



DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

POVERTY REDUCTION STRATEGY PAPER

January 2014

Poverty Reduction Strategy Papers (PRSPs) are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF. Updated every three years with annual progress reports, they describe the country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing. This country document for the Democratic Republic of São Tomé And Príncipe, approved by Cabinet in July 2012, is being made available on the IMF website by agreement with the member country as a service to users of the IMF website.

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**SECOND NATIONAL POVERTY
REDUCTION STRATEGY II (2012–2016)**

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PREFACE

Poverty remains a scourge that afflicts a large segment of our population, with economic, social, political, institutional, and cultural implications. Given its characteristics, poverty can cause a persistent degeneration in conditions of life and generate situations that reproduce its causes and effects, thereby making it increasingly hard to eradicate. Reducing poverty is therefore a challenge that requires the involvement and participation of society as a whole.

Aware of this fact, the Government of the Democratic Republic of São Tomé and Príncipe has a responsibility to steer and oversee coordinated policies to combat poverty — making sure that the efforts of each and every person help mitigate the causes of poverty and systematically reduce its effects, particularly on the most vulnerable and needy groups in our population.

Unable to remain indifferent to the reasons why the First National Poverty Reduction Strategy produced unsatisfactory results, the government will activate accountability mechanisms at various levels in its pursuit of good governance policies, to ensure that financial investment to reduce poverty attracts interest from the country's development partners, as well as receiving contributions from the various sectors, institutions and segments of our own population.

For the different political stakeholders, this Second National Poverty Reduction Strategy indicates the broad lines of government action for 2012-2016, and constitutes a binding framework for priority actions, aimed at gradually lowering the country's poverty indices.

We expect the overall comprehension of these aims to facilitate a climate of political and institutional relations that is propitious for implementing the programs included in the strategy's various pillars of action, namely:

- Reforming public institutions and strengthening the strategy of good governance;
- Promoting integrated and sustainable economic growth;
- Developing human capital and improving basic social services;
- Strengthening social cohesion and protection.

Clearly, a five-year timeframe will be too short to solve all the problems facing us in the multiple dimensions of poverty; but we are convinced that, if we all focus on the priorities defined by the specifics of each of the pillars mentioned above, we will make a significant contribution to reducing poverty in São Tomé and Príncipe, and achieving the Millennium Development Goals, to which we are firmly committed.

We welcome the publication of this strategy document which, using the aforementioned pillars to address the major aspirations of the Santomean people, benefited from reflections and contributions from our public institutions at the national, regional, and local levels, as well as from representatives of the private sector and organized civil society, and the country's technical and financial partners. We would like to thank all participants, particularly the United Nations Development Programme (UNDP), for their support and close monitoring throughout the design and production process.

With everyone pulling together, there can be no doubt that São Tomé and Príncipe will overcome poverty.

s/

Agostinho Q.S.A. Fernandes
Minister of Planning and Development

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Acronyms and Abbreviations

ACU	Aid Coordination Unit
AU	African Union
CNP	National Oil Account
CPI	Consumer Price Index
CWIQ	Core Welfare Indicators Questionnaire
DFP	District Focal Point
EEZ	Exclusive Economic Zone
EITI	Extractive Industries Transparency Initiative
EMAE	Water and Electricity Corporation
ENASA	National Air Safety and Administration Company
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOP	Major Planning Options (<i>Grandes Opções de Plano</i>)
HBS	Household Budget Survey
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICT	Information and Communication Technologies
IDA	International Development Association
IEC	Information, Education, and Communication
JDZ	Joint Development Zone
MDGs	Millennium Development Goals
NLTPS	National Long-term Perspective Study
NPRS	National Poverty Reduction Strategy
ODA	Official Development Assistance
OGE	General State Budget
PAP	Priority Action Program
PIC	Criminal Investigation Police
PIP	Public Investment Program
RAP	Autonomous Region of Príncipe

RFP	Regional Focal Point
SAFE	Government Financial Management System
SFP	Sectoral Focal Point
SPS	Sectoral Planning Service
STP	São Tomé and Príncipe
UNDP	United Nations Development Programme
UNWTO	World Tourism Organization

Executive Summary

The first NPRS was drafted in 2002 and the authorities promised to reduce the percentage of the Saotomean population living in poverty (53.8 percent) by half in 2010 and by two-thirds in 2015, and to decrease the percentage of the population living in extreme poverty from 15.1 percent to 4.9 percent.

In December 2005 a Priority Action Program (PAP 2006-2008) was submitted to the partners at the Brussels Round Table with a view to forming a partnership for good governance and poverty reduction that would make it possible to respond to the need to achieve the Millennium Development Goals. This exercise in negotiating with technical and financial partners was continued at the sectoral round tables held in São Tomé in December 2006 and a Coordination Meeting held in Santo António in the Autonomous Region of Príncipe in October 2007. Despite these initiatives, implementation of the National Poverty Reduction Strategy (NPRS-I) fell short of expectations, as evidenced by the progress reports and impact assessments for the policies and programs implemented.

In light of this situation and the challenges faced in pursuing poverty reduction actions, São Tomé and Príncipe took the initiative to draft an updated National Poverty Reduction Strategy (NPRS-II) for the purpose of refocusing poverty reduction interventions for the period 2012-2016.

To that end, the present National Poverty Reduction Strategy Paper (NPRS-II) is informed by the participatory spirit and process that guided the preparation of the NPRS-I and is linked and coordinated with previous policy and planning instruments to create a new strategic framework, which incorporates a number of changes that have occurred at the national and international spheres, as well as new policy guidelines and concerns expressed by both the cooperation partners and the beneficiaries. This strategy is the result of a long process, which seeks to reconcile São Tomé's aspirations with the opinions of the different national, regional, and district public institutions, as well as nongovernmental organizations, technical and financial partners, the private sector, and organized civil society.

Assuming that the government does continue its actions to meet the aspirations of the São Tomean people, the medium-term vision envisions São Tomé and Príncipe as a country with: (i) good government and strong and credible institutions; (ii) a climate that is favorable to sustainable and integrated economic growth with income (re)distribution; (iii) well trained human resources equal to the challenges of development; and (iv) valued cultural assets and guaranteed equal opportunity for both genders. The following general strategic objectives are defined on the basis of applying this vision to the 2012-2016 period:

- achieving a GDP growth rate of at least 6 percent (creating the conditions for consistent diversification of the economy);
- reducing the percentage of the São Tomean population living in poverty by 10 percent (promoting income generating initiatives so as to improve the economy's productive capacity);
- providing (easier and improved) access to basic social services for the entire population.

The general objectives defined must be achieved through compliance with the programs included under each of the following strategic pillars:

- Pillar I – Reforming public institutions and strengthening the strategy of good governance. This responds to the need to create the conditions for institutions to function optimally, for guaranteed political stability, and for the success of economic and social policies in an atmosphere of transparency and accountability. The programs under this pillar cover issues related to the functioning of government institutions, public administration, the credibility and swiftness of justice, and effective and transparent public financial management. Actions and measures will also be taken to improve the quality of coordination and management of official development assistance, in compliance with the commitments assumed under the Paris Declaration.
- Pillar II – Promoting integrated and sustainable economic growth. One of the basic assumptions of this strategy is the promotion of sustainable economic growth to generate employment and income with a view to reducing absolute poverty, which affects 66 percent of the São Tomean population.¹ The programs should help restore the primary sector of the economy to its position as the driver of domestic production, with actions in the areas of agriculture, livestock, fishing, and tourism, in particular. The programs should also target the establishment of infrastructure for the sustained revitalization of the productive sector and for creating the conditions to attract foreign direct investment.
- Pillar III: Developing human capital and improving basic social services as one of the main prerequisites for attaining the planned objectives of economic growth, integration in the global market, and poverty reduction. This third strategic pillar is dedicated to strengthening the areas of education, training, and health, etc., with a view to having better trained human resources to face the challenges of the future and contribute to the country's development.
- Pillar IV – Strengthening social cohesion and the social safety net. Social cohesion is a necessary principle for building a more integrated and balanced society and for reducing poverty. Under the current conditions, however, there are still social inequalities that inhibit citizenship, on the one hand, and have critical consequences for the advancement of underprivileged and vulnerable social groups, on the other hand. Interventions in this area are intended to improve the living conditions of the population through programs to support social integration, particularly for vulnerable groups, to support the victims of catastrophes and natural disasters, to provide assistance to underprivileged persons without employment, and to guarantee equality of opportunity across gender lines.

The macroeconomic framework for the period of implementation of this five-year strategy presents two scenarios, namely: (i) a baseline scenario, which projects the start-up of oil production and exports in 2015; and (ii) an alternative scenario without oil production or exports.

Both scenarios project that the nominal exchange rate will continue to be pegged to the euro at the rate of STD 24,500 to € 1.

Budget projections are based on the assumption that the government will remain current on its energy supply payments through efforts that combine strong fiscal discipline, structural reforms of the EMAE, and the adoption of a mechanism to automatically adjust retail fuel prices. The main features of the macroeconomic outlook in both scenarios are:

¹ INE - STP, HCS, 2010.

- In the oil scenario growth would rise to 6 percent by 2014 then take off with the start-up of oil production and exports, while inflation would decline into the single digits. It is hoped that the government will stabilize the domestic primary deficit at 3 percent of GDP by 2014 given the available financing. The current account deficit would therefore decrease.
- In the nonoil scenario, the projected growth rate is lower than in the oil scenario given the absence of oil-related investment expenses and the second-order effects of oil revenue inflows. Budget financing will be limited and the government will have to adopt more restrictive budget policies and target a domestic primary deficit of around 2 percent of GDP.

The key medium-term vulnerabilities that may constitute risks for the coherent implementation of the strategy include slower-than-expected GDP growth, persistent financial and economic problems in Europe, and international price shocks.

In order to guarantee compliance with the programs under each pillar, it is proposed that the performance of the execution, monitoring, and evaluation mechanism be updated and improved. This would include a redefinition of the organizational framework and enhanced human, material, and financial resources for its operation.

1. Prior considerations

São Tomé and Príncipe prepared its first National Poverty Reduction Strategy Paper in 2002 and submitted a Priority Action Program (PAP) for 2006-2008 to the Brussels Roundtable in December 2005 for consideration, with a view to establishing a partnership for good governance and poverty reduction, which would enable it to comply with the Millennium Development Goals.

Based on this analysis of the poverty situation and the identification of its main determinants, the first National Poverty Reduction Strategy would be implemented to attain the following overall objectives:

- achieving a GDP growth rate of 5 percent from 2003;
- reducing the percentage of the São Tomean population living in poverty by half in 2010, and by two-thirds in 2015;
- providing access to basic social services for the entire population by 2015 and fostering an improvement in living standards;
- considerably reducing social and gender differences between the districts, between the districts and the Autonomous Region of Príncipe, and between urban and rural populations;
- promoting institutional capacity building and a policy of good governance.

The political will needed to draw up a profile of priority actions, political stability, and the proper functioning of democratic institutions should go a long way toward achieving the expected results.

The National Poverty Reduction Strategy Paper was subsequently validated at the National Seminar held on December 10, 2002, approved by a decree of the regular session of the Council of Ministers on December 19, 2002 and promulgated by the President of the Republic on January 23, 2003.

However, it was found that implementation of this National Poverty Reduction Strategy (NPRS-I) fell below expectations, as demonstrated by the progress reports and impact assessments of the measures and programs implemented.

In addition, changes in the level of information and data used in designing and preparing the program needed to be factored in, based on a new assessment of the phenomenon of poverty and, with a view to mobilizing resources that would meet the financing needs of the current priorities.

In this context, and in light of the current development challenges, São Tomé and Príncipe took the initiative to draft an updated National Poverty Reduction Strategy (NPRS-II) for the purpose of refocusing poverty reduction interventions over the period 2012-2016.

The purpose is to create a new strategic framework that takes into account a set of changes that occurred at the national and international levels and to incorporate new policy guidelines and concerns expressed by the development partners and the beneficiaries.

To that end, the present National Poverty Reduction Strategy (NPRS-II) Paper reflects the participatory spirit and process that guided the drafting of the NPRS-I and coordinates with

previous policy and planning instruments, such as the National Long-Term Perspective Study (NLTPS), Priority Action Programs, Government Programs, Major Planning Options, and Development Plan for the Autonomous Region of Príncipe, the aim being to include priorities that can work over the implementation period.

Moreover, the actions included under the different strategic pillars correspond to the need to comply with the Millennium Development Goals (MDG), given that the government is committed to and engaged in the process of attaining these goals.

2. Overview of the process of NPRS-I implementation

Despite the fact that a participatory approach was used in the process of preparing the National Poverty Reduction Strategy I, involving a wide variety of the country's institutions and individuals, the indicators of participation and relationships between the various governments and sectors in the process of implementing the NPRS-I show that neither the country nor the partners were effectively mobilized in implementing this important document.

The National Poverty Reduction Strategy approved in 2002 for the period ending in 2015, included an initial Action Plan (2003-2005) covering the first stage of implementation. But in the three years that followed its approval, it was not effectively implemented. This is basically due to insufficient financial resources and periods of political-institutional instability, which had repercussions for the degree to which stakeholders took ownership of Plan actions. Furthermore, the absence of a structure for coordination and monitoring was also one of the factors responsible for the insufficient implementation of the plan during the period.

Even so, some of the sectoral projects in the annual PIPs were executed, albeit partially, and their results can be assessed because, even though they were not necessarily consistent, they did help improve the living conditions of the poorest and most underprivileged segments of the population.

In 2005, after the preparation of the Priority Action Program (PAP 2006-2008), a coordination, monitoring, and evaluation structure was created by Decree 32/2005, including a Poverty Reduction Observatory (PRO), and a roundtable was held with the principal donors and partners resulting in some improvement in the terms of execution of PAP actions and projects.

Sectoral roundtables were also held in São Tomé December 2006 and a Coordination Meeting in Santo António in the Autonomous Region of Príncipe in October 2007.

However, a number of constraints led to the poor performance of the PAP (2006-2008) and, consequently, of the NPRS-I, in particular:

- insufficient ownership by the government of the technical sectors;
- the absence of a dynamic communications strategy for consistent dissemination of the NPRS-I;
- a dysfunctional coordination apparatus and insufficient technical and financial support for the PRO;
- poor coordination between the instruments of government planning and implementation, in particular the NPRS-I, the Government Program, the Major Planning Options, and the General State Budget (OGE).

Another obstacle to NPRS-I implementation was the fact that some sectors had no properly defined and coordinated sectoral strategies to ensure consistency between activities in these sectors and the objectives of the national strategy.

3. Features of the current profile of poverty

Two methodologies were used in the framework of the second Household Consumption Survey (HCS) that was conducted in 2010: average income and cost of basic needs. According to the average income method, the poverty ratio decreased from 53.8 percent 2000 to 49.6 percent in 2010. Using the cost-of-basic-needs method, 66.2 percent of the São Tomean population is poor or, in other words, is living on less than STD 30,000 per day per capita.

Table 1. São Tomé and Príncipe: Distribution of monetary poverty (%) 2000-2010

	Districts						Príncipe	National Territory
	Água-Grande	Mé-Zochi	Cantagalo	Caué	Lembá	Lobata		
Situation in 2000 based on the analysis of relative poverty (Poverty line STD 2,638,618)								
Incidence of poverty (P0)	39.4	58.9	58.9	82.2	76.6	66.4	60.1	53.8
Depth of poverty (P1)	11.9	21.4	17.5	40.5	33.4	25.6	24.1	19.2
Severity of poverty (P2)	5.1	10.4	7.3	23.2	18.0	12.9	12.1	9.3
Situation in 2010 based on the analysis of relative poverty (Poverty line STD 8,680,490)								
Incidence of poverty (P0)	52.0	38.0	45.5	69.3	60.2	53.6	58.5	49.6
Depth of poverty (P1)	17.1	11.5	11.9	22.9	21.0	17.3	20.6	15.9
Severity of poverty (P2)	7.4	5.0	4.3	10.2	9.7	7.9	9.3	6.9

Source: HCS, 2000 and 2010, INE STP

A comparison of the results of the 2000 and 2010 poverty profile, based on the average income method, shows that there was progress in reducing poverty, albeit far less than expected. The ratio of the incidence of poverty decreased from 53.8 percent in 2000 to 49.6 percent in 2010, representing a reduction of 4.2 percentage points, which is far below the target set in the NPRS-I for 2010,² and also shows relative improvement in the depth of poverty (a reduction from 19.2 percent to 15.9 percent). Reducing the current level of poverty is a major challenge for the country.

In the Autonomous Region of Príncipe (RAP) the incidence of poverty declined by 1.6 percentage points (from 60.1 percent to 58.5 percent), the depth of poverty by 3.5 percentage points (from 24.1 percent to 20.6 percent), and the severity of poverty by 2.8 percentage points (from 12.1 percent to 9.3 percent).

² The National Poverty Reduction Strategy I (NPRS-I) sought to reduce the percentage of the São Tomean population living in poverty (53.8 percent) by half in 2010.

According to the distribution of poverty by district, poverty was reduced in every district, with the exception of Água Grande (which increased from 39.4 percent in 2000 to 52 percent in 2010). The greatest reduction occurred in the Mé-Zochi district, where poverty declined from 58.9 percent in 2000 to 38 percent in 2010. Despite the overall progress, poverty levels are still considered to be very high in the districts of Caué, Lembá, and Lobata, where more than 50 percent of the population is still below the poverty line, defined as STD 24,000 per person per day.³ A comparison of the indices of depth and severity of poverty shows that in the districts of Caué, Lembá, Lobata, and Água Grande the percentages are higher than in the districts of Cantagalo and Mé-Zóchi.

