the completeness and accuracy of Public Procurement and Contracting processes is limited by the lack of audit reports issued by the Audit Courts or the General Inspectorate of Finance.

In this context, the acquisitions made in 2018 by 5 (five) Ministries, which represented 65% of the total budgeted expenditure or 74% of it, excluding the budgeted amounts for the State Operational Costs (EGE), were analysed, according to the table below:

Ministries	Amounts (thousands of STN)	In % of the budget	In % of the budget excluding EGE
<b>Total Budget</b>	3,278,365	100%	
<b>excluding EGE</b>	2,892,471	88%	
<b>Total of the 5 Ministries</b>	2,128,288	<b>65%</b>	<b>74%</b>
Ministry of Finance, Trade and Blue Economy - MFCEA	204,760	6%	7%
Ministry of Education, Science and Culture - MECC	432,606	13%	15%
Ministry of Industry and Natural Resources - MIRNA	918,026	28%	32%
Ministry of Health - MS	375,048	11%	13%
Ministry of Agriculture and Rural Development - MADR	197,848	6%	7%

From these Ministries, the existing processes in the 3 UGELs and MFCEA, MS and MADR Administrative and Financial Directorates were consulted, which represented 30% of the budgeted expenditure for 2018. From the analysis, it is considered that most cases contain information on what was purchased, the value of the public tender and who was awarded with the contract.

**Considering that the bidding and procurement processes of 3 (three) Ministries, which accounted for 65% of the budgeted expenditure for 2018, contained accurate and complete data for most methods of procurement of assets, services and works, the score for dimension 24.1 was rated “C.”**

### Dimension 24.2 Procurement methods

This dimension analyses the percentage of the total value of contracts awarded with and without competition. A good procurement system ensures that procurement uses competitive methods except for low-value procurement under an established and appropriate threshold.

Law 8/2009 provides that public procurement must be governed by the principles of economy, efficiency and that public tendering are the preferred method for all public procurement, except for consultancy (quality and price method) and concession (tender with prior qualification), and its non-use is a subject of adequate justification. In the meantime, the law sets limits on the following maximum limits to which different tendering procedures may be used:

Type of public tender	Maximum limit for public works' contracts (in STN)	Maximum limit for supply of assets, services and consultancy (in STN)
Direct Covenant	< 150,000	< 75,000
Small Tendering	< 3,000,000	< 1,500,000
Public tender	< 9,000,000	< 4,000,000
International Public Tender	> 9,000,000	> 4,000,000

Based on the data provided by MFCEA, MS and MECC, in 2018, the following tendering procedures were conducted, giving rise to contracts:

Type and number of public tenders	Value of the tenders	% of the total
Direct Covenant - 12	18,478,914.89	30.6%
Small Tendering - 9	22,916,411.94	37.9%
International Public Tender - 1	19,000,000.00	31.5%
<b>Total - 22</b>	<b>60,395,326.83</b>	<b>100%</b>

Thus, in the 2018 economic year, for these 3 Ministries, only 31.5% of the value of the contracts was awarded based on open competition. Likewise, 7 out of 12 bids by direct covenant and 1 out of 9 bids under small tendering procedure exceeded the monetary limits prescribed by law.

**Considering there is no information on the value of competitive and non-competitive contracts, but only information was obtained from bids from 3 (three) Ministries, which represented 30% of the budgeted expenditure for 2018, and it is impossible to analyse the processes of the other Ministries contained in the sample, dimension 24.2 is rated "D."**

### Dimension 24.3 Public access to procurement information

The dimension reviews the level of public access to complete, reliable and timely procurement information. Public dissemination of information on procurement processes and their outcomes are also key elements of transparency.

The Regulation on Bids and Public Procurement states that the principle of publicity should be applied to them, that is, it requires the disclosure of information on the legal framework, to opportunities for bidding, through the public disclosure of annual plans for public procurement and the launching of tenders, as well



as the publication of the results of the tenders and the resulting awards. However, COSSIL does not have an operational website to disclose the information, nor is it available on the website of the Ministry of Planning, Finance and Blue Economy.

Thus, the key information that should be provided to the public according to best practice is as follows:

Key information to provide	Available?
(1) legal and regulatory framework for procurement	<b>No.</b> The legal and regulatory framework for public tenders and bids is not published on a website nor is easily accessible to the public.
(2) government procurement plans	<b>No.</b> The annual bidding plans, although developed by the different entities, are not provided to the public.
(3) bidding opportunities	<b>Yes.</b> The bidding opportunities are advertised on ministry websites, through advertisements on national television and radio, as well as through public notices in ministries
(4) awards (purpose, contractor and amount)	<b>No.</b> Award results are not generally published.
(5) Procurement complaint resolution data	<b>No.</b> Due to the non-operation of the resolution body, there is no information on the level of complaints and their level of resolution.
(6) annual procurement statistics	<b>No.</b> At the time of the assessment neither COSSIL's report nor the sectoral activity reports for 2018 were available to the public.

**Considering that in the last economic year 2018, only 1 (one) of the 6 (six) key information was provided by the entities that coordinate the public bidding and procurement process, dimension 24.3 is rated "D."**

#### ***Dimension 24.4 Procurement Complaint Management***

This dimension assesses the existence and effectiveness of an independent, administrative complaint resolution mechanism. A good procurement system offers stakeholders access to such a mechanism as part of the control system, usually in addition to the general court system.

Article 6 of Law 8/2009, with the developments contained in Prime Minister's Order No. 14/2019, establishes an Appellate Body, under the supervision of the Prime Minister, which institutionalizes a non-judicial dispute settlement mechanism and decides on the challenges filed during the public bidding process. It is made up of (i) a representative of the public sector, appointed by the Minister of Finance, (ii) a representative of the private sector, appointed by the Prime Minister among Associations or civil sector organizations, and (iii) a representative of the civil society, social or communication organizations, appointed by the National Assembly.

The members are independent and autonomous, appointed for a term of 2 (two) years, non-renewable, enjoying in this period the guarantee of non-removability and may request the support of external experts to COSSIL to support their decisions.

Analysing the Appellate Body legislation, it appears that it meets 5 (five) of the 6 (six) best-practice criteria for this type of institution, as shown in the table below:

Criteria	Exist
1. Is not involved in any capacity, in procurement transactions or in process leading to contract award decisions	Yes. The body shall consist of elements that do not participate in the procurement, evaluation and / or awarding processes.
2. It does not charge fees that prohibit access by concerned parties	Yes. The challenge process is free.
3. It follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Yes. The procedures are clearly described in the legislation.
4. It exercises the authority to suspend the procurement process.	Yes. The appeal procedure requires the suspension of the tender procedure.
5. It issues decisions within the timeframe specified in the rules/regulations.	ND. In 2018, there are no references for the assessment of compliance with this criterion, i.e., within ten days of receipt of the objections, given the non-operation of the appeal body.
6. It issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Yes. According to the law, its decisions will be final in the public administration, without excluding the possibility of further judicial appeal.

However, this body did not operate in 2018 because its members were not appointed.

Considering that the STP bid and procurement complaint review system includes an appeal body, which meets the 1st and 4 (four) of the 6 (six) best-practice criteria defined according to the best practices, it is not operational or efficient, and therefore dimension 24.4 is rated “D.”

## PI-25: Internal controls on non-salary expenditure

Indicator / Dimension	M2 score (AV)	Rationale for the Score
PI 25. Internal controls on non-salary expenditure	D+	The separation and segregation of duties are prescribed throughout the expenditure implementation process, especially at SAFE-e level, but the control rules on the authorization of expenditure are fragile, with many payments made outside existing rules and procedures.
25.1. Segregation of duties	B	The segregation of duties is prescribed throughout the expenditure implementation process, especially at the SAFE-e level and where the user access and rights levels are pre-defined for the implementation of specific operations, with some areas requiring certain adjustments.
25.2. Effectiveness of expenditure commitment controls	D	The expenditure authorization control rules are still fragile, low in coverage, and generally inefficient.
25.3. Compliance with payment rules and procedures	D	There are several non-quantifiable payments that do not comply with regular payment procedures and there is no evidence on the justification and regularization of the relative payments.

This indicator measures the effectiveness of general internal controls for non-salary expenditures, i.e., all expenditures not related to the processing and payment of salaries that are considered in PI-23.

In STP, the separation and segregation of duties are prescribed throughout the expenditure implementation process, especially at the SAFE-e level and where user access and rights levels are required to be pre-defined for the implementation of specific operations, ensuring the segregation of responsibilities. The internal controls and segregation of duties are part of the Public Accounting Manual, but there is no systematization of commitments in the main headings, while the expenditure control rules are weak.

### ***Dimension 25.1 Segregation of duties***

This dimension assesses the existence of the segregation of duties, which is a fundamental element of internal control to prevent an employee or group of employees from being in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. The main incompatible responsibilities to be segregated are: (a) authorization; (b) recording; (c) custody of assets; and (d) reconciliation or audit

In STP, there are clear rules in place for risk control and fraud and error prevention. The SAFE law, applicable to all Central Government and to the subnational governments, sets out the basic principles of financial management in the country, as well as the duties, competencies and responsibilities of the various PFM actors.

In addition, Decree Law 44/2012 and the Manual of Public Accounting Applied to SAFE are in force and implemented. This document deals with all aspects of internal controls related to non-salary expenditure, while in Part I, Section 8 of the Manual defines the procedures for its application through the system, and Section 8.1 defines the electronic financial management system as a computerized system that records, controls and accounts for every state budgetary, financial and equity implementation of the state, in real time and Section 8.2 / 8.3 defines each operator's access, the levels of each information according to their profiles, giving passwords for each level of inquiry and execution to ensure the necessary transparency and control and good management and administration of the system.

Additionally, to coordinate and monitor the bidding and public procurement process, through Article 5 of Law 8/2009, COSSIL - Procurement and Coordination and Supervision Office was created, and is responsible for the definition of bidding policies, centralized data and information management and verification of the compliance of the processes in the regulation, as well as the promotion of transparent bidding ethics and practices, as defined by MPFEA Order 25/2009.

However, there are some limitations that could impact the internal controls in this area, as in the situation described in PI-24, where it is stated that COSSIL does not systematically receive information to monitor its activities, or in 25.2 relating to the effectiveness of expenditure authorization controls.

**Considering that the segregation of duties is prescribed throughout the expenditure implementation process, especially at the SAFE-e level and where the user access and rights levels are pre-defined for the implementation of specific operations, with some areas requiring some adjustments, the score for this dimension was rated “B”.**

### ***Dimension 25.2. Effectiveness of expenditure commitment controls***

This dimension assesses the effectiveness of non-salary expenditure financial commitment controls, for example, payment of assets or services provided to the state. This process is highlighted as a separate dimension of this indicator due to the importance of such controls in ensuring that the government's payment obligations remain within the limits of annual budget allocations (as revised) and within the projected cash availability, thus avoiding the creation of expenditure arrears (see PI-13).

Despite the legal and regulatory framework, the expenditure commitment control rules are still fragile. There are expenses that are not systematized or appropriated mainly under the headings of operating expenses.

Other expenses are incurred before the confirmation of the availability of funds, and the entire financial coverage-payment-payment process performed upon the receipt of assets, works or services by suppliers. Some expenses remain outside the financial system which triggers fiduciary risk situations.

On the other hand, expenses are settled without observing whether the assets were actually delivered with the necessary quality, as well as the services rendered in full.

**Considering that the expenditure authorization control rules are still fragile, with low coverage and generally inefficient, the score for this dimension was rated D.**

### *Dimension 25.3 Compliance with payment rules and procedures*

This dimension assesses the extent of compliance with the payment control rules and procedures based on available evidence. To evaluate this dimension, the assessors should refer to the information management system, the Treasury Department records, or any other records of the MOF or line ministries. A sampling approach can be applied, using the five major budgetary units as measured by gross expenditure in the last completed fiscal year. If the data is not available or is decentralized, assessors could rely on internal or external audit reports or any other studies which could provide the best available estimates.

The compliance with public management acts in the payment rules and procedures' component is not full yet, given that SAFE-e does not cover the different types of expenditure.

For example, in the State Assets component, although there are institution-level inventories in Excel format, there is no consistent update and the existing database is not integrated with SAFE-e.

In the latest CGE 2015 TdC audit report, the auditors noted several irregularities in relation to (i) non-detailed expenses, making it difficult to determine the correction of the amounts paid in accordance with the provisions of Decree no. 4/ 2009; the payment of expenses from previous years (1.7% of total expenses for the year 2015) in violation of the provisions of article 30 of the SAFE Law (unpaid expenses); (iii) insufficient evidences related to the preparation of the inventory and the registration of the assets belonging to the State, as well as to the fulfilment of the legal dispositions in the realization of active operations, the inventorying of property and the management of the respective assets.

Thus, the quantification of non-compliance with rules and procedures cannot be precisely established, but as mentioned in the previous dimension, there are various expenses that are not systematized or appropriated mainly under the headings of operating expenses. Other expenses are incurred before the confirmation of the availability of funds, and the entire financial coverage-payment-payment process performed upon the receipt of assets, works or services by suppliers. Several other expenses remain outside the financial system which triggers fiduciary risk situations.

**Considering that there are several payments (without the possibility of being quantified) in non-compliance with the regular payment procedures, and there is no evidence for the justification and regularization of the related payments, the score for this dimension was rated "D."**

### **Ongoing and planned reforms**

See PI-26.

In the asset's component, the following was verified: The Directorate of State Assets benefited from a computer application that allows the registration of State assets. Accordingly, DITEI managed to design a module, synchronized with that application, which enables the printing management of the asset identification labels. Regarding the "Revised State Land Property Law "2)," the Directorate of Assets has developed and submitted to the Assembly for approval. Regardless of the activities projected, the Directorate of State Assets performed some activities, including training in various areas.

## PI-26: Internal audit

Indicator / Dimension	M1 score (WL)	Rationale for the Score
<b>PI 26. Internal audit</b>	<b>D+</b>	<b>The IGF is competent to conduct internal audits in all central government entities based on standards and procedures consistent with international standards, but the IGF's institutional capacity and the weak means available do not allow it to carry out scheduled actions, nor monitoring the responses of the audited entities.</b>
26.1. Internal audit coverage	A	The internal audit is operational in central level institutions (budgetary and extra-budgetary) representing all budgeted expenditure and revenue.
26.2. Nature of audits and standards applied	B	The audits internal are performed with basis to standards and procedures based on international standards and focus on the suitability and the effectiveness of controls internal.
26.3. Implementation of internal audits and reporting	D	In 2018, there was an internal audit plan by IGF, with 27% of the planned audits conducted.
26.4 Response to internal audits	D*	There are no data to assess the response rate of the entities audited by IGF.

This indicator assesses the standards and procedures applied in the internal audit, because regular and appropriate feedback to the management is required on the performance of the internal control systems through an internal audit function (or an equivalent system monitoring function). Such a function should use a systematic and disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.

In STP, "through Decree-Law 56/2006, the Nature, Mission and Responsibilities of the Inspectorate-General of Finance were defined as the supreme body for the financial control of State accounts and specialized technical support to the Ministry of Planning and Finance. Within the scope and action, according to Article 2, covers public, administrative and business entities and entities of the private sector, including the cooperative, when they are subject to financial or tax relations with the State, or when indispensable to the indirect control of any entities covered by its action.

### *Dimension 26.1. Internal audit coverage*

This dimension assesses the extent to which the central government entities (in number and % of the budgeted expenditure and/or revenue) are subject to internal audit. This is measured as the proportion of total planned expenditure or revenue collection of the entities covered by annual audit activities, whether or not substantive audit work was carried out. The typical characteristics of an internal audit function are the existence of laws, regulations and/or procedures and the existence of audit work programs, audit

documentation, reporting, and follow-up activities leading to the achievement of internal audit objectives as described in the applicable international standards.

The Central Government (GC) is more comprehensive than the Budgetary Central Government (BCG), which is a subset of the GC that encompasses the core activities of national executive, legislative and judiciary powers, which are funded from the budget approved by the legislator. Extrabudgetary entities and social assistance funds are part of the GC.

In STP, pursuant to article 3 of Decree-Law 56/2006, IGF "is responsible for performing [internal] audits, inspections, inquiries, investigations, surveys, examinations and other economic-financial, accounting and tax control actions to public and semi-public and affiliated entities", which are carried out in institutions that absorb all budgeted expenses and revenues. These internal audits are carried out in accordance with IGF business plans using criteria defined in the internal management procedures manual. The internal audit activities focus on the assessment of adequacy and effectiveness and on procedural, legal and financial compliance.

The sample selection process follows clear criteria according to the internal management procedures manual, which considers among other things the nature of the audit.

However, the ability of IGF performing an internal audit annually is limited and is carried out at the desired frequency, as reflected in the schedule of its annual activity plans.

Considering that the internal audit is operational in central level institutions (budgetary and extra-budgetary) representing all budgeted expenditure and revenue, this dimension was rated "A."

#### ***Dimension 26.2. Nature of audits and standards applied***

This dimension assesses the nature of audits performed and the extent of adherence to professional standards. When audit activities focus only on financial compliance (reliability and integrity of financial and operational information and compliance with rules and procedures) the internal audit function provides limited assurance of the adequacy and effectiveness of internal controls. A wider approach as well as evidence of a quality assurance process is required to show adherence to professional standards.

Audits are developed according to the volume of resources the institutions hold, by the number of errors the institutions present, by indication or request. Auditors essentially apply the IGF's Organic Law, which is based on internationally accepted standards and procedures for carrying out its audits. Internal audit activities focus on assessing the adequacy and effectiveness of internal controls.

**Since internal audits are performed assuming national standards and procedures, based on international standards and focus on the adequacy and effectiveness of internal controls, the score for this dimension was rated "B."**

#### ***Dimension 26.3 Implementation of internal audits and reporting***

This dimension assesses specific evidence of an effective internal audit (or systems monitoring) function as shown by the preparation of annual audit programs and their actual implementation including the availability of internal audit reports.

The audits conducted are subject of prior planning information describing the general and specific objectives, the methodology, the schedule and the resources to be used. The final audit reports are prepared based on the structure of the IGF Internal Management Procedures Manual, and follow the deadlines for dissemination of results.

There are annual audit programs in place and most scheduled audits were completed, as evidenced by the distribution of their reports to the appropriate parties. In fiscal years 2015, 2016 and 2017, 10/19, 11/17 and 5/13 (with two ongoing audits) of the scheduled internal audits were performed.

IGF does not have sufficient capacity conduct all internal audits scheduled and over the past three years, 53% of the planned annual audits were performed, and their respective reports produced:

Internal Audits	2015	2016	2017	Total	Achievement
Scheduled	19	17	13	<b>49</b>	
Accomplished	10	11	5	<b>26</b>	<b>53%</b>

According to the General Inspectorate of Finance's 2018 balance sheet report, this entity has significant operating limitations that do not allow it to achieve its goals:

- Need for continuing training of inspectors;
- Imperative need for acquisition of rolling stock;
- Low limits for the purchase of fuel, for the fulfilment of the inspection activities;
- Lack of office furniture and computer equipment to create a healthy working environment to improve inspectors' professional performance;
- Lack of Professional ID Card for inspectors; and
- Failure to approve the amendment of the outdated Decree-Law 56/2006, as it has been in implementation for more than 12 (Twelve) years.

In 2018, IGF had planned 11 internal audits of which 3 were completed, 3 partially completed and 5 not performed. Additionally, two unplanned audits were performed. However, for this assessment, only the audits completed in relation to the planned audits are being considered, that results in a 27% rate of achievement.

**Considering that in 2018 there was an internal audit plan by IGF and 27% of the planned audits were performed, the score of this dimension was rated "D".**

#### ***Dimension 26.4 Response to internal audits***

This dimension assesses the extent to which action is taken by management on internal audit findings. This is of critical importance since lack of action on findings undermines the rationale for the internal audit function. Response means that management provides comments on the auditors' recommendations and takes appropriate action to implement them where necessary. Internal audit validates whether the response provided is appropriate.

The IGF follows up the recommendations in each new Internal Audit action, reserving a **follow-up** chapter in its report. Furthermore, the IGF receives formal but generally partial responses to internal audit recommendations and their implementation from most of the audited entities.

However, it was not until 2019 the IGF began to develop a mechanism for monitoring the responses of the audited entities and the implementation of internal audit recommendations, and thus there are no statistics for the last 3 years ended.

Year	Internal Audits Scheduled	Internal Audits Accomplished*	Recommendations issued	Complete Responses** of the entities and deadline (number of responses / months)	Partial Responses*** of the entities and deadline (number of responses / months)
2018	11	7	N/D	N/D	N/D
2017	13	8	N/D	N/D	N/D
2016	17	13	N/D	N/D	N/D

\* *Internal Audits Accomplished include the scheduled and the ad-hoc audits*

\*\* **Complete response** means sending comments to all auditors' recommendations and implementation of all the recommendations.

\*\*\***Partial response** means sending some comments to the auditors' recommendations and implementation of some of the recommendations (or combination).

Thus, the rate of responses of the audited entities to the recommendations of the internal audit cannot be established.

**Considering that there are no data for the evaluation of the response rate of the entities audited by IGF, the score assigned to this dimension was "D."**

### Ongoing and planned reforms

The General Inspectorate of Finance (IGF) began this year, 2019, the compilation of information for the creation of a database on compliance with the recommendations of Internal Audit Reports.

While IGF, as a Public Finance Supervisory Institution, plays a leading role in the Reform of Public Finance Management. It is in this sense that within the framework of PARFIP 2018, several reform actions were foreseen.

Overall, the General Inspectorate of Finance (IGF) emphasized the lack of working conditions, especially with regard to computerized media (colour and toner printers) and rolling stock (vehicles for employee travel). However, they were committed and motivated to make their full contribution to the preparation of the Public Finance Reform Action Plan (2019 - 2022).



Regarding the objective of a credible and effective internal control system, there is a reform action regarding the revision of the IGF legal framework that has been partially implemented, as there is a proposal prepared with only the approval and publication phase missing.

Regarding the approval of the IGF Strategic Plan, the reform action was implemented, as the Plan already exists, including the one approved by the IGF so far.

Regarding the preparation of the IGF Procedure Manual, no progress has yet been made.

With respect to inspectors' direct access to information from the SAFE-e and SYDONIA systems, there was a partial implementation of the planned reform action, as at SAFE-e level, it is in the implementation and operation phases, through the assignment of access passwords. However, as far as SYDONIA is concerned, no steps were taken in this regard, highlighting the lack of political engagement.

The reform actions related to the General Inspectorate of Finance installed under appropriate conditions as well as the participation of the IGF in conferences of CPLP Internal Control bodies, they were not implemented due to the lack of funding. However, in 2018 IGF benefited from some computer materials and equipment, as well as some training in various fields.

Due to lack of Technical Assistance, the reform action on the preparation and approval of the Bylaws of the Financial Controller and the coverage of the financial controller to all deconcentrated budgetary units, they were not implemented.

## Pillar VI. Accounting and Reporting

### PI-27: Financial data integrity

Indicator / Dimension	M2 score (AV)	Rationale for the Score
<b>PI-27 Financial data integrity</b>	<b>D+</b>	<b>The integrity of financial data is not fully assured by the lack of complete procedures for reconciling bank accounts, provisional accounts and advance accounts. It is also affected by the lack of documented procedures for access to SAFE-e and for the creation of audit records.</b>
27.1 Bank account reconciliation	D	The accounts existent in the Central Bank are reconciled daily by the Treasury, but only for the expenditure side. The revenue entries are confirmed only by the Directorate of Taxes. Thus, there is no integrated view of the possible differences between the transactions recorded in accounting and the transactions recorded in bank accounts. The commercial Bank accounts of institutions with financial and administrative autonomy are reconciled on a monthly basis, but this information is not provided to the Treasury within appropriate time frames.
27.2 Suspense accounts	C	The suspense accounts are reconciled until 2 months after the end of the economic year.
27.3 Advance accounts	D	Advances on public procurement contracts are reconciled irregularly and not systematically and within two (2) months after the end of the economic year.
27.4 Financial data integrity processes	B	Access to SAFE-e records is restricted and segregated per profiles. There are mechanisms that allow knowing who initiated a transaction, who accessed a record, when it was accessed, and whether the record was updated. There is neither a unit responsible for systematically checking the integrity of the data generated by the logs in the system or a procedure manual for this purpose.

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. This indicator contains four dimensions.

#### *Dimension 27.1 Bank account reconciliation*

Pursuant to Article 41 of the SAFE Law, the Treasury Single Account (TSA) was opened BCSTP, including a set of sub-accounts for levying and collecting revenues and the payment of expenses, covering all funds of tax and non-tax origin. The Directorate of Treasury makes daily reconciliations, which are, however, partial, as it only reconciles bank data and the expenditure accounting data. The revenue reconciliation is done only by the Directorate of Taxes.

Although the TSA was created, there are still bank accounts in commercial banks, public, budgetary and extrabudgetary institutions, including entities with administrative and financial autonomy, as well as the National Institute of Social Security. Similarly, several projects, funded by donations and / or loans, have commercial bank accounts.

These accounts are reconciled on a monthly basis by the entities managing them, but the information is only shared with the Ministry of Finance when preparing the General Government Account at the end of the financial year. There is therefore, no integrated view of any differences between the transactions recorded in the accounts and the transactions recorded in all Government bank accounts within appropriate timeframes.

**Considering that the existing accounts at BCSTP are reconciled daily by the Treasury, but only on the expenditure side and the revenue side only by the Directorate of Taxes, and the existing accounts at commercial banks, financial and administrative institutions and projects are reconciled monthly but this information is only provided to the Treasury at the end of the year, the score of dimension 27.1 was rated “D.”**

#### **Ongoing and planned reforms**

With the resource of the World Bank financing, the design and acquisition of an electronic interface between the Treasury and the BCSTP are planned to facilitate the automatic exchange of information, namely the bank reconciliation of operations and online access to the bank accounts based in the BCSTP.

In addition, the African Development Bank will finance the improvement of the STP Automated Payments System (SPAUT), which will allow the Treasury to be integrated into this system and the electronic issuance of bank orders and their subsequent clearing.

#### **Dimension 27.2 Suspense accounts**

The dimension assesses the extent to which suspense accounts, including sundry deposits/liabilities, are reconciled on a regular basis and cleared in a timely way. Failure to clear suspense accounts can distort financial reports and provide an opportunity for fraudulent or corrupt behaviours.

The Directorate of Treasury manages a sub-account of the TSA, called “Sundry Deposit Account,” in which third party values are deposited, namely those relating to the retention of 3% of the value of works' supervision and the retention of 10% of the value of public works' contracts, which serve as a guarantee of their proper implementation, which are only reconciled within two (2) months after the end of the economic year.

The Directorate-General of Customs also holds bank guarantees, which are deposited in a vault, which are not reconciled regularly, but only at the end of the guarantee period or at the end of the financial year.

The provisional accounts are cleared in good time, at the latest by the end of the economic year, unless duly justified.

**Considering that the provisional accounts are reconciled only until 2 months after the end of the economic year and are cleared in good time, the score of dimension 27.2 is rated “C”.**

#### **Dimension 27.3 Advance accounts**

The dimension assesses the extent to which advance accounts are reconciled and cleared. Advances cover amounts paid to vendors under public procurement contracts as well as travel advances and operational imprests.

The amounts paid to employees as travel allowance are considered expenses at the time of payment and are therefore, not considered advances. The advances to vendors are provided for by law, in particular, in the case of public works' contracts, and must be regularized in accordance with the contractual provisions.

However, there are no documented procedures for systematic monitoring the regularization of these advances and consequently, their reconciliation.

**Thus, considering the advances on public procurement contracts is reconciled irregularly and not systematically and within more than 2 (two) months after the end of the economic year, dimension 27.3 is rated “D.”**

#### *Dimension 27.4 Financial data integrity processes*

The dimension assesses the extent to which processes support the delivery of financial information and focuses on data integrity defined as accuracy and completeness of data (ISO/IEC, International Standard, 2014). While acknowledging that other processes are also essential to ensure data integrity, this dimension assesses two key aspects: access to information, including read-only, and changes to records by creation and modification; and existence of a body, unit or team in charge of verifying data integrity. Audit trails constitute an important aspect of data integrity as they enable individual accountability, intrusion detection, and problem analysis.

The budgetary expenditure is implemented using the information system called SAFE-e. This is a system developed in Oracle forms 10g, that allows the decentralized and remote execution of expenditure by the different Ministries, but whose coverage does not include entities with administrative and financial autonomy, sovereign bodies, the Autonomous Region of Principe or the District Councils.

SAFE-e integrates the pre-allocation phases up to the Bank Order issuing phase. All of these phases in the SFE-e system are also accompanied by manual paper processing that duplicates electronic processing, causing process delays and possible errors.

Subsequently, the Bank Order is transmitted manually to Commercial Banks or BCSTP (for foreign payments - embassies, foreign debt and students - and for payment of foreign exchange allowances) for the execution of the operation. The transmission of confirmation of the execution of the operation by the banks, consequent reflection in the TSA and reconciliation of the operation is also manual given the absence of an electronic interface between the Treasury and the BCSTP, giving rise to the “confirmed payment” phase, which concludes the operation.

For the execution of these phases, user profiles are assigned according to the entities to which they are connected and their respective roles. The Accounting Department, through the Maintenance Section of the SAFE State Accounts Plan and Users Registry, of the Standards and Procedures department, is the entity responsible for authorizing access to SAFE-e, following written requests from Ministerial DAFs, based on pre-existing profiles, with technical support from the Directorate of Information Technology (DITEI) that operationalizes the profile assignment in SAFE-e, given that it has the competence to update tables and user registration.

Thus, there are in SAFE-e the following profiles:

Entity	Phases performed by profiles
Directorate of the Budget	Loading and Opening the Budget Budgetary Amendments and Adjustments

<b>Ministerial DAFs</b>	Pre-Allocation Allocation Settlement Payment (towards STP)
<b>Directorate of Treasury</b>	Authorization of requests Issuance of Bank Order Payment confirmed
<b>Directorate of Accounting</b>	Consultation - Report Analysis and preparation for CGE Management - Change to Rules and Procedures
<b>DITEI</b>	System management

Users are assigned a pair consisting of a username and password for access to the system, and the passwords have a validity period of 120 (one hundred and twenty) days, after which they must be revalidated. The Accounting Department performs user controls, requesting DAFs to confirm the users registered in the system, if in doubt, they can block or inactivate a user.

Thus, the access to SAFE-e records is restricted and segregated per profiles. Similarly, changes / reversals to operations performed on SAFE-e are permitted only i) those that an entity has performed and ii) the next phase has not been started or completed. For operations that have already moved to a subsequent phase, the entity empowered to do so is the Accounting Directorate.

In either case, SAFE-e has automatic mechanisms /logs, which generate an audit trail allowing to know i) who initiated a transaction, i) who accessed a specific record, iii) when it was accessed, and if iv) the record was updated. However, although the Directorate of Public Accounting is entitled by law to "...Monitor and evaluate the systematic registration and in a timely manner, record all transactions..." there is no central entity with the responsibility to analyse the information produced by the logs nor do systematic and / or documented procedures exist in this area.

**Although access to SAFE-e's records is restricted and segregated per profiles and there are mechanisms that allow knowing who initiated a transaction, who initiated a transaction, who accessed a record, whether the record was updated and generates an audit trail, there is no unit to systematically verify the integrity of data generated by the system logs nor a procedure manual for this purpose, leading to assign dimension 27.4 score "B."**

## PI-28: In-year budget reports

Indicator / Dimension	M1 score (WL)	Rationale for the Score
PI-28 In-year budget reports	D+	The quarterly reports contain basic information on budget implementation with an analysis of the progress of the main aggregates. <b>However, its scope is reduced for not containing information from institutions with</b>

Indicator / Dimension	M1 score (WL)	Rationale for the Score
		<b>administrative and financial autonomy and not being published within or above the good practice, rendering its analysis ineffective.</b>
28.1 Coverage and comparability of reports	C	The quarterly reports have a coverage and classification that allow a direct comparison with the approved budget at Central Government level, with a partial degree of detail, but do not contain information on the expenses incurred by the entities with financial and administrative autonomy from transfers from the central government.
28.2 Timing of in-year budget reports	D	In 2018, although the first three (3) quarterly reports were produced within less than eight (8) weeks, the fourth quarterly report was provided 15 weeks after the end of the quarter.
28.3 Accuracy of in-year budget reports	C	The quarterly reports have an analysis of budget implementation, which includes information on the allocation, settlement and payment of expenditure phases, but there are limitations related to the accuracy of the information elements of projects funded by donations and loans and the debt stock.

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator contains three dimensions.

#### **Dimension 28.1 Coverage and comparability of reports**

This dimension assesses the extent to which information is presented in in-year reports and in a form that is easily comparable to the original budget (i.e., with the same coverage, basis of accounting, and presentation).

SAFE law provides, in Article 36, that the Government must provide the National Assembly with quarterly information on budget implementation within 30 days after the end of the quarter. Subsequently, in order to comply with this obligation, Decree 42/2012, on the exercise of , in its Articles 4 and 5, defined the deadlines (1 month after the end of the quarter) for accountability of the entities with administrative and financial autonomy, and local and regional governments, or the making of quarterly accounts, as required by law.

The information to be provided shall be the “Budget Implementation Balance Sheet accompanied by duly reconciled bank balance receipts ...” and “... shall include transfers received from the State, own revenues collected, donations and financing obtained, expenses from these revenues, donations and financing, as well as bank balances at the beginning and end of the period ...”

In this table, the quarterly reports published by the DPA contain data on the execution of the revenue (cash basis), expenditure (commitment basis) and financing, including accumulated data to date for quarters 2, 3 and 4 at the central government level. The information contained therein is as follows:

- Information structured by classification:
  - Organic up to the 1st level - for Ministries;
  - Economic up to the 2nd level of classification, i.e., by nature group of the expenditure;
  - Functional at function level (1st level);
  - Geographic;

- Source of resources, and by
- Type of expenditure
- Main budget balances;
- Budgetary amendments;
- Debt stock.

In spite the comprehensiveness of the information currently contained in the quarterly reports, it allows a direct comparison with the approved budget, with a degree of partial aggregation as mentioned above, these quarterly reports do not present the revenue and expenditure of autonomous entities and subnational governments.

**Considering that the quarterly reports have a coverage and classification that allow a direct comparison with the approved budget at Central Government level, with a partial degree of detail, but do not contain information on the expenses incurred by the entities with financial and administrative autonomy from transfers from the central government, dimension 28.1 is rated “C.”**

#### ***Dimension 28.2 Timing of in-year budget reports***

This dimension assesses whether the quarterly reports are submitted in a timely manner and whether the information provided is accompanied by an analysis and commentary on budget execution.

During 2018, four (4) quarterly reports were produced, which give a narrative description of the budget implementation during the period and the cumulative one, accompanied by an analysis, with explanations on the behaviour of the main headings of revenue, expenditure and financing, being distributed to the National Assembly.

Quarterly reports were provided on the following dates:

Report	Date of preparation	Number of weeks after the end of the quarter
Quarter 1	22 May 2018	7 weeks
Quarter 2	August 2018	8 weeks
Quarter 3	9 November 2018	6 weeks
Quarter 4	16 April 2019	15 weeks

**Considering that in 2018, although the first 3 (three) quarterly reports were produced within less than 8 (eight) weeks, the 4th quarterly report was made available 15 weeks after the end of the quarter to dimension 28.2, is assigned the score D.**

#### **Ongoing and planned reforms**

During 2019, the intention is to implement the regular provision of quarterly reports to the Audit Courts.

#### ***Dimension 28.3 Accuracy of in-year budget reports***

The dimension assesses the accuracy of the information submitted, including whether expenditure for both the commitment and the payment stage is provided.

Quarterly reports provide budget implementation information on a cash basis for revenue and on a commitment and cash basis for expenses. In the latter case with discrimination at Ministry level of the stages of allocation, settlement and payment<sup>6</sup>.

However, the quarterly reports do not include information on the budgetary execution of the entities with financial and administrative autonomy, local and regional governments as they are not timely provided in legal terms, i.e., up to 1 month after the end of the quarter.

Furthermore, by not providing implementation information with the level of detail of the approved budget proposal, these reports do not allow a complete reading of the implementation.

Moreover, information on the execution of activities or projects using donations and loans is still limited, as there are no effective mechanisms for collecting and processing this information from the execution data generated by the units implementing activities or projects, which do not report them systematically to the Directorate of Public Accounting and the Directorate of Planning. Thus, this information is generally collected at the end of the economic year using data provided by donors, which reduces the scope and accuracy of the information contained in the quarterly reports.

On the other hand, as disbursement information for projects financed by external loans is not obtained in a timely manner, the accuracy of debt stock information in quarterly reports is less accurate.

**Considering that the quarterly reports have an analysis of budget implementation, which includes information on the allocation, settlement and payment of expenditure phases, but there are limitations related to the accuracy of the information elements of projects funded by donations and loans and the debt stock, dimension 28.3 is rated C.**

## PI-29: Annual financial reports

Indicator / Dimension	M1 score (WL)	Rationale for the Score
PI-29 Annual financial reports	D+	The assessment of the budget implementation has been incomplete as the State General Accounts are produced late compared to the legally established deadlines. However, in the last four years, it has resumed its preparation and has submitted 6 CGEs to the TdC (2012 to 2017). All of these were prepared in accordance with the current legal framework and based on national accounting standards.
PI-29.1 Completeness of annual financial reports	C	At the date of the assessment, the CGE of the last completed fiscal year 2018 is not available. However, based on the analysis of the information contained in the CGEs from 2015 to 2017, the score to be assigned would be C.
PI-29.2 Submission of reports for external audit	D	The 2017 and 2016 CGEs were delivered to the TdC respectively 17 and 19 months after the end of the budget year to which they relate.
PI-29.3 Accounting standards	C	CGE, while not using IPSAS, uses accounting standards based on the existing legal framework in STP, which ensures the consistency of CGE

<sup>6</sup> The inaccuracy of the payment concept as referred to in PEFA 2013 was corrected using the SAFE-e “payment confirmed” step.



Indicator / Dimension	M1 score (WL)	Rationale for the Score
		over time. The standards used for the preparation of the CGE are disclosed.

This indicator assesses the extent to which the annual financial statements are complete, timely and consistently with generally accepted accounting principles and standards, and are crucial for the transparency and accountability of public finance management. It contains three dimensions.

#### **Dimension 29.1 Completeness of annual financial reports**

This dimension assesses the completeness of the annual financial reports. These should include an analysis providing for a comparison of the outturn with the initial government budget of the Central Government as approved by the Assembly. The financial reports should include complete information on revenue, expenditure, assets, liabilities, guarantees and long-term obligations.

In Sao Tome and Principe, the financial report submitted by the Government is the General State Account (CGE), whose legal framework is defined as follows:

- The Constitution of the Republic, in line with (i) Article 97, gives the National Assembly the power to "...Take the accounts of the state for each economic year.";
- Law 8/1999 establishes the purpose of the rendering of accounts by the Government to the Audit Courts, which is the appraisal of the legality of the activities of the entities subject to the rendering of accounts, as well as the respective economic-financial and asset management;
- Law 3/2007, SAFE Law, which states that:
  - The CGE should highlight the budgetary, financial and asset execution, as well as submit the results of the fiscal year and the performance evaluation of central, regional and local governments and public institutions.
  - The bodies that make up the public accounting subsystem have the responsibility of preparing the CGE;
  - The CGE should be prepared in accordance with generally accepted accounting principles.
- Decree 42/2012, which defines the rules, procedures and calendar for the annual reporting exercise.

The CGE should include the following information:

- i. The Budget Balance, which will show the expected expenditure and revenue compared to the realized ones;
- ii. The Balance Sheet, which will show the budget revenue and expenditure, as well as non-budgetary receipts and payments (rights and obligations), combined with the balances in cash from the previous financial year, and those transferred to the following financial year;
- iii. The Balance Sheet, which will present the sum of the values of the assets and liabilities and obligations, as well as the Active and Passive Order Accounts;
- iv. The Statement of Changes in Equity, which will show the changes in equity

The CGE should also include:

- a) The Government report on the economic results of management for the financial year;
- b) The overall financing of the General State Budget, with a breakdown of the sources of funding;
- c) The appendices to the financial statements; and
- d) The statement of financial assets and liabilities existing at the beginning and end of the economic year

The data for the preparation of the CGE comes from SAFE-e's accounting records, for the central government entities, to which is added the information of the services with administrative and financial autonomy, the District Councils and the Regional Government of Principe, as well as the information on the debt produced by the Debt Management Office.

The CGEs submitted to the TdC included the following information:

CGE	Deliver date from CGE to TC	Content of CGE (S/N)			Cash flow reconciliation (S/N)
		Expenditure and revenue by economic classification	Financial and non-Financial Assets and Liabilities	Long Term Guarantees and Obligations	
2018	Pending	-	-	-	-
2017	20 June 2019	Yes, partially. Data from some institutions i not included in the CGE.	Financial assets - Yes partially. BCSTP securities and reserves do not appear in CGE  Financial assets - Yes  Non-financial liabilities- Yes, partially. The inventory coverage is incomplete  Non-financial assets - Yes.	Guarantees - No  Long Term Obligations - NA	Yes, partially. This does not include data from the institutions, the Central Government, with administrative and financial autonomy.
2016	31 July 2018	Yes	Financial assets - Yes partially. BCSTP securities and reserves do not appear in CGE  Financial assets - Yes  Non-financial liabilities- Yes, partially. The inventory coverage is incomplete  Non-financial assets - Yes.	Guarantees - No  Long Term Obligations - NA	Yes, partially. This does not include data from the institutions, the Central Government, with administrative and financial autonomy.
2015	14 December 2017	Yes	Financial assets - Yes partially. BCSTP securities and reserves do not appear in CGE  Financial assets - Yes  Non-financial liabilities- Yes, partially. The inventory coverage is incomplete  Non-financial assets - Yes.	Guarantees - No  Long Term Obligations - NA	Yes, partially. This does not include data from the institutions, the Central Government, with administrative and financial autonomy.

i - Presidency of the Republic, the Judicial and Constitutional Courts and the University of S. Tome and Principe.

Based on the analysis of the information contained in the CGEs from 2015 to 2017, the score to be assigned would be C. However, considering that, at the date of the assessment, the CGE of the last completed financial year, 2018 is not available, the score assigned to dimension 29.1 is D.\*

#### *Dimension 29.2 Submission of reports for external audit*

The dimension assesses the timeliness of year-end reconciled financial reports for external audit as a key indicator of the effectiveness of the accounting and financial reporting system.

The external audit institution, in Sao Tome e Principe, is the Audit Courts, according to article 1, No. 2 of Law 3/99, which creates the TdC and establishes "...it is the supreme and independent body that controls the legality of the public expenditure and the settlement of accounts that law requires to be subject to." Thus, the TdC is the entity responsible for judicial oversight of budget implementation.

In this context, the CGE must be delivered by the Government to the TC, by 30 April of the following year to which it relates, i.e., 4 (four) months after the end of the budget year, as provided for in Article 16 (1) of Law 8/99 and Article 61 (1) of Law SAFE 3/2007.

The following table illustrates the delivery dates of the CGE and the year to which they relate:

Year to which the CGE relates	Date received from CGE to TC	Months after end of budget year
2017	Thursday, June 20, 2019	17 months
2016	31 July 2018	19 months
2015	14 December, 2017	23 months
2014	10 May 2017	29 months

**Considering that the latest available government annual financial report, the 2017 CGE, was delivered to the TdC 17 months after the end of the budget year to which it relates, dimension 29.2 is assigned with score "D."**

### **Dimension 29.3 Accounting standards**

This dimension assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency. This requires that the basis of recording the government's operations and the accounting principles and national standards used be transparent.

Within this framework, the international standards for the preparation of general-purpose financial reports by public sector entities other than public companies<sup>7</sup> are the *International Public Sector Accounting Standards (IPSAS)*, which are a set of accounting standards issued by the *International Public Sector Accounting Standards Board (IPSASB)*, a body appointed by the IFAC (International Federation of Accountants).

In STP, the accounting standards that serve as the basis for the submittal of the CGE are prescribed:

- In Law 3/2007, Section II "Bookkeeping" of Chapter III "Public Accounting Subsystem," namely defining that the accounting regime adopted is mixed, applying for income the cash regime and for expenses, the commitment regime;
- In Decree 21/2007, which approves the Regulation of the State Accounting System and its Annex;
- In Order 2/2012, which approves the new Chart of Accounts and Events Table

<sup>7</sup> To these the IFRSs apply.

- In the Accounting Manual applied to SAFE, July 2011, prepared by the Directorate of Public Accounting;
- In Decree no. 14/2019, which approves the “1st Edition of the General State Account Preparation Manual”.

The standards defined above are used consistently in the preparation of the CGE and are referenced therein. However, although they are based on generally accepted accounting standards, they do not, for the most part, integrate IPSAS standards nor disclose the variations between the international and national standards, nor explain the possible gaps between these standards.

**Thus, CGE, although not using IPSAS, uses accounting standards based on the existing legal framework in STP, which ensures the consistency of CGE over time. The standards used for the preparation of the CGE are disclosed. Thus, dimension 29.3 is rated “C”.**

## Pillar VII. External scrutiny and audit

### PI-30: External audit

Indicator / Dimension	M1 score (WL)	Rationale for the Score
<b>PI-30 External Audit</b>	<b>D+</b>	<b>The degree of coverage of the audits and the deadline for submission of the report and opinion of the Audit Courts to the National Assembly are not in accordance with the best practice. Although the legal framework ensures the independence and the authority of the Audit Courts to analyse and control the legality of public expenditure, the limitations on the budget limit and cash holdings during the economic year reduce the scope of such independence.</b>
30.1 Audit coverage and standards	D	The audits carried out using ISSAI standards cover institutions that represent less than 50% of GSB expenditures and revenues in 2018, 2017 and 2016.
30.2 Submission of audit reports to the legislature	D	The TdC Reports and Opinions for the 2014 and 2015 CGEs were delivered to AN within more than 9 (nine) months from the reception, and the 2016 CGE Report and Opinion have not yet been delivered to AN, 9 (nine) months after the reception.
30.3 External audit follow-up	C	The audited entities submit formal responses to audit recommendations, but these are not implemented in a timely manner.
30.4 Supreme Audit Institution (SAI) independence	D	Although the TdC is independent by law as regards to the appointment and continuity of the Judges, with unrestricted access to the information needed for the activity, the TdC has no independence in setting its budget limit, and its execution depends on the availability of the state treasury.