Table 2. São Tomé and Príncipe: Distribution of monetary poverty (%) 2010

	Districts						Príncipe	STP
	Água-Grande	Mé-Zochi	Cantagalo	Caué	Lembá	Lobata		
Situation in 2010 based on the analysis of relative poverty (Poverty line STD 10,975,730)								
Incidence of poverty (P0)	68.3	56.6	65.9	84.5	73.7	67.8	71.4	66.2
Depth of poverty (P1)	26.1	19.1	21.1	34.3	30.7	26.5	29.9	24.8
Severity of poverty (P2)	12.8	8.9	8.9	17.2	15.9	13.3	15.4	12.0

Source: HCS 2010, INE São Tomé and Príncipe

According to the results of the poverty profile based on the cost of basic needs, 66.2 percent of the population of São Tomé and Príncipe is poor; in other words, two thirds of the population lives on less than STD 30,000 per day per capita.⁴ In the RAP, close to 60.1 percent of the population lives in poverty, meaning that they do not manage to fulfill the needs defined as basic, which an individual must meet in order to live a decent life.

The situation of poverty by district shows that the incidence of poverty is greater in the districts of Caué (84.5 percent), Lembá (73.7 percent), Água Grande (68.3 percent), and Lobata (67.8 percent) and in the RAP, compared to the national average, which other districts that display the highest poverty rates measured in terms of average income. The highest rates for the indices of depth and severity of poverty continue to be recorded in these districts, which means that the income of most of the poor people in these areas is far below the poverty line and the levels of income inequality between them are high in comparison with the districts of Mé-Zochi and Cantagalo, which have low levels of poverty in the three indicators calculated.

³ Calculated on the basis of the average income method.

⁴ Calculated by the cost of basic needs method.

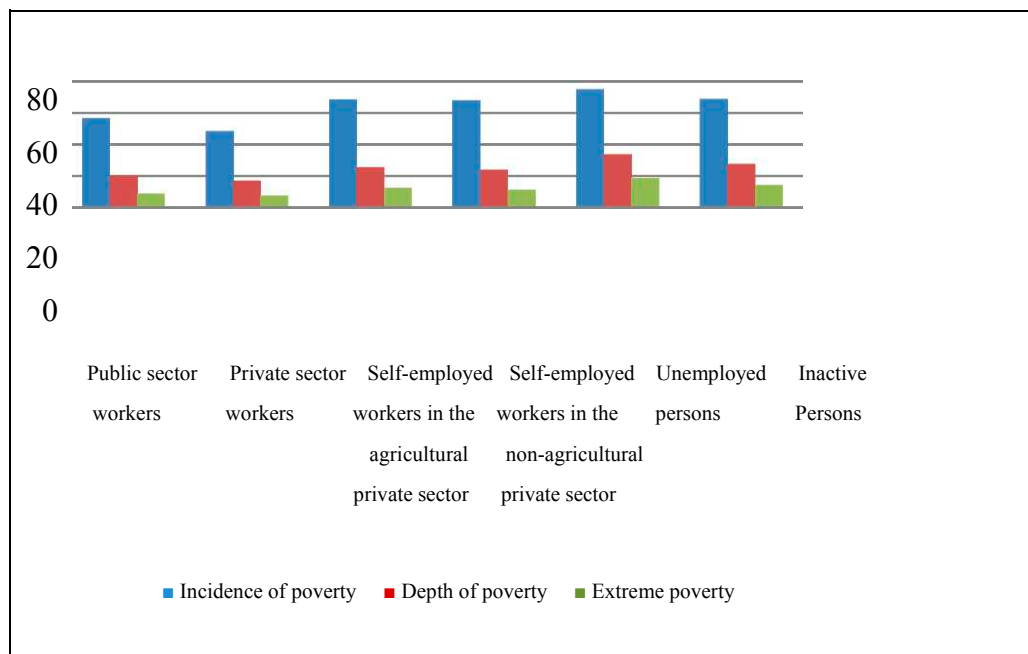
Table 3. São Tomé and Príncipe: Poverty indices by gender of head of household

	Incidence of poverty (P0)			Depth of poverty (P1)			Severity of poverty (P2)		
	Male	Female	National	Male	Female	National	Male	Female	National
Agua-Grande	65.8	71.7	68.3	25.2	27.4	26.1	12.5	13.2	12.8
Mé-Zochi	52.2	63.9	56.6	16.4	23.5	19.1	7.3	11.5	8.9
Cantagalo	65.4	67.0	65.9	21.0	21.4	21.1	8.8	9.2	8.9
Caué	84.7	83.7	84.5	33.7	37.0	34.3	16.8	19.4	17.2
Lembá	72.2	77.4	73.7	30.1	32.4	30.7	15.4	17.0	15.9
Lobata	59.9	83.2	67.8	22.5	34.4	26.5	10.8	18.0	13.3
Príncipe	68.6	77.7	71.4	29.6	30.9	29.9	15.1	16.0	15.4
STP	63.4	71.3	66.2	23.3	27.2	24.8	11.2	13.4	12.0

Source: HCS 2010, INE STP

Table 3 shows estimated poverty by gender of the head of household. It shows that households headed by women are more affected by poverty and those headed by men. About 71.3 percent of households headed by women are affected by poverty, as opposed to 63.4 percent of those headed by men. The vast majority of the female heads of household are single mothers with little education and their income is derived mainly from agriculture or from the informal sector. The incidence and the depth and severity of poverty is also high in female headed households, which means that most of the income from poor households headed by women is far below the poverty line and levels of inequality are greater in these population groups, compared with their male counterparts.

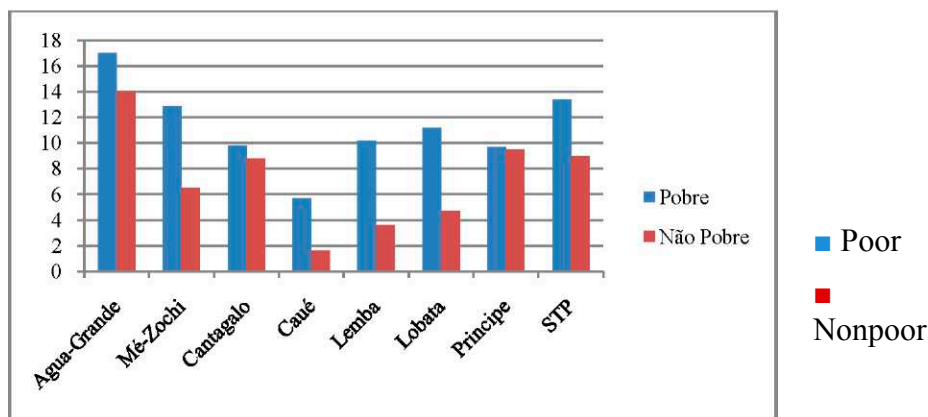
Figure 1 - Distribution of poverty by socioeconomic group, 2010 (Percentages)



Source: HCS 2010, INE STP

Figure 1 shows the breakdown of poverty by different socioeconomic groups. The impoverishment of the population seems to be directly related to employment status, with a lesser impact on the working population than on inactive and unemployed persons. Among the employed, those most vulnerable to poverty are self-employed workers in the agricultural private sector (68.4 percent) and the nonagricultural private sector (67.7 percent), while others have levels of poverty lower than 60 percent. One in every three jobs that employ poor persons has a monthly salary of less than one minimum wage (STD 822,255), as opposed to one in every four jobs for nonpoor people. The index of the depth and severity of poverty shows that the situation is the same as for the incidence of poverty.

Figure 2 – Rate of unemployment of individuals aged 15 and over, by poverty status



Source: HCS, INE STP

According to Figure 2, the unemployment rate affects about 18.4 percent of the poor population and 9 percent of the nonpoor population nationally. This percentage is lower in RAP for both poor and nonpoor people.

With respect to the breakdown of unemployment by district, based on individual living conditions, the study showed that the districts of Agua Grande and Mé-Zóchi have high unemployment rates, whereas the district of Caué, which is the poorest district, has a low unemployment rate. Agua Grande and Mé-Zóchi comprise mainly urban areas which, in the mid-1990s and up until the beginning of the new millennium, saw their populations inflated as a result of the rural exodus of a large number of unemployed and unskilled individuals, who raised the existing unemployment rates of these districts. The districts of Cantagalo, Lembá, and Lobata have similar unemployment rates.

Table 4. São Tomé and Príncipe: Average spending on health and education (%)

	Districts						Príncipe	STP
	Agua-Grande	Mé-Zóchi	Cantagalo	Caué	Lembá	Lobata		
Spending on education as a percentage of total expenditure	3.7	3.4	3.8	1.6	3.0	5.0	1.5	3.5
Spending on health as a percentage of total expenditure	3.0	3.2	2.9	1.0	1.3	3.8	1.8	2.8

Source: HCS, INE STP

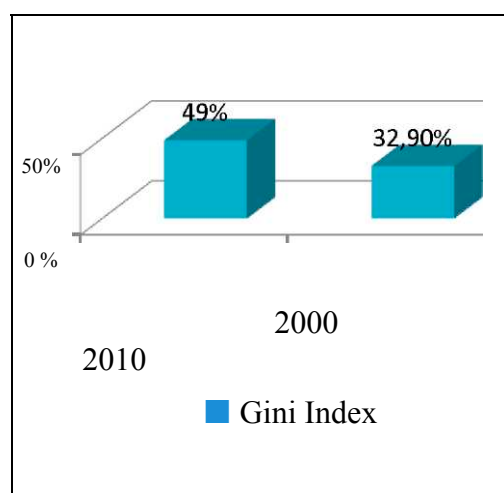
São Tomean families spend on average 3.5 percent of their budgets on education and 2.8 percent on health. The poorest districts are the ones that spend at least on health and education. This finding does not apply to the Lobata district, which is one of the poorest districts yet its inhabitants spend a greater percentage of their budgets on health and education compared with other equally poor districts. The inhabitants of RAP on average spend only 1.5 percent of their budgets on health expenses and 1.8 percent on education.

Table 5. São Tomé and Príncipe: Literacy rates by level of poverty

	Poverty Status	
	Poor	Nonpoor
Gender		
Male	93.5	94.4
Female	80.6	84.5
Residential area		
Agua-Grande	88.3	95.8
Mé-Zochi	88.1	88.2
Cantagalo	86.9	83.1
Caué	77.2	73.6
Lembá	78.5	80.9
Lobata	88.1	86.5
Príncipe	86.2	89.8
Total	86.7	89.4

Source: HCS 2010, INE São Tomé and Príncipe

The poorest districts have higher literacy rates than districts that are not as poor. The literacy rate is indirectly proportional to the poverty rates of the districts. The Caué and Lembá districts have the lowest literacy rates. Males, both poor and nonpoor, have higher literacy rates than their female counterparts.

Figure 3 – Inequality index (Gini Index)

Source: HCS, 2000 and 2010, INE STP

The data in Figure 3 shows the inequality in income distribution at the national level. The Gini index fell from 49 percent in 2000 to 32.9 percent in 2010, which shows an improvement in income distribution in favor of the poor. This improvement is due to the implementation of

programs that allow for the development of income generating activities for the poor as well as an improvement in their productive capacity.

4. Overview of the current situation

4.1. Good governance and management of public assets

Good governance continues to be a major challenge for São Tomé e Príncipe. Of course, there have been considerable advances in the past 20 years with respect to affirming democracy and the authorities' commitment to implementing the principles of good governance in the management of public assets. The operationalization of these principles still faces innumerable structural constraints, which limit progress at various levels (maturity of the political system, greater supervision of the executive, modernization of government administration, access to justice, effectiveness and transparency in public financial management).

4.1.1. Political governance

The Constitution of the Republic has a coherent frame of reference to provide the necessary prerequisites for a democratic society. With the advent of the multiparty system, elections are being conducted satisfactorily, with the result that political parties take turns at holding office. Freedom of the press and of expression is already a reality in the country. Citizens have access to laws through their publication in the official gazette *Diário da República* and to deliberations in the National Assembly through different channels (seating in the public section, publication of the Assembly's journals on the Internet, direct broadcasting of plenary sessions on national radio). However, the legal framework in São Tomé and Príncipe needs to be modernized in a number of areas to correct the existing weaknesses.

Political instability: The management of public issues over the last decade was marked by frequent changes in government (four changes in five years). These changes in the executive have resulted in significant shifts in ministerial teams, alteration of political priorities, and abandonment of previous projects and programs. The State's actions have been marked by a lack of continuity, making it difficult to follow-up on the reform process in a sustainable manner.

Imbalances between the executive and the parliament: Although the Constitution establishes the parliament as the highest legislative institution in the country with the power of oversight, these two functions, legislation and oversight, are scarcely practiced by the parliament. Most legislation is initiated by the executive branch. Furthermore, the process of deliberation and approval of draft laws is slow and many bills never reach the final phase of the process (being put to a general vote). Similarly, parliamentary debate on development options and public policy principles, as well as oversight by the specialized committees leaves much to be desired.

Failure to monitor the regulations governing deputies: No structure was created to guarantee compliance with the regulations for deputies, particularly as regards incompatibility, incapacity, ineligibility, lifting immunity, conflicts of interest. There are concerns and some confusion about the boundaries between roles (deputies often work as civil servants as well).

Need to update legislative texts: The body of laws must be revised and adapted to the current reality in several areas. The regulations governing holders of political and special office were reviewed after they became effective in 1991. Legislation must be adopted to develop the question of gender parity as quickly as possible, in particular with respect to political

responsibilities. Similarly, a legal (and institutional) framework at the national level is necessary to regulate the organization and operation of NGOs.

Restrictions on the media: Even though freedom of expression is clearly set out in the law, the media faces different operational constraints: insufficient human resources, lack of equipment, unreliable financing, absence of specific legislation classifying journalists. Moreover, the small size of the country and overlapping family, social, and political relationships tend to have an influence on freedom of expression.

4.1.1.1. National security and defense

National defense and security, which are prerequisites for the survival of the nation as a sovereign entity, in peace and liberty, require that the State make efforts to significantly improve its political, economic, and military cohesion, safeguard national values, and consolidate the country's pluralist system.

However, drug trafficking, arms smuggling, terrorism, and the proliferation of other crimes, such as piracy, degradation of marine resources, human trafficking, money laundering, which jeopardize the security of states, requires São Tomé and Príncipe to reorient its defense and security policy for strategic reasons, to ensure that the defense and security forces have the resources they need to cope with the new challenges and safeguard the collective safety of the citizenry.

For this reason, a primary concern of the State is to have an overall strategy to promote systemic changes and reforms in the security and defense forces and services, to develop their potential to meet modern-day challenges.

The government is focusing on managing training activities, under a project grounded in criteria geared towards the acquisition of new knowledge in different areas of police and military expertise. At the same time, a retooling project will be developed and tailored to the types of threats and risks that exist and how they manifest.

4.1.2. Judicial governance

The 2003 Constitution reaffirms the fundamental principles of the rule of law and guarantees the independence of the judicial branch. There are still persistent and multiple flaws in the judicial system, which have a negative impact on economic activity (limited capacity of the system to enforce the rights of economic operators) and citizens (hard-to-access judicial services). The lack of confidence in judicial institutions is detrimental to the ability to obtain loans to develop business initiatives, business potential, and to attract foreign investment.

An outdated legal framework: A vast number of legal instruments date back to the colonial era. There are important past and ongoing efforts to revise several legal texts: Commercial Code revised in 2009, Criminal Procedure Code promulgated in 2009, Civil Code, Code of Civil Procedure, Administrative Litigation Code, Court Costs Code, Penal Code (in the process of approval). After the national meeting on justice (November 2009), a new law on the judicial system took effect. Still, several legal texts need to be thoroughly overhauled, such as the land title code (1967) and the Civil Registration Code (1969).

Deficit in the administration of justice: Besides the fact that legal texts are no longer applicable, the São Tomean judicial system has difficulty applying its laws and controlling the execution of justice system decisions. The main reasons are related to: (i) underequipped and

understaffed courts; (ii) organizational weaknesses and human resource deficiencies on the part of attorneys; (iii) frequent interference by the political or economic branch in judicial processes; (iv) weakness of the existing supervisory mechanism.

4.1.3. Administrative governance

Despite the country's small size and successive attempts to implement reform programs, public administration in São Tomé and Príncipe is underdeveloped, cumbersome (in terms of bureaucracy), and overly centralized. It faces several structural problems: insufficient professional training or qualifications of its personnel; poor facilities; under-utilization of information and communication technologies; low salaries and no career development; poor distribution of existing human and material resources; lack of work discipline; limited use and imposition of penalties in institutions; excessive concentration of responsibilities and decisions.

4.1.4. Local governance

The decentralization process was launched in the 1990s with the publication of the framework law for the local authorities, which led to the holding of the first municipal elections in December 1994. However, the political structures of local administrations have not been effective in solving social, housing, and professional problems.

This administrative process is based on the division of the territory into six (6) districts in the island of São Tomé (Água Grande, Mé-Zochi, Cantagalo, Caué, Lembá, and Lobata) and an Autonomous Region spanning the island of Príncipe. But real progress in affirming local power and local-level management has been deficient for various reasons:

- lack of commitment on the part of the authorities to the decentralization process and to making it a priority on the political calendar;
- for 10 more than years, local institutions had no authority; after the 1994 elections, no new elections were held until August 2006. The last local elections were held in 2010;
- the local authorities have no planning and monitoring resources or instruments that serve as a frame of reference for managing development actions or initiatives for drafting local development plans;
- the local authorities have a serious shortage of financial resources and institutional capacity and are therefore not in a position to provide effective services to the local communities in the various fields in which they operate;
- the specific provisions of the law on oil resource management that are intended to build the financial capacity of the local authorities continue to be good intentions.

4.1.5. Financial governance and transparency in public financial management

In 2005, the São Tomean authorities began a far-reaching process of public financial reform. Emphasis was placed on building human resource capacity and developing an integrated computer system (SAFINHO), as well as modernizing the legal and regulatory framework. This resulted in the adoption in 2007 of the Law on the Government Financial Management System (SAFE), which replaced the previous organic law on public financial management dating back to 1986. The implementation of the SAFE-e made it possible to improve the quality of financial and budget information.

In 2008, a new budget classifier was introduced and a special coding was adopted to track pro-poor spending.

Reforms were also undertaken in the area of cash management and cash flow planning. On the other hand, the implementation of public procurement reform (auctions and government contracts) based on new legislation, has already begun to yield encouraging results.

Notwithstanding the progress made, the performance of the São Tomean public financial management system is still below par and assessments reveal serious weaknesses. The most critical point is accountability. Although the legal framework clearly defines the procedure and the timetable for approval of the General Government Account, the Court of Audit, after its establishment in 2003, has never had the opportunity to issue an opinion on the General Government Account because the executive branch has never submitted annual accounts at the end of the fiscal year.

São Tomé and Príncipe is currently in a critical position with respect to account transparency and public access to budget documents. The government's action to combat corruption and money laundering must be reinforced. Corruption is a growing phenomenon and the São Tomé and Príncipe's ranking in the Corruption Perceptions Index is a testament to this very critical situation.⁵ With respect to the fight against money laundering, it should be mentioned that a specific law was approved in 2008 (Law 15/2008 on Money Laundering and the Financing of Terrorism).

Regarding oil sector transparency, it is important to stress that the Law on Oil Revenue Management was approved in 2004 by the National Assembly. This led to regulations governing the use of revenue related to oil exploration and production activities and to the creation of the National Petroleum Agency (ANP), also in 2004. Despite the country's disqualification from the Extractive Industries Transparency Initiative (EITI), for reasons beyond the country's control, transparency has improved considerably in recent times, with the creation of the Petroleum Supervisory Commission (2006) and the Public Registration and Information Office (2007).

The lack of transparency prevents the effective mobilization of resources, once the development partners lose confidence in the procedures for using and allocating the funds made available to the country. With the establishment of the Public Accounting Directorate, actions have been taken to prepare and publish the General Government Account based for FY 2010 and subsequent years. For this purpose, various steps have been taken to train national experts in government accounting with a view to improving the quality of reporting in line with internationally accepted best practices.

The compilation of a General Government Account and consolidated and sustainable government accounting will also require strengthening the capacity of the Property Directorate to inventory nonfinancial assets. The Treasury Directorate should also develop its ability to present stock data on financial assets and liabilities so as to improve the risk forecasting associated with fiscal sustainability.

⁵ The Corruption Perceptions Index, disseminated in 2009, established by Transparency International, ranks the Democratic Republic of STP 111th out of a list of 180 countries. The country does not appear in the 2010 report. Its corruption index is 3 on a scale of 0 to 10.

With respect to External Debt Management, the government, through the Public Debt Management Office, has been drafting debt management reports for submission to the National Assembly. There are also plans to publish them on the Ministry of Finance website, to increase transparency in management of the sovereign debt. Still on the subject of transparency in debt management, a draft framework law was prepared and presented to the Assembly for the purpose of adopting good international practices in public debt management with a view to establishing a new procedure for borrowing.

4.1.5.1. Fiscal policies that expand the tax base

With the international financial crisis, external aid in the form of bilateral loans has been the dominant form of credit. It should be gradually replaced with foreign private investment, a source of financing that does not create debt. However, this substitution cannot realistically be expected to happen in the short term. It is necessary to use the available official resources efficiently and effectively to create the conditions necessary for a flow of foreign private capital.

The economy needs to be urgently restructured on the supply side to help attract foreign direct investment, which will be possible through budget policy measures designed to enhance incentives and investment in ports, airports, telecommunications, and energy. Government port and airport investment programs had already been facilitated by making concessions to foreign private investors. Fiber optics are expected to modernize telecommunications services starting in 2012, making the sector more competitive at the international level.

Measures to privatize energy infrastructure are being considered, to make water and energy supply more competitive and efficient.

But the government realizes that attracting foreign investment does not depend only on the creation of basic infrastructure. Property rights are of particular importance to foreign investors, particularly those interested in long-term investments. Safeguards are critical to attracting long-term investment capital, particularly in an atmosphere of international financial crisis. Recent strides in exchange rate stability and flat-lining inflation are increasing the probability of returns on foreign capital and allaying investors' fears of possible expropriation. With the business climate significantly improved, according to Doing Business 2012, the government intends to continue consolidating macroeconomic reforms so that its country and exchange rate risk is considerably reduced.

4.2. Analysis of the macroeconomic framework and the productive sectors

4.2.1. Macroeconomic framework

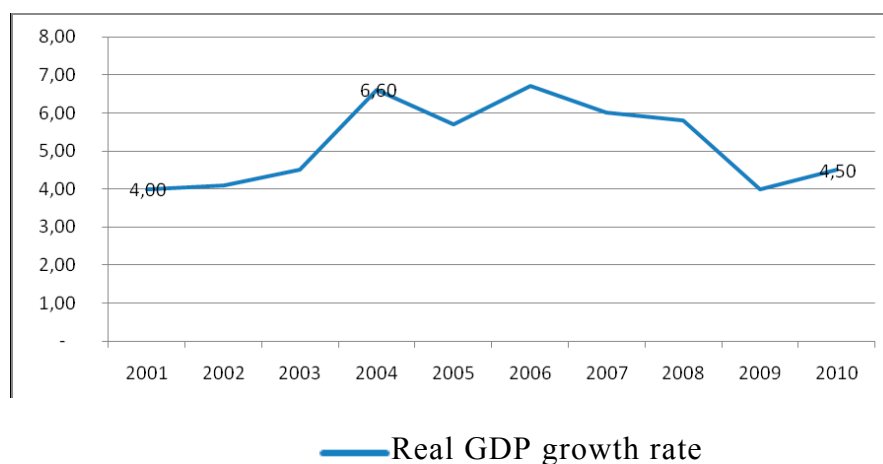
Economic Growth

Overall Change: In the last 10 years, the country had sustainable growth, with an average real GDP growth rate of 5.2 percent, which is slightly above the average for the countries of Sub-Saharan Africa (4.8 percent). This growth led to a sustained increase in per capita income for the first time since independence. Two factors can be identified as directly responsible for this outcome: the first is the increase in inflows of foreign funding, especially Foreign Direct Investment (FDI), with the promise of oil production. The other factor has to do with the reallocation of resources from less productive uses (agriculture) to more productive purposes (services), which increases the country's growth potential.

The primary sector experienced a persistent decline, particularly in the production of cocoa, the traditional export product of São Tomé and Príncipe.

Since 2008, growth has been held back by the international economic and financial crisis. The rise in the prices of foodstuffs and petroleum products at the international level has had repercussions on household demand and the production costs of domestic operators. This financial crisis has caused a decrease in FDI in the construction and tourism sectors as well as inflows of ODA, which has been the principal source of public investment funding throughout the years.

Figure 4 – Real GDP growth (%)



Source: IMF

Contribution of the sectors: Economic activity has been dominated by the tertiary sector (Table 6). From 2002 to 2011, this sector grew on average by 6 percent to represent 66.4 percent of GDP. This growth was driven by the trade, transport, warehousing, and communications sectors, and by public administration. The secondary sector represents on average 16.4 percent of GDP, having grown on average by 2.6 percent during the same period, and within the secondary sector, the fastest growth occurred in the manufacturing industries. Finally, the primary sector grew on average by 2.3 percent and was the sector that contributed 17.2 percent of GDP.

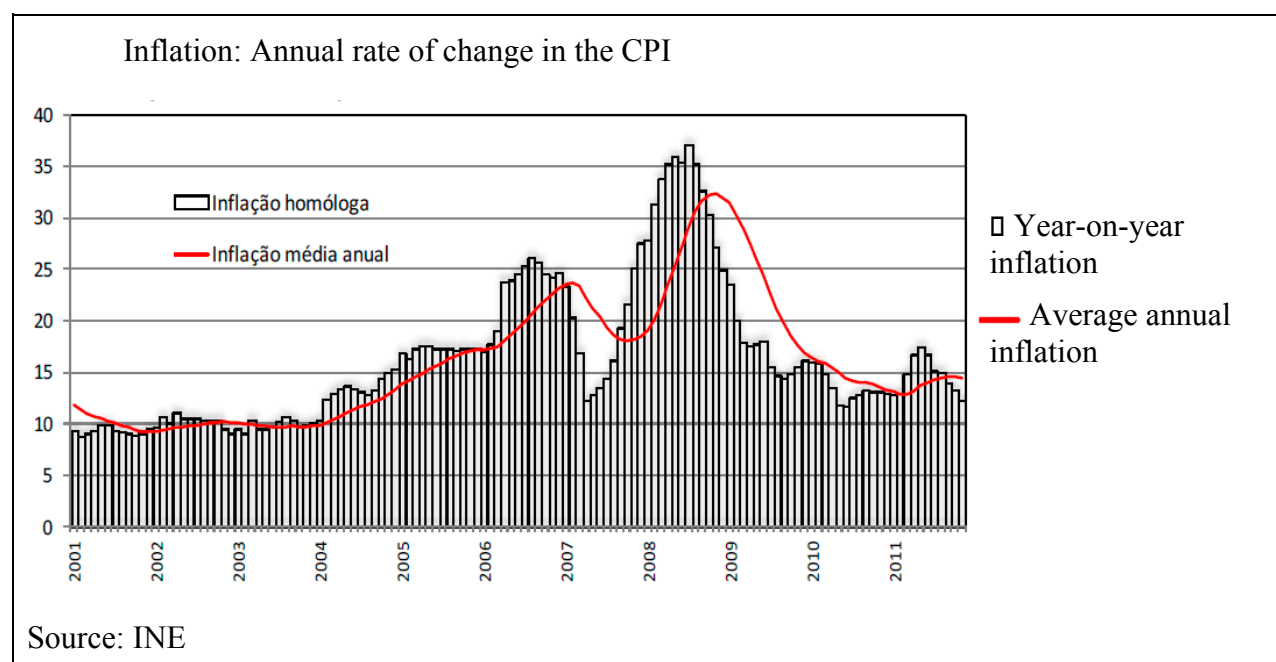
Table 6. São Tomé and Príncipe: Real GDP growth by sector activity and sectoral contribution to GDP (%)

Sectors of Activity	2002	2003	2004	2005	2006	2007	2008	2009	2010	Avg. (2002 - 2011)	Contrib. to GDP (2002-2011)
Primary Sector	0.01	2.42	1.65	0.72	1.14	10.38	8.01	-4.10	0.26	2.05	17.20
Secondary Sector	-9.89	6.49	5.55	-3.94	14.75	4.41	0.49	1.77	3.30	2.29	16.36
Tertiary Sector	5.59	7.36	4.78	3.18	12.73	-0.91	10.24	6.19	5.44	5.46	66.44

Source: INE

Inflation

With inflation on the decline since 2009 (Figure 5) or, in other words, with it trending towards more sustainable single-digit levels, with less volatility in the nominal effective exchange rate, a space was created for the Central Bank to reduce the reference interest rate starting in 2009. The purpose of this expansionary and counter cyclical monetary policy is to stimulate the economy, when it showed signs of a slowdown. The decline in the interest rate is, in turn, is related to the depreciation, albeit less volatile, of the NEER.

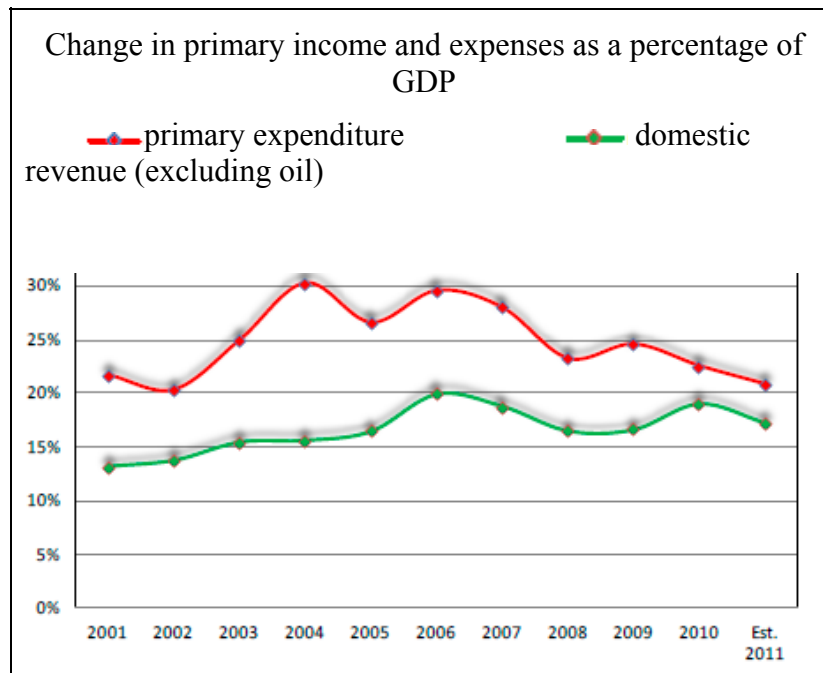
Figure 5 – Annual change in the CPI

Public Finance

The developing countries have four years in which to meet the Millennium Development Goals, but they continue to suffer from the effects of the historic international economic and financial crisis and São Tomé and Príncipe is no exception to the rule.

Circumstances determine whether São Tomé and Príncipe will face the constraints on access to the international financial market given the reduction in official development assistance, which has placed serious pressure on the already fragile situation of mobilizing additional domestic revenue.

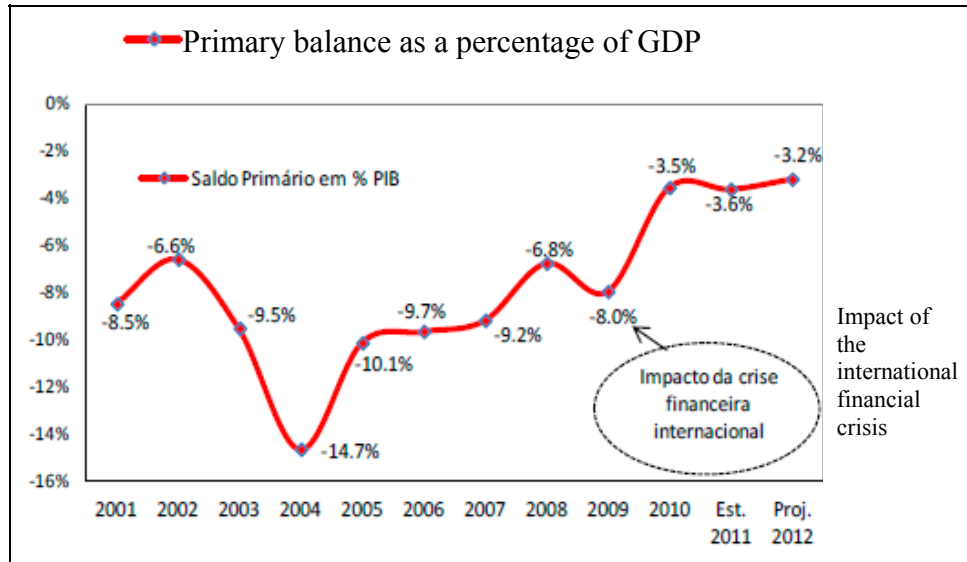
Figure 6 – Changes in primary income and expenditure



Source:

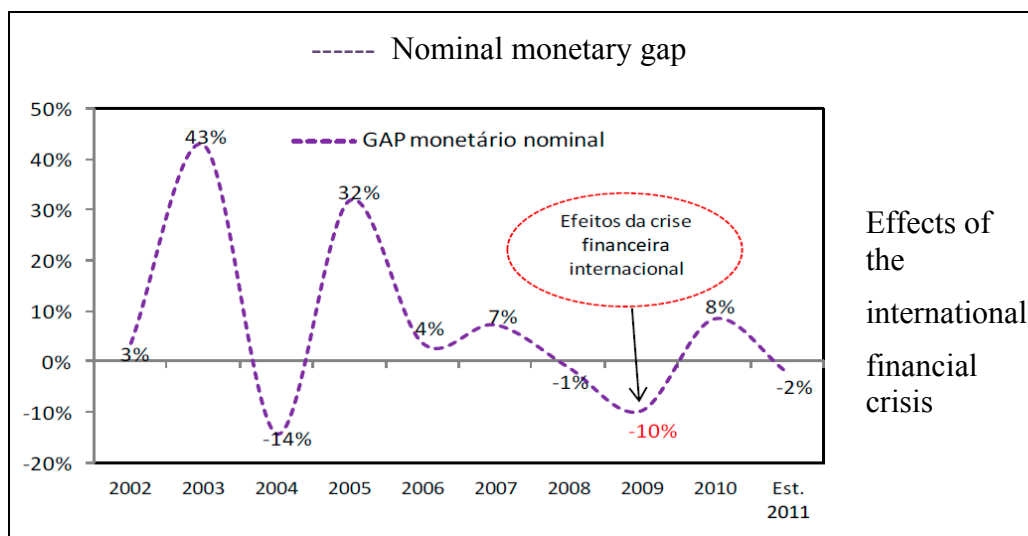
Budget

Directorate/Treasury Directorate

Figure 7 – Change in the primary balance

Source: Budget Directorate/Treasury Directorate

The primary deficit has been trending downwards since 2005, but this trend was temporarily reversed in 2009 when the country had recourse to exceptional domestic financing/privatization resources to implement countercyclical fiscal policies to help stabilize social investment spending. From that period onwards, the deficit has approached sustainable levels of 3 percent of GDP, based on stricter resource management. This positive trend in the deficit toward sustainable levels is due in particular to the fact that the budget policy has matched investment spending to changes in revenue, in an especially rigorous manner since 2005 (Figure 6). Moreover, in recent years, there has been a reduction in the gap between domestic revenue and primary expenses, as evidenced through the reduction of the primary deficit (Figure 7).