This indicator examines the characteristics of the external audit, which is an essential requirement for ensuring accountability and creating transparency in the use of public funds. The indicator contains four dimensions.

#### 30.1 Audit coverage and standards

This dimension assesses key elements of external audit in terms of the scope and coverage of audit, as well as adherence to auditing standards.

In STP, the Superior Control Institution (ISC) is the Audit Courts (TdC). This is a jurisdictional ISC created by Law 3/99, which is responsible for successively supervising and judging the accounts of the central government, the autonomous services and projects, the regional and local government, the public companies and exclusively or mostly public capital companies, treasurers or exactors of the Public Treasury. It also oversees the legality and budgetary coverage of acts and contracts that result in revenue or expenditure of these entities, and may perform audits thereof.

TdC decisions on the judgment of the accounts can take two forms:

- Subject of settlement judgment when “... the persons responsible for it are deemed free from any financial liability and the accounts considered regular...”, or
- subject to a judgment of enforcement of liability, when “...They are charged with financial liability, which translates into the obligation to replace or pay a fine....”

With respect to financial audits, their operational procedures are set out in Articles 45, 46 and 46A of the TdC Rules of Procedure, further developed in the Financial Audit Manual, approved by Resolution 1/20016 of the Court's Plenary.

This Manual incorporates the so-called International Standards of Supreme Audit Institutions or ISSAI standards, level 3 and 4, of the *International Organization of Supreme Audit Institutions - INTOSAI*, and guides the planning, execution, and reporting of audits carried out by the TdC Audit Unit.

In this context, the following financial audits were carried out in the period from 2016 to 2018:

Public Institution	Fiscal year	Economic Year of Audited Financial States
Embassy of RDSTP in Lisbon	2016	"2012, 2013, & 2014"
Embassy of RDSTP in Libreville	2017	"2014, 2015, & 2016"
National Medicines Fund	2017	2014 and 2015
Lobata District Council	2017	2015 and 2016
Cantagalo District Council	2018 (completed 2019)	2015, 2016, 2017
National Petroleum Agency (ANP-STP)	2018 (completed 2019)	2014, 2015, 2016

Regarding the coverage of the TdC audits, considering the budgets of the above entities, the audits performed by the TdC represent less than 50% of the total public expenditure budgeted for each year.

Regarding the use of international standards - ISSAIs, it appears that there is no systematic mechanism for quality control of audit reports, to verify if the ISSAI standards were met in the audit.

**As a result, although the audit standards are based on ISSAI standards, their coverage is less than 50% of total GSB expenditure and revenue in 2018, 2017 and 2016, assigning dimension 30.1 with score "D."**

### **30.2 Submittal of audit reports to the legislature**

The dimension assesses the timeliness of the submittal of the audit report (s) on budget implementation to the legislature, or those responsible for governance of the audited entity, as a key element to ensure the timely accountability of the executive to the legislature and the public.

Law 3/2007, paragraph 2 of Article 61, establishes that the TdC Report and Opinion must be submitted to the AN by 31 July of the year following the account to which it relates. However, the TdC submitted the Report and Opinion to the AN on the following dates:

Year of entry at TdC	Year to which the CGE relates	Date Received by the CGE	Date of delivery of opinion to the National Assembly
2019	2017	20 June 2019	NA
2018	2016	31 July 2018	Undelivered, although it has been 9 months from reception.
2017	2015	14 December 2017	5 December 2018; Delivered 11 months after the reception.
2017	2014	10 May 2017	30 June 2018; Delivered 12 months after the reception.
2016	NA	NA	NA

**Considering that in the last 3 years the TdC Reports and Opinions for the 2014 and 2015 CGEs were delivered to AN within nine (9) months from the reception and, on the other hand, the 2016 CGE Report and Opinion had not yet been delivered to AN 9 (nine) months after its reception, dimension 30.3 is assigned with score "D."**

### **30.3 External audit follow-up**

The dimension assesses the extent to which effective and timely follow-up on external audit recommendations or observations is undertaken by the executive or audited entity.

The TdC in its Report and Opinion makes recommendations or observations, which fall within the scope of the judgment of the accounts of the entities subject to the rendering of accounts. They focus on the assessment of the legality of the activities performed by the entities, as well as on their economic-financial and asset management.

The recommendations are formally transmitted in writing to the entities and, as a general rule, are subject to contradiction by the audited entities, pursuant to Article 7 of Law 3/99, which confers the right to prior hearing and a full defence.

The following table lists the number of recommendations issued per year and their rate of compliance:

Year	CGE Year	Number of recommendations	Number of recommendations implemented
2018	2016 *	24	N/A
2017	2015	21	No information
2017	2014	18	3 Recommendations

\* 2016 Provisional data

However, there is no formal and systematic mechanism for monitoring and following-up the implementation of the recommendations, except for monitoring audits or subsequent accounting judgments. Thus, there is no integrated monitoring report by the TdC on the degree of implementation by the audited entities of the recommendations issued by the audit.

**Considering that the audited entities submit formal responses to the audit recommendations, but not in a timely and exhaustive manner, dimension 30.3 is assigned with score "C."**

### **30.4 Independence of the Supreme Audit Institution**

The dimension evaluates the independence of the Superior Audit Institution, the executive. Independence is essential for an effective and credible system of financial accountability and should be provided for in the Constitution or a comparable legal framework.

In the case of STP, the independence of the TdC is supported by article 3 of Law 3/99 "...TdC is independent and subject only to the law...", and the decisions of the TdC are binding on all public and private entities. Likewise, the TdC has autonomy in defining its business plan and its execution, benefiting by law with unrestricted access to any information, registration and documentation it needs for the exercise of its duties, as referred to in Article 5 of same law.

Likewise, the Judges of the Audit Courts are recruited by public curricular competition, pursuant to Article 10 of Law 3/99 and Article 14 (1) of the TdC Internal Regulation, among graduates in Law, Economics, Finance or Organization and Management, being immovable and not subject to the orders or instructions of other sovereign bodies.

However, with regard to the approval of its budget, definition of its budget limit and availability of cash resources for budget implementation, the TdC depends on the Government. This is because i) the budget limit is defined by it in the framework of the annual budget arbitration, ii) the defence of the budget of the TdC in the AN is made by the Minister responsible for the finance area, under the law and iii) the execution of its budget depends on cash resources transferred by the Treasury during the year as described in TdC annual activity reports.

**This result, although the TdC is independent by law as regards to the appointment and continuity of the Judges, with unrestricted access to the information needed for the activity, the TdC has no independence in setting its budget limit, and its execution depends on the availability of the state treasury, in consequence; Dimension 30.4 is assigned score "D."**

## **PI-31: Legislative scrutiny of audit reports**

Indicator / Dimension	M1 score (AV)	Rationale for the Score
<b>PI-31 Legislative scrutiny of audit reports</b>	<b>D</b>	<b>The audited CGE was never reviewed or debated, nor was the hearings on the results of the audit by the National Assembly, or recommendations issued by the Assembly to the government.</b>
31.1. Timing of audit report scrutiny	D	The last audited CGEs 2014 and 2015 did not rise to scrutiny by the National Assembly within 12 months of receipt by the TdC.
31.2. Hearings on audit findings	D	There have never been any hearings on the results of the audits.
31.3. Recommendations on audit by the legislature	D	The recommendations on audit results were never issued to the government.
31.4. Transparency of legislative scrutiny of audit reports	D	No scrutiny of CGE audit reports or scrutiny of the 2nd Commission was conducted. The latter were never debated in the plenary of the National Assembly, publicly accessible, nor published on any official website or by any other publicly accessible means.

This indicator focuses on legislative scrutiny of the audited financial reports of central government, such as the audited CGE, including institutional units, as (a) they are required by law to submit audit reports to the legislature or (b) their parent company must answer questions and take action on their behalf.

#### **Dimension 31.1. Timing of audit report scrutiny**

This dimension assesses the timeliness of the legislature's scrutiny, which is a key factor in the effectiveness of the accountability function (rendering of accounts) in a State.

In STP, the Assembly was not receiving audit reports from CGE until 2018. In 2018, the Audit Courts sent the first audit reports to the Assembly, as reported in Table 31.1 below.

**Table 31.1 Approval of CGEs audited by the Assembly**

Audit Report of the Fiscal Year	Date of receipt	Date of approval
<b>2014</b>	30/07/2018	N/A
<b>2015</b>	05/12/2018	N/A
<b>2016</b>	N/A	N/A
<b>2017</b>	N/A	N/A

*Source: National Assembly*

In 2018, the year of receipt, within less than 5 months, of the 2014 and 2015 CGE audit reports, the Assembly was concerned about the legislative elections of that year and the change of the government. Thus, it has not reviewed or approved the audited accounts. At present, the Assembly considers that these audits relate to very old years of mandates from previous governments, and does not intend to verify and approve these accounts.

At the same time, the audit of 2016 CGE had not been delivered to the National Assembly at the date of the report, as the CGE was delivered to the TdC on 31 July 2018.

The SAFE Law, pursuant to Article 61 (2), establishes that the TdC Report and Opinion shall be submitted to the AN by 31 July of the year following the account concerned, which establishes the obligation to scrutinize the CGE audited by the Assembly. Furthermore, in accordance with article 214 of the Assembly's 2007 Internal Regulations, the General Government Account is submitted to the National Assembly, accompanied by the Audit Courts' report if it is prepared, and the other elements necessary for its consideration.



Additionally, the TdC 2016 Handbook of Procedures provides that "it is up to [the TdC], in general, to give an Opinion on the General Government Account, to successively or concurrently supervise the entities referred to in the previous paragraph and to judge their respective accounts, to systematically or punctually inspect the legalities and budget coverage of acts and contracts resulting in public revenue or expenditure and to audit the entities subject to its jurisdiction, on its own initiative, at the request of legislature or the Government.'

Punctuality of the National Assembly could be affected by an increase in audit report submissions, leading the external auditors to try to catch up. In such situations, the 2nd Commission may decide to give priority to audit reports from more recent periods and from audited entities that have a history of poor compliance. The evaluation favourably considered these elements of good practice and did not base itself on the delay in scrutinizing reports covering more distant periods.

Thus, by good practice, the scrutiny of CGE's audited reports from distant periods is not a priority, and the Assembly could examine the less old 2015 report (which would be used as a practical exercise), or give priority to future audited reports and to external audits of autonomous public entities. At present, it seems impossible for the Assembly to conduct the 2014 GSA scrutiny, delivered on 30 July 2018, before 30 July 2019, i.e. within 12 months after the receipt of the report (condition for a score "C").

**Considering that the last audited CGEs, 2014 and 2015, were not subject to scrutiny by the National Assembly within 12 months of their submission by the TdC, dimension 18.1 is assigned score "D."**

#### ***Dimension 31.2. Hearings on audit findings***

This dimension assesses the extent to which hearings on key findings of the Supreme Audit Institution / Audit Courts (TdC) take place. Hearings on key findings of external audit reports can only be considered "in-depth" if they include representatives from the TdC to explain the observations and findings, as well as from the Ministry or the audited agency with reservations to clarify and provide an action plan to remedy the situation.

The SAFE Law and the Assembly's Rules of Procedure do not provide for the scrutiny process, nor for (public) hearings on the audit results of CGE or other autonomous public entities / public companies.

Thus, in the absence of rules on the scrutiny process of CGE's audit reports by TdC and scrutiny by the Assembly, no hearings on the results of audits were ever held.

**Considering that no hearings on the results of audits have ever been held, dimension 18.1 is assigned score "D."**

#### ***Dimension 31.3. Recommendations on audit by the legislature***

This dimension assesses the extent to which the legislature issues recommendations and follows up on their implementation. The responsible committee may recommend actions and sanctions to be implemented by the executive, in addition to adopting the recommendations made by the external auditor.

The SAFE law and the Assembly's Rules of Procedure do not provide for the scrutiny process, nor the issuance of recommendations on CGE's audit results to the Government and / or other autonomous public

entities / public companies, nor monitoring the implementation of the recommendations issued by the 2nd Commission of the National Assembly.

Thus, in the absence of any rules on the scrutiny of CGE's audit reports by the TdC and the issuance of recommendations by the Assembly, recommendations on audit results were never issued to the executive.

**Considering that recommendations were never issued to the government on the results of audits, dimension 18.1 is assigned score "D."**

#### ***Dimension 31.4. Transparency of legislative scrutiny of audit reports***

This dimension assesses the transparency of the scrutiny function in terms of public access. Opening committee hearings to the public facilitates public scrutiny of the proceedings and is also a good opportunity for a legislative committee to inform the public about its work.

*According to the PEFA methodology, "Hearings can be 'open' in a variety of ways, which range from allowing exceptional public access to the committee room to inviting members of the public to speak on a subject. Public scrutiny can also be achieved either by transmission of the proceedings by the mass media, i.e., radio or TV, which allows citizens to follow what is currently happening in committees."*

The SAFE law and the Assembly's Rules of Procedure do not provide for the process of scrutiny of CGE's audit results, nor for public participation in Commission hearings or Plenary discussion.

Thus, in the absence of any rules on the scrutiny process of CGE's audit reports by TdC, the scrutiny process, including hearings, was never open to the public.

**Considering that there has never been any scrutiny of CGE audit reports or reports of the 2nd Commission, and the latter have never been discussed in the plenary of the National Assembly, with public access, nor published on an official website or by any other means easily accessible by the public, dimension 18.1 is rated "D."**

## **4. Conclusions on the analysis of PFM systems in STP**

### **4.1. Integrated assessment of PFM performance**

#### **Pillar I. Budget reliability**

The challenges related to producing accurate expense and revenue projections were not met in recent years, as shown by the low scores, indicating that the actual expenditure and revenue values were not close to both the overall (score D) and composition (score D for revenue and C for expenditure) estimates. This underperformance is the result of difficulties in reliable revenue estimates and expense scheduling, impacted by Treasury liquidity constraints and difficulties in preparing and updating the annual cash flow.

#### **Pillar II. Transparency of public finances**

STP has a certain amount of financial information at the central government level, with the chart of accounts / budget classifier, which underpins the preparation of the budget, budgetary implementation and the preparation of financial reports based on economic and functional classifiers that do not fully adhere to standards defined in the GFS 2014 manual and COFOG, while quarterly implementation reports do not fully use these classifiers (Rate C). The readability of the budget proposal is reduced for the Assembly due to limited information (Rate D). Due to the high amount of central government operations not accounted for in the financial reports, the government cannot have a complete view of all state revenues and expenditures in all categories of budgetary and extrabudgetary entities (Rate D).

The transfers from central government to subnational governments (Local Governments and Autonomous Region of Principe) are based on transparent rules, which are not used, while information on transfers is determined by a non-formalized and generally unstable calendar, considering only recurrent and non-investment expenses, weakening the capacity of subnational governments to develop their investment plans (Rate C).

The information on the performance of service provision is disrupted without proper reporting for this purpose. There is limited data on the implementation of the programs and public services, but only aggregates on budgetary allocations and their implementation by the sectors, while the institutions do not have performance plans for service provisions and may subsequently allow performance monitoring and evaluation (Rate D).

The public access to budget information, on the government tax plans, positions and performance is reduced by the fact that only 1 out of 5 basic information elements is provided (Rate D).

#### **Pillar III. Management of assets and liabilities**

It is missing an integrated and inclusive process for managing state assets and liabilities currently carried out through inefficient central government fiscal risk monitoring (Rate D), public investment program based

on criteria not clearly defined to analyse its profitability and prioritization and without formal and clear mechanisms for monitoring physical and financial execution (Rate D). Although there is a modern regulatory framework, the public asset management is negatively impacted by the lack of integrated or up-to-date information on state financial assets and the incomplete inventory of non-financial assets. The transparency of the management of non-financial assets is reduced because the state's financial reports do not contain financial information on the acquisition cost and disposal value of each financial asset disposing (score D+).

The information about the domestic public debt does not include information on guarantees issued by the State, while loan and guarantee procedures are not relevant, resulting in debt management with many limitations (score D+).

#### **Pillar IV. Policy-based fiscal strategy and budgeting**

The ability to make macroeconomic forecasts is reduced, with forecasts made by the BCSTP and MPFEA taking into account the macroeconomic indicators of GDP and Inflation, lacking consideration of exchange rates and interest rates. The projections are for the next budget year only and are not public (score D+). The Government's ability to develop fiscal strategies is limited as well as the ability to analyse the fiscal impacts of expenditure and / or revenue policies (or their changes) is limited. Although the Government has prepared a Medium-Term Fiscal Strategy (2019-2021), the deadlines, objectives, targets and parameters are not consolidated, and the Government has not presented this strategy to the National Assembly and the internal procedures for monitoring the implementation of this strategy are lacking. fiscal strategy (score D+).

The annual budget presents expenditure estimates for the budget year concerned according to the functional and economic classification of expenditure, but no mid-term projections (MTEF). Seven sectors develop MTEFs with aggregate expenditure limits for the budget year prepared before the first budget Circular Letter and which are not generally approved by the Government but are generally unbalanced in relation to sectoral strategic plans and national strategies (score D). The preparation process of the General State Budget is impacted by the instability of the budgetary calendar, the circular letters with the limit allocated to the UGs, with no forecast for investments and significant delays in the submittal of the General State Budget to the National Assembly (score D).

The scope of the scrutiny of the General State Budget by the Assembly is relevant, but without evaluating medium-term projections (not presented by the Government), with pre-established procedures and close to best practices, based on clear and generally respected rules, but with significant delays in the calendar approval of the General State Budget, while the administrative relocations during the budget year authorized by SAFE are extensive (score D+)

#### **Pillar V. Predictability and control in budget execution**

The revenue management is weakened by the Directorate of Taxes and Customs' limitations on the clarity of taxpayer rights and obligations, the lack of practical information on the ways and procedures for appealing to tax administration decisions, the low scope of the revenue risk management framework , and limitations on auditing and investigating revenue and monitoring overdue revenue (score D). The revenue accounting

is based on effective processes, with the transfer of revenues charged to TSA within 24 to 48 hours, impacted by weaknesses in the revenue account reconciliation (score C+).

While cash balances are prepared by the BCSTP and submitted to the Treasury daily and consolidated on a monthly basis, facilitated by the gradual reduction of accounts outside the TSA and the preparation of an annual cash flow (not updated during the year efficiently), the predictability of resource allocation for the year is impacted by weaknesses in information on expenditure authorization limits of the UGs, with a financial execution system that allows financial coverage of expenses for long-terms and above three months (in theory), but for a maximum of one month in practice (score C). The Information on late payments is very limited and combined with non-institutionalized monitoring, results in a poor mechanism for overdue stock oversight, control and settlement (score D+).

The payroll control system is deficient, impacted by the lack of a formally defined deadline for reconciling payroll data with data from the personnel registration system, with DGAP not knowing the total number of civil servants' level and extent of internal controls for changes in staff records and payroll rather weak and no record of payroll audits (score D).

The visibility of Public Procurement and Contracting processes is reduced, although there is a globally appropriate legal framework as there is no centralized integrated information system and as a result there is no information on the planning and results of bids easily accessible to the public. In terms of complaint management, the non-functioning of the appellate body reduces the guarantees given to competitors (score D).

The internal controls of the non-salary expenses, despite the separation and segregation of duties, mainly at SAFE-e level (where user access and rights levels are predefined for the execution of specific operations, ensuring segregation of responsibilities), are usually poor due to the lack of procedural manuals because there are no rules on performing allocations on the main headings, while expenditure control rules are weak (score D+).

The internal audits in institutions that absorb the majority of budgeted expenditures and for institutions that collect the majority of revenue budgeted by the STP Government are carried out in accordance with IGF business plans based on criteria defined in the internal management procedures manual. The internal audit activities focus on the assessment of adequacy and effectiveness and on procedural, legal and financial compliance. On average, 27% of the planned annual audits were performed and their reports produced (score D+).

## **Pillar VI. Accounting and Reporting**

The accounting and financial reports are based on financial data with a relatively weak integrity due to the lack of complete procedures for reconciling bank accounts, provisional accounts and advance accounts and also the lack of documented procedures for access to SAFE-e and for the creation of audit records (score D+).

Thus, the quarterly financial reports contain basic information on budget implementation with an analysis of the evolution of the main aggregates. However, their scope is reduced by not containing information from institutions with administrative and financial autonomy, and because they are not published within deadlines equal to or above good practice, removing the effectiveness of their analysis (score D+). Furthermore, the annual financial reports are impacted by the same limitations as the quarterly financial reports, delays in consolidating data for the preparation of the CGE, and limitations by not using international accounting standards IPSAS (score D+).

#### **Pillar VII. External scrutiny and audit**

The oversight and external audit of the CGE are performed by the Audit Courts and the National Assembly. However, the degree of audit coverage and submission deadline from the Audit Courts' report and opinion to the National Assembly does not comply with the best practice. Although the legal framework guarantees the independence and the authority of the Audit Courts to analyse and control the legality of public expenditure, the limitations on the budgetary limit devoted to this institution and the cash available during the financial year reduce the scope of such independence. (score D+).

The legislative scrutiny of audit reports is poor, because no GGEs were audited or discussed, nor were hearings on the results of the audit by the National Assembly, or recommendations issued by the Assembly to the government (score D).

### **4.2. Effectiveness of the internal control framework**

The aggregate fiscal discipline is limited due to weaknesses in the internal control mechanism. As detailed in Annex 2, the internal controls are not fully effective to: restrict the authority to change records and payroll; require a separate verification; and require the submission of an appropriate audit record to maintain a permanent history of operations together with details of the authorizing officers who gave the authorization.

The management of payroll changes is poor, with a level and scope of internal controls on changes to staffing, and payroll records rather weak.

The effectiveness of non-salary expenditure authorization controls is weak, with limited compliance to payment rules and procedures.

The internal audit function, combined with the weaknesses of the internal controls and accountability mechanisms as well as the lack of outdated procedural and organic manuals weakens the effectiveness of the internal controls.

### **4.3. PFM strengths and weaknesses**

The sound performance of the PFM is a prerequisite for achieving government goals. The impact of the PFM and the implications the overall performance outcomes have on the three key objectives of fiscal discipline,

strategic resource allocation, and efficient service provisions are identified by the PEFA assessment. The PEFA analysis thus contributes to the dialogue on needs and priorities for PFM reforms.

The great progress made with the development of SAFE-e and the National Accounts Plan (for budget preparation and execution) allowing timely accounting of revenue and expenditure at the central level has not been fully finalized with effective de-concentration of the information systems and decentralization of the central government, resulting in significant delays in the preparation of consolidated financial reports (GSBs). The performance, as described above, on the overall achievement of the three main fiscal and budgetary outcomes is as follows:

### **Aggregate fiscal discipline**

The aggregate fiscal discipline is limited due to unrealistic revenue and expenditure forecasts and weaknesses in the internal control mechanism over revenue and expenditure realization during budget implementation. The weaknesses in the country's economy and the two main revenue administrations do not ensure the revenues are collected efficiently. The budget planned and approved by the National Assembly on an aggregate basis is bypassed using extensive administrative reallocations during the budget year. The weaknesses in treasury operations and cash management, combined with the low control of expenditures and revenues of extrabudgetary entities and the extrabudgetary revenues and expenses of budgetary entities and public companies, do not allow the expenses to be managed within the resources available, resulting in major uncontrolled internal debts. The control of contractual commitments is not effective and contributes to late payments. The weaknesses of the external audit function do not support fiscal discipline.

### **Strategic allocation of resources**

The chart of accounts serves a multidimensional expenditure analysis, but there is no strong link between the government's strategic plans, for the lack of multi-annual plans and medium-term expenditure budgeting perspectives in the program budget approach to achieve consistent results with a strategic allocation of resources. There is no emphasis on the overall fiscal framework due to the lack of analysis and reporting of changes in circumstances related to the fiscal strategy and the implications of policy changes. A better investment management would improve fundraising strategies as well as strategic resource allocation, as it would ensure that the implication of recurrent investment costs is factored in the budgetary process, and the investments would also be selected to generate the best return.

### **Efficient use of resources for service delivery**

The current shortcomings in the competitive bidding of the procurement system may negatively impact the efficiency of service provision, especially in the education, health and agriculture sectors. Equally, the weaknesses in the internal control and accountability mechanisms cannot be overcome by the persistent lack of outdated procedural and organic manuals, while the weaknesses in internal and external audits do not support the accountability and efficient use of public resources. The shortcomings of the financial integrity and the considerable delays in producing consolidated annual and quarterly financial statements limit the

impact of audits, which hinders the effectiveness of the National Assembly's oversight, which in turn, results in significant weaknesses in legislative scrutiny of the audit reports. The lack of annual targets on government achievements and objectives and operational and financial reporting and well as the publication of performance targets and results by the institutions with administrative and financial autonomy, is undermining the effectiveness of any attempt to analyse the efficient use of resources in service provision units.

On the revenue side, the operational inefficiencies are aggravated by the accrual of tax arrears. The failure to collect tax debts effectively, undermines the credibility of the tax assessments and the principle of equal treatment of the taxpayers. The weaknesses in the process of drafting the revenue estimates for the preparation of the State Budget may have a major impact on the implementation of the State Budget, jeopardizing the efficient provision of public services.

#### 4.4. Performance changes since the previous assessment

Although this PEFA was carried out using the 2016 methodology, it was possible to score using the 2011 PEFA methodology, which was used in the Sao Tome and Principe's PEFA assessment in 2013.

As the PEFA structure and methodology were updated in 2011 and 2016 successively, the structure and calibration of indicators and dimensions have changed significantly, and direct comparison between indicators and scores in both reports is impossible. Thus, the 2011 PEFA methodology was used again to be able to score the performance of the PFM in the country and measure the actual changes between 2013 and 2019.

Thus, among the 28 individual indicators compared, there were 12 unchanged indicators and 16 that were degraded:

PFM performance evolution in STP	
<b>No change</b>	<b>12</b>
<b>Degradation</b>	<b>16</b>

However, the degradation is not due to actual facts, but mostly due to the criteria used during the 2013 assessment, mainly based on decorative reforms, not really implemented and without positive effects on the PFM in STP.

The following table shows the evolution of individual indicator performance scores between the 2013 and 2019 assessments, based on the 2011 PEFA methodology:



## PFM performance indicator evolution chart for STP 2019 vs. 2013 (2011 methodology)

Description		Score 2013	Score 2019	Change verified
<b>PFM RESULTS: Budget reliability</b>				
PI-1	Result of aggregate expenditure outturn compared to originally approved budget	C	D	↓
PI-2	Expenditure composition outturn compared to originally approved budget	D+	D+	→
PI-3	Aggregate revenue outturn compared to originally approved budget	B	D	↓
PI-4	Amount and monitoring the payment of arrears	C+	D	↓
<b>CROSS-FUNCTIONAL ASPECTS: Information and transparency</b>				
PI-5	Budget classification	B	B	→
PI-6	Information included in budget documentation	A	C	↓
PI-7	Dimension of unreported Government operations	D+	D	↓
PI-8	Transparency of intergovernmental tax relations	A	D+	↓
PI-9	Surveillance of aggregate tax risk from other public sector entities	D+	D	↓
PI-10	Public access to key fiscal information	B	C	↓
<b>BUDGETARY CYCLE</b>				
<b>C (i) Policy-based budgeting</b>				
PI-11	Order and participation in the annual budgeting process	B	C+	↓
PI-12	Multi-annual perspective of budget planning, expenditure policies and budgeting	C+	C	→
<b>C (ii) Predictability and control in budget execution</b>				
PI-13	Transparency of tax obligations and taxpayer responsibilities	B	B	→
PI-14	Effectiveness of taxpayer registration and tax assessment measures	B	C+	↓
PI-15	Effectiveness in tax collection	D+	D+	→
PI-16	Predictability of funds available for expenditure commitments	C+	D+	↓
PI-17	Registration and management of cash balances, debts and guarantees	C	D+	↓
PI-18	Effectiveness in payroll control	D+	D	→
PI-19	Transparency, competition and complaint mechanisms in procurement proceedings	C+	D+	↓
PI-20	Effectiveness of internal controls for non-salary expenses	C	C	→
PI-21	Effectiveness of internal audit	B	B	→
<b>C (iii) Accounting, registration and reporting</b>				
PI-22	Timing and regularity of account reconciliation	C	D	↓
PI-23	Availability of resource information received by service provision unit	C (mistake in the indicator's score)	D	→
PI-24	Quality and timing of in-year budget reports	C	D+	↓
PI-25	Quality and timing of annual financial reports	D+	D+	→
<b>C (iv) External scrutiny and audit</b>				
PI-26	Scope, nature and monitoring of external audit	C+	C	→
PI-27	Parliamentary analysis of the annual budgetary law	B+	D+	↓
PI-28	Parliamentary analysis of the external audit reports	D	D	→

## 5. Government PFM reform process in STP

This section aims to describe the overall efforts made by the government to improve PFM performance and to provide a forward-looking perspective on the factors that are likely to affect future reform planning, implementation and monitoring.

### 5.1 Approach to PFM Reforms

The government's overall approach to PFM reforms is related to the identification of priorities under agreements between the Government and its international partners, such as the European Union, the World Bank, the African Development Bank, the International Monetary Fund and several bilateral partners, such as Portugal, Taiwan, Nigeria, Angola, Guinea and other countries.

The origins, and structure of the PFM reform program for capacity building in STP, are based among others on SAFE Law provisions. - Law 3/2007 and Law 12/2009, amending SAFE Law.

The important steps taken in the framework of the PFM reforms are as follows:

- 2005: The Public Finance reform in Sao Tome and Principe began with the Public Finance Management Reform Program (PFMRP);
- 2006: The System on the Financial Administration of the State Reform Steering Committee (SAFE) was created;
- 2007: The reform was also enshrined with the approval of Law 3/2007 - Law on the State Financial Management System (SAFE) and Decree No. 4/2007 approved the Budget Classifier;
- 2012: Start-up of SAFE and design of a modern information technology platform whose development has not yet been completed;
- 2013: Diagnosis of the Public Finance Management system in Sao Tome and Principe, carried out through a PEFA assessment, and focusing on the financial years 2011 - 2012;
- 2016: Prepared the Public Finance Reform Action Plan 2016-2019;
- 2017: Decree no. 23/2017 approves the Bylaws of the Public Finance Management Reform Office (GARFIP) of Sao Tome and Principe and creates the Steering Committee;
- 2018: Through Order no. 74/2018, of 11 November, published in Diário da República no. 180, of 5 December, the GARFIP Coordinator is appointed;

### 5.2 Recent and on-going reform actions

A matrix of the PFM reform measures and actions was prepared for the period 2016-2019, which related to the following areas, but without tangible results:

- Adoption of international good practices, such as those established in the IMF Fiscal Transparency Code, and those prepared by the *International Public Sector Accounting Standards Board (IPSASB)*, or "International Public Sector Accounting Standards", in Portuguese;
- Specific objectives, or Measures, to better establish responsibilities and facilitate implementation of actions;

- Public Finance Reform measures and actions' matrix with 14 objectives, associated with the Directorates of the Ministry of Finance and other state bodies.

However, there is no evidence of a direct link between the PFM reform program and the general policy, nor with the planning of government reforms, which would be carried out through a comprehensive national development plan, including strategic planning mechanisms, expenditure frameworks, medium term, etc. Also, the relationships between PFM reforms and other public sector administrative reforms, including technical links and interdependencies, or the coordination of planning and management of these reforms, are not highlighted.

Currently, the Government's PFM priorities for the year 2019 are as follows:

1. Decision on the model for updating the Electronic Financial Administration of the State (SAFE-e) system;
2. Operationalization of the Vgespro or SIGESA System with SAFE-e operationality;
3. Activation and implementation of the SISA Information System (donor statements). Various stakeholders agree on a mechanism for collecting and using information;
4. Finalization, approval and initiation of the implementation of the National Planning system;
5. Preparation and approval of VAT legislation;
6. Conducting training in the field of Public Companies and preparation for a module for the monitoring and evaluation of public policies;
7. Audits of Public Company Accounts for 2017 and 2018.

### 5.3 Institutional considerations

The reform process had a major boost in the years 2007-2012, with several reforms carried out based on a number of new laws for the modernization of the PFM in STP. These reforms have somewhat improved systems and practices, but the results obtained are not as expected.

The main likely reasons for failure are the weak engagement of government officials with previous government reforms and / or the implementation of only decorative reforms, which were privileged.

Thus, PFM reforms were impacted by weaknesses in the following areas, which should be assessed and strengthened:

- Political leadership for reforms;
- Appropriation of reform plans by government and public institutions;
- Design of institutional arrangements for the implementation of reforms;
- Institutional capacity in the country;
- Organization of the flow of activities;
- Communication strategy on reforms;
- Resistance to changes induced by reforms;
- Institutional arrangements for institutional strengthening;
- PFM training strategy.

There is currently some dispersion in the forces for the implementation of reforms related to:

- On the one hand, the creation of the Reform Office without its clearly defined tasks, with insufficient adequate staff and no physical working space and equipment at its disposal;
- on the other hand, the creation of the institution-building project implementation agency, with funding from the World Bank.

The two entities do not have a plan for cooperation or coordination of actions for the implementation of ongoing reforms, nor a strategy for future reforms that would be defined after the finalization of this PEFA report.

Finally, the institutional arrangements provided for in the STP 2016-2019 Public Finance Reform Action Plan for the implementation of the PFM reform were not adequately and efficiently designed.

## 6. Appendices

### Annex 1: Summary of the PEFA 2019 Assessment Scores

(Indicators - Methodology 2016)

PFM Performance Indicator		Scores	Assessment
<b>Pillar I. Budget reliability</b>			
PI-1	Aggregate expenditure outturn	D	<b>The budget implementation rate for 2 of the 3 years analysed, 2016 and 2018, is below 85%, standing at 74.2% and 67.7%.</b>
1.1.	Aggregate expenditure outturn	D	In all 3 years analysed the budget implementation rate was always lower than initially forecast and in 2 of these 3 years, 2016 and 2018, the implementation rate was below 85%, standing at 74.2% and 67.7% respectively.
PI-2	Expenditure composition outturn	C	<b>The variance in the composition of expenditure incurred, based on the administrative and economic classification has always been above 15% and there is no contingency budget line in any of the 3 budgetary years.</b>
2.1.	Expenditure composition outturn by function	D	The variance in the composition of expenditure per administrative classification was always higher than 15% in the budgetary years 2016, 2017 and 2018.
2.2.	Expenditure composition outturn by economic type	D	The variance in the composition of expenditure execution, per economic nature, in years 2016, 2017 and 2018 was always above 15%.
2.3.	Expenditure from contingency reserves	A	There is no contingency line in any of the budgetary years under analysis, 2016, 2017 and 2018.
PI-3	Revenue outturn	D	<b>The revenue implementation rate for the last 3 years is below 86%. For the same period, there was a variance in revenue composition of over 21%. These figures derive from lower than expected execution of donations, offset by over-execution of non-tax revenues.</b>
3.1	Aggregate revenue outturn	D	The revenue implementation rate was 85.8% for 2016, 85.3% for 2017 and 68.5% for budget year 2018, below the lower threshold of the 92% to 116% range.
3.2	Revenue composition outturn	D	The variance in composition of the revenues is 32.1%, 22.7%, and 49.3% in 2016, 2017 and 2018, respectively, thus exceeding 15% in all three years.
<b>Pillar II. Transparency of public finances</b>			
PI-4	Budget classification	C	<b>Although the budget classifiers draw on the 1986 GFS handbook and the COFOG, the budget classification is not systematic, generalized and complete.</b>
4.1	Budget classification	C	The budgeting and the execution of the budget for 2018 as well as the 2017 CGE is based on economic and functional classifiers that do not fully adhere to international standards as defined in the 2014 GFS handbook and COFOG and the quarterly implementation reports do not use these classifiers in a complete manner.
PI-5	Budget documentation	D	<b>The accessibility of the budget proposal is reduced to the Assembly because the information contained therein is not comprehensive. Thus, only 1 of the 4 basic tax information requirements and 2 of the 8 additional elements as defined by good practice are submitted.</b>
5.1	Budget documentation	D	In the latest General State Budget proposal submitted to the Assembly, the budget documentation presents only 1 of the 4 basic elements of the tax information (fiscal deficit forecast) and 2 of the 8 additional elements (deficit financing and debt stock) of the PEFA methodology.
PI-6	Central government operations outside financial reports	D	<b>The extent of the government expenditure and revenue not accounted for in the central government's financial reports cannot be established, while some reports submitted to the government are received within nine months after the end of the fiscal year.</b>

PFM Performance Indicator		Scores	Assessment
6.1	Expenses outside financial reports	D*	The financial information on extrabudgetary expenditure of the extrabudgetary and budgetary entities is not complete to assess the magnitude of the expenditure incurred by the budgetary and extrabudgetary units when compared to the total revenue in the GSB, which is not reported in the government's financial reports.
6.2	Revenue outside financial reports	D*	The financial information on extrabudgetary expenditure of the extrabudgetary and budgetary entities is not complete to assess the magnitude of the revenue incurred by the budgetary and extrabudgetary units when compared to the total revenue of the OGE, which is not reported in the government's financial reports.
6.3	Financial reports of extrabudgetary units	D	The few reports delivered are mostly submitted to the government within nine months after the end of the fiscal year.
<b>PI-7</b>	<b>Transfers to subnational governments</b>	<b>C</b>	<b>The existing transfer rules are transparent but not used, while the reporting process for transfers to subnational governments is determined by a non-formalized and generally unstable calendar of the central government's annual budget, which usually provides indications on the allocations at the very beginning of the cycle.</b>
7.1	System for allocating transfers	C	Transparent rules exist for the allocation of transfers from the central government to subnational governments, but most allocations are based on practices using the values of previous years, changed based on revenue anticipations.
7.2	Timeliness of information on transfers	C	The process by which the subnational governments receive information on their annual transfers is managed within the central government's budget calendar, which is not generally respected, provides clear and sufficiently detailed information, but only for the current expenditure (excluding the government's expenditure), allowing subnational governments to have 4 weeks to complete their budget plans and present their preliminary draft budgets.
<b>PI-8</b>	<b>Performance information for service delivery</b>	<b>D</b>	<b>There is no structured information on the performance of the service provision by Government entities, both at the output and expected outcomes of the public policies / programs and as a result, there are no performance indicators in the budget support documents nor in the implementation reports, infra-annual or annual, for the last three years.</b>
8.1.	Performance plans for service delivery	D	There is no information, either in the budget proposal documents, nor in the budget implementation reports or other service provision documents from sectoral ministries about expected outputs and outcomes of public policies or performance indicators.
8.2.	Performance achieved for service delivery	D	The budget proposal, the annual or infra-annual budget implementation reports contain no output and outcome performance information from the sectoral ministries, including only information on the financial implementation.
8.3.	Resources received by service delivery units	D	There is no information or survey conducted for no ministry in any of the past 3 budgetary years on the amount of resources transferred and / or provided to first-line units - primary health units and elementary schools or on the performance that these resources enabled the services to achieve.
8.4.	Performance evaluation for service delivery	D	Over the past 3 years, although service efficiency and effectiveness assessments have been conducted, they focused on less than 25% of Ministries (only 2).
<b>PI-9</b>	<b>Public access to fiscal information</b>	<b>D</b>	<b>The public access to budget information, on fiscal plans, positions and government performance is reduced by the fact that only 1 of 5 basic information elements is provided.</b>
9.1	Public access to fiscal information	D	Only 1 (one) basic element on budget information and no additional elements are publicly provided by the government. This limits the knowledge and analysis capacity of the policy proposals, the content of the budget proposal, their full comparison with the current and previous year's budget implementation, and the audit reports produced.
<b>Pillar III. Management of assets and liabilities</b>			

PFM Performance Indicator		Scores	Assessment
<b>PI-10</b>	<b>Fiscal risk reporting</b>	<b>D</b>	<b>The central government's supervision of the tax risk is inefficient, with only a few audited financial reports received by institutions, the lack of reports audited directly by subnational governments, and poor monitoring the contingent liabilities and other tax risks of extrabudgetary entities.</b>
10.1	Monitoring of public corporations	D	The government receives only a few financial reports from public institutions at random within 5 months and does not produce any consolidated financial performance reports from the public institutional sector.
10.2	Monitoring of subnational governments	D	The budget implementation of all subnational governments is published in the CGE annually, but there are no published audited or unaudited reports on their financial position and performance.
10.3	Contingent liabilities and other fiscal risks	D	The government does not issue state guarantees, but the oversight of extrabudgetary entities is not efficiently organized (BCSTP guarantees not considered), and central government entities and public bodies do not quantify contingent liabilities in their financial reports.
<b>PI-11</b>	<b>Public investment management</b>	<b>D</b>	<b>There is no structured system for the economic evaluation of investment projects nor any formal, documented mechanism for their selection, prioritization and ranking and consequently, no formal and clear mechanisms for monitoring the implementation of the projects selected.</b>
11.1.	Economic analysis of investment proposals	D	There is no structured system containing guidelines, processes, criteria and procedures for conducting the economic evaluation of projects.
11.2.	Investment project selection	D	There is no formal, transparent and documented mechanism for the careful assessment, selection, prioritization and ranking of more than 25% of the large public investment projects before its inclusion in any of the latest GSBs.
11.3.	Investment project costing	D	In 2018, the overall investment expenditure of the major projects was included in the 2019 budget, but there is no evidence of their inclusion / reference of their overall cost for the next fiscal year.
11.4.	Investment project monitoring	D	There is no evidence of a physical and financial progress monitoring mechanism for investment projects, nor the preparation of an annual project implementation progress report in 2018 due to the absence of a structured monitoring system.
<b>PI-12</b>	<b>Public asset management</b>	<b>D+</b>	<b>Although there is a modern regulatory framework, the public asset management is negatively impacted by the lack of integrated and up-to-date information on state financial assets, the Treasury-managed component and the incomplete inventory of non-financial assets. The transparency of the management of non-financial assets is diminished because the state's financial reports do not contain financial information about the acquisition cost and disposal value of each financial asset disposed.</b>
12.1	Financial asset monitoring	C	The BCSTP provides and publishes annual information on the performance of financial assets under its management, but the Treasury has no integrated and up-to-date information on the management and performance of the state's financial assets, with regard to its interest in companies (public, mostly public or private).
12.2	Nonfinancial asset monitoring	D	There is no complete and up-to-date inventory of all non-financial asset classes of the State, although there is partial and centralized reporting of fixed and movable assets.
12.3	Transparency of asset disposal	D	The information on the cost of acquisition and value of disposals of each non-financial asset is not available in the State's financial reports, although there is information in the 2017 CGE on the quantities of movable, disposed or written-off vehicles.
<b>PI-13</b>	<b>Debt management</b>	<b>D+</b>	<b>The information on domestic public debt does not include information on government issued guarantees, but the procedures for signing loan agreements and issuing guarantees are not relevant, while the quality of the debt management strategy is limited.</b>
13.1	Recording and reporting of debt and guarantees	C	The GGDP produces a quarterly report on domestic and foreign government debt, with quarterly updated data and mostly reconciled

PFM Performance Indicator		Scores	Assessment
			over the same period, but which, however, does not include information on State guarantees.
13.2	Approval of debt and guarantees	D	The legislation provides for the mechanisms and entities responsible for approving and contracting new loans, issuing new debt and guarantees as well as outlining procedures for initiating loan negotiations, sign loan agreements and issuing guarantees, but however, i) there is no formal operational documentation for this purpose, (ii) or evidence of the functioning of some envisaged bodies, such as the National Debt Committee and the Technical Committee for Debt Management; (iii) nor that the procedures prescribed by law have been followed and iv) nor that there was a formal approval for the Public Debt Policy for 2018.
13.3	Debt strategy	C	The Government prepared and published a debt management strategy for the period 2012-2020, which contains the desired developments for interest rate, exchange rate and refinancing, but (i) it has not been formulated and evaluated under the law, for the non-functioning, respectively, of the Public Debt Management and the Monitoring Committee and the National Debt Committee, nor approved by the National Assembly, (ii) it does not detail the annual public debt level, (iii) it does not allow comparison with the amounts budgeted and therefore, assess whether it is being implemented.
<b>Pillar IV. Policy-based fiscal strategy and budgeting</b>			
<b>PI-14</b>	<b>Macroeconomic and fiscal forecasting</b>	<b>D+</b>	<b>The ability to prepare macroeconomic forecasts is low and quite recent. The forecasts made by BCSTP and MPFEA integrate the macroeconomic indicators of GDP growth, inflation and exchange rate. The tax forecasts are part of the budget year and the following two years, but except for one year, they are not included in the budget proposal. No alternative tax scenarios are prepared.</b>
14.1	Macroeconomic forecasts	D	The macroeconomic projections presented to the NA within the annual General State Budget include estimates of GDP growth, inflation rate and annual average exchange rate for the US dollar only for the next budget year and do not include (i) estimates of projections on internal and external interest rates, nor (ii) projections for the next two years and (iii) are not revised by an external authority
14.2	Fiscal forecasts	C	The government prepares estimates of revenue, expenditure and budget balance for the budget year and the following two financial years, but the (i) information for the following two financial years has only been included in the documentation submitted to the legislature in only one of the three budget years (2016) and (ii) the forecasts do not explicitly formulate the medium-term effects of fiscal or budgetary policy decisions nor explain the variations from the forecasts included in the previous year's budget proposal.
14.3	Macro fiscal sensitivity analysis	D	The Government does not elaborate alternative fiscal scenarios, except for debt sustainability analyses, and does not include in its macro fiscal forecasts, a qualitative assessment of the impact of alternative macroeconomic assumptions.
<b>PI-15</b>	<b>Fiscal strategy</b>	<b>D</b>	<b>There is no evidence that a Fiscal Strategy has been prepared for any of the years in question (2016, 2017 to 2018) and, as a consequence, an assessment of progress towards the objectives set in the strategy. Likewise, there is no evidence that the Government has made estimates of the fiscal impact of budgetary and fiscal policy changes that are part of the budget proposals submitted to the National Assembly.</b>
15.1.	Fiscal impact of policy proposals	D	Over the 3 years under review (2016 to 2018) there is no evidence that the Government has prepared estimates of the fiscal impact of proposed changes to revenue and / or expenditure policies for the budget year.
15.2.	Fiscal strategy adoption	D	In 2018, no fiscal strategy (with qualitative objectives) was prepared for the 2019, and the sectoral strategies do not cover the entire Central Government.