Figure 8 – Changes in the monetary gap

Source: Central Bank and calculations by Budget Directorate staff

The international financial crisis was also associated with a weakening of the economy and a 10-percent shortage of liquidity on the domestic market. Thus, the expansionary fiscal policy of using additional liquidity from privatization funds to finance pro-poor expenditure in an economic slowdown further deepened the primary deficit recorded in 2009.

At end-2008, the NEER fluctuated widely around the average, yet by 2009 it was already much less volatile. This narrow band of fluctuation around the average was reaffirmed with the Exchange Parity Agreement implemented in January 2010. The flip side of this increased exchange stability is that inflation, even though it was trending downward, was high enough to cause the real effective exchange rate (REER) to appreciate starting in 2009.

Public Investment

The level of public investment continued to decline between 2003 and 2010, with expenditure ranging from STD 200-300 million. Since 2008, public investment rose sharply, by as much as 190 percent between 2008 and 2010.

On average, during the 2003-2010 period, the sectors that most benefited from public investment were, in descending order: public administration (26.2 percent), transport and telecommunications (18.1 percent), health (13.3 percent), and education (12.6 percent). Agriculture seems to be a neglected sector, obtaining just 3 percent of the PIP in 2010, the lowest value in five years.

Table 7. São Tomé and Príncipe: Public investment program by sector of activity (% of total)

	2003	2004	2005	2006	2007	2008	2009	2010	2003-2010
Total Public Investment	252,296	262,636	200,411	311,325	277,179	372,960	884,411	1,082,248	455,433.3
Percentage of total									
Public Administration	24.65	39.37	31.87	17.97	27.28	38.53	1135	18.02	26.19
Agriculture	6.85	3.24	7.21	4.75	3.53	14.05	7.11	2.87	6.20
Water and Sanitation	13.74	6.65	4.79	3.61	3.17	2.39	4.68	2.94	5.25
Education	14.15	6.50	4.86	19.39	15.20	7.07	8.14	25.75	12.63
Energy	2.97	0.77	0.00	0.00	0.00	0.50	9.70	16.51	3.81
Housing	4.50	1.42	1.39	1.00	8.48	0.00	1.29	0.71	2.35
Fishing	1.41	0.44	0.00	1.69	12.23	0.00	0.00	0.08	1.96
Health	14.93	13.86	17.18	20.90	5.37	13.09	11.65	9.58	13.32
Transport and Telecommunications	14.63	12.16	20 [^] 1	11.17	15.03	19.69	37.63	14.25	18.11
Other	2.16	15.59	1238	19.51	9.71	4.67	7.96	9.30	10.16

Source: DPE

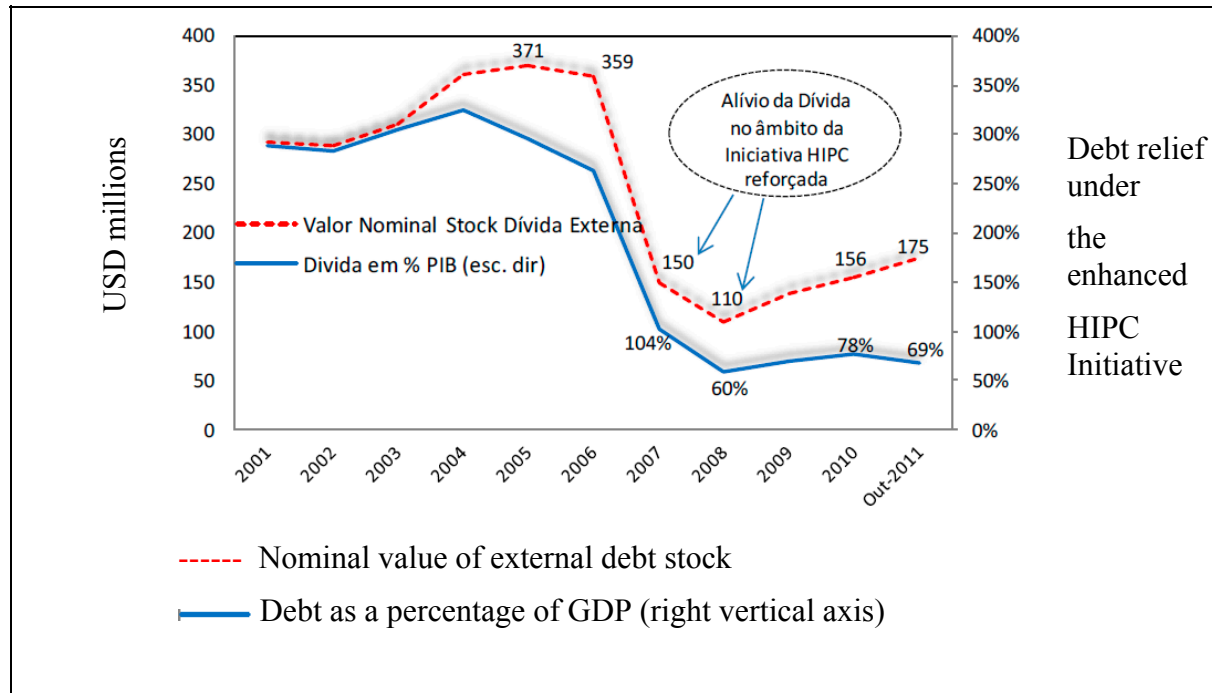
Public Debt

In 2007 and 2008, when completion point was reached under the HIPC Initiative, it was possible to reduce the stock of external debt from USD 359.5 million in 2006 to USD 110 million in 2008, in other words, a reduction of USD 259.5 million. Although the country was required to borrow at longer maturities and lower interest rates after its debt relief, it still needed access to

external financing for growth and poverty reduction programs, which caused the debt to continue to climb from 2009 to the present. It is important to note that in a situation of international financial crisis, access to grants from development partners naturally becomes scarcer. But, even access to credit tends to be pro-cyclical, so this too becomes more limited. As a result of the continuous need for financing, the immediate alternative to grants would be loans—mainly bilateral—which increase the external debt, in particular, even when the terms are concessional. Despite the natural creep of the external debt, it will trend towards more sustainable levels when normalized by domestic wealth creation (Figure 9). However, the debt to exports ratio still poses a challenge for sustainability.

In the general calculations, thanks to a sounder fiscal policy, debt relief in 2007 and 2008, an increase in the concessional component of the debt, and moderate inflation, São Tomé and Príncipe now has more leeway to implement expansionary fiscal and monetary policies to intensify growth and poverty reduction efforts. This enhanced macroeconomic stability will be the vehicle that will ensure continued sustainable development, through the consolidation of reforms.

Figure 9 – Trend of the external debt

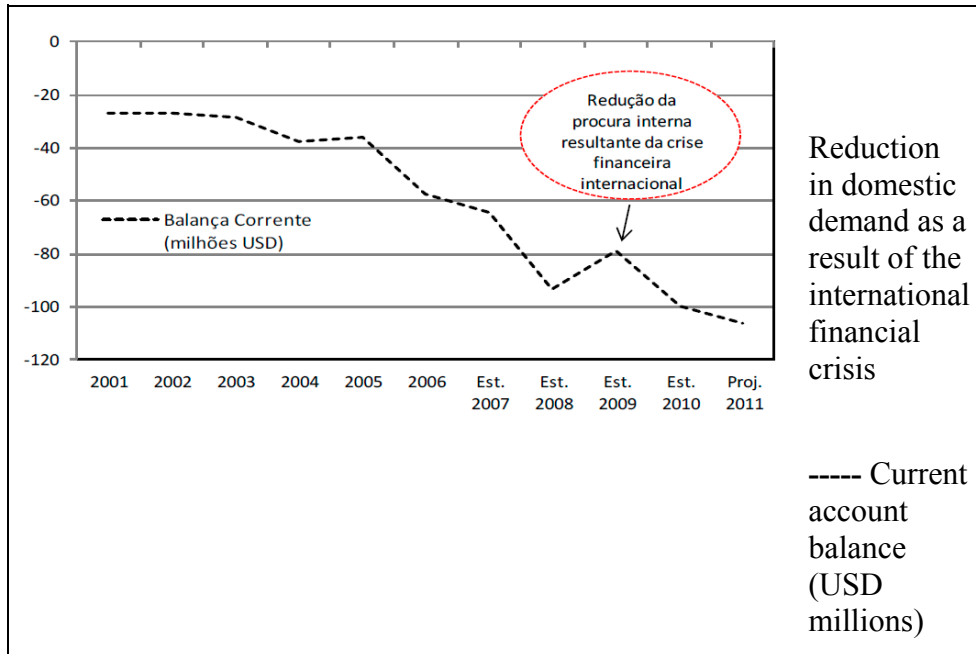


Debt relief under the enhanced HIPC Initiative

Current Account Balance

Despite the opposite trend in international prices and the resulting pressure to raise domestic fuel prices—which occurred in March 2011—inflation has been trending down since late 2008. The implementation of the Exchange Parity Agreement was a particularly important element. A stricter price control policy by the authorities also helped reduce general price levels.

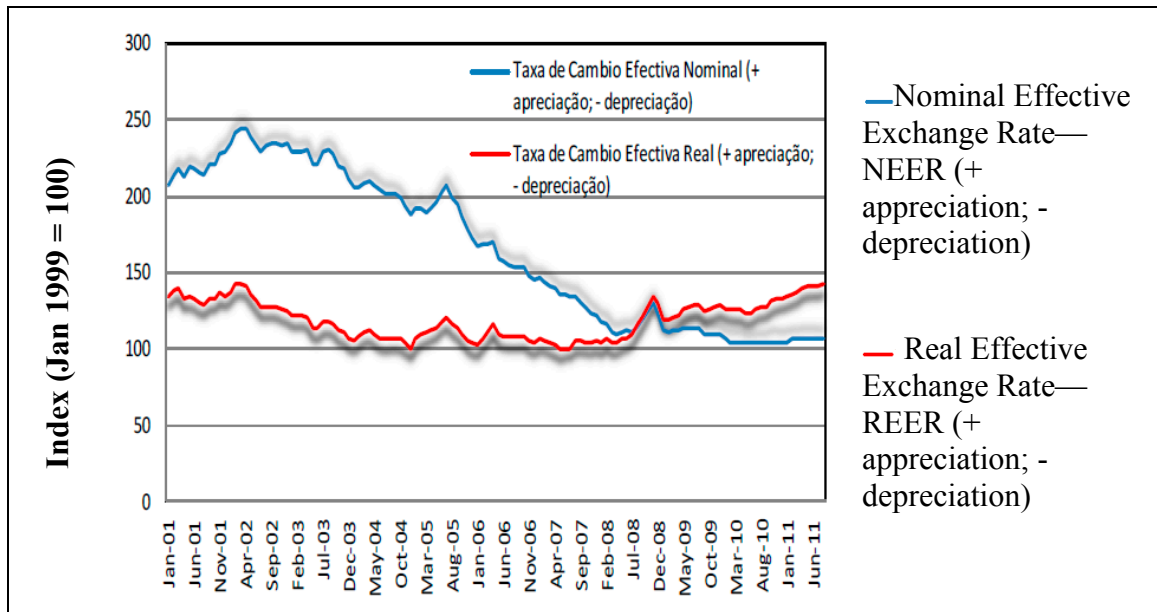
Figure 10 – Changes in the current account balance



Source: Central Bank

This loss of competitiveness on the domestic market is largely a result of the rise in imported inflation owing to increases in the international prices of raw materials and foodstuffs. The temporary reduction in the current account deficit in 2009 (Figure 10) is associated, in particular, with a reduction in domestic demand for imported goods and services.

Figure 11 – Exchange rate volatility (2001-2011)

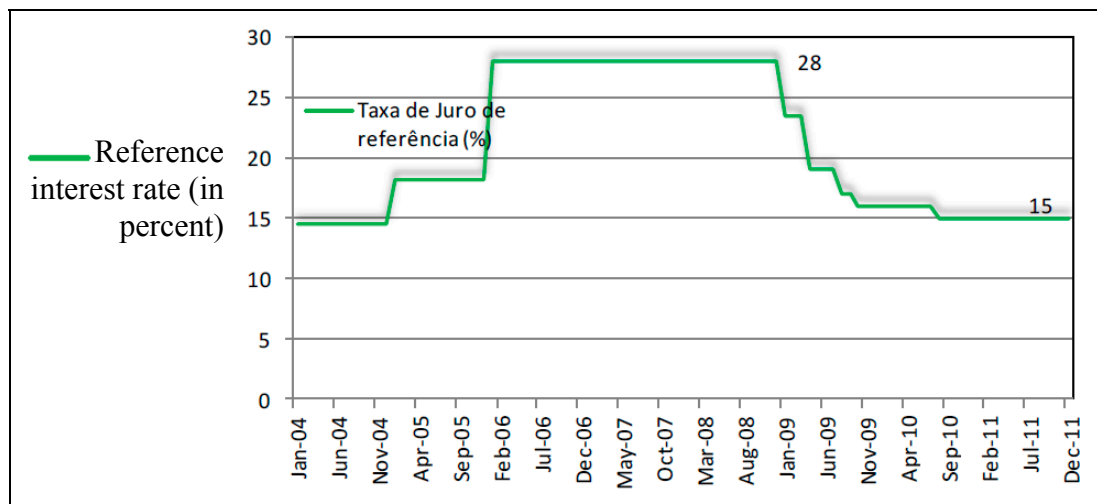


Source: Central Bank

On the other hand, the high interest rates in early 2009 were initially necessary to sustain confidence in the market and continue attracting flows of foreign capital in an inflationary climate with a highly volatile exchange rate, by compensating investors for the country and exchange rate risk premiums they would have to pay. These high interest rates are also an important means of preventing creditor resources from being siphoned off by borrowers paying a negative real interest rate.

In a fixed exchange rate system, in order to ensure continuity in consolidating macroeconomic objectives, the monetary and fiscal authorities are committed to controlling inflation so that it does not compromise the country's competitiveness goals. In order to introduce Treasury bills, the government will finance the deficit through the banks and not through the central government so as not to compromise the level of reserves needed to safeguard the fixed parity system.

Figure 12 – Reference interest rate



Source: Central Bank

Employment

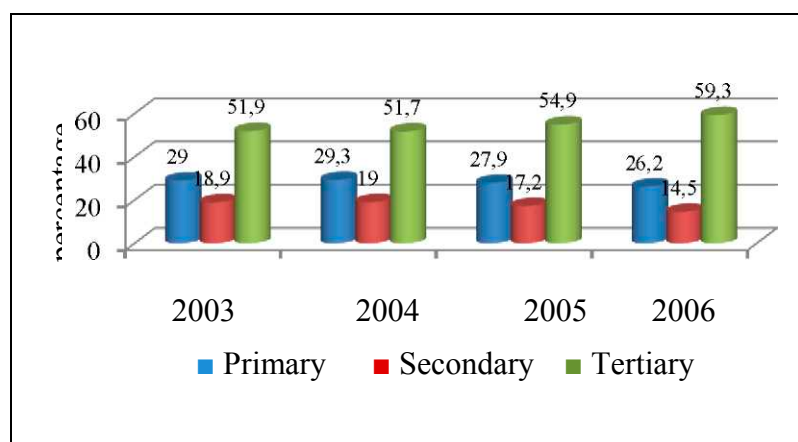
Generally speaking, growth has an impact on employment creation. According to the latest recent available data (Table 7), the unemployment rate declined from 16.0 percent in 2002 to 13.9 percent in 2008. There was less of an impact on underemployment, which increased by almost 40 percent above 2002 levels. Women continue to be harder hit by unemployment than men. In 2008 the rate was 17.4 percent, as opposed to 13.9 percent for men. It should be noted that the decrease in the unemployment rate was more accentuated for women than for men. But women are less affected by underemployment.