PFM Performance Indicator		Scores	Assessment
15.3.	Reporting on fiscal outcomes	NA	For 2017 and 2018, there is no Government fiscal strategy and, as a consequence, the Government (i) has not produced any internal report and (ii) has not submitted, together with the Annual Budget, a report describing the progress made towards its fiscal strategy and goals set for the period planned.
<b>PI-16</b>	<b>Medium-term perspective in expenditure budgeting</b>	<b>D</b>	<b>The General State Budget provides expenditure estimates for the budget year concerned according to the functional and economic classification of expenditure, but does not provide fiscal data for subsequent years. Seven sectors prepare MTEFs with aggregate expenditure limits for the budget year prepared before the first budget circular letter and without a prior government's approval. Some MTEFs are misaligned with the sectoral strategic plans as well as the national strategies.</b>
16.1.	Medium-term expenditure estimates	D	The annual budget provides expenditure estimates for budget year N + 1 according to an administrative or economic classification, but does not provide expenditure estimates for the following two years.
16.2.	Medium-term expenditure ceilings	D	Although the ministries and governmental institutions receive information on the expected limits for the preparation of their medium-term expenditure, they are not approved by the government and there still is a wide variation between the indicative limits and the prepared and approved budgets. These limits are only used in the QDMP preparation step.
16.3.	Alignment of strategic plans and medium-term budgets	D	There is no alignment of sectoral strategic plans and MTEFs.
16.4	Consistency of budgets with previous year's estimates	D	In the last two GSB proposals (2018 and 2019) no MTEFs are presented, while there are significant differences between the values estimated under the last two sectoral MTEFs, with no explanation for the variations.
<b>PI-17</b>	<b>Budget preparation process</b>	<b>D</b>	<b>The preparation process of the GSB is impacted by the instability of the budgetary calendar, the circular letters with the limits allocated to the UGs without forecast for investments and significant delays in the submittal of the GSB to the National Assembly.</b>
17.1	Budget calendar	D	There is a theoretical budgetary calendar, with a 4-week timeframe allocated for the preparation and submittal of the preliminary draft budget by the budgetary units, but over the last three years the government has significantly changed, the calendar dates with the budgetary circular letters sent late and without investment limits, not allowing the UGs to draw up reliable and timely draft budgets.
17.2	Guidance on budget preparation	D	Comprehensive and clear budgetary circular letters, reflecting the maximum limits, with guidelines for the preparation of the budget, are issued to the budgetary units and distributed as approved by the Council of Ministers, before the submission of the preliminary drafts to the MPFEA, but covering only the current expenditure (without limits on investment expenditure) for the next financial year.
17.3	Budget submission to the legislature	D	During the past 3 years, only the 2018 annual budget proposal has been presented by the government to the National Assembly at least one month before the start of the fiscal year.
<b>PI-18</b>	<b>Legislative scrutiny of budgets</b>	<b>D+</b>	<b>The scope of the scrutiny of the General State Budget by the Assembly is relevant, but without evaluating the fiscal policies and aggregates for next year, nor the mid-term projections, with pre-established procedures and close to best practices, but with significant delays in the GSB's approval calendar, while there are clear rules, generally respected, but with extensive administrative reallocations during the budgetary year.</b>
18.1	Scope of budget scrutiny	B	The legislative review covers fiscal policies and aggregates for the coming year, as well as details of expenditures and revenues, with no mid-term projections.
18.2	Legislative procedures for budget scrutiny	A	The legislative procedures for the scrutiny and approval of the GSB's proposals (i) are established before the holding of the budget hearings, (ii) are monitored and (iii) include provisions for public consultations, and (iv) there are the 2nd and other specialized sectoral committees for

PFM Performance Indicator		Scores	Assessment
			the analysis, that (v) the processes rely on technical support and negotiation procedures established.
18.3	Timing of budget approval	D	The National Assembly approved the general state budget within one month of the beginning of the year, in only one of the last three fiscal years.
18.4	Rules for budget adjustments by the executive	B	There are (i) clear rules for making ongoing budget adjustments by the executive power, (ii) they are respected in most instances, and (iii) the rules allow extensive administrative reallocations.
<b>Pillar V. Predictability and control in budget execution</b>			
<b>PI-19</b>	<b>Revenue administration</b>	<b>D</b>	<b>The revenue management capacity is penalized by the registration limitations, lack of practical and up-to-date information on resources of the tax administration decisions, limitations on revenue risk management, non-implementation of Sydonia World, lack of a monitoring and compliance improvement plan and weaknesses in monitoring the arrears.</b>
19.1	Rights and obligations for revenue measures	D	The information provided on their websites by the Directorate of Taxes and the Directorate-General of Customs, the entities responsible for collecting most revenue, although containing the main legislation applicable to the rights and obligations of taxpayers, does not cover all registration stages nor do they contain practical or up-to-date information on the ways and procedures for appealing tax administration decisions.
19.2	Revenue risk management	D	The existing framework for assessing and prioritizing risks arising from non-compliance with tax regulations is neither comprehensive nor systematic and does not cover the four areas, for the Directorate of Taxes and is not implemented in the <i>Sydonia world</i> , for revenue managed by the Directorate-General of Customs.
19.3	Revenue audit and investigation	D	There is no compliance improvement plan, and only 41.2% of the audits and inspections were completed.
19.4	Revenue arrears monitoring	D	Data from the Directorate of Taxes' arrears show that 86% of arrears are over 12 months old and represent 25% of 2018 tax revenues and data from the Directorate-General of Customs do not allow us to know the age of the arrears.
<b>PI-20</b>	<b>Accounting for revenue</b>	<b>C+</b>	<b>The accounting and transfer processes to the Treasury Single Account are effective, for most of the revenue collected. However, the processes related to the reconciliation of tax settlements, collections, payments and arrears are not done timely and regularly.</b>
20.1	Information on revenue collections	B	The Directorate of Treasury receives, daily, a report from the Directorate of Taxes, consolidating the revenue collection from this and from the Directorate-General of Customs, and these figures represent the majority (approximately 80%) of the tax and non-tax revenues collected in STP in the year 2018.
20.2	Transfer of revenue collections	B	The Directorate of Taxes and the Directorate-General of Customs, which collect most of the central government's tax and non-tax revenue, transfer the collected revenue to the Treasury Single Account within a maximum of 24h and 48h respectively, dimension 20.2 is rated "B."
20.3	Reconciliation accounts reconciliation	C	The entities which collect most of the revenues, the Directorate of Taxes and the Directorate-General of Customs, reconcile transfers to the Treasury daily by integrating this information with SAFE-e, but nonetheless, the information on Taxes due and taxes in arrears cannot be provided by the Directorate of Taxes until 8 weeks after the end of the semester.
<b>PI-21</b>	<b>Predictability of in-year resource allocation</b>	<b>C</b>	<b>The cash balances are prepared by BCSTP and submitted to the Treasury daily, with most balances subsequently consolidated on a monthly basis. For the quarterly and monthly update of the treasury forecasts DT does not receive information from the sectors, while the release of funds is made monthly, increasing the impact of frequent budgetary adjustments by the Government.</b>

PFM Performance Indicator		Scores	Assessment
21.1.	Consolidation of cash balances	C	Most cash balances are consolidated daily, but most balances (over 75%) are subsequently consolidated on a monthly basis.
21.2.	Cash forecasting and monitoring	C	DT prepares annual treasury forecasts, updated quarterly and monthly, but without receipt and consolidation of treasury forecasts prepared by the CGs, resulting in interim cash flows that are not based on current income and expense information.
21.3.	Information on commitment ceilings	C	Reliable monthly information is sent to the UGs about the release of resources and the maximum commitments for next month.
21.4	Significance of in-year budget adjustments	C	In 2018, the budgetary amendments and adjustments made by the executive are relatively transparent, but frequent and significant.
<b>PI-22</b>	<b>Expenditure arrears</b>	<b>D+</b>	<b>The internal debt stock management procedures are new, in a narrow range, and are periodically updated annually. The practice of collecting late-payment information is not institutionalized and there is no clear mechanism for monitoring and settling the arrears.</b>
22.1.	Stock of expenditure arrears	D	The late payments (short-term only) exceed 40% of the total expenditure in at least two of the last three fiscal years completed.
22.2.	Expenditure arrears monitoring	C	Monitoring domestic debt related to late payments is a relatively new exercise, and the control procedures for managing and verifying arrears are reduced in most institutions, but the Government presents data on debt stock and the composition of arrears annually at CGE.
<b>PI-23</b>	<b>Payroll controls</b>	<b>D</b>	<b>There is no formally defined deadline for reconciling payroll data, nor established procedures for making changes to personnel records. The level and scope of internal controls for changes to personnel records and payroll are weak and there is no adequate audit record to maintain the history of changes, or internal or external payroll audits.</b>
23.1.	Integration of payroll and personnel records	D	The personnel hiring and promotion are verified by the DAFs and by the DO comparing against the approved monthly budget, but the payroll reconciliation with the personnel records is not done regularly.
23.2.	Management of payroll changes	D	In addition to the general provisions of the SAFE Law, there are no defined operational procedures for changes to personnel records, with clear indication of deadlines and documents to be used.
23.3.	Internal control of payroll	D	There are no established procedures for changes to the personnel record, nor adequate audit records to maintain a history of changes.
23.4	Payroll audit	D	No payroll audits are performed.
<b>PI-24</b>	<b>Procurement</b>	<b>D</b>	<b>The visibility of public procurement and contracting processes is low, although there is a globally appropriate legal framework as there is no centralized integrated information system and as a result, having no information easily accessible to the public, on bidding planning and results. In terms of complaint management, the non-functioning of the appeal body reduces the guarantees given to competitors.</b>
24.1	Procurement monitoring	C	The bidding and procurement processes of 3 (three) Ministries, which represented 30% of the budgeted expenditure for 2018, contained accurate and complete data for most methods of procurement of assets, services and works.
24.2	Procurement methods	D	There is no information on the values of competitive and non-competitive contracts, but the only information obtained was from bids from 3 (three) Ministries, which represented 30% of the budgeted expenditure for 2018, and it is impossible to analyse the processes of the other Ministries in the sample.
24.3	Public access to procurement information	D	Only 1 (tendering opportunity) of the 6 key elements of Public Procurement and Contracting information is available to the public through advertisements on national television, radio and websites of the Ministry of Finance and sectoral ministries.
24.4	Procurement complaint management	D	The STP bid and procurement complaint review system includes an appeal body, which meets the 1st and 4 (four) of the 6 (six) best practice criteria. However, it did not operate in the economic year under assessment, 2018, because its members were not appointed.

PFM Performance Indicator		Scores	Assessment
<b>PI-25</b>	<b>Internal controls of non-salary expenditure</b>	<b>D+</b>	<b>The separation and segregation of duties are prescribed throughout the expenditure implementation process, especially at SAFE-e level, but the control rules on the authorization of expenditure are fragile, with many payments made outside existing rules and procedures.</b>
25.1.	Segregation of duties	B	The segregation of duties is prescribed throughout the expenditure implementation process, especially at the SAFE-e level and where the user access and rights levels are pre-defined for the implementation of specific operations, with some areas requiring certain adjustments.
25.2.	Effectiveness of expenditure commitment controls	D	The expenditure authorization control rules are still fragile, low in coverage, and generally inefficient.
25.3.	Compliance with payment rules and procedures	D	There are several non-quantifiable payments that do not comply with regular payment procedures and there is no evidence on the justification and regularization of the relative payments.
<b>PI-26</b>	<b>Internal audit</b>	<b>D+</b>	<b>The IGF is competent to conduct internal audits in all central government entities based on standards and procedures consistent with international standards, but the IGF's institutional capacity and the limited means available do not allow it to carry out scheduled actions, nor monitoring the responses of the audited entities.</b>
26.1.	Coverage of internal audit	A	The internal audit is operational in central level institutions (budgetary and extra-budgetary) representing all budgeted expenditure and revenue.
26.2.	Nature of audits and standards applied	B	The internal audits are performed based on national standards and procedures, based on international standards, and focus on the adequacy and effectiveness of the internal controls.
26.3.	Implementation of internal audits and reporting	D	In 2018, there was an internal audit plan by IGF, with 27% of the planned audits conducted.
26.4.	Response to internal audits	D*	There are no data to assess the response rate of the entities audited by IGF.
<b>Pillar VI. Accounting and reporting</b>			
<b>PI-27</b>	<b>Financial data integrity</b>	<b>D+</b>	<b>The integrity of financial data is not fully assured by the lack of complete procedures for reconciling bank accounts, provisional accounts and advance accounts. It is also affected by the lack of documented procedures for access to SAFE-e and for the creation of audit records.</b>
27.1	Bank account reconciliation	D	The accounts existent in the Central Bank are reconciled daily by the Treasury, but only for the expenditure side. The revenue entries are confirmed only by the Directorate of Taxes. Thus, there is no integrated view of the possible differences between the transactions recorded in accounting and the transactions recorded in bank accounts. The commercial Bank accounts of institutions with financial and administrative autonomy are reconciled on a monthly basis, but this information is not provided to the Treasury within appropriate time frames.
27.2	Suspense accounts	C	The provisional accounts are reconciled until 2 months after the end of the economic year.
27.3	Advance accounts	D	Advances on public procurement contracts are reconciled irregularly and not systematically and within two (2) months after the end of the economic year.
27.4	Financial data integrity processes	B	Access to SAFE-e records is restricted and segregated per profiles. There are mechanisms that allow knowing who initiated a transaction, who accessed a record, when it was accessed, and whether the record was updated. There is neither a unit responsible for checking the integrity of data nor a procedure manual for this purpose.
<b>PI-28</b>	<b>In-year budget reports</b>	<b>D+</b>	<b>The quarterly reports contain basic information on budget implementation with an analysis of the progress of the main aggregates. However, its scope is reduced for not containing information from institutions with administrative and financial autonomy and not being published within or above the good practice, rendering its analysis ineffective.</b>

PFM Performance Indicator		Scores	Assessment
28.1	Coverage and comparability of reports	C	The quarterly reports have a coverage and classification that allow a direct comparison with the approved budget at Central Government level, with a partial degree of detail, but do not contain information on the expenses incurred by the entities with financial and administrative autonomy from transfers from the central government.
28.2	Timing of in-year budget reports	D	In 2018, although the first three (3) quarterly reports were produced within less than eight (8) weeks, the fourth quarterly report was provided 15 weeks after the end of the quarter.
28.3	Accuracy of in-year budget reports	C	The quarterly reports have an analysis of budget implementation, which includes information on the allocation, settlement and payment of expenditure phases, but there are limitations related to the accuracy of the information elements of projects funded by donations and loans and the debt stock.
<b>PI-29</b>	<b>Annual financial reports</b>	<b>D+</b>	<b>The assessment of the budget implementation has been incomplete as the State General Accounts are produced late compared to the legally established deadlines. However, in the last four years, it has resumed its preparation and has submitted 6 CGEs to the TdC (2012 to 2017). All of these were prepared in accordance with the current legal framework and based on national accounting standards.</b>
29.1	Completeness of annual financial reports	D*	At the date of the assessment, the CGE of the last completed fiscal year 2018 is not available. However, based on the analysis of the information contained in the CGEs from 2015 to 2017, the score to be assigned would be C.
29.2	Submission of reports for external audit	D	The 2017 and 2016 CGEs were delivered to the TdC respectively 17 and 19 months after the end of the budget year to which they relate.
29.3	Accounting standards	C	CGE, while not using IPSAS, uses accounting standards based on the existing legal framework in STP, which ensures the consistency of CGE over time. The standards used for the preparation of the CGE are disclosed.
<b>Pillar VII. External scrutiny and audit</b>			
<b>PI-30</b>	<b>External audit</b>	<b>D+</b>	<b>The degree of coverage of the audits and the deadline for submission of the report and opinion of the Audit Courts to the National Assembly are not in accordance with the best practice. Although the legal framework ensures the independence and the authority of the Audit Courts to analyse and control the legality of public expenditure, the limitations on the budget limit and cash holdings during the economic year reduce the scope of such independence.</b>
30.1	Audit coverage and standards	D	The audits carried out using ISSAI standards cover institutions that represent less than 50% of GSB expenditures and revenues in 2018, 2017 and 2016.
30.2	Submission of audit reports to the legislature	D	The Reports and Opinions for the 2014 and 2015 CGEs were delivered to AN within more than 9 (nine) months from the reception, and the 2016 CGE Report and Opinion have not yet been delivered to AN, 9 (nine) months after the reception.
30.3	External audit follow-up	C	The audited entities submit formal responses to audit recommendations, but these are not implemented in a timely manner.
30.4	Supreme Audit Institution (SAI) independence	D	Although the TdC is independent by law as regards to the appointment and continuity of the Judges, with unrestricted access to the information needed for the activity, the TdC has no independence in setting its budget limit, and its execution depends on the availability of the state treasury.
<b>PI-31</b>	<b>Legislative scrutiny of audit reports</b>	<b>D</b>	<b>The audited CGE was never reviewed or debated, nor was the hearings on the results of the audit by the National Assembly, or recommendations issued by the Assembly to the government.</b>
31.1	Timing of audit report scrutiny	D	The last audited CGEs 2014 and 2015 did not rise to scrutiny by the National Assembly within 12 months of receipt by the ToC.
31.2	Hearings on audit findings	D	There have never been any hearings on the results of the audits.

PFM Performance Indicator		Scores	Assessment
31.3	Recommendations on audit by the legislature	D	The recommendations on audit results were never issued to the government.
31.4	Transparency of legislative scrutiny of audit reports	D	No scrutiny of CGE audit reports or scrutiny of the 2nd Commission was conducted. The latter were never debated in the plenary of the National Assembly, publicly accessible, nor published on any official website or by any other publicly accessible means.

## Annex 2: Internal controls

The aggregate fiscal discipline is limited due to weaknesses in the internal control mechanism. Indeed, the effective internal controls should be able to: restrict the authority to change records and payroll; require a separate verification; and require the submission of an appropriate audit record to maintain a permanent history of operations together with details of the authorizing officers who gave the authorization.

**Internal Payroll Controls:** The integration of payroll and personnel records is basic. There is the practice of registration of personnel in the Directorate General of Public Administration by resorting to the employee's vital data. DGAP has now developed an Excel spreadsheet database for capturing civil servant data. This error-prone database does not cover all public and budgetary entities. DGAP does not know the total number of civil servants and if their salary is up to date (or not). There is a reconciliation that is made between employee data and the data contained in the payroll, but in ad hoc manner. This process is only possible with some limitations between the two databases, which relate to the manual list of staff contained in the DGAP (which are still a minority of all existing staff) and in the SAFE-e payroll.

The management of payroll changes is deficient. The level and scope of internal controls on changes to personnel records and payroll is quite weak. In addition to the general provisions of the SAFE Law, there are no operational and implementation procedures of the public expenditure defined for changes, with clear indication of the responsibilities, procedures, deadlines and documents to be used.

The internal payroll control is limited. The internal controls on the payroll are only in relation to the data consistency analysis, e.g., the career and category of employees and whether the salary payment is correct and due. There is no guiding principle, containing clear and transparent instructions for a periodic payroll check and update that can be followed at all levels of expenditure implementation.

**Internal controls of non-salary expenses.** In terms of financial administration, despite the public accounting manual, there is no administrative procedures manual with the proper separation of financial functions and or responsibilities. However, the separation and segregation of duties are prescribed throughout the expenditure implementation process, especially at the SAFE-e level where the access and rights levels of the users are required to be pre-defined for the implementation of specific operations.

The effectiveness of controls for authorizing an expenditure is weak. Some expenses remain outside the financial system which triggers fiduciary risk situations. Thus, authorization control rules of the expenditure are still fragile.

The compliance with payment rules and procedures is limited. There are no administrative procedures' manual describing the procedures to be followed during the payment process, although the basic internal control rules are known to all. The existence of the manual of public accounting is not known to all agents of the public financial administration.

The audit activities focus only on financial compliance (reliability and integrity of the financial and operational information and compliance with rules and procedures) the internal audit function provides limited assurance on the adequacy and effectiveness of the internal controls.

Finally, the weaknesses in the internal control and accountability mechanisms cannot be overcome by the persistent lack of outdated procedural and organic manuals, while the weaknesses in internal and external audits do not support the accountability and efficient use of public resources.



## Annex 3: Sources of information

Two sources of information were used during this PEFA assessment: Documentation and meetings with STP Government officials.

### 3.A. Documents

Subject		Sources of documentation
	Country background Economic indicators selected	Trading Economics/Banco Mundial: <a href="https://fr.tradingeconomics.com/sao-tome-and-principe/gdp">https://fr.tradingeconomics.com/sao-tome-and-principe/gdp</a> <a href="https://www.imf.org/en/Countries/STP#countrydata">https://www.imf.org/en/Countries/STP#countrydata</a> <a href="https://fr.tradingeconomics.com/sao-tome-and-principe/gdp-growth-annual">https://fr.tradingeconomics.com/sao-tome-and-principe/gdp-growth-annual</a>
	Legal structure of PFM system	Lei nº 1/2003 – Lei de Revisão Constitucional Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE) Lei nº 12/2009 - Alteração da Lei nº 3/2007, Lei sobre o Sistema de Administração Financeira do Estado (SAFE) Lei nº 6/2017 - Lei de Base do Sistema Nacional de Planeamento Decreto-Lei nº 27/2005 - Estatuto Orgânico da Direcção dos Impostos Decreto nº 55/2006 - Estatuto Orgânico da Direcção-Geral das Alfândegas Decreto nº 7/2008 - Estatuto Orgânico da Direcção de Tecnologia de Informação Decreto nº 8/2008 - Estatuto Orgânico da Direcção de Contabilidade Decreto nº 32/2009 - Estatuto Orgânico da Direcção do Tesouro Decreto nº 61/2009 - Estatuto Orgânico da Direcção do Orçamento Decreto nº 26/2012 - Estatuto Orgânico da Direcção do Planeamento Decreto nº 36/2014 - Estatuto Orgânico da Direcção do Património do Estado Decreto-Lei nº 13/2017 – Alteração do Estatuto Orgânico da Direcção dos Impostos Decreto nº 23/2017 - Estatuto Orgânico do Gabinete de Reforma das Finanças Públicas Despacho nº 75/2018 – Comité de Direcção do Gabinete de Reforma das Finanças Públicas Decreto-Lei nº 1/2019 - Orgânica do XVII Governo Constitucional
	INSS legislation	Decreto-Lei nº 42/1990 - Criação do Instituto Nacional de Segurança Social Decreto-Lei nº 39/1994 - Estatuto Orgânico do Instituto Nacional de Segurança Social Lei nº 7 /2004 -Lei de Enquadramento da Protecção Social Decreto-Lei nº 25/2014 - Regulamentação da Protecção Social Obrigatória Decreto-Lei nº 21/2015 - Suspensão da Taxa Contributiva de 14% no Regime Geral da Segurança Social Despacho nº 14/GMEAS/2014 - Normas de Procedimento da Inspeção e Fiscalização da Segurança Social Despacho nº 29/GMEAS/2017 - Regime de Regularização Voluntária de Dívidas à Segurança Social Despacho nº 4/GMEAS/2018 - Reconhecimento da União de Facto e de Familiares a Cargo Equiparados a Descendente para Atribuição da Pensão de Sobrevivência Alargamento da Inspeção e Fiscalização à Região Autónoma do Príncipe Ordem de Serviço nº 2/INSS/2016 - Normas Complementares para o Processamento de Contribuições e Prestações no Instituto Nacional de Segurança Social
PFM performance indicator		Sources of documentation
Pillar I. Budget reliability		
PI-1	Aggregate expenditure outturn	
PI-2	Expenditure composition outturn	
PI-3	Revenue outturn	Lei nº 01/2016 - Orçamento Geral do Estado para o Ano Económico de 2016

Subject		Sources of documentation
		<p>Lei nº 01/2017 - Orçamento Geral do Estado para o Ano Económico de 2017</p> <p>Lei nº 04/2018 - Orçamento Geral do Estado para o Ano Económico de 2018</p> <p>Conta Geral do Estado 2016</p> <p>Conta Geral do Estado 2017</p> <p>TOFE do Relatório de Execução Orçamental do IV Trimestre de 2018</p>
<b>Pillar II. Transparency of public finances</b>		
PI-4	Budget classification	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)</p> <p>Decreto nº 4/2007 – Aprova o Classificador Orçamental</p> <p>Decreto nº 21/2007 - Cria o sistema de contabilidade pública e o Plano de Contas</p> <p>Relatórios de Execução Orçamentais Trimestrais de 2018</p> <p>Conta Geral do Estado de 2017</p> <p>Manual de contabilidade aplicada ao SAFE</p>
PI-5	Budget documentation	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)</p> <p>Proposta de Orçamento para o Ano Económico 2019</p> <p>Proposta de Grandes Opções do Plano para 2019</p> <p>Lei nº 01/2017 - Orçamento Geral do Estado para o Ano Económico de 2017</p> <p>Lei nº 04/2018 - Orçamento Geral do Estado para o Ano Económico de 2018</p>
PI-6	Central government operations outside financial reports	<p>Decreto-Lei n.º 39/94</p> <p>Lei nº1/9</p> <p>Lei nº7/2004</p> <p>Artigo 60 da lei SAFE (lei 3/2007)</p> <p>Decreto-Lei n ° 22/2011</p>
PI-7	Transfers to subnational governments	<p>Lei das Finanças Locais, No. 16/1992</p> <p>Lei de Revisão da Lei Quadro das Autarquias Locais No. 10/2005</p> <p>Lei 12/2009, alterando a lei SAFE</p>
PI-8	Performance information for service delivery	
PI-9	Public access to fiscal information	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)</p> <p>Website do Ministério das Finanças (<a href="http://www.mf.gov.st">www.mf.gov.st</a>)</p> <p>Relatórios de Actividades do Tribunal de Contas dos anos de 2016 e 2017</p> <p>Website do portal de legislação dos PALOP's (<a href="http://www.legis-palop.org">www.legis-palop.org</a>)</p>
<b>Pillar III. Management of assets and liabilities</b>		
PI-10	Fiscal risk reporting	<p>Treasury Bylaws Article 12</p> <p>National Assembly Rules of Procedure 2007</p> <p>Decreto 42/2012</p> <p>Budgetary laws</p> <p>Debt Framework Law, No 1/2014</p>
PI-11	Public investment management	
PI-12	Public asset management	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)</p> <p>Decreto nº 32/2009 - Estatuto Orgânico da Direcção do Tesouro</p> <p>Decreto nº 36/2014 - Estatuto Orgânico da Direcção do Património do Estado</p> <p>Report and Accounts of the Central Bank of Sao Tome and Principe for 2017 and 2018</p> <p>Sao Tome Central Bank Investment Policy Manual</p> <p>2016 and 2017 General Government Account</p> <p>2018 Quarterly Budget implementation reports</p> <p>Decreto nº 20/2009 – Aprova o Inventário geral do estado</p> <p>Decreto-Lei nº 15/2018 – Aprova o regime jurídicos da gestão dos bens públicos</p> <p>State Directorate of Assets 2017 Activity Report</p> <p>State Directorate of Assets Preliminary Activity Report 2018</p>

Subject		Sources of documentation
PI-13	Debt management	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)</p> <p>Decreto nº 32/2009 - Estatuto Orgânico da Direcção do Tesouro</p> <p>Lei nº 1/2013 – Aprova a lei-quadro da dívida</p> <p>Decreto-Lei nº 1/2014 – Aprova o regulamento da lei-quadro da dívida pública</p> <p>Decreto-Lei nº 2/2014 - Aprova o regime jurídico dos Bilhetes do Tesouro</p> <p>Decreto-Lei nº 16/2017 - Alteração do regime jurídico dos Bilhetes do Tesouro</p> <p>Decreto-Lei nº 17/2017 – Aprova o regime jurídico das Obrigações do Tesouro</p> <p>Decreto nº 23/2018 - Aprova o regulamento das Obrigações do Tesouro</p> <p>2017 Public Debt Management and Follow-up Report</p> <p><i>Debt Management Performance Assessment 2016</i></p> <p><i>Debt Sustainability Analysis 2016, 2017 and 2018</i></p> <p>National Debt Strategy 2012-2020</p> <p>National Plan of Public Debt</p> <p>2017 and 2018 Central Bank of Sao Tome Report and Accounts</p> <p>Permanent Investment Rule 14/2014 - Treasury Bonds Issuance</p> <p>Parecer nº2-6/MFCEA-DT/GSGEP-2016 – Parecer sobre um empréstimo</p> <p>Despacho 6/2018 – Cria a ComisSao de Títulos da Dívida Pública</p>
<b>Pillar IV. Policy-based fiscal strategy and budgeting</b>		
PI-14	Macroeconomic and fiscal forecasting	
PI-15	Fiscal strategy	
PI-16	Medium-term perspective in expenditure budgeting	
PI-17	Budget preparation process	<p>Lei No. 3/2007</p> <p>Artigo 13 da lei SAFE</p> <p>DB Circular Letter 2018</p> <p>Lei SAFE No. 3/2007</p> <p>Lei 12/2009 Alteração da lei SAFE</p> <p>National Assembly Rules of Procedure 2007</p>
PI-18	Legislative scrutiny of budgets	<p>Artigo 23 da lei SAFE</p> <p>Artigo 25 da lei SAFE</p> <p>GSB Laws</p> <p>Artigo 220 do Regimento da Assembleia</p> <p>Artigos 15 e 35 da lei SAFE</p>
<b>Pillar V. Predictability and control in budget execution</b>		
PI-19	Revenue administration	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)</p> <p>Decreto-Lei nº 27/2005 - Estatuto Orgânico da Direcção dos Impostos</p> <p>Decreto nº 55/2006 - Estatuto Orgânico da Direcção-Geral das Alfândegas</p> <p>Decreto-Lei nº 13/2017 – Alteração do Estatuto Orgânico da Direcção dos Impostos</p> <p>Lei nº 7/2004 - Enquadramento da Protecção Social</p> <p>Lei nº 6/2007 – Aprova o Código Geral Tributário</p> <p>Lei nº 7/2007 – Aprova o Código de Processo e de Procedimento Tributário</p> <p>Lei nº 10/2009 – Aprova a alteração e republicação do Código do Imposto Sobre o Rendimento de Pessoas Colectivas</p> <p>Lei nº 11/2009 – Aprova a alteração e republicação do Código do Imposto Sobre o Rendimento de Pessoas Singulares</p> <p>Lei nº 3/2010 - Alteração do Código Geral Tributário</p> <p>Decreto-Lei nº 25/2014 - Regulamentação da Protecção Social Obrigatória</p> <p>Decreto-Lei nº 22/2016 - Alteração do Código do Processo e Procedimento Tributário</p> <p>Decreto-Lei nº 19/2016 – Aprova o Código de Investimentos</p> <p>Decreto-Lei nº 18/2017 – Aprova o Regulamento do Código de Investimentos</p> <p>Decreto-Lei nº15/2016 – Aprova o Código dos Benefícios Fiscais</p> <p>Lei nº 8/2004 – Lei-Quadro Das Receitas Petrolíferas</p> <p>Lei nº 11/2007 – Cria o Gabinete de Registo e Informação Pública</p> <p>Decreto-Lei nº24/2009 – Regulamento da auditoria pós-desalfandegamento</p> <p>Decreto-Lei nº 39/2009 – Aprova o Código Aduaneiro</p>

Subject		Sources of documentation
		<p>Lei nº 15/2009 – Lei da Tributação do Petróleo  Fourth EITI Report of Sao Tome and Principe 2016/2017  Directorate-General of Customs's Activity Plan and Implementation Report  Directorate-General of Customs 2018's plan and implementation report  Directorate-General of Customs Surveillance Reports  Implementation report of the Directorate of Taxes supervisory department  2018 Quarterly Budget implementation reports  Directorate of Taxes Inspection Planning Roadmap  Roadmap for Tax Inspection Implementation of the Directorate of Taxes  2017 General Government Account  STP PER "Addressing the Causes of Fiscal Fragility" World Bank</p>
PI-20	Accounting for revenue	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)  Decreto nº 32/2009 - Estatuto Orgânico da Direcção do Tesouro  Decreto-Lei nº 27/2005 - Estatuto Orgânico da Direcção dos Impostos  Decreto nº 55/2006 - Estatuto Orgânico da Direcção-Geral das Alfândegas  Decreto-Lei nº 13/2017 – Alteração do Estatuto Orgânico da Direcção dos Impostos  2018 Quarterly Budget implementation reports  Sao Tome and Principe Central Bank Report and Accounts 2018  Treasury Account Statements and Reconciliations</p>
PI-21	Predictability of in-year resource allocation	
PI-22	Expenditure arrears	
PI-23	Payroll controls	
PI-24	Procurement	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)  Lei nº 8/2009 - Aprova o regulamento de Licitação e Contratações Públicas  Despacho nº 25/2009 – Criação do Gabinete de Coordenação e Seguimento do Sistema de Licitações (COSSIL)  Despacho nº 14/2009 – Aprovação da estrutura e funcionamento do órgão de recurso  Despacho Conjunto nº 12/2009 - Aprovação dos modelos documentos de Licitação para fornecimento de bens  Despacho Conjunto nº 13/2009 - Aprovação dos modelos documentos de Licitação para execução de serviços gerais, por meio de concurso de pequena dimensão  Despacho Conjunto nº 14/2009 - Aprovação dos modelos de documentos de Licitação de empreitadas de obras públicas, por meio de concurso de pequena dimensão  Despacho Conjunto nº 15/2009 - Aprovação dos modelos documentos de Licitação para fornecimento de bens  Despacho Conjunto nº 17/2009 - Aprovação dos modelos documentos de Licitação para fornecimento de medicamentos e artigos  Despacho Conjunto nº 19/2009 - Aprovação dos modelos documentos de Licitação para fornecimento de serviços de consultoria  Decreto nº 36/2014 - Estatuto Orgânico da Direcção do Património do Estado  Lei nº 4/2018 - Orçamento Geral do Estado para o Ano Económico de 2018  COSSIL Activity Report 2017  COSSIL Preliminary Activity Report 2018  MFCEA, MS and MECC bidding reports for the year 2018</p>
PI-25	Internal controls on non-salary expenditure	
PI-26	Internal audit	
<b>Pillar VI. Accounting and reporting</b>		
PI-27	Financial data integrity	<p>Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE)  Sao Tome and Principe Central Bank Report and Accounts 2018  2016 and 2017 General Government Account  Fourth Quarter 2018 Budget implementation report  Treasury account statements and reconciliations made by the Directorate of Treasury  Advance and contract documents</p>

Subject		Sources of documentation
		SAFE-e diagnostic report by SAFE-e
PI-28	In-year budget reports	Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE) Decreto nº 42/2012 – Aprova as regras de prestação de contas 2018 Quarterly Budget implementation reports Accounting Manual Applied to SAFE Ministry of Finance website ( <a href="http://www.mf.gov.st">www.mf.gov.st</a> ) Lei nº 04/2018 - Orçamento Geral do Estado (OGE) para o Ano Económico de 2018
PI-29	Annual financial reports	Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE) Decreto nº 42/2012 – Aprova as regras de prestação de contas Lei nº3/99 - Cria o Tribunal de Contas Lei nº 8/99 – Aprova o regime jurídico da fiscalização sucessiva da CGE Decreto nº 21/2007 - Cria o sistema de contabilidade pública e o Plano de Contas General Government Account 2015, 2016 and 2017 Report and Opinion of the Audit Courts on the 2014 and 2015 General Government Account Accounting Manual Applied to SAFE Ministry of Finance website ( <a href="http://www.mf.gov.st">www.mf.gov.st</a> ) Decreto nº 14/2019 – Aprova a 1ª verSao do Manual de Elaboração da Conta Geral do Estado Despacho nº 2/2012 - Aprova o novo Plano de contas e Tabela de Eventos
<b>Pillar VII. External scrutiny and audit</b>		
PI-30	External audit	Lei nº 3/2007 – Lei sobre o Sistema de Administração Financeira do Estado (SAFE) Lei nº3/1999 – Cria o Tribunal de Contas Lei nº4/1999 – Cria os serviços de apoio ao Tribunal de Contas e aprova o quadro do pessoal Lei nº5/1999 – Aprova os procedimentos do Tribunal de Contas Lei nº 6/1999 – Aprova os emolumentos a cobrar pelo Tribunal de Contas Lei nº 7/1999 – Define a Fiscalização Prévia do Tribunal de Contas Lei nº 8/1999 – Aprova o regime jurídico da fiscalização sucessiva da CGE Lei nº 1/2002 - Alteração da Lei nº 3/1999 Lei nº 9/2003 – Alteração à Lei 4/1999 Rules of Procedure of the Audit Courts 2003 and amendments 2005, 2008 and 2009 Audit Courts Audit Manual Audit Courts' Administrative and Financial Procedures Manual - Volume I and II General Government Account 2015, 2016 and 2017 Report and Opinion of the Audit Courts on the 2014 and 2015 General Government Account General Government Account Contradictory 2014, 2015 and 2016 Annual Report and Accounts 2016 and 2017
PI-31	Legislative scrutiny of audit reports	SAFE Law, Article 61 (2) Artigo 214 do Regimento Interno 2007 da Assembleia TdC 2016 Procedures Manual

### 3.B. Public workers interviewed

Institution	Name	Position
<b>Ministry of Finance</b>		
<b>Directorate of Public Accounting</b>	Cislau Costa	Director
	Altina Tavares	Head of Accounting Monitoring and Analysis Department

Institution	Name	Position
	Odair Menezes	Chief of accounting standards and processes department
	Lecinio Moniz	Monitoring and Analysis Department Technician
<b>Directorate of the Budget</b>	Genésio da Mata	Budget Director
	Carlos Costa	Head of Budget Management Department
	Miryem Mezeiros	Head of Programs Department
	Marilha de Sousa Pontes Vera Cruz Moniz	Senior Technician Salaries Department
<b>Directorate of Taxes</b>	Engrácio da Graça	Tax Director
	Salvador Fonseca	Head of Administrative Technical Department
	Ednilza Afonso	Technical Coordination Department Technician
	Fernando Pontes	Head of the inspection department
	Helcio Espirito Santo	Head of Department for Tax Enforcement Orders
	Neyde Vaz	Head of Management and Settlement
	Edeltrudes Rita	Head of Accounts Receivables
<b>Directorate-General of Customs</b>	Carlos Benguela	Director-General of Customs
	Odair Sousa	Post Customs Audit Service Officer
	Albertino Sousa	Technician of the Directorate-General of Customs
	Bartolomeu Costa	Treasurer of the Directorate-General of Customs
	Ana Paula Sequeira Menezes	Internal Audit Service Manager
	Bartolomeu Costa	Treasurer of the Directorate-General of Customs
	Luisenda Andrade	Head of MFPEA Legal Advisory Service
	Celso Fernandes	DGA Technician
	Indira Chicoma Fernando Borges	DGA Technician
	Eidelman Pires da Costa	IT Service Manager
	Idelson Silveira Gonzaga	Computer Service Technician
<b>Directorate of Treasury</b>	Maria Tome	Director
	Belmiro Costa	Head of Treasury and Account Management
	Rita	Technician from the account management department
	Alexandre Vasconcelos Batista da Costa	Technician of the subsidiaries department
	Zózimo do Nascimento	Technician of the subsidiaries department

Institution	Name	Position
	Abdelazizi Martins da Silva Tavares	Technician of the subsidiaries department
<b>Debt Office</b>	Maria dos Santos Tebú Torres	Office coordinator
	Anisa Rodrigues	Technician - Responsible External Debt
	Márcio Zélio do Nascimento	Technician - Responsible Internal Debt
<b>Directorate of Information Technology</b>	Edson Martins Soares	Director
	Feliciano Francisco	DITEI Technician
	Argentino Amado Dias	DITEI Technician
	Carlos Costa	Head of the Budget Management Department
<b>Directorate of State Assets</b>	Pedro Gouveia Neto de Lima	Director
	Hilário Paiva	Head of the General Support Department
	Alex Odair Afonso Pontífice	State Private Notary
	Nilza Wagner Amado da Conceição Neto	Head of Inventory and Registration Department
	Alcinoda Ceita Quaresma	Head of Asset Management Department
<b>Directorate of Planning</b>	Geisel Menezes	Head of Planning and Foresight department
	Abdul Barros	Head of Department Macroeconomic Policies
	Fausto Neves	Head of Monitoring and Evaluation Department
<b>Directorate of Administration and Finance</b>	Hyuri do Espírito	Director
	Joaneli Naik Moreno	Financial Management Technician
	Silena Nascimento Castro	Assets Director
	Gilson Bridges	Responsible for acquisitions
<b>Reform Office</b>	Ana Maria Silveira	Coordinator
	Cerineu Renner	GARFIP Technician
	Jukisia Salvador	GARFIP Technique
	Gil dos Santos Vaz	MFPFEA Press Officer
	Jairson Barreto	GARFIP Technician
<b>COSSIL</b>	Fernando Maquengo	Coordinator COSSIL
	Gisela Valentim da Cruz	Technician COSSIL
	Carla da Cruz	Lawyer COSSIL
<b>General Inspectorate of Finance</b>	Sara dos Santos	Inspector General
	Cintia Vera Cruz Dias	Deputy Inspector General

Institution	Name	Position
	Isename Makeba de Sousa Baia	Superior Inspector of 2nd Class
<b>Project Fiduciary and Administrative Agency</b>	Alberto Leal	CEO
	Carlos Bonfim	Technical Advisor
	Djessyh dos Anjos	Operations Assistant
<b>Chamber of Customs Clearing Agents</b>		
	Octávio Mendonça	CEO
	Osvaldo Lima	Official Customs Clearing Agent
	Cilcio Santos	Administrator
<b>Central Bank of Sao Tome and Principe</b>		
<b>Directorate of Economic Studies</b>	Gessy do Espírito Santo	Director
	Osiris Costa	Technician
	Djanaina Lopes	Technician
<b>Payments receivables</b>	Maria Piedade Daio	Director
<b>Markets and Liquidity Department</b>	Lara Beirão	Director
	Hermes Nascimento	Technician
	Fadzinda Varela	Technician
<b>Accounting and Financial Control Department</b>	Celso de Sousa	Head of Financial Control Department
<b>Chamber of Commerce</b>		
	Mauro Silva	Secretary-General a.i.
<b>Supreme Court</b>		
	Frederico da Glória	Counselor Judge and Judge of the National Tax Court
<b>Ministry of Public Works</b>		
<b>Directorate of Administration and Finance</b>	Francisco da Conceição Pereira	Equity Exactor
	Paneque Magalhães	Technician
	Alcino Silva	Technician
<b>GEPEP</b>	Beloved Gualter	Responsável
<b>Ministry of Health</b>		
<b>Directorate of Administration and Finance</b>	Efigenio Teixeira Borges	Director
	Ana de Deus Botelho	DAF Technician



Institution	Name	Position
	Mario da Fonseca Almeida Pires	DAF Technician
	Maria da Graça Mandinga	Property Exporter
	Irene de Carvalho	DAF Technician
	Maria Emilia Batista AC de Sousa	DAF Technician
<b>Ministry of Education</b>		
<b>Directorate of Administration and Finance</b>	Lucius Serodius	Director
	Elisana Almeida	Chief Finance Department
	Faquit Fields	Head Human Resources Department
	Vera Conceição	Property Exporter
<b>Ministry of Agriculture</b>		
<b>Directorate of Administration and Finance</b>	Anastácio Menezes	Director
	Admilson Joaquim	Head of Finance Department 9912580
	Manuel Batista Martins Xavier of Pina	Assets Officer - 9966035
<b>National Assembly</b>		
	Nelson Lopes	DAPC Chief
	Alcino Afonso	2nd Commission Technician -
<b>Audit Court</b>		
	Lucia Lima Neto	Secretary General
	Ernestina Costa Neto	CGE Unit Coordinator
	Gualter Barros	Audit Unit Supervisor
<b>STP NGO Federation</b>		
	Eduardo Elba from Espírito Santo	Executive Secretary
<b>Mé-Zochi District Council</b>		
	Alirio Cunha	Unit Coordinator
	Gilberto Ceita	
	Joelson Robão	
<b>National Institute of Social Security</b>		
	Maykl Viegas	INSS Director
	Juvenal Espírito Santo	Study and Advisory Office
	Eulaidy of the Kings	Head of Social Security Department

Institution	Name	Position
	Hernane Costa	Chief Inspector Inspection and Inspection Service
	Antonio Neto	Administrative and Financial Directorate Technician
	Victor Espírito Santo	Administrative and Financial Directorate Technician

## Annex 4: Evolution of PEFA Assessment Scores 2013-2019

(2011 Methodology)