Table 8. São Tomé and Príncipe: Change in unemployment and underemployment rates (%)

	2002	2003	2004	2005	2006	2007	2008
Males	11.2	9.6	9.6	9.5	13.0	10.8	10.7
Females	22.1	22.4	22.7	21.1	15.6	18.1	17.4
Unemployment	16.0	15.1	15.0	14.8	14.2	14.2	13.9
Males	7.1	6.0	10.0	19.5	13.2	14.4	15.2
Females	11.7	9.7	8.9	9.0	13.8	9.9	10.5
Underemployment	9.1	7.6	9.5	14.7	13.5	12.3	13.0

Source: INE

Figure 13 – Job creation by sector of activity (%)



Source: INE

During the period 2003-2006, jobs created in the primary and secondary sectors decreased by 10 percent and 23 percent respectively, with fisheries, agriculture, livestock and forestry, and wholesale and retail trading accounting for most of this decline (which correlates with the reduction in long-term investment in these sectors). By contrast, the tertiary sector grew by 14.2 percent, primarily as a result of the public administration and education sectors.

4.2.2. Change in the production sectors and the business climate

São Tomé and Príncipe is basically an agricultural country, with more than a third of the population working in agriculture, livestock, and fisheries and earning incomes that are not sufficient to meet their basic needs. The agricultural sector contributes about 17.2 percent of GDP and 26.2 percent of the working population is directly dependent on the sector.

Agriculture

In order to increase and diversify national agricultural production, land was distributed to former agricultural workers. The land was distributed without the accompanying technical and financial resources necessary for new landholders, who also had no experience managing farms. For this and other reasons, they ended up abandoning the land and feeding the population exodus from

the rural areas, with the resulting negative impact on national agricultural production and, in particular, national food security.

Table 9. São Tomé and Príncipe: Agricultural production, 2000-2009 (metric tonnes)

Crops	2000	2001	2002	2003	2006	2007	2008	2009
Cocoa	2,883	3,652	3,462	3,820	1,900	2,800	1,900	2,800
Banana	26,000	27,020	28,620	29,050	31,648	32,000	31,648	30,744
Taro	26,976	26,000	24,650	24,750	9,025	9,927	11,019	12,231
Coffee	12	22	25	28	30	26	30	23

Source: FAO

According to the data presented in the table above, in terms of food crops, banana production increased from 26,000 mt to 30,744 mt between 2000-2009, while taro production decreased from 26,976 mt to 12,231 mt, more than a 50-percent drop. In terms of export crops, the production of cocoa, the main export product, declined while coffee production increased from 12 mt to 23 mt.

The sector faces a number of constraints and problems: (i) a lack of coordination between the various agencies and operators involved in implementing a coherent policy for the sector (Agricultural Policy Charter); (ii) the dearth of laws, regulations, and effective services governing agricultural and forestry activities; (iii) the nonexistence of support infrastructure for agriculture; and (iv) the absence of farm and crop credits.

At the operational level, steps are being taken to create decentralized services in the districts with the necessary technical expertise or transport facilities to train farmers. By the same token, the government has been unable to take action on a sustained basis to provide technical support (training and extension services), financial support (agricultural loans), or irrigation infrastructure to revitalize agriculture.

Livestock

National livestock production is sufficient to meet demand and the population's need for animal protein and to generate income that would improve the well-being or quality of life of livestock breeders and other economic operators involved in farming, marketing, and processing. According to the information available from the Livestock Directorate, meat production satisfies 59 percent of consumers' minimum requirements, namely 10 kg of meat per person per year, based on FAO standards.

There are an estimated 11,000 livestock farmers (10,000 in São Tomé and 1,000 in Príncipe), most of whom raise poultry. Livestock production currently contributes 4.2 percent of the national GDP. This activity is mainly a private sector undertaking, with a predominance of family farms.

Table 10 – Changes in national livestock numbers and domestic meat production volume (2005-2010)

	2005	2006	2007	2008	2009	2010
LIVESTOCK (HEAD)						
Beef Cattle	834	857	867	870	950	884
Goats	24,506	25,100	25,477	25,589	25,686	25,758
Sheep	2,249	2,361	2,442	2,542	2,621	2,418
Pigs	26,452	26,882	26,984	27,379	27,985	24,035

DOMESTIC MEAT PRODUCTION (METRIC TONS)						
Beef Cattle	6.2	10.4	6.1	5.9	6.4	6.1
Goats	2.1	2.6	4.5	2.7	2.7	2.6
Sheep	0.41	0.48	1.6	1.1	1.4	1.5
Pigs	339	315	323.2	225.4	320	347

Source: Livestock Directorate

Sustained livestock development in São Tomé and Príncipe and the efficient use of existing resources could significantly increase the production of animal protein, with the resulting improvements in diet, while retaining population in the rural areas, reducing poverty, and alleviating the burden of imports.

The main constraints and problems facing the livestock are:

1. health problems (hygiene and handling);
2. poor genetic performance of local breeds;
3. dysfunctional infrastructure for sales of animal products, which is frustrating to consumers;
4. inadequate legislation and regulations;
5. lack of technical and management expertise on the part of livestock breeders;
6. lack of inputs for the animals;
7. no credit policy for livestock farmers;
8. no coherent policy for the Livestock Directorate.

Fishing

Fishing is the principal activity of coastal communities in the country and also has great potential for the development of São Tomé and Príncipe (STP). It plays an important role in providing inputs and generating employment and income for communities. At the national level, nutritional requirements have always been covered predominantly by animal protein. However, a number of

deficiencies prevent the sector from making a more significant contribution to economic and social development. These deficiencies have repercussions at the institutional level and throughout the production chain, including for catching, processing, and marketing fish. The subsector is characterized mainly by subsistence fishing using small-scale and semi-industrial methods and accounts for 4 percent of GDP.

According to surveys conducted at the sectoral level, there are about 2,500 small-scale fishermen. A considerable number of farmers also practice fishing to supplement their income when there are no other alternative sources of income, and about 16,000-20,000 persons live directly from fishing.

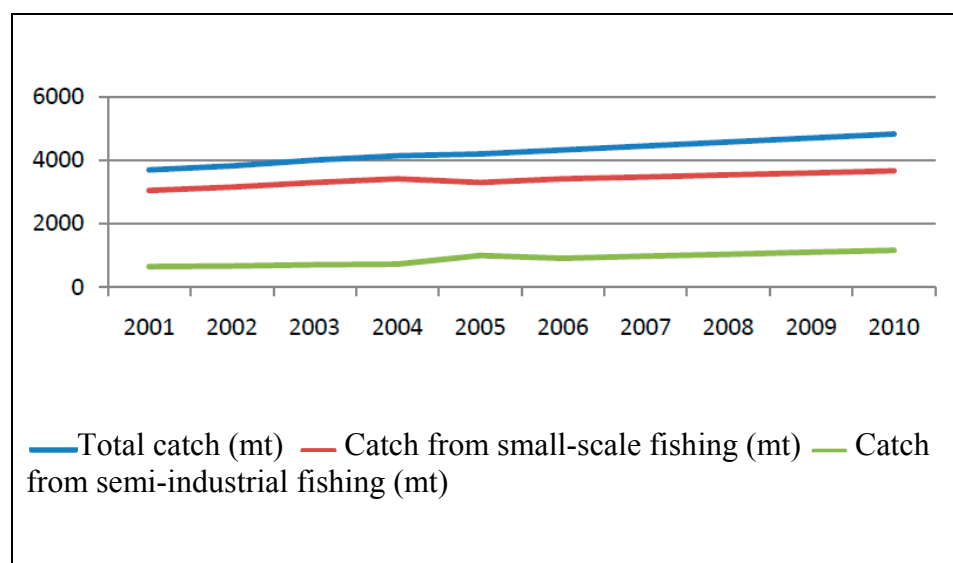
In the sphere of nonindustrial, small-scale fishing, there are about 2,000 *palaiês* (women who work in fisheries) and the number of pirogues is estimated at 1,500. (Table 11)

Table 11. São Tomé and Príncipe: Number of fishing boats and catches, 2005-2007

Description	2005	2007
N° of fishermen	2,200	2,500
N° of <i>palaiês</i>		2000
N° of small-scale fishing boats	1,610	1,500
Small-scale fish catches	4,197	4,000

Source: FAO.

Figure 14 – Small-scale and semi-industrial fishing catch in STP, 2001-2010



Source: DGAP

The country also grants fishing licenses to about 70 foreign boats annually, in particular from the European Union and Japan.

Fishing currently contributes 4.7 percent of the nation's GDP and employs about 15 percent of the working population. The domestic fishing market is poorly organized, mainly because there

are little to no proper structures for selling fish and operators in the sector are poorly educated. The productivity of fishing units is clearly on the decline and this affects the profitability of all segments of the industry, particularly small-scale fishing and marketing activities.

São Tomé and Príncipe has the potential to produce an estimated 12,000 metric tons per year (9,000 mt from the waters of Príncipe and 3,000 from São Tomé). However, the country fishes only in the coastal waters of its Exclusive Economic Zone (EEZ), as a result of which much of its potential is underexploited. If tapped, it could represent substantial growth prospects for small-scale and semi-industrial fishing. The current catches could be doubled in size, thereby improving supply to the domestic market, income at the national level and, in particular, for the population that lives on fishing activities. To that end, the sector needs adequate investment (landing infrastructure, crafts, etc.), skilled human resources, sufficient financing, and adequate basic services of good quality.

The main constraints and problems of the subsector are:

1. no landing bridge or fishing port;
2. lack of fishing equipment, materials, and gear;
3. no credit to the sector;
4. lack of supervisory and enforcement capacity in the maritime waters of São Tomé and Príncipe;
5. unavailability of updated statistical data on fishing;
6. no quality control of fishery products;
7. overfishing in the fishing areas closest to the coast;
8. outdated and ill-equipped small-scale and semi-industrial fishing fleet.

Forestry

Forestry resources can make a significant contribution to the economic development of the country. Wood is the predominant construction material and a major source of domestic fuel and has been so well commercialized in recent years that it has truly become an alternative income generating activity for an increasing number of São Tomeans. The new value attached to timber resources since the 1990s has, unfortunately, led to uncontrolled and illegal exploitation, especially on the informal market. As a result, cocoa and coffee growing areas (shade forests) and more accessible secondary forests are already seeing a depletion of their timber stocks, including invasive tree felling and shrub removal in forest reserves located in mountains, hills, and steep valleys, which could lead to ecological imbalances with serious consequences for the entire national agrarian system.

The number, and consequently the volume, of trees felled increased, particularly in 2003, as shown in Table 12. This situation needs to be reversed to protect the forest ecosystem, water resources, and watersheds because deforestation swells rivers and increases flooding, which affects coastal communities located in river deltas (such as Ribeira Afonso and Santa Catarina).

Therefore, if this subsector of the national agrarian system is to assume its real role in national economic life, its timber and non-timber resources must be more efficiently exploited in the interest of sustainability.

Table 12. São Tomé and Príncipe: Volume of trees felled, 2000-2003 (m³)

Years	N° of trees felled	Volume of trees
2000	204	848.3
2001	439	2,380.63
2002	1,592	9,458.34
2003	1,105	6,026.74

Source: Forestry Directorate

The main constraints and problems of the forestry subsector are:

1. indiscriminate felling of trees with commercial value;
2. lack of capacity for supervision and enforcement;
3. no inventory of forestry resources;
4. limited institutional capacity of the Forestry Directorate;
5. absence of a National Forestry Development Plan;
6. a completely informal and makeshift timber market;
7. no implementing regulations for the forestry law.

Tourism

Tourism is the main component of services exports and is currently a greater source of foreign exchange revenue than goods exports. However, the share of tourism in GDP is still substandard, despite the country's natural potential and broad cultural diversity.

Tourism currently accounts for a mere 4 percent GDP and employs a very small segment of the working population.

In 2010, the sector's accommodation capacity was 517 rooms and 842 beds in 30 hotel establishments and the number of visitors had peaked at 15,736 in 2005 (according to DTH data). In 2010, for example, 45 percent of tourists came from the European market—35 percent of whom were from Portugal—36 percent from Africa, 10 percent from Asia, and 9 percent from the Americas.

The government's objective, through the Strategic Plan for Tourism Development (ILO/UNDP - 2001), was to attract 25,000 visitors in 2010. However, for a number of reasons, this objective was not met.

Therefore, until certain preconditions are met, with respect to valuing the tourism product and reducing the cost of air transport, energy, and telecommunications, and improving the quality of sanitation and the provision of good health services, São Tomé and Príncipe will have little likelihood of tapping its potential.

The constraints and problems of this sector are:

- inadequate and outdated legislation;

- no professional school for tourism and the hotel industry to train the country's existing human resources;
- lack of incentives to stimulate investment in the tourism sector;
- need for basic infrastructure (roads, water and electrical energy, and telecommunications) areas of hotel construction and elsewhere;
- little entertainment or tourist attractions (little nightlife, few theaters or cinemas);
- high rates charged by ENASA and INAC, which impact on the prices charged by airlines;
- few air and sea connections with the rest of the world either at the regional and continental level or with Europe and other continents.

Key indicators of the tourism sector

Table 13. São Tomé and Príncipe: Entry of tourists and sightseers, 2000-2010

Seasons	Numbers of tourists and sightseers							
	2002	2004	2005	2006	2007	2008	2009	2010
Rainy season	3760	5735	8901	6556	4042	5840	5125	5148
Dry season	700	1031	1329	704	2223	3584	3062	1956
Total	5757	10792	15746	12266	7601	9424	8187	7104

Source: DGT

Commerce

Commerce is also very important to the national economy and represents about 28 percent of GDP. However, it is completely disorganized, the current legislation is outdated, there are no mechanisms that provide consumer protection, businesses are increasingly undercapitalized, the sector is plagued by unfair competition, the population has limited purchasing power, it is difficult to implement agreements signed with neighboring or partner countries for exporting domestic products, and the cost of transport is high. These factors inter alia have been obstacles to the development of trade. For this reason, efforts must be made to eliminate the constraints that currently hold back the development of this sector.

Industry

The industrial sector of the São Tomé and Príncipe economy is still in its infancy, accounting for a mere 6.2 percent of GDP in 2010. There are few significant industries and, most of all, production is unreliable (soap, beer, bread making, etc.). The resulting situation is one of great external dependency for supplies of technology, equipment, and inputs and, consequently, for foreign exchange to defray those costs. On a related note, there are little or no skilled human resources to operate industries.

Transport and communications, water and energy infrastructures

The basic economic infrastructures (for transport and communications, water and energy) for developing the private sector and stimulating growth still does not meet the current needs.

Road transport: The São Tomé and Príncipe road network spans about 1,180 km, of which 250 are paved. However, road infrastructure suffers from chronic poor maintenance. The condition of the roads, especially those made of beaten earth, continues to limit the economy's competitiveness and the quality of life of rural dwellers.

Sea transport: The country has four seaports, three of which are in São Tomé (Ana Chaves, Fernão Dias and the Neves fuel ferry port) and the fourth in the city of Santo António on the island of Príncipe. The Ana Chaves port in São Tomé is unproductive because of its obsolete and shallow equipment (reaching a depth of 3 m on the high seas), which cannot be used for international ships. With these restrictions, most freight services must load and offload cargo outside the port using barged that travel between the anchored ship and the port. This process requires that ships spend a long time in port (normally five to eight days) and increases the risk of damage to containers and missing cargo. The price of insurance also goes up and therefore transport costs. The port of Príncipe cannot accommodate ships with a draft of more than 1.7 m (which excludes most liners) and is poorly equipped. The current situation of the port and Príncipe is incompatible with any serious development of the region.

Air transport: São Tomé and Príncipe has two airports, one in São Tomé and the other on the island of Príncipe. A public enterprise—ENASA—is in charge of airport management.

The São Tomé international Airport is in urgent need of repair, does not meet international standards for security and quality, which limits the number of international flights and the exacerbates the country's isolation associated with distance and lack of territorial contiguity.

Air connections are limited to eight flights per week to the continent (Luanda, Cape Verde, Lagos, Libreville, Douala, and Malabo) and two flights per week to Europe (Lisbon).

Energy

The National Water and Energy Corporation (EMAE) has a network of 27,000 customers. About 62 percent of residences has access to 15 MW of electricity produced. Over the period 2003-2010, energy received no more than 3.8 percent of total investment under the Public Investment Program (PIP).

With respect to energy infrastructure, the country is facing enormous problems, which pose serious obstacles to the development of the business/private sector. Many businesses are required to use power generators, with the economic costs this entails, thereby increasing their investment in operating expenses.

The energy sector faces difficulties of various kinds: production far below installed capacity, frequent outages, approximately 40 percent of which are due to the obsolescence of the network, no storage capacity, no backup systems, limited installed capacity, high electricity production costs (because of the heavy dependence on imported fuel for electricity production), expiration of the useful economic life of generators.

Business climate

São Tomé and Príncipe simplified the procedures for starting a business by creating a one-stop shop.

The indices published in Doing Business 2012 show an improvement in the business climate of STP, which moved up in rank from 174th in 2010 to 163rd in 2011 as a result of the implementation of measures that improve the business climate and reduce the cost of investment

in the country. These measures were intended to make it easier to start a business, obtain licenses, employ workers, register property, get credit, protect investors, pay taxes, trade across borders, enforce contracts, and close a business.

Table 14. São Tomé and Príncipe: Business climate ranking

	Classification in 2012	Classification In 2011	Classification In 2010	Classification In 2009	Classification In 2008
Ease of Doing Business Rank	163	178	180	176	163
Starting a business	105	177	140	1 36	126
Dealing with construction permits	134	113	116	113	113
Employing workers	n/a	n/a	180	179	176
Registering property	160	161	156	151	146
Getting credit	177	176	167	163	115
Protecting investors	155	154	154	150	122
Paying taxes and rates	113	135	160	151	153
Trading across borders	94	92	90	88	91
Enforcing contracts	179	179	179	171	115
Closing a business	159	183	183	181	178

Source: Doing Business 2008-2012

Despite improvements in the business climate, there are still challenges facing the development of a dynamic and competitive private sector. Institutions are weak, lack skilled human resources, are poorly managed, and corrupt.