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
		<b>A. PFM RESULTS: Budget reliability</b>					
PI-1 (i)	PI-1.1	Aggregate expenditure outturn compared to originally approved budget	C	D	In all 3 years analysed the budget implementation rate was always lower than initially forecast and in 2 of these 3 years, 2016 and 2018, the implementation rate was below 85%, standing at 74.2% and 67.7% respectively.	Degradation	The level of deviations between the initial programming of total expenditure and its actual execution is still affected by the forecast.
PI-2		Expenditure composition outturn compared to originally approved budget	D+	D+	The variance of the composition of expenditure carried out on the basis of administrative and economic classification was always greater than 15%, but there is no contingency budget line in any of the 3 budgetary years	No change	The 2016 methodology is more demanding and more rigorous, requires the use of the appropriate functional and economic level of expenditure classification, but the improvement came from the no use of contingencies.
PI-2 (i)	PI-2.1	Variance in expenditure composition of the last three years	D	D	The level and volume of budgetary amendments at institutional level remained high, during the last 3 years.	No change	The 2016 methodology has changed the way the dimension is calculated and focuses on the existence of budgeted and executed expenditure according to the ad classifier. Regardless of the classifier the level of relocations and changes is high.
PI-2 (ii)	PI-2.3	Contingency	A	A	There is no contingency line in any of the budget years under review, 2016, 2017 and 2018.	No change	There is no any contingency item.
PI-3 (i)	PI-3.1	Aggregate revenue outturn compared to originally approved budget	B	D	Domestic revenue implementation has been below 92% in two of the last 3 years.	Degradation	Revenue execution fell short of the 92% threshold in 2016 and 2017
PI-4		Expenditure arrears monitoring	D+	D		Degradation	

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Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
PI-4 (i)	PI-22.1	Stock of arrears (as a percentage of expenses incurred in the year) and recent stock variation	C	D	Arrears (short-term only) exceed 40% of the total expenditure in at least two of the last three fiscal years completed.	Degradation	The practice of collecting late payment information has never been institutionalized and there is no clear mechanism for monitoring late payment regularization.
PI-4 (ii)	PI-22.2	Data on the monitoring of payment of arrears	D	C	Monitoring domestic debt related to arrears is a relatively new exercise, and the control procedures for managing and verifying arrears are reduced in most institutions, but the Government presents data on debt stock and the composition of arrears annually at CGE.	Improvement	Slight improvement in arrears monitoring practices.
		<b>B. MAIN TRANSECTORIAL ISSUES: Comprehensiveness and transparency</b>					
PI-5 (i)	PI-4.1	<b>Budget classification</b>	B	B	The budget formulation and execution are based on an administrative, economic and functional classification (at least 10 COFOG functions) and uses standards that allow for documentation consistent with GFS 1986.	No change	The budget classifiers remain the same.
PI-6 (i)	PI-5.1	<b>Comprehensiveness of the information provided in the annual budget documentation</b>	A	C	The budget documentation only includes 4 of the reference elements (1, 2, 3 and 4).	Degradation	The number of items available from 7 to 4 in the budget proposal has been reduced.
PI-7		<b>Degree of non-reported government operations (M1)</b>	D+	N/R		Degradation	

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
PI-7 (i)	PI-6.1	Level of extrabudgetary expenditures (other than donor funded projects) that are not reported, i.e. not included in tax reports	C	N/R	Financial information on extrabudgetary expenditure of extrabudgetary and budgetary entities is not complete to assess the magnitude of expenditure incurred by budgetary and extrabudgetary units compared to total GSB revenue, which is not reported in the government's financial reports.	Degradation	As in 2013, the situation has not changed. There is always the same lack of information that does not allow to assess the percentage of extrabudgetary expenditure in relation to total central government expenditure.
PI-7 (ii)	PI-6.1	Revenue / expenditures information for donor-funded projects that is included in tax reports	D	N/R	The revenues and expenses related to external financing are included in the state budget. However, the information activities or projects using donations and Loans are still limited because there are no effective mechanisms for collecting and processing this information from the implementation data generated by the implementation units of the activities or projects, which do not systematically report them to the Directorate of Public Accounting and the Directorate of Planning. Thus, this information is generally collected at the end of the economic year using donor data, but the level of expenditures and revenues included in the financial reports.	Degradation	In 2013, expenditure data on grant-funded projects were not consistently collected except for loan-funded projects. Loans and donations are currently accounted for, but it is not possible to assess the percentage of expenditure and revenue included in the financial reports.
PI-8		<b>Transparency of intergovernmental fiscal relations (M2)</b>	A	D+		Degradation	
PI-8 (i)	PI-7.1	Transparent and rule-based systems for determining horizontal allocations between local transfer governments	A	C	Transparent rules exist for the allocation of transfers from the central government to subnational governments, but most allocations are based on practices using the values of previous years, changed based on revenue anticipations.	Degradation	Technically, the situation has not changed because, as in 2013, there are transparent rules for the allocation of transfers, but in 2019 it was found that they were never applied and the Financial Balance Fund never worked.

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-8 (ii)	PI-7.2	Timeliness and reliability of central government information to local governments on their appropriations for the coming year	A	D	The process by which the subnational governments receive information on their annual transfers is managed within the central government's budget calendar, which is not generally respected, provides clear and sufficiently detailed information, but only for the current expenditure (excluding the government's expenditure), allowing subnational governments to have 4 weeks to complete their budget plans and present their preliminary draft budgets.	Degradation	Technically, the situation has not changed because, as in 2013, the process is well defined, the central government sends the circular letters with the limits and guidelines for the preparation of the preliminary projects, but always without information about the investments. This information is subsequent to the final budgeting and is not always reliable.
PI-8 (iii)	PI-7.2	Degree to which consolidated fiscal data (at least on expenditure and revenue) are collected and reported to the Government according to sectoral categories.	A	C	The central government receives accountability (domestic revenues and expenditures and 100% transfers) by subnational governments annually and consolidates this information in the CGE, but within 18 months.	Degradation	There was no change in the situation, but sending and consolidating accounts was always a lengthy exercise in STP.
<b>PI-9</b>		<b>Surveillance of aggregate fiscal risk from other public entities (M1)</b>	<b>D+</b>	<b>D</b>		<b>Degradation</b>	
PI-9 (i)	PI-10.1	Central government monitoring degree of autonomous government institutions and public companies	C	D	The government receives only a few financial reports from public institutions at random within 5 months and does not produce any consolidated financial performance reports from the public institutional sector.	Degradation	There was no change in the situation, but monitoring some public companies remains very precarious and carried out by the Ministry of Infrastructure. Two of the largest autonomous institutions, the INSS and the Central Bank, were never monitored or held accountable.
PI-9 (ii)	PI-10.2	Central government monitoring degree of municipal fiscal position	D	D	The budget implementation of all subnational governments is published in the CGE annually, but there are no published audited or unaudited reports on their financial position and performance.	No change	City councils and RAP have never sent information about their financial position to the Central Government.
<b>PI-10 (i)</b>	PI-9.1	Public access to key fiscal information	<b>B</b>	<b>C</b>	The Government only provides element 1 of the 6 information elements listed as necessary.	<b>Degradation</b>	It went from 4 to 1 available elements. Information elements 2 through 6 are not available
<b>C. BUDGET CYCLE</b>							

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
		(1) Policy-based budget formulation					
PI-11		<b>Organization and participation in the annual budgetary procedure (M2)</b>	<b>B</b>	<b>C+</b>		<b>Degradation</b>	
PI-11 (i)	PI-17.1	Existence and compliance with an established budget calendar	C	C	There is a theoretical budgetary calendar, with a 4-week timeframe allocated for the preparation and submittal of the preliminary draft budget by the budgetary units, but over the last three years the government has significantly changed the calendar dates with the budgetary circular letters sent late and without investment cap, and in most UGs does not allow for the preparation of reliable and timely draft budgets.	No change	There are no developments in relation to the budgetary calendar.
PI-11 (ii)	PI-17.2	Clarity / comprehensiveness of instructions on preparation of budget proposals (budget Circular Letter or equivalent) and level of political involvement	A	A	Comprehensive and clear budgetary circular letters, reflecting the maximum limits, with guidelines for the preparation of the budget, are issued to the budgetary units and distributed as approved by the Council of Ministers, before the submission of the preliminary drafts to the MPFEA, but covering only the current expenditure (without limits on investment expenditure) for the next financial year.	No change	This dimension has been degraded by the new but demanding 2016 methodology, but remains well punctuated by the 2011 methodology criteria.
PI-11 (iii)	PI-18.3	Timely approval of budget by legislature (last three years)	C	D	The GSB for the last 3 years was approved, after the beginning of the year, with a delay of more than 2 months in two of the 3 years.	Degradation	The budget cycle was disturbed by the 2018 elections.
PI-12		<b>Multi-annual perspective on budget planning, expenditure policy and budgeting</b>	<b>C+</b>	<b>C</b>	<b>The published documents do not contain multiannual forecasts for the two years following the State Budget.</b>	<b>Degradation</b>	<b>Reform is still ongoing and without producing the desired results. The MTEF is still a tool for introduction in some sectors.</b>
PI-12 (i)	PI-16.1 PI-16.2 PI-16.4	Preparation of multi-annual budget forecasts and functional appropriations	D	D	Medium-term global estimates remain unprepared.	No change	
PI-12 (ii)	PI-13.3	Scope and frequency of debt sustainability analysis	A	A	In the last 3 years (2016, 2017 and 2018) 3 DSA exercises were performed.	No change	Made equal DSA #

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
PI-12 (iii)	PI-16.3	Existence of sectoral strategies with multi-annual cost estimates of current and investment expenditure.	B	C	There are no sectoral strategies with multi-annual cost estimates of current and investment expenditure.	Degradation	There have never been sectoral strategies with multi-annual cost estimates of current and investment expenditure. Reform is still ongoing and without producing the desired results. The MTEF is still an instrument in introduction at the level of some sectors and needs major refinements.
PI-12 (iv)	PI-16.3	(iv) Links between investment budgets and future expenditure estimates	D	D	There is no alignment of sectoral strategic plans and MTEFs.	No change	
		(2) Predictability and control in budget implementation					
<b>PI-13</b>		<b>Transparency of tax obligations and taxpayer responsibilities</b>	<b>B</b>	<b>B</b>	<b>The legislation is clear, but the information available is not easily accessible or user friendly. The hierarchical appeal process needs a redesign.</b>	<b>No change</b>	
PI-13 (i)	PI-19.1	Clarity and scope of tax obligations	B	B	Legislation for most taxes is comprehensive and clear and there has been no question of discretionary powers of Government entities.	No change	No evolution of the score, as there was no change in the legal framework.
PI-13 (ii)	PI-19.1	Taxpayers' Access to Information on Tax Obligations and Administrative Procedures	A	B	The information available for some taxes is not user friendly or easily accessible.	Degradation	The information is not considered user friendly for all taxes
PI-13 (iii)	PI-19.1	Existence and operation of a tax appeal mechanism	C	C	The hierarchical resource system has worked but needs a redesign.	No change	No punctuation evolution, remains the same
<b>PI-14</b>		<b>Effectiveness of taxpayer registration and tax assessment measures</b>	<b>B</b>	<b>C+</b>	<b>Although the registration of taxpayers based on the TIN has extended to several entities, their taxation process remains deficient and not based on risk criteria.</b>	<b>Degradation</b>	
PI-14 (i)	PI-19.3	Control in the taxpayer registration system	B	B	The TIN is used for the registration of taxpayers in taxes, customs, social security and banks.	No change	The mechanisms are the same.



Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-14 (ii)	PI-19.3	Effectiveness of sanctions due to non-compliance with tax registration and declaration obligations	C	C	The fines charged by the Board need a better definition as to their practical application.	No change	No evolution of punctuation.
PI-14 (iii)	PI-19.3	Planning and monitoring fiscal audit and fraud investigation programs	B	C	There is an oversight program, but it is not based on clear risk analysis criteria.	Degradation	The Customs Directorate does not have a risk assessment system in place to direct audits.
<b>PI-15</b>		<b>Effectiveness in tax collections</b>	<b>D+</b>	<b>D+</b>	<b>The effectiveness of tax collection is reduced by the fact that while resources are effectively transferred to TSA, there is no systematic mechanism to reconcile assessments against payments in a timely manner and thereby improve arrears collection.</b>	<b>No change</b>	
PI-15 (i)	PI-19.4	Gross tax arrears ratio, with the percentage of tax arrears at the beginning of the fiscal year that was charged during the same fiscal year (average of the last two fiscal years)	D	D	Average late payment in the past year is less than 60% for Taxes and no data are available for Customs.	No change	No evolution of punctuation.
PI-15 (ii)	PI-20.2	Effectiveness of transfer of taxes charged to Treasury by tax administration	A	B	Resources are transferred to the Treasury within 24 hours for taxes paid at BCSTP and within 48 hours for resources collected by the Customs Directorate.	Degradation	Customs transfers now take an additional 24 hours to reach TSA.
PI-15 (iii)	PI-20.3	Frequency of complete accounting reconciliation between Treasury valuations, collections, arrears and tax receipts	B	C	Although reconciliations of transfers to the Treasury are made daily, those relating to tax assessments, collections and registrations only take place within 3 months of the end of economic activity.	Degradation	Tax assessments, collections, and filings only take place within 3 months of the end of the economy.
<b>PI-16</b>		Predictability of funds available for expenditure commitments	<b>C+</b>	<b>D+</b>	The Ministry of Finance does not have a head office monitoring mechanism. carried out by unit managers. No Treasury Level Expenditure Financial Coverage Plan to monitor cash flow. This financial coverage plan should be detailed monthly perspective of resource allocation for the executing units. Units prepare their cash	<b>Degradation</b>	Cash flow is considered to be an administrative procedure and not a management tool (cash and state cash and financial flows).

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
					budgets, but they are not shared with the treasury to forecast cash flow.		
PI-16 (i)	PI-21.2	Degree to which cash flows are scheduled and monitored	B	C	DT prepares annual treasury forecasts, updated quarterly and monthly, but without receipt and consolidation of treasury forecasts prepared by the CGs, resulting in interim cash flows that are not based on current income and expense information.	<b>Degradation</b>	Cash flow monitoring continues to suffer from weaknesses
PI-16 (ii)	PI-21.3	Reliability and horizon of in-year and periodic information for ministries	C	C	Reliable monthly information is sent to the UGs about the release of resources and the maximum commitments for next month.	No change	
PI-16 (iii)	PI-21.4	Frequency and transparency of adjustments in budget allocations that are decided above the management level of ministries, departments and institutes	C	C	In 2018 the amendments and budgetary adjustments performed by the executive are relatively transparent but frequent and significant.	No change	
<b>PI-17</b>		<b>Registration and management of cash balances, debts and guarantees</b>	<b>C</b>	<b>D+</b>		<b>Degradation</b>	
PI-17 (i)	PI-13.1	Quality of recording and reporting debt data	C	C	Debt data reconciliations are only complete at year end for some creditors	No change	
PI-17 (ii)	PI-21.1	Degree of liquidity consolidation	B	C	Most cash balances are consolidated daily, but most balances (over 75%) are subsequently consolidated on a monthly basis.	<b>Degradation</b>	Liquidity consolidation performance in the country remains poor

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-17 (iii)	PI-13.2	Systems for signing loan agreements and issuing guarantees	D	D	There is no effective system for recording and monitoring guarantees, although there are clear legal procedures for this purpose that give approval to the Minister of Finance, subject to approval by the National Assembly.	No change	No change in situation as registration remains poor.
PI-18		<b>Effectiveness of payroll controls</b>	D+	D	<b>There is no formally defined deadline for reconciling payroll data with data from the personnel registration system. The reconciliation is between employee data, and the data contained in the payroll. The hiring and promotion of staff is verified against the approved budget, but the DGAP does not know the total number of civil servants and if they have the salary on time. The level and scope of internal controls for changes to personnel records and payroll are quite weak. No record of audits has been carried out on payroll in the last three years.</b>	<b>Degradation</b>	
PI-18 (i)	PI-23.1	Degree of integration and reconciliation between personnel records and payroll data	C	D	The personnel hiring and promotion are verified by the DAFs and by the DO comparing against the approved monthly budget, but the payroll reconciliation with the personnel records is not done regularly.	Degradation	Record integration and reconciliation practices remain poor
PI-18 (ii)	PI-23.2	Time of changes in personnel records and payroll	C	D	The level and scope of internal controls on changes to personnel records and payroll is quite weak. In addition to the general provisions of the SAFE Law, there are no defined operational procedures for the changes, clearly indicating the deadlines and documents to be used.	Degradation	In general, any changes to personnel and payroll data should be actions with immediate results, but they are not. In the case of an employee who has been deceased for several months and his beneficiaries have already received the necessary compensation, until it is reported to the bank and the employee's name is not removed from the list, the salary payments continue to occur normally without the system creating alerts or blocking this situation.

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-18 (iii)	PI-23.3	Internal controls on changes to personnel and payroll records.	C	D	There is no effective control over changes that are made to personnel and payroll, although there is now separate (and often manual) payroll verification. There is no procedures' manual on the controls to be used for payroll changes.	Degradation	Tracking changes to records are deficient and result in payment errors.
PI-18 (iv)	PI-23.4	Existence of payroll audits to identify weaknesses in control and / or ghost workers.	D	D	No payroll audit has been performed in the last three years.	No change	At the level of the last three years, there is no record or evidence of any audit or even timely checks on the payroll.
<b>PI-19</b>		<b>Competition, value-for-money and control in the procurement process</b>	<b>C+</b>	<b>D+</b>	<b>The legal framework for bids is modern, but the fact that access to information is limited, has a limited scope and the appeal body has no nominated elements reduces the scope of legal measures and the transparency of the Public Procurement and Contracting process.</b>	<b>Degradation</b>	
PI-19 (i)	PI-24.1	Transparency, comprehensiveness and competition of the legal and regulatory framework	B	B	The legal framework for Public Procurement and Contracting, while not easily accessible to people, contains the other 5 elements to make it transparent and comprehensive.	No change	No evolution of the situation, the legislation being the same
PI-19 (ii)	PI-24.2	Use of competitive procurement methods	C	D	The available data do not allow to make the assessment.	Degradation	There are no information elements to assess the 2018 situation.
PI-19 (iii)	PI-24.3	Public access to reliable and timely tender information	C	D	Only 1 of the 4 key information elements of bids is available to the public.	Degradation	There is no information on the resolution of complaints addressed to the appeal body for its non-functioning.
PI-19 (iv)	PI-24.4	Existence of an independent complaints administrative system	C	D	Although the legal framework defining the powers, composition and procedures of the appeal body fulfils criterion 1 and 5 others, the fact that the members of the appeal body are not appointed does not actually exist.	Degradation	The appeal body did not function in 2018.

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-20		Effectiveness of internal controls for non-salary expenditure	C	C	In general, the separation and segregation of duties is prescribed throughout the expenditure execution process, especially at SAFE-level and where user access and rights levels are required to be pre-defined for the implementation of specific operations, ensuring the segregation of responsibilities. However, there are no rules on headings on the main headings, while expenditure control rules are weak. There are no manuals of procedures for the management and execution of the expenditure.	No change	M
PI-20 (i)	PI-25.2	Effectiveness of controlling expenditure commitments	C	C	There are expenses that are not systematized or appropriated mainly under the headings of operating expenses. Some expenses remain outside the financial system which triggers fiduciary risk situations. On the other hand, expenses are settled without observing whether the assets were actually delivered with the necessary quality, as well as the services rendered in full. Expenditure authorization control rules are still fragile.	No change	
PI-20 (ii)	PI-25.2	Scope, relevance and understanding of other internal control procedures			Same as above		
PI-20 (iii)	PI-25.3	Degree of compliance with transaction processing and registration rules	C	C	There are several non-quantifiable payments that do not comply with regular payment procedures and there is no evidence on the justification and regularization of the relative payments.	No change	
PI-21 (i)	PI-26.1	Coverage and quality of the internal audit function	B	B	Since the entity responsible for this internal audit function is the IGF, it performs internal audits, but not at the desired frequency for the central units that are scheduled in their approved business plans for the budget year. The sample selection process follows clear criteria according to the internal management procedures manual,	No change	M

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
					which considers among other things the nature of the audit. Internal auditing is operational in central level institutions that account for the majority (50% or more of the state budget) of budgeted expenditures, and for central government entities that collect the majority of revenue.		
	PI-26.2	Coverage and quality of the internal audit function	B	B	The internal audit is operational in central level institutions (budgetary and extra-budgetary) representing all budgeted expenditure and revenue. The audits internal are performed with basis to standards and procedures based on international standards and focus on the suitability and the effectiveness of controls internal.	No change	
PI-21 (ii)	PI-26.3	Report Frequency and Distribution	B	B	Final audit reports are prepared based on the structure of the IGF internal management procedures manual and follow the deadlines for the dissemination of results.	No change	There are annual audit programs in place and most scheduled audits were completed, as evidenced by the distribution of their reports to the appropriate parties. In fiscal 2015, 19 audits were planned, but 10 audits were performed; In 2016, 17 audits were planned, but 11 were performed. in 2017 and 7 were held.
PI-21 (iii)	PI-26.4	Response and monitoring to internal audit findings	C	D	The IGF receives a formal but partial response to audit recommendations for most audited entities.	Degradation	According to the IGF activity plans, monitoring actions are carried out to comply with the recommendations of the audits performed, and their materialization is weak.
		(3) Accounting, records and reporting					
<b>PI-22</b>		<b>Timeliness and regularity in account reconciliation</b>	<b>C</b>	<b>D</b>	<b>Bank account reconciliations are made daily, but only on the expenditure side, and interim and advance cons only after the end of the economic year.</b>	<b>Degradation</b>	
PI-22 (i)	PI-27.1	Regularity of bank reconciliations	C	D	Bank reconciliations of Treasury accounts are only made on the expenditure side.	Degradation	Reconciliation does not happen for revenues, which is done by the Directorate of Taxes.

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
PI-22 (ii)	PI-27.2 e PI-27.3	Regularity of reconciliation and settlement of suspended accounts and advances	C	D	Provisional accounts are reconciled up to 2 months after year end, but advance accounts are not reconciled within this time period.	Degradation	Advance accounts are reconciled over 2 months after the end of the year.
PI-23 (i)	PI-8.3	<b>Availability of resource information received by service provision units</b>	C	D	There is no information or survey conducted for no ministry in any of the past 3 budgetary years on the amount of resources transferred and / or provided to first-line units - primary health units and elementary schools or on the performance that these resources enabled the services to achieve.	Degradation	(2013 punctuation error: should be a D)
PI-24		<b>Quality and timeliness of budget reports during the year</b>	C	D+	<b>Quarterly reports allow for reduced budget implementation readability by lacking full information on entities with administrative and financial autonomy, as well as donations and loan-financed projects and being published relatively late in relation to the end of the quarter,</b>	Degradation	
PI-24 (i)	PI-28.1	Purpose of reporting in terms of coverage and compatibility with budget estimates	C	C	The classification allows the comparison of the approved budget with the expenditure incurred and capture at the cap and payment levels, but does not cover the budgets and expenditures of entities with administrative and financial autonomy.	No change	No evolution of the situation.
PI-24 (ii)	PI-28.2	Timeliness in reporting	C	D	Quarterly reports were published within 8 weeks, except for the 4th quarter, which was published 18 weeks after the end of the quarter.	Degradation	One of the reports was published more than 8 weeks after the end of the quarter.
PI-24 (iii)	PI-28.3	Quality of information	C	C	The quarterly reports have an analysis of budget implementation, but there are limitations related to the accuracy of the information elements of loan and grant-funded projects and debt stock.	No change	No evolution of the situation.