In a context where countries are constantly competing to provide more attractive incentives for companies and investors, STP needs to review and implement reforms and focus its efforts on a set of sectors and activities, in which the country is most likely to be competitive, and transform them into poles of attraction for both domestic and foreign private capital.

4.3. Social sectors, poverty, and the Millennium Development Goals

4.3.1. Performance of the basic social sectors

Education

Education is a key area that São Tomé and Príncipe must improve in order to develop a more innovative and knowledge-based economy. Since independence, and particularly in recent years, there have been efforts to improve education in quantitative terms. Primary school enrollment and completion rates increased more rapidly than initially anticipated. However, the quality of primary education continues to be a concern and undermines efforts to increase secondary school attendance and pursue higher levels. This is an obstacle to development because qualified workers will be required in an increasing number of areas, particularly in the services, financial, and tourism sectors.

Poor teaching quality is based on factors such as inadequate professional training and qualification of teaching staff, the lack of a professional career path, limited incentives and salary levels, limited time for study, and the lack of manuals, laboratories, and other teaching materials, along with a system of triple shifts and overcrowded classes. Although the basic law institutionalizes secondary education to grade 12, it has still not been widely implemented in the public system.

Preschool education: Educational development is limited at the preschool level, where the admission rate is on the order of 29 percent, with less than one-third of São Tomé and Príncipe's children entering this level of education. Children's attendance at this level is reflected in the development of their cognitive abilities and increased likelihood of success in primary school.

Basic education: Although curriculum reform has been implemented to facilitate expanding basic compulsory education up to the sixth grade, the system is unable to provide a quality basic education because of the lack of learning materials such as manuals, laboratories, and other items, the limited number of schools, and the lack of sufficiently qualified teachers.

Even so, some progress has been made, with grade repetition in basic education falling to 12 percent in 2010/2011 compared to 26.3 percent in 2007, a reduction of more than 100 percent. Thus, the challenge of reducing the grade repeat rate to single digits persists, although the country is much closer to achieving this objective.

Table 15. São Tomé and Príncipe: Indicators of the effectiveness of basic education (2007/2008)

Indicators	Basic education		Secondary education				
	1st Cycle	2nd Cycle	7th	8th	9th	10th	11th
Promotion rate	83%	61%	50.8	49.7	32.7	60.2	
Repeater rate	11%	26%	32.9	38.3	43.1	16.7	47.4
Dropout rate	5%	13%	16.2	12	24.2	23.1	
% of teachers with specific training	47.1%	34.6%					
% of teachers without specific training	52.9%	65.4%					
% with triple shifts	9.4%						

Source: MEC Statistics Department.

Secondary education: The situation is even more critical in secondary education. In this subsystem, close to 86 percent of youth at this age enter seventh grade, but only 16.8 percent continue to the end of the secondary cycle. The source of this problem is an insufficient number of secondary schools and the location of those schools. They are all located in district capitals, so that students are forced to walk great distances to attend school. Dropout and grade repeater rates in secondary education are 24 percent and 20 percent, respectively, and completion and survival rates are only 11.3 percent and 15.2 percent, respectively (throughout the cycle). The teaching corps at this level of education is characterized by weak qualifications as only 39.5 percent (average for all cycles) of teachers have adequate training and 100 percent of teachers under the age of 24 are not specifically trained to teach.

Technical and vocational education: Technical and vocational education is one of the least developed sectors and has limited social relevance. Vocational training policy must be clearly linked to the country's development objectives, particularly in strategic development areas, and must focus on entrepreneurship and promoting self-employment and creating small economic initiatives.

Technical and vocational education is characterized by limited variety in terms of training areas. The facilities of the Polytechnic Center have limited capacity, with only four office-workshops and four classrooms. The Budo-Budo Vocational Training Center is limited in terms of its physical structure for meeting the high demand for training, and also faces financial constraints. Students show little interest in registering for vocational training because of how poorly it is presented and limited respect for technical and manual work.

In this context, it is essential to decentralize vocational training centers and vocational education prudently and based on opportunities in the labor market (technical knowledge for construction,

agriculture and fishing, or tourism), providing access to all types of resources – knowledge, assets, rights, and contacts that make it possible to overcome potentially vulnerable situations.

Higher education: Higher education for São Tomé and Príncipe’s employees has primarily been provided abroad through the system of scholarships offered by international cooperation and the government of São Tomé and Príncipe.

On the other hand, the country already has some institutions of higher learning (ISP or the *Universidade Lusíada de STP* and IUCAI, both of them private). Both supply and demand are still limited, not only by the limited number of training programs in the area of technology but also and above all by the high fees that discourage young people from attending these private educational institutions.

Health

Health care delivery also improved considerably, particularly in the area of maternal and child care. Maternal mortality also fell sharply, due in large part to the increased percentage of childbirths attended by qualified professionals. São Tomé and Príncipe reduced the incidence of malaria among the under-five, based on an integrated multipronged strategy of household spraying, treatment of cases with new artemisinin-based antimalarial drugs, the use of insecticide impregnated mosquito nets and better sanitation. Mortality due to malaria fell to nearly zero in 2009. HIV prevalence among pregnant women fell from 5.4 percent in 2006 to 1.5 percent in 2009.

However, São Tomé and Príncipe’s national health system is facing some problems that hamper the effective performance of its mission to promote public health and the population’s physical and mental well-being and to guarantee healthcare for all its citizens. The health sector is characterized by insufficient health infrastructures, low-quality service delivery, insufficient human resources poorly distributed throughout the country and with little motivation, and not enough specialists in various areas. In addition, access to healthcare is very uneven depending on region.

The level of coverage by medical personnel is also good, considering the region where the country is located. There is approximately one physician for every 3,000 inhabitants (considering only native physicians, while acknowledging the presence of some foreign physicians and specialists), one nurse for every 900 inhabitants, and one midwife for every 168 pregnant women. However, they are not distributed equitably throughout the country. In addition, it is important to note that, due to poor working conditions, inadequate availability of medications, the lack of incentives, and extremely low salaries, among other causes, medical staff in general are poorly motivated.

The epidemiological profile of São Tomé and Príncipe continues to be dominated by a set of preventable diseases such acute respiratory diseases, diarrheal diseases, and malaria, and communicable diseases or diseases linked to the environment and the population’s habits and behaviors, which are the major causes of morbidity and mortality.

Table 16. São Tomé and Príncipe: Summary of basic welfare indicators: health (%)

Health Service	Total	Margin of Error	Rural	Urban	Agua Grande	Other Urban
Access	74.1	7.9	59.0	87.0	86.1	88.9
Need	18.7	1.7	17.9	19.3	19.0	20.0
Utilization	14.9	1.4	14.7	15.1	14.6	16.1
Satisfaction	68.6	5.0	68.5	68.7	69.1	67.9
Checkup and follow-up program	68.3	4.2	71.6	65.1	65.5	64.5
Professionally attended childbirth	85.1	2.0	68.4	90.7	0.0	0.0

Source: QUIBB-2005, INE, São Tomé and Príncipe

According to the QUIBB (2005) nearly 74 percent of family groups have access to health services within a 30-minute walk or less, although there are still great disparities between urban and rural areas, with 87 percent and 59 percent, respectively. With respect to maternal and child health, 68 percent of pregnant women report having been cared for under a checkup and follow-up program (65 percent in urban areas and 72 percent in rural areas) and 85 percent of those who gave birth report having been attended in that birth.

Malaria, until recently the country's principal public health problem, is under control thanks to the intervention of international cooperation, with 11 deaths reported in 2008, a significant reduction compared to the 193 deaths recorded in 2003.

Table 17. São Tomé and Príncipe: Infant Mortality Rate and Maternal Mortality Rate

	1991	1995	1999	2002	2006	2008
Infant mortality (IF), per 1,000 live births	60.8	89.1	63.1	60.8	43	
Maternal mortality rate per 100 live births	101.6	100.2	289	151.3	75.7	151.4

Source: RODM, 2008

According to the data from the second national report on the Millennium Development Goals (2008), the infant mortality rate fell from 61/1000 live births in 1991 to 43/1000 in 2006. The maternal mortality rate is still high, 151.4 for every 100,000 live births in 2006, higher than the rate reported in 1991, when it was 101.6 for every 100,000 live births.

HIV/AIDS

The first case of AIDS in São Tomé and Príncipe was reported in 1990. Since then the cumulative number of cases reported has increased regularly every year. The HIV/AIDS epidemic, besides being an obvious and serious public health problem, has a direct effect on the social and economic development of nations and is becoming a national security problem. AIDS has a negative impact on the willingness of investors, particularly in the corporate sector, to invest in the development of highly infected countries, because they know that the epidemic affects people in their productive years in particular.

The prevalence of HIV/AIDS affects about one percent of the population in general, and São Tomé and Príncipe has a widespread HIV epidemic.⁶ To deal with the epidemic, the government developed the National Strategic Plan to Combat AIDS. Its objectives are (i) to reduce the risk of HIV/AIDS infection; (ii) to reduce susceptibility to infection; and (iii) to reduce the impact of infection.

According to the results from the Demographic and Health Survey (IDS), the prevalence of HIV/AIDS infection among the population aged 15-49 is 1.5 percent, 1.3 percent among women and 1.7 percent among men of the same age group. These two rates yield a ratio of infection between women and men of 0.77, meaning that there are 77 infected women for every 100 infected men.

There are also differences based on region. The region of Príncipe and northern São Tomé are characterized by higher levels of prevalence (2.2 percent and 2.0 percent, respectively). The lowest prevalence level is found in southern São Tomé (percent).

Water and sanitation

Water: Although São Tomé and Príncipe has high water potential based on more than 50 watercourses, water quality is a concern. Water resources are distributed unevenly, exposing certain regions to water shortages, with more than 60 percent of watercourses located in the southern and south-western areas of the islands. It is estimated that only four percent of total existing water volume is being used.

A large part of the population, basically in rural areas, continues to be without access to drinking water and uses river water or existing sources without any protection or control. By order of importance, the following were identified as the principal causes of deficient water quality: inadequate and degraded systems, vandalism and lack of awareness, lack of government support and insufficient investment, and deficient management of water resources.

⁶ IDS, 2008-2009.

Table 18. São Tomé and Príncipe: Rate of Access to Drinking Water (2001-2006)

Access	Urban/rural environment	2001 (as a %)	2006 (as a %)
Drinking water	Urban	29	57.2
	Rural	6.4	12
	Total	19	38

Source: QUIBB, 2005

According to data from the 2005 QUIBB, 96.8 percent of the population has access to water and 88.7 percent has access to piped water. However, safe access to drinking water is much lower. In fact, coverage in 2001 was 19 percent, reaching 38 percent in 2006. In rural and semi-urban areas, the rate of access to drinking water went from 6.4 percent to 12.6 percent between 2001 and 2006, while in urban areas coverage varied on average from 29 percent in 2001 to 57.2 percent in 2006.

Sanitation: The sanitation situation is much more critical than the water supply situation. The country is facing problems related to rainwater drainage and waste removal, particularly in urban areas. This situation contributes to the spread of infectious and parasitic diseases. The survey on the well-being of São Tomé and Príncipe families conducted in 2005 indicated that three-fourths of the population does not have an adequate excrement removal system. Despite the investments made in the area of protecting sources and building latrines, it is likely that the situation has deteriorated since that time, considering the high pace of demographic growth and increasing concentration of the population in areas on the outskirts of cities. The following factors were identified as the principal reasons for deficient basic sanitation: limited community awareness, an inadequate Information, Education, and Communication (IEC) campaign, absence and insufficiency of sanitation infrastructure, limited financial resources, limited availability of water, houses with structures making it impossible to install latrines, and lack of maintenance.

Table 19. São Tomé and Príncipe: Drinking Water and Environmental Sanitation Coverage (2001 and 2006)

Access	Urban/rural environment	2001 (as a %)	2006 (as a %)	2008-2009
Sanitation	Urban	20.8	39.1	42.2
	Rural	10.2	19.2	26.6
	Environmental sanitation	16	30	34.8

Source: MDG Costing Report; IDS, 2008-2009.

The national rate of sanitation infrastructure coverage was 16 percent in 2001, increasing to 34.8 percent in 2009, with variations based on urban or rural location. In 2009, only 19.2 percent of the rural population had access to a sanitation system compared to 10.2 percent in 2001. In urban areas, 20.8 percent of the inhabitants had access to a sanitation system in 2001 and this coverage increased to 42.2 percent in 2009.

Housing

The housing problem is associated with numerous deficiencies that form the basis of the deterioration of the existing housing stock. The dismantling of old agricultural companies, tied to a lack of employment, deficient access to basic services and bad housing conditions, led people to move to urban centers in search of better living conditions, particularly decent housing and employment.

These population movements would lead to greater demand for social infrastructures, particularly housing.

4.3.2. Cross-cutting sectors

Population and development

A basic factor to be taken into account in this poverty reduction strategy is the effective growth of the population, considering its impact on the level of projected infrastructure, access to basic social services, job creation, natural resources management, and other aspects. According to the most recent projections, the population includes nearly 160,000 inhabitants and is growing at an average rate of 2.0 percent a year.

The defined national population policy includes an approach to development that takes into account economic, social, cultural, environmental, and demographic factors.

Social security and protection

In the current context, the system of social security and protection has various problems that hamper the expanded development of actions to meet its obligations, which could call the system itself into question.

Although social security in São Tomé and Príncipe is based on principles of social equality, it does not yet constitute a strong instrument of social policy, with services and a dynamic that could cover the social security needs of citizens, consistent with efforts made to meet the contribution requirements of which they should be beneficiaries. It is only a strategy for fulfilling social rights, without political or legal meaning in terms of the full exercise of social rights.

Youth and sports

Youth: The National Youth Institute, a public institution designed to wield policy instruments fostering opportunities for youth integration and development, is facing numerous limitations on its performance, particularly: (i) weakness of the legal and regulatory framework for the operational structure of the Youth Institute (IJ); (ii) inadequate financial and logistical resources; (iii) problems in terms of coordination and in ensuring the sustainability of actions and projects already developed; (iv) lack of its own space.

Sports: The national sports situation is distressing and reflects the set of deficiencies faced by the country as expressed in:

- Deficient institutionalization of sports;
- Lack of human, material, and financial resources;
- Lack of and limited size of sports facilities.

Success in sports will only be possible with a clear and sustained national development policy, reflecting what is actually planned for national sports. This success will depend on a split with the lethargy and empiricism of the past, making way to sports for the present and future in which long term forecasting and planning, based on sustained project development, must be the dominant note.

Gender

Analysis of the country's gender situation exposes the gender inequities that directly affect men and women, despite constitutional guarantees and other laws.

It was found that women and men do not enjoy the same status in society and that men's predominance over women is socially acceptable. Women are economically active in various sectors but do not have the same access as men to the means of production and the financial resources needed for their activities. They bear the burden of poverty more and are the victims of violence more often than men. They participate less in political life and are under-represented in decision-making bodies. The ratio of representation in Parliament between men and women is far short of what is desirable in order to achieve equity. Since democracy was installed, the number of women representatives in each legislature has been far from the 30 percent of legislative seats guaranteed in the law. Currently, only 10 of the 55 elected representatives are women.

Equality between men and women to a large extent determines the success of the poverty reduction strategy. The causes of poverty affect men and women differently. Inequalities between the sexes in São Tomé and Príncipe are significant and represent one of the fundamental

causes of poverty. For this reason, the poverty reduction strategy emphasizes the gender approach in developing, programming, and implementing different public policies so as to undo the country's social and gender-based inequities.

Mainstreaming gender in development means taking into account the concerns and experiences of women as well as men when developing, implementing, following up, and evaluating policies and programs in the political, economic, and social arenas. The objective is to ensure that women and men participate jointly in the planning and decision-making process and benefit equally from the fruits of development.

Environment

Threats from various natural phenomena such as vulnerability to climate change, reduced rainfall, and the resulting reduction in river flows create situations of risk that can compromise the efforts made to improve citizens' living conditions. Coastal erosion and floods are some of the problems that concern São Tomé and Príncipe, due to the lack of protective barriers, dikes, and retaining walls against these phenomena.

The following environmental problems were identified:

- Loss of biodiversity;
- Pollution of rivers, streams, and water sources by chemicals;
- Increased coastal erosion;
- Disorganized expansion of urban areas;
- Failure to ratify international conventions on the environment;
- Deforestation;
- Use of areas with agricultural potential for other purposes, with the resulting soil degradation.

4.4. Trends with respect to achieving the Millennium Development Goals

The challenges faced by the country indicate that São Tomé and Príncipe must continue to strive toward the Millennium Development Goals. However, a series of goals and objectives will not be achieved by 2015 without exceptional efforts. Eleven years after the Millennium Declaration, some progress, albeit slow, has been made toward the goals established in some areas. The difficulties have been primarily financial. This situation involves the level of economic growth as well as the quality of governance, particularly economic governance, which has helped to slow the process of reducing poverty levels.

Based on current trends in the various indicators that make up the eight MDGs, São Tomé and Príncipe will not be in a position to achieve all the MDGs in 2015. Current development indicates that despite significant progress made in education and health, much remains to be done in the areas of gender equality and equity, empowering women, establishing partnerships for development with the effective implementation of the Paris Declaration and, primarily, in the fight to reduce poverty.

Table 20. São Tomé and Príncipe: Millennium Development Goals

	Indicators	1990	1994/1995	2000/2001	2009	2015	Probability of being reached in 2015	Degree of Commitment
	MDG 1. Eradicate extreme poverty and hunger							
Target 1A: Ind. 1.1	Incidence of poverty	33	39	53.8	0	18	Weak	Weak
Target 1A: Ind. 1.3	Share of poorest quintile in national income	0	0	5.2	0			
Target 1B: Ind. 1.5	Employment to population ratio for those aged 15 and up, total (%)	0	0	27.7	30.1			
	Employment rate for population aged 15-24	0	0		0			
Target 1B: Ind. 1.7	Vulnerable employment as a % of total employment	27			0			
Target 1C: Ind. 1.8	Prevalence of underweight children (weight for age in children under age 5)	0	0	10.1	0			
Target 1C: Ind. 1.9	Prevalence of malnutrition as a % of the population	15	15	8	0			
	MDG2: Achieve universal primary education							
Target 2A: Ind. 2.1	Net enrollment rate in grades 1-4 (%)	0	0	69	98	100	Probable	Strong
Target 2A: Ind. 2.2	Percentage of children who reach grade 5	55	0	55		100		
Target 2A: Ind. 2.3	Literacy rate of 15-24 year olds (%)	94	0	94	95.4	100		
	Literacy rate of those older than 25 (%)	73	0	83	88	100		
	MDG3: Promote gender equality and empower women							
Target 3A: Ind. 3.1	Ratio of girls to boys in primary education					101	Weak	Reasonable
Target 3A: Ind. 3.1	Ratio of girls to boys in secondary education					112		
Target 3A: Ind. 3.1	Ratio of girls to boys in tertiary education					93		
Target 3A: Ind. 3.2	Share of women in wage employment in non-agricultural sector as a % of total	32.1		33	46.1			

	population							
Target 3A: Ind. 3.3	Proportion of women representatives	12/ 55	7/55	9/55	7/55	17/55		
	MDG4: Reduce mortality in children under the age of 5							
Target 4A: Ind. 4.1	Under 5 mortality rate (1000)	12 0	138	101	63	40	Probable	Strong
Target 4A: Ind. 4.2	Infant mortality rate (1000)	89		61	38	20.3		
Target 4A: Ind. 4.3	Proportion of one year old children immunized against measles	69		70	84	99		
	MDG5: Improve maternal health							
Target 5A: Ind. 5.1	Maternal mortality rate (100,000)	69	224	189	94	17	Probable	Reasonable
Target 5A: Ind. 5.2	Birth attended by skilled health personnel (% of total)			79	82			
	Contraceptive prevalence rate (women 15-49 years)			29	34			
Target 5A: Ind. 5.3	Contraceptive use (% of women 15-49 years)			29	34			
Target 5A: Ind. 5.4	Adolescent fertility rate (no. of births, women 15-19 years)			87	93			
Target 5A: Ind. 5.5	Pregnant women receiving prenatal care (%)			91	98			
Target 5A: Ind. 5.6	Unmet need for family planning				37	95		
	MDG6: Combat HIV/AIDS, malaria and other diseases							
	Death rate due to malaria (1000 inhab.)				0.14	0	Probable	Strong
Target 6C: Ind. 6.	Incidence of malaria (1000 inhab.)				20.4	4		
	Rate of use of condoms among girls aged 15-24							
	Rate of use of condoms among boys aged 15-24							
Target 6C: Ind. 6.8	Children w/ malaria receiving anti-malarial treatment (% children under age 5)			61		100		
Target 6C: Ind. 6.9	Incidence of tuberculosis /100,000 inhab.	13 5	124	114	77			

	Tuberculosis case detection rate (all forms)	11	26	61	41			
	Prevalence of HIV/AIDS among pregnant women ages 15-24 (%)			1	0.7			
	Prevalence of HIV/AIDS among men (%/20-24 years)							
	HIV/AIDS prevalence, total (% pop. 15-49 years)					1.50%		
	MDG7: Ensure environmental sustainability							
Target 7A: Ind. 7.1	Forest cover (% of total area)	30	30	30	30	30	Potential	Reasonable
Target 7A: Ind. 7.2	CO2 emissions (kg per capita per \$ of GDP)			0.6				
	CO2 emissions (metric tons/inhab.)	0.6	0.6	0.6				
Target 7B: Ind. 7.6	Protected land area (% of total surface)	0			30	30		
Target 7C: Ind. 7.8	% of pop. w/ access to piped water			19	89			
Target 7A: Ind. 7.9	% of homes with septic tank or connected to sewer (%)			16	26	58		
	Protected marine area (% of total surface)	0						
	MDG8: Develop a global partnership for development							
Target 8D: Ind. 8.12	Debt service (PPG and only IMF, as a % of exports, excl. emigrant transfers)	29		22	10		Unlikely	Weak
Target 8F: Ind. 8.14	Telephone lines/100 inhab.	2	2	3	5			
Target 8F: Ind. 8.15	Mobile telephone subscription/100 inhab.	0	0	0	31			
Target 8f: Ind. 8.16	Internet access/100 inhab.	0	0	4.6	15.5			
	Net public assistance per capita (US\$)	466	657	249	294			

5. Medium-term vision and strategic objectives

5.1. Challenges and medium-term vision

São Tomé and Príncipe is a small island nation highly dependent on official assistance from partners within the framework of bilateral and international cooperation for developing priority actions intended to reduce poverty and create conditions for the country's development. However, a status review of the NPRS-I and the latest data on the poverty profile points to a scenario of new challenges to be addressed through policies consistent with the current imperatives associated with efforts to combat poverty, basically geared to creating income opportunities, facilitating accessibility, lending credibility to the delivery of basic social services, and ensuring assistance and protection for the neediest and most vulnerable social groups.

Having committed to continued government action to fulfill the great aspirations of São Tomé and Príncipe's population, however, the medium-term vision specifically for the period 2012-2016 also draws on the optimistic "tlábá só cá dá tê" scenario of the National Long-Term Perspectives Study (NLTPS), according to which São Tomé and Príncipe has opportunities for success in achieving harmonious economic and social development. However, due to the lack of understanding on the part of the political class, in conjunction with ineffective governance and lack of continuity, successive governments been unable to capitalize on the resources available to STP or to take advantage of the opportunities afforded to the country by the international community. These factors are compounded by weak participation on the part of civil society and the lack of an entrepreneurial spirit. The Study adds that this strategy requires selfless efforts by all to reverse the trend and transform STP—a small island country without great resources—into a true equatorial oasis and make this land a role model for the world with good governance and political stability and a common effort by the people of São Tomé and Príncipe to build a society where work, justice, and social peace will be catalysts for putting the country on the path to progress and well-being for all.

Thus, the medium-term vision for the five-year period, through rational assessment of internal efforts and potential, as well as bilateral and multilateral cooperation, plans to make São Tomé and Príncipe a country: (i) that is well-governed with strong and credible institutions; (ii) with an environment favorable to sustainable and integrated economic growth and (re)distribution of income; (iii) with well-trained human resources up to the challenges of development; and (iv) that values its cultural heritage and guarantees gender equality and equal opportunity.

5.2. Strategic objectives

The NPRS-1 established ambitious goals to be achieved by 2015, provided the actions planned for each of the defined strategic pillars are implemented and the indicated risk factors do not materialize. However, as indicated in the conclusions from the evaluation⁷ of the implementation process, the NPRS focuses on identified problems and on the needs of São Tomé and Príncipe, so that the programs, projects, actions, and activities carried out are relevant, incorporating identified priorities and needs, but in terms of general effectiveness, the achievement of the specific goals fell short of the desires of the overwhelming majority of the sectors and the average execution rate of activities was low. The results achieved to date confirm that the NPRS

⁷ CIAD, NPRS Evaluation Report, STP, 2012 .

helped to improve São Tomé and Príncipe's economic and social situation, despite falling far short of expectations. The effectiveness of the NPRS was limited, which limited its contribution to poverty reduction. In terms of efficiency, the rate at which financial resources were mobilized was also generally low, particularly in the period 2003-2005. The implementation mechanism established did not function efficiently. The weaknesses of the actual implementation mechanism led to poorly coordinated efforts and the failure of the various programs and projects to converge in terms of objectives. Given that the NPRS encompasses a very long time horizon (2003-2015), its implementation was also compromised, since the assumptions were inadequate and national priorities need to be redefined to some extent.

Consequently, it is important to define objectives from a realistic perspective, objectives that can actually be achieved, anticipating their impact on improving citizens' living conditions, and particularly on reducing poverty in general throughout the country.

Thus, bearing in mind the long-term vision according to the scenario based on the National Long-Term Perspectives Study, the general strategic objectives of São Tomé and Príncipe for 2012-2016 are as follows:

- To achieve a growth rate of at least six percent (creating conditions for consistent diversification of the economy);
- To reduce by ten percent the percentage of São Tomé and Príncipe's population living in poverty (promoting income-producing initiatives and thus improving the population's productive capacity);
- To ensure that the entire population has (facilitated and improved) access to basic social services.

Achieving these objectives means recognizing that São Tomé and Príncipe is subject to the characteristic vulnerabilities of small island nations. It also faces problems based on its remoteness, isolation, and insularity, the limited capacity of its institutions, limited diversification, susceptibility to climate change, and limited resources. These characteristics, when combined with potential external shocks, impose increased challenges and increase the need for domestic efforts and the ability to mobilize resources to finance priority poverty reduction actions.

From this perspective, there are increasing concerns regarding priority actions targeting the Autonomous Region of Príncipe, in the sense of a proper exploration of its potential, taking into account both its territorial separation and some of the natural, social, and cultural characteristics that make it distinct and require special attention.

6. Five-year strategy and priority programs

The objectives defined are part of an approach that seeks to consolidate the gains already made by the country over the last decade. Thus, it is important to identify the priority areas of intervention for the five-year period (2012-2016), creating and ensuring the conditions essential to growth and job creation and, consequently reducing the poverty that now affects 66.2 percent of São Tomé and Príncipe's population.

This action approach entails great challenges over the next few years, such as ensuring macroeconomic stability, facilitating access and lending credibility to justice, increasing the growth of the productive sector of the economy, improving basic economic infrastructures, ensuring access to education and health, guaranteeing basic sanitation and access to drinking water, and promoting food and nutritional security. These are challenges that require coordinated action at various levels, whether public or private, national, regional or district, as well as with organized civil society.

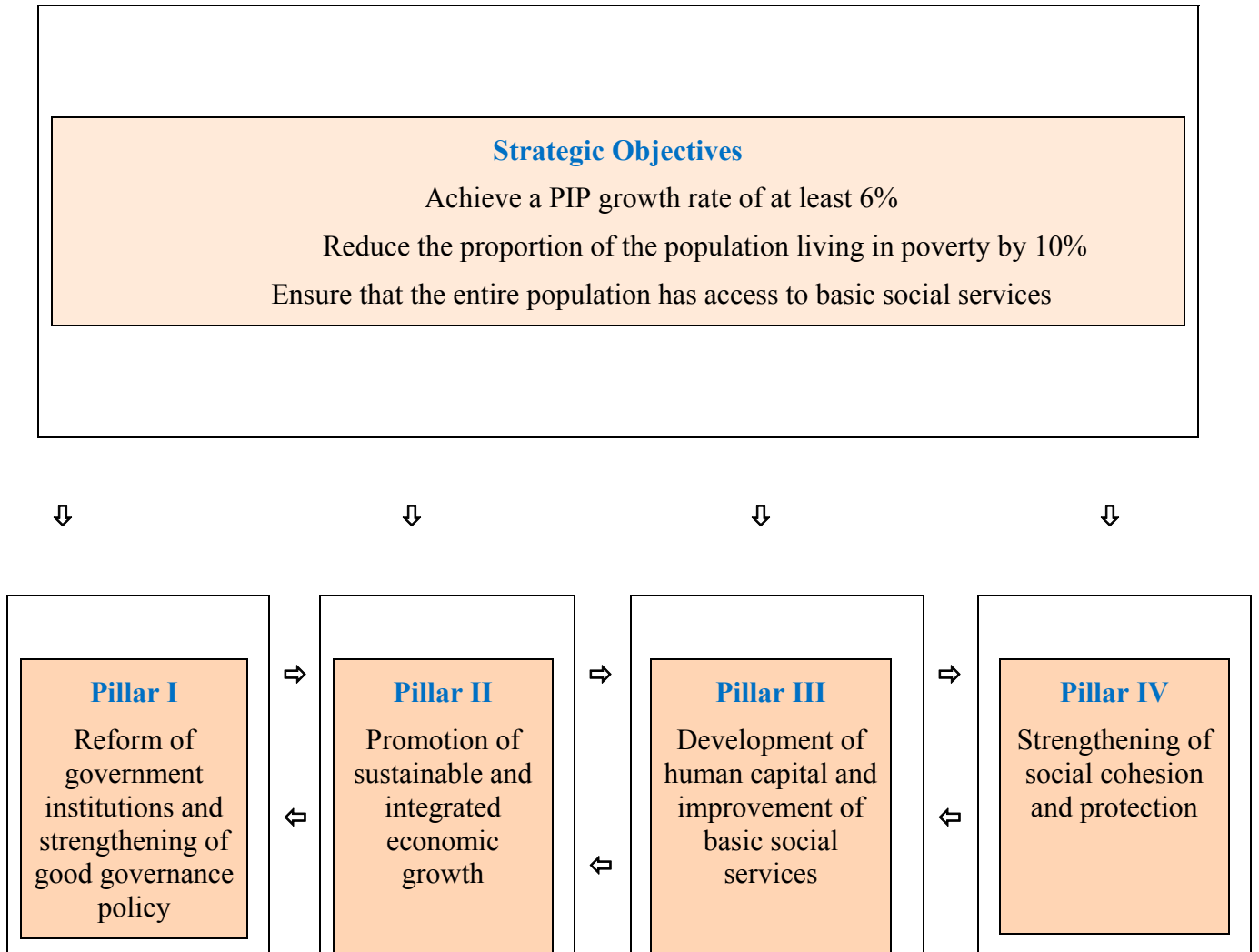
To achieve these objectives concurrently with the millennium development goals, four strategic pillars of intervention were identified, including programs that when implemented will allow more rapid gains in the poverty reduction process, as follows:

- (i) Reform of public institutions and strengthening of good governance policy;
- (ii) Promotion of sustainable and integrated economic growth;
- (iii) Development of human capital and improvement of basic social services;
- (iv) Strengthening of cohesion and social protection.

The activities in each pillar form part of a framework requiring planning and execution of program-budgets to make priority actions technically and financially feasible, with support from São Tomé and Príncipe's cooperation and development partners. The organization of government actions consistent with this focus seeks to provide more rational and efficient public administration and to increase the visibility of the results and benefits generated for society, as well as to increase transparency in the use of public resources.

In this sense, the indicative programs included in each pillar will be detailed and quantified in a Priority Actions Program document to be designed as an integral part of this strategy and an instrument for its implementation.

Strategic Objectives and Pillars



7. Pillar 1: Reform of government institutions and strengthening of good governance policy

Rationale for intervention: The current scene in government institutions has also hampered the country's development. The government's organization and operations must be reviewed, providing impetus for modernizing institutions, proposing another reengineering of institutional structures, as well as simplifying infrastructures. The reform of government and its institutions has been on the agenda of various governments, but its implementation has been time-consuming.

For this very reason, it is imperative to (re)define the government's mission, reorganize its operations and its management style, and adapt human and material resources based on their mission. Efforts to reform public administration must be sufficiently comprehensive to cover all government institutions, including the National Assembly and regional and local authorities, adapting their size, mission, and other aspects.

Good governance presupposes the proper operation of government institutions, the implementation of instruments that promote and ensure reform of government finance management, transparency in bidding procedures and government contracting, the preparation and disclosure of contracts and external audit results, improved monetary management, and improved management of government finances and the public debt.

Accordingly, the following specific objectives for reform of government institutions and strengthening of a policy of good governance are defined for the five-year period:

- Adapt and modernize the government apparatus according to the country's needs and resources;
- Promote participatory involvement by the private sector and civil society in the design and implementation of measures to combat poverty;
- Guarantee efficiency and quality in the delivery of government services;
- Renew the framework of dialogue and consultation with development partners based on the Paris Declaration.

The aim is to achieve these objectives by carrying out programs under the following three headings:

7.1. Consolidation of government authority and strengthening of good governance

7.1.1. Program: Restructuring government and public administration

To address various problems, constraints, deficiencies, flaws, or imperfections that characterize government in general and public administration in particular, this program seeks to redefine the

role of government, restructure and adjust the size of the government apparatus, reform public administration, and strengthen standards for protecting citizens' rights.

Policy measures:

- Create a national council and a multidisciplinary technical office for governmental reform;
- Reorganize and modernize the National Assembly;
- Computerize government services;
- Streamline services and simplify procedures;
- Rationalize resources and increase labor productivity and efficiency;
- Introduce public services evaluation systems.

7.1.2. Program: Promoting local governance

Expanded local governance is inextricably linked to the strengthening of the democratic system and improved effectiveness in public administration. Decentralization and regionalization seek to improve accountability and sharing at the decision-making level by bringing government closer to the citizens and facilitating the population's involvement in the management of public affairs.