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016		Points	Points	Rationale of scoring		
PI-25		Quality and timeliness of annual financial reports	D+	D+	The annual financial report does not contain complete information on financial assets and the last CGE was delivered 17 months after the end of the economic year, but is made with consistent accounting standards over time, although not using IPSAS standards.	No change	
PI-25 (i)	PI-29.1	Degree of coverage of financial reports	C	C	Financial reports have information on income, expense, cash balances and partial information on financial assets.	No change	No evolution, although there is better coverage of financial assets.
PI-25 (ii)	PI-29.2	Punctuality in the submission of financial reports	D	D	The latest financial report, CGE, was submitted 17 months after the end of the economic year.	No change	No evolution of the situation. However, there is a reduction in the delivery times of CGE's.
PI-25 (iii)	PI-29.3	Accounting Standards Used	C	C	Accounting standards are not IPSAS but allow financial reports to be presented consistently over time, and the accounting standards used are highlighted.	No change	No evolution of the situation, continuing the patterns to be the same.
		(4) Supervision and external audit					
PI-26		Scope, nature and monitoring of external audit	C+	C	Audits cover entities representing less than 50% of expenditure. Since there is no evidence of implementation of the audit recommendations, despite the existence of formal responses.	Degradation	
PI-26 (i)	PI-30.1	Objectives / nature of audit performed (including adherence to audit standards)	B	C	Audits cover entities representing less than 50% of expenses.	Degradation	Fewer entities have been audited and represent less than 50% of total expenditure.
PI-26 (ii)	PI-30.2	Timeliness in submitting audit reports to the National Assembly	C	C	The TdC report on CGE 2015 was delivered 11 months after its receipt by the TC.	No change	No evolution of the situation.
PI-26 (iii)	PI-30.3	Follow-up evidence of audit recommendations.	C	C	There are formal responses from the audited entities, but no evidence of systematic implementation.	No change	No evolution of the situation.
PI-27		Legislature examination of the annual budgetary law (M1)	B+	D+		Degradation	



Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-27 (i)	PI-18.1	Objectives of the National Assembly Review	A	C	THE review by the legislature covers details of expenditures and revenues for next year, but not fiscal policies and aggregates for next year, nor projections tax in the medium term	Degradation	The situation remains similar, because neither policies, fiscal aggregates nor medium-term projections have been sent, nor analysed.
PI-27 (ii)	PI-18.2	Degree to which National Assembly procedures are well defined and respected	A	A	(i) the legislature's procedures for scrutinizing and approving General State Budget proposals are established before the holding of the budget hearings, (ii) they are followed and (iii) they include provisions for public consultations, and (iv) 2nd and other sectoral specialized committees for the analysis, that (v) the processes have technical support and negotiation procedures established.	No change	The proceedings of the Assembly were always well defined and respected.
PI-27 (iii)	PI-17.3	Sufficient time for National Assembly to respond to budget proposals (detailed estimates and, where applicable, proposals on macro fiscal aggregates in the early part of the budget preparation cycle) (time allowed in practice for all combined phases)	B	D	During the past 3 years, only the 2018 annual budget proposal has been presented by the government to the National Assembly at least one month before the start of the fiscal year.	Degradation	In the case of PEFA 2013, only the 2013 General State Budget was presented after the beginning of the year. During previous years, the Assembly had between 1.5 and 2 months to approve the GSBs before the beginning of the year.
PI-27 (iv)	PI-18.4	Rules for amendments during the year without prior approval by the National Assembly	B	B	(i) there are clear rules for making ongoing budget adjustments by the executive power, (ii) they are respected in most instances, and (iii) the rules allow for extensive administrative reallocations.	No change	There was no evolution in this dimension
<b>PI-28</b>		<b>Legislature examination of external audit reports (M1)</b>	<b>D</b>	<b>D</b>		<b>No change</b>	
PI-28 (i)	PI-31.1	Timeliness of examination of audit reports received by the National Assembly (for reports received in the last three years)	D	D	The last audited CGEs 2014 and 2015 were not subject to scrutiny by the National Assembly within 12 months of their receipt by the TdC.	No change	The score remains unchanged, but some improvement has been identified with the submittal of two CGEs audited by the ToC.
PI-28 (ii)	PI-31.2	Audits on audit results	D	D	No hearings were ever held on the results of the audits.	No change	No evolution of the situation

Methodology		Pillar / Indicator / Dimension (2011 PEFA)	2013 Evaluation (2011 Methodology)	2019 Evaluation conversion (2011 Methodology)		Score evolution	Evolution Explanation
2011	2016			Points	Points		
PI-28 (iii)	PI-31.3	Recommendations on audit by the legislature and its implementation by the executive	D	D	The recommendations on audit results were never issued to the government.	No change	No evolution of the situation
<b>DONOR PRACTICES</b>							
<b>D-1</b>		<b>Discontinued</b>					
D-1 (i)							
D-1 (ii)							
<b>D-2</b>		<b>Discontinued</b>					
D-2 (i)							
D-2 (ii)							
<b>D-3 (i)</b>		<b>Discontinued</b>					

## Annex 5: Variation calculations for PI-1, 2 and 3 indicators

Quadro 2						
Dados do exercício de =	2016					
Classificação orgância	Orçamento	Realizado	Orçamento ajustado	Desvio	Desvio em valores absolutos	Porcentagem
AN	69.012	57.202	51.422,0	5.780,0	5.780,0	11,2%
TC	40.951	23.857	30.513,3	-6.656,3	6.656,3	21,8%
TJ	49.416	55.120	36.820,7	18.299,3	18.299,3	49,7%
PR	15.021	12.752	11.192,4	1.559,6	1.559,6	13,9%
GPM	81.174	47.025	60.484,1	-13.459,1	13.459,1	22,3%
PGR	25.623	17.067	19.092,1	-2.025,1	2.025,1	10,6%
MDM	94.773	81.325	70.617,0	10.708,0	10.708,0	15,2%
MNEC	38.640	28.495	28.791,3	-296,3	296,3	1,0%
EMBXSTP	97.063	39.653	72.323,3	-32.670,3	32.670,3	45,2%
MJDH	38.339	36.082	28.567,0	7.515,0	7.515,0	26,3%
MEAS	40.986	46.670	30.539,4	16.130,6	16.130,6	52,8%
MFAP	147.309	152.482	109.762,4	42.719,6	42.719,6	38,9%
MECC	462.142	489.888	344.349,9	145.538,1	145.538,1	42,3%
MIRNA	751.178	471.830	559.715,5	-87.885,5	87.885,5	15,7%
MS	529.638	439.731	394.642,3	45.088,7	45.088,7	11,4%
MJD	48.212	27.440	35.923,6	-8.483,6	8.483,6	23,6%
MADR	246.539	153.483	183.700,4	-30.217,4	30.217,4	16,4%
MAI	156.044	119.540	116.271,0	3.269,0	3.269,0	2,8%
MECI	131.909	58.805	98.287,6	-39.482,6	39.482,6	40,2%
EGE (excluindo juros e amortização da dívida)	423.789	240.341	315.772,4	-75.431,4	75.431,4	23,9%
Despesas alocadas	3.487.758	2.598.788	2.598.788,0	0,0	593.215,6	
Juros	56.474	31.783				
Contingências	-	-				
Despesa Total	3.544.232	2.630.571				
Resultados agregados (ID-1)						74,2%
Variância na composição (ID-2)						22,8%
Dotação orçamental para contingências						0,0%

<b>Quadro 3</b>						
<b>Dados do exercício de =</b>	<b>2017</b>					
<b>Classificação orgânica</b>	<b>Orçamento</b>	<b>Realizado</b>	<b>Orçamento ajustado</b>	<b>Desvio</b>	<b>Desvio em valores absolutos</b>	<b>Porcentagem</b>
AN	62.012	49.103	52.948,8	-3.845,8	3.845,8	7,3%
TC	35.125	19.786	29.991,4	-10.205,4	10.205,4	34,0%
TCO	-	500	0,0	500,0	500,0	0,0%
TJ	45.505	38.256	38.854,3	-598,3	598,3	1,5%
PR	12.801	14.475	10.930,1	3.544,9	3.544,9	32,4%
GPM	60.832	29.847	51.941,2	-22.094,2	22.094,2	42,5%
PGR	23.757	17.398	20.284,8	-2.886,8	2.886,8	14,2%
MDAI	191.019	176.182	163.101,0	13.081,0	13.081,0	8,0%
MNEC	119.080	61.176	101.676,1	-40.500,1	40.500,1	39,8%
MJAPDH	59.024	30.376	50.397,5	-20.021,5	20.021,5	39,7%
MEAS	46.043	50.373	39.313,7	11.059,3	11.059,3	28,1%
MFCEA	241.847	190.951	206.500,3	-15.549,3	15.549,3	7,5%
MECCC	509.905	518.239	435.380,8	82.858,2	82.858,2	19,0%
MIRNA	560.542	280.001	478.617,0	-198.616,0	198.616,0	41,5%
MS	419.487	406.256	358.177,7	48.078,3	48.078,3	13,4%
MJD	52.477	20.175	44.807,3	-24.632,3	24.632,3	55,0%
MADR	195.265	162.726	166.726,4	-4.000,4	4.000,4	2,4%
EGE (excluindo juros e amortização da dívida)	371.140	500.725	316.896,7	183.828,3	183.828,3	58,0%
Despesas alocadas	3.005.861	2.566.545	2.566.545,0	0,0	685.900,2	
Juros	52.416	38.635				
Contingências	-	-				
Despesa Total	3.058.277	2.605.180				
resultados agregados (ID-1)	179.279	111.155				85,2%
Variância na composição (ID-2)						26,7%
Dotação orçamental para contingências						0,0%

<b>Quadro 4</b>						
Dados do exercício de = Classificação orgânica	2018		Orçamento ajustado	Desvio	Desvio em valores absolutos	Porcentagem
	Orçamento	Realizado				
AN	50.000	52.650	33.861,1	18.788,9	18.788,9	55,5%
TC	25.593	12.705	17.332,2	-4.627,2	4.627,2	26,7%
TCT	3.321	3.386	2.249,1	1.136,9	1.136,9	50,6%
TJ	42.778	30.725	28.970,2	1.754,8	1.754,8	6,1%
p R	13.533	13.869	9.164,8	4.704,2	4.704,2	51,3%
GPM	48.116	22.919	32.585,2	-9.666,2	9.666,2	29,7%
PGR	21.117	15.233	14.300,9	932,1	932,1	6,5%
M DAI	200.229	179.840	135.599,5	44.240,5	44.240,5	32,6%
MN ECC	110.868	64.030	75.082,3	-11.052,3	11.052,3	14,7%
MJAPDH	47.063	23.170	31.872,1	-8.702,1	8.702,1	27,3%
MEAS	43.175	14.512	29.239,1	-14.727,1	14.727,1	50,4%
MFCEA	204.760	190.431	138.668,0	51.763,0	51.763,0	37,3%
MECCC	432.606	456.965	292.970,4	163.994,6	163.994,6	56,0%
MIRNA	918.026	246.572	621.707,7	-375.135,7	375.135,7	60,3%
MS	375.048	324.445	253.990,9	70.454,1	70.454,1	27,7%
MJD	39.922	21.539	27.036,1	-5.497,1	5.497,1	20,3%
MADR	197.848	168.495	133.987,1	34.507,9	34.507,9	25,8%
EGE (excluindo juros e amortização da dívida)	338.139	266.126	228.995,3	37.130,7	37.130,7	16,2%
Despesas alocadas	3.112.142	2.107.612	2.107.612,0	0,0	858.815,2	
Juros	50.239	34.242				
Contingências	-	-				
Despesa Total	3.162.381	2.141.854				
Resultados agregados (ID-1)	115.884	86.397				67,7%
Variância na composição (ID-2)	-	-				40,7%
Dotação orçamental para contingências						0,0%

<b>Quadro 5: Matriz de resultados</b>			
Exercício	para ID-1.1	para ID-2.1	para ID-2.3
	Resultados da Despesa Total	Variância na composição	Dotação para contingências
2016	74,2%	22,8%	0,0%
2017	85,2%	26,7%	
2018	67,7%	40,7%	

<b>Quadro 2</b>						
<b>Dados do exercício de =</b>		<b>2016</b>				
<b>Rubricas Económicas</b>	<b>Orçamento</b>	<b>Realizado</b>	<b>orçamento ajustado</b>	<b>Desvio</b>	<b>Desvio em valores absolutos</b>	<b>Porcentagem</b>
Remuneração dos assalariados	648.570	655.346	481.376	173.970	173.970	36,1%
Uso de Bens e Serviços	284.776	187.835	211.364	-23.529	23.529	11,1%
Consumo de capital fixo	739.784	322.709	549.076	-226.367	226.367	41,2%
Juros	56.474	31.783	41.916	-10.133	10.133	24,2%
Subsídios	700.175	433.344	519.678	-86.334	86.334	16,6%
Donativos	994.807	941.519	738.358	203.161	203.161	27,5%
Prestações sociais	27.514	23.326	20.421	2.905	2.905	14,2%
Outras despesas	92.132	34.709	68.381	-33.672	33.672	49,2%
<b>Despesa total</b>	<b>3.544.232</b>	<b>2.630.571</b>	<b>2.630.571,0</b>	<b>0,0</b>	<b>760.071,8</b>	
	-	-				
<b>Variância da Composição</b>						<b>28,9%</b>

<b>Quadro 3</b>						
<b>Dados do exercício de =</b>		<b>2017</b>				
<b>Rubricas Económicas</b>	<b>Orçamento</b>	<b>Realizado</b>	<b>orçamento ajustado</b>	<b>Desvio</b>	<b>Desvio em valores absolutos</b>	<b>Porcentagem</b>
Remuneração dos assalariados	674.102	720.218	574.231	145.986	145.986	25,4%
Uso de Bens e Serviços	254.404	223.569	216.713	6.856	6.856	3,2%
Consumo de capital fixo	641.866	239.604	546.771	-307.167	307.167	56,2%
Juros	52.416	38.635	44.650	-6.015	6.015	13,5%
Subsídios	322.388	293.982	274.625	19.357	19.357	7,0%
Donativos	966.732	961.000	823.507	137.494	137.494	16,7%
Prestações sociais	27.514	24.994	23.438	1.556	1.556	6,6%
Outras despesas	118.855	103.179	101.246	1.933	1.933	1,9%
<b>Despesa total</b>	<b>3.058.277</b>	<b>2.605.181</b>	<b>2.605.180,7</b>	<b>0,0</b>	<b>626.364,5</b>	
<b>Variância da Composição</b>						<b>24,0%</b>

<b>Quadro 4</b>						
<b>Dados do exercício de =</b>		<b>2018</b>				
<b>Rubricas Económicas</b>	<b>Orçamento</b>	<b>Realizado</b>	<b>orçamento ajustado</b>	<b>Desvio</b>	<b>Desvio em valores absolutos</b>	<b>Porcentagem</b>
Remuneração dos assalariados	717.395	769.932	485.885,7	284.046,6	284.046,6	58,5%
Uso de Bens e Serviços	241.441	143.663	163.526,0	-19.862,8	19.862,8	12,1%
Consumo de capital fixo	248.205	142.107	168.107,2	-26.000,2	26.000,2	15,5%
Juros	50.239	34.242	34.026,5	215,7	215,7	0,6%
Subsídios	314.674	272.680	213.126,1	59.554,4	59.554,4	27,9%
Donativos	1.402.337	643.053	949.791,2	-306.738,5	306.738,5	32,3%
Prestações sociais	31.862	25.742	21.579,9	4.162,2	4.162,2	19,3%
Outras despesas	156.228	110.435	105.811,9	4.622,6	4.622,6	4,4%
<b>Despesa total</b>	<b>3.162.381</b>	<b>2.141.854</b>	<b>2.141.854,4</b>	<b>0,0</b>	<b>705.202,9</b>	
<b>Variância da Composição</b>						<b>32,9%</b>
<b>Quadro 5: Matriz de resultados</b>						
	<b>Exercício</b>	<b>Variância da Composição</b>				
	2016	28,9%				
	2017	24,0%				
	2018	32,9%				

<b>Quadro 2</b>						
<b>Dados para o exercício =</b>		<b>2016</b>				
Capítulo económico	previsto	realizado	Orçamento ajustado	Diferença	Valor absoluto	Percentage m
<b>Receitas Fiscais</b>						
Imposto sobre rendimento, lucro e ganhos de capital	115.381	99.524	99.029	495	495	0,5%
Impostos sobre os salários e a mão de obra	278.182	273.463	238.759	34.704	34.704	14,5%
Impostos sobre o património	12.241	12.285	10.506	1.778	1.778	16,9%
Imposto sobre bens e serviços	110.110	92.380	94.505	-2.125	2.125	2,2%
Imposto sobre o comércio externo	550.598	390.992	472.569	-81.577	81.577	17,3%
Outras receitas fiscais	103.888	110.669	89.165	21.504	21.504	24,1%
<b>Contribuições sociais</b>						
Contribuições para a segurança social			0,0	0,0	0,0	0,0%
Outras contribuições sociais			0,0	0,0	0,0	0,0%
<b>Donativos</b>						
Donativos de Governos estrangeiros	474.206	619.412	407.003	212.409	212.409	52,2%
Donativos de organizações internacionais	682.213	408.072	585.531	-177.459	177.459	30,3%
Donativos de outras entidades de administrações públicas	192.529	65.275	165.244	-99.970	99.970	60,5%
<b>Outras receitas</b>						
Rendimentos de propriedade	60.429	142.787	51.865	90.922	90.922	175,3%
Venda de bens e serviços	26.674	23.133	22.894	240	240	1,0%
Multas, penalidades e confiscações			0	0	0	0,0%
Transferências voluntárias não classificadas em outros lugares			0	0	0	0,0%
Prémios, cotizações e indemnizações relativas ao seguro não vida e programas de garantia normalizados			0	0	0	0,0%
Outras receitas	18.722	15.147	16.069	-921	921	5,7%
<b>Total das receitas</b>	<b>2.625.173</b>	<b>2.253.140</b>	<b>2.253.140</b>	<b>0</b>	<b>724.104</b>	
Execução das receitas						85,8%
Decomposição da variação						32,1%

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<b>Quadro 3</b>						
<b>Dados para o exercício =</b>		<b>2017</b>				
Capítulo económico	previsto	realizado	Orçamento ajustado	Diferença	Valor absoluto	Porcentagem
<b>Receitas Fiscais</b>						
Imposto sobre rendimento, lucro e ganhos de capital	124.383	145.440	106.075	39.366	39.366	37,1%
Impostos sobre os salários e a mão de obra	295.755	250.338	252.222	-1.884	1.884	0,7%
Impostos sobre o património	19.586	12.501	16.703	-4.202	4.202	25,2%
Imposto sobre bens e serviços	123.036	136.007	104.926	31.081	31.081	29,6%
Imposto sobre o comércio externo	544.684	388.662	464.510	-75.848	75.848	16,3%
Outras receitas fiscais	128.419	107.352	109.517	-2.164	2.164	2,0%
<b>Contribuições sociais</b>						
Contribuições para a segurança social			0,0	0,0	0,0	0,0%
Outras contribuições sociais			0,0	0,0	0,0	0,0%
<b>Donativos</b>						
Donativos de Governos estrangeiros	431.238	498.345	367.763	130.582	130.582	35,5%
Donativos de organizações internacionais	622.764	537.618	531.097	6.521	6.521	1,2%
Donativos de outras entidades de administrações públicas	274.274	66.995	233.903	-166.908	166.908	71,4%
<b>Outras receitas</b>						
Rendimentos de propriedade	60.338	92.591	51.457	41.134	41.134	79,9%
Venda de bens e serviços	30.150	35.856	25.712	10.144	10.144	39,5%
Multas, penalidades e confiscações			0	0	0	0,0%
Transferências voluntárias não classificadas em outros lugares			0	0	0	0,0%
Prémios, cotizações e indemnizações relativas ao seguro não vida e programas de garantia normalizados			0	0	0	0,0%
Outras receitas	21.885	10.841	18.664	-7.823	7.823	41,9%
<b>Total das receitas</b>	<b>2.676.512</b>	<b>2.282.547</b>	<b>2.282.547</b>	<b>0</b>	<b>517.657</b>	
Execução das receitas						85,3%
Decomposição da variação						22,7%

<b>Quadro 4</b>						
<b>Dados para o exercício =</b>		<b>2018</b>				
Capítulo económico	previsto	realizado	Orçamento ajustado	Diferença	Valor absoluto	Percentage m
<b>Receitas Fiscais</b>						
Imposto sobre rendimento, lucro e ganhos de capital	166.437	97.240	114.086	-16.846	16.846	14,8%
Impostos sobre os salários e a mão de obra	294.200	247.310	201.662	45.647	45.647	22,6%
Impostos sobre o património	15.358	13.468	10.527	2.940	2.940	27,9%
Imposto sobre bens e serviços	168.193	157.376	115.289	42.087	42.087	36,5%
Imposto sobre o comércio externo	487.597	485.988	334.228	151.760	151.760	45,4%
Outras receitas fiscais	121.570	98.029	83.331	14.698	14.698	17,6%
<b>Contribuições sociais</b>						
Contribuições para a segurança social			0,0	0,0	0,0	0,0%
Outras contribuições sociais			0,0	0,0	0,0	0,0%
<b>Donativos</b>						
Donativos de Governos estrangeiros	1.046.130	253.760	717.080	-463.319	463.319	64,6%
Donativos de organizações internacionais	539.707	428.667	369.947	58.719	58.719	15,9%
Donativos de outras entidades de administrações públicas	83.223	33.083	57.046	-23.963	23.963	42,0%
<b>Outras receitas</b>						
Rendimentos de propriedade	55.336	233.901	37.931	195.970	195.970	516,7%
Venda de bens e serviços	43.900	21.222	30.092	-8.870	8.870	29,5%
Multas, penalidades e confiscações			0	0	0	0,0%
Transferências voluntárias não classificadas em outros lugares			0	0	0	0,0%
Prémios, cotizações e indemnizações relativas ao seguro não vida e programas de garantia normalizados			0	0	0	0,0%
Outras receitas	14.000	10.773	9.596	1.177	1.177	12,3%
<b>Total das receitas</b>	<b>3.035.651</b>	<b>2.080.816</b>	<b>2.080.816</b>	<b>0</b>	<b>1.025.997</b>	
Execução das receitas						68,5%
Decomposição da variação						49,3%

<b>Quadro 5 - Matriz de resultados</b>		
Exercício	Execução das receitas	Composição da variação
2016	85,8%	32,1%
2017	85,3%	22,7%
2018	68,5%	49,3%