Policy measures:

- Promote initiatives to revise the political-administration division;
- Update the Local Finances Law and other legal instruments not in keeping with the current needs of local government;
- Improve local authorities' access to financial resources and promote efficient and effective management of those resources.

7.1.3. Program: Promoting national defense

With this program, the five-year strategy calls for: (i) the preservation of national territorial integrity; (ii) combating cross-border insecurity and crime and the proliferation of light weapons; (iii) the development of military engineering; and (iv) participation in peace-keeping activities at the continental level.

Policy measures:

- Decentralize the services of military units by rehabilitating infrastructures and building new ones;
- Promote human capital through domestic and foreign instruction and training actions with support from cooperation partners in the areas of rescue operations and maritime security;
- Promote the participation of the armed forces in humanitarian assistance operations conducted under the aegis of the United Nations and in the context of the African Union (AU), the Economic Community of Central African States (ECCAS), and the New Partnership for Africa's Development (NEPAD).

- Adopt mechanisms to facilitate armed forces participation in multinational operations to combat piracy at sea and armed assaults on ships and oil platforms;
- Expand the area of surveillance and control at sea, seeking to protect resources and rescue operations at sea.
- Implement mechanisms designed for effective control of the use of weapons, munitions, and other explosive devices, proceeding to seize those that are illegal.

7.1.4. Program: Guaranteeing public safety

The principal objectives of this program are: (i) to guarantee the security of persons and their property so as to ensure the peace and tranquility essential to the country's socioeconomic development process; (ii) to guarantee that the police operate in proximity to the people; (iii) to guarantee tranquility and public security; (iv) to combat organized crime, human trafficking, and drug trafficking; and (v) to improve the reputation of the police forces in the eyes of citizens and society.

Policy measures:

- Promoting human capital in law enforcement;
- Strengthening the security of individuals and government property;
- Intensifying proactive interventions and strengthening local policing measures;
- Creating conditions for preventing and combating fires and other disasters.

7.1.5. Program: Reforming the electoral system

The electoral system has operated reasonably well. Presidential, legislative, and local elections and the results thereof are generally accepted. In the context of this program, the aim is to consolidate the system and utilize mechanisms to strengthen transparency in the financing of candidates and elections.

Policy measures:

- Revision of law on elections and the financing of political parties and electoral campaigns.

7.1.6. Program: Improving the credibility of and access to justice

One of the major concerns in this sector is to modernize judicial mechanisms so as to provide citizens more expeditious and better quality services.

The objective of the program is to improve the performance of São Tomé and Príncipe's legal and judicial system and make services more accessible to citizens.

Policy measures:

- Update and adapt the legislative framework of São Tomé and Príncipe to reflect current realities;
- Improve the organization and operation of the courts and other judicial institutions;

- Give the courts and the Public Prosecutor's Office a sufficient number of judges and magistrates, based on the complexity of services and in accordance with the new Basic Law of the Judicial System;
- Create a Criminal Investigation Police (PIC) in the Autonomous Region of Príncipe.

7.1.7. Program: Ongoing training for human resources in public administration

The lack of ongoing human resources training in public administration is one of the major limitations on the country's development. Human resources training and evaluation and the adoption of more modern methods of human resources management are prerequisites for good governance and accountability.

Policy measures:

- Create a national training fund for civil servants;
- Create a central unit responsible for civil service training;
- Develop a national training program for civil servants;
- Revise and update the Civil Service Statute;
- Develop and implement a positions, careers, and salaries schedule;
- Promote occupational retraining for excess personnel;
- Introduce civil service evaluation systems based on specific objectives and merit;
- Urgently develop studies analyzing and describing functions and positions in all sectors of central government administration;
- Develop studies with a view to changing current civil service working hours;
- Proceed to revise the civil service compensation system.

7.2. Promoting responsible and transparent management of public finances

Establishing effective and transparent management of public finances is one of the essential conditions for good financial and economic governance. It affects economic growth and the allocation of resources above all. In this context, introducing enhanced good practices in the area of management and accounting of the public purse has been one of the concerns of successive governments and our foreign partners. In response to these concerns, the following programs will be developed:

7.2.1. Program: Public financial management

In terms of the management of governmental affairs, there is no culture of accountability. The rules governing bid solicitations and goods and services procurement awards are most often ignored or ineffectively applied.

Policy measures:

- Strengthen the mechanism for combating fraud, smuggling, and money laundering;
- Guarantee effectiveness and transparency in the use of resources, redirecting expenditures to the sectors that have a direct impact on reducing poverty;

- Use social communication media and other outlets to publicize the importance of and need for responsibility, transparency, and accountability with respect to the management of public affairs;
- Strengthen the mechanisms for preparation, development, approval, and execution of the general government budget, considering that budgetary choices should have an impact on strategic actions to reduce poverty;
- Promote responsibility and regular accountability in agencies that collect government revenues;
- Develop the medium-term expenditure framework.

7.2.2. Program: Improving the effectiveness of Official Development Assistance

Despite how important Official Development Assistance (ODA) is to the country (averaging 75 percent to 80 percent of the annual volume of the public investments program), recent years have seen a decline in foreign aid funds to finance poverty reduction actions.

Policy measures:

- Improve the mechanisms for mobilizing and managing foreign resources;
- Align ODA with national development priorities so that it is used appropriately to leverage development;
- Strengthen collaboration among the Office for Coordination and Management of Assistance, International Cooperation Directorate, General Planning Directorate, Budget and Treasury Directorate to achieve better coordination in the planning, mobilization, implementation, and control of foreign resources;
- Create an integrated information system on ODA and public debt;
- Develop a policy on public aid for development to guide all actions associated with the mobilization of finances, methodologies, objectives, procedures, and negotiation;
- Develop a public debt strategy.

7.2.3. Program: Improving the information and public policy guidelines system

The objective of this program is to help the central and regional governments to make decisions in the area of economic and social policy. Its actions seek to provide and improve the socioeconomic information system to guide decisions in the area of policy to benefit the poor.

Policy measures:

- Guarantee and provide support for collecting and processing economic, social, and demographic statistics and the monitoring of poverty indicators and the MDGs;
- Ensure statistical coordination and dissemination of the results of surveys and censuses;
- Monitor and evaluate the country's overall and sectoral strategies;
- Provide a system of reliable data, particularly economic, social, demographic, technical, and other data;
- Improve the production and dissemination of statistical information.

7.3. Promoting access to information and knowledge and citizen participation

7.3.1. Program: Accessibility of Information and Communications Technology (ICT)

The program on “Accessibility of Information and Communications Technology” seeks to make a contribution to the process of acquiring and managing information and knowledge as a condition for informed and responsible citizen participation in the process of combating poverty and developing entrepreneurial initiatives to create wealth and the well-being of the population, particularly young people.

Policy measures:

- Provide the infrastructures necessary for expanded access to ICTs;
- Promote the use of ICTs in government service, particularly in the education and health sectors;
- Ensure the sharing of experiences and bilateral and multilateral cooperation in the area of ICTs;
- Provide for widespread use of ICTs in the central government as well as in regional and local governments in order to reduce case processing time and stationery expenses.

7.3.2. Program: Promoting the mass media

Policy measures:

- Improve the legal and regulatory framework for the practice of journalism;
- Strengthen the institutional capacities of social communications agencies;
- Facilitate initiatives for creating private social communication agencies;
- Support the creation of and provide incentives for cultural, educational, and science and technology dissemination programs.

7.3.3. Program: Promoting civil society and its participatory involvement

This program seeks to strengthen an organized civil society and thus promote its involvement in the promotion of good governance, in partnership with government and the private sector.

Policy measures:

- Improve the dialogue with organized civil society, particularly on issues that require consensus at all levels for strengthening good governance;
- Continue the effort to strengthen the technical capacities and the organization of the representatives of civil society through substantive support on technical, material, and access to financing matters;
- Develop an NGO partnering strategy on priority interventions in the poverty reduction strategy;
- Promote greater participation and involvement by organized civil society in the process of developing legal instruments as well as public policies and their implementation, monitoring, and evaluation.

8. Pillar 2: Promoting sustainable and integrated economic growth

Rationale for intervention: In this pillar, the authorities commit to a reassessment of the primary sector of the economy, particularly agriculture, livestock, and fishing, as well as tourism, as well as to creating infrastructure conditions for relaunching the productive sectors on a sustainable basis and promoting conditions favorable to private sector development. To do this, laws must be revised in keeping with the current socioeconomic context. Similarly, the government must make available economic infrastructures to support the private sector.

In all sectors of economic activity, two basic principles must be considered: diversification and export promotion.

The primary sector, particularly agriculture, livestock, and fishing, must continue to play an extremely important role in upcoming years, in that it is these areas that represent the best short- and long-term opportunities for employment (2010 IOF – 84 percent of those who identify themselves as poor pointed to the lack of employment as the principal cause) and for reducing hunger and poverty. They also help to stabilize rural populations as well as the production of food crops for domestic consumption and to guarantee the population's food and nutritional security.

The authorities must begin to consider diversified agricultural development linking production, manufacturing, and tourism, and additional potential new services. Government will have to play the role of promoting the corporate sector, particularly agriculture, by promoting agricultural, livestock, and fishing production, promoting rural extension, creating production support infrastructures and irrigation systems, as well as measures guaranteeing access to credit, by guaranteeing land rights not only to promote production but also the export of agricultural and fishing products.

From this perspective, family farming will continue to merit special attention from the authorities as a development model based on the diversification of export crops (particularly cocoa, coffee, peppers and other crops), the production of food crops (for the population's own consumption and for sale), and the integration of farming and livestock activities.

Medium-sized agricultural companies will have to be restructured, promoting for this purpose the redistribution and/or merger of abandoned plots and providing incentives for extensive livestock production and agricultural activities intended for export.

In addition to improvements needed in terms of rural property rights, the development of agricultural policy will have to focus on five priorities:

- (a) Revitalizing the extension system;
- (b) Adapting agricultural training policy;
- (c) Improving production quantity and quality, particularly for cocoa, coffee, and peppers;
- (d) Organizing farmers;
- (e) Promoting exports.

On the margin of sectoral policy, the rehabilitation of rural roads is a precondition for increased production as are improvements in rural housing.

Livestock development should also be one of the bases for agricultural diversification, considering the role that this activity plays in the income of rural families. This development should be based on family livestock and corporate livestock operations, particularly at the level of medium-sized companies. The government's role in this area should amount to: providing technical extension services, strengthening health protection (creation and updating of laws governing the transport and sale of animals and the animal health code), as well as organizing the importing of medications and access to them, and decentralizing animal slaughter activities (creation of small slaughterhouses at the district level).

The prospects for small-scale fishing are good and the current catch level can be improved and more fish provided for the local market, making a large contribution to job creation. Three priority action lines are defined: improve techniques and thus vessels (more independent boats) and encourage fishing partnerships; create mechanisms to finance the investments needed to increase fishing production and national fish consumption; improve fish transport and preservation conditions. Given the fishing potential on the island of Príncipe, logistical conditions must be created to support development of this sector in the region of Príncipe in order to create more employment and increase family incomes.

Tourism, although not a large sector at present, nonetheless shows significant development potential because of existing natural conditions (sea and mountains), the history of the island, the hospitality of its people, and the tranquility of the islands. However, this outcome will depend on preconditions to be met, such as a better assessment of São Tomé and Príncipe's tourism products as well as sectoral policies in the areas of air transport, health and sanitation, the legal framework, and institutional incentives in addition to other factors. Bearing in mind the country's immense riches and sites, São Tomé and Príncipe must harness its potential in order to increase tourism's contribution to both GDP and job creation. Efforts must be made to increase the occupancy rate of hotel facilities, extend tourists' average length of stay, and to gradually improve tourism services (car rentals, recreational boats, bars, nautical amusements, cultural events, the sale of handicrafts, etc.).

In broad outline, the strategy for the private sector will call for improving the legislative framework for doing business in São Tomé and Príncipe and for promoting economic and financial cooperation with the countries of the subregion. Incentives must continue to be granted in order to develop small production units in the agri-food area (oilseed, coffee roasting, fruit preservation, beverage production, drying and smoking of fish, etc.).

In addition, economic infrastructures play a very important role in improving the population's living conditions.

Investments made in economic infrastructures seek on the one hand to promote employment and to energize the economic base on the other, providing financial resources for families through employment. This is the best way to minimize the poverty of the strata identified as poor, who represent 66.2 percent of the population. These investments should make use of intensive manpower in the context of actions in the economic growth pillar. The benefits to family income of this political option will have a direct impact on final demand and a multiplier effect boosting the country's economy and improving the population's access to health and education services.

It is important to emphasize that the dynamism of the productive sector will depend to a large extent on the development of economic infrastructures: transportation (rehabilitation and maintenance of highways and rural roads, construction and rehabilitation of port and airport

infrastructures), electricity (improved EMAE management capacity; increased access in terms of energy quantity and quality of the national network in response to consumer demand; development and updating of electrical sector legislation; establishment of energy efficiency programs; and rehabilitation of the electricity grid – power transmission and distribution (medium and low voltage).

Opening up to and diversifying trade with the continent and the world must be the essential function of transportation policy in upcoming years. To achieve this, São Tomé and Príncipe's authorities must call for subregional cooperation in subregional and regional institutions in the sense of recognizing the particular characteristics of island micro-states like São Tomé and Príncipe, so that those characteristics can be taken into account in structural projects seeking to achieve the economic integration of Africa within the framework of the New Partnership for Africa's Development (NEPAD). Similarly, neighborly relations will be strengthened with the countries of the subregion, with Portuguese-speaking countries, as well as with the European Union, taking into account the role that the latter plays in trade relations with the continent and the subregion in particular.

If the agriculture, livestock, and fishing sectors are to represent the primary source of growth, job creation, and income for the national economy in upcoming years, particularly in rural areas, there is an urgent need to define a clear development policy for the sector to include creating conditions for increased production, diversification, and implementation of small manufacturing industries so as to create products with value added for society, highlighting production chains for this purpose.

Considering the above, achievement of the following specific objectives will be pursued over the five-year period:

- Promote the development of the primary sector as a factor for increasing national production, creating employment, and relaunching the economic sector;
- Halt the exodus from rural areas and improve the socioeconomic conditions of rural populations;
- Develop basic infrastructures to support economic development;
- Improve the business environment to attract private investment.
- Ensure environmental sustainability.

The objectives established in the area of promoting sustainable and integrated economic growth will be achieved by carrying out programs under the following headings:

8.1. Developing the primary sector

Given the importance of the agricultural sector, particularly farming, livestock, and fishing, for economic growth, poverty reduction, and for food self-sufficiency above all, efforts must be

made to increase and diversify production so as to reduce the country's dependence on imports. Bearing in mind these objectives, the following programs are decisive:

8.1.1. Program: Promoting the production and productivity of export crops

This program aims to improve, increase, and diversify the production of food crops and high-yield crops like cocoa and coffee and to promote new activities such as the growing of vanilla and peppers, in order to diversify exports, increase national income, and reduce external dependence.

Policy measures:

- Decentralize governmental agriculture services;
- Improve the supply network for the factors of production;
- Develop structures to process and preserve farm products;
- Promote and organize marketing channels for chain farmers;
- Consult on legislative measures to combat theft on agricultural properties;
- Restart the process to control the use of lands distributed within the framework of agrarian reform;
- Promote the production and guarantee the quality of national plant products and their derivatives, in the context of national food security;
- Rehabilitate and construct infrastructures to support agricultural production;
- Strengthen the existing research center as an institution for conducting scientific and technical monitoring of agricultural development;
- Promote a microcredit policy for the agricultural sector;
- Adopt an integrated system to control pests and diseases;
- Promote actions fostering the emergence and strengthening of agricultural cooperatives;
- Strengthen land ownership title rights.

8.1.2. Program: Increasing and improving the quality of animal production

Livestock production should be encouraged, considering its role in feeding the population and importance in monetary income formation among rural populations.

Policy measures:

- Strengthen the institutional capacity of the Livestock Directorate (DP) with human and financial resources to support development of the subsector;
- Include livestock activity in the diversification of agricultural production;
- Provide technical support to breeders on the purchase, production, and marketing of all livestock products and zootechnical and veterinary inputs;
- Promote and publicize animal breeding techniques through special microloans;

- Provide incentives for the development of raw materials production to manufacturing animal feed in the country;
- Stimulate family livestock production so that the sector can help keep the population in rural areas and reduce poverty;
- Maintain sanitary control and national epidemiological surveillance;
- Establish a research center for livestock development;
- Regulate the practice of livestock breeding at the national level;
- Develop structures for the processing and preservation of animal products;
- Promote a microcredit policy for the livestock sector.

8.1.3. Program: Increasing and improving the quality of fish production

This program seeks to increase the production and productivity of the fishing sector by distributing equipment and techniques more suited to the development of fishing (purchasing ocean-going ships, increasing fish-aggregating devices and technical training for fishermen) so as to take advantage of a vast area of unexplored territorial waters, in conjunction with initiatives to promote processing and marketing methods and infrastructures.

Policy measures:

- Take initiatives to renegotiate agreements on industrial fishing with the European Union (EU) and Japan in order to obtain greater advantages;
- Strengthen technical capacities and laboratories for analysis of fish;
- Update the Health Law to lift the health embargo on fishing products in the European market;
- Reorganize fishermen and fishmongers (*palaiês*) associations and encourage the creation of cooperatives;
- Promote increased fish production by encouraging small-scale and semi-industrial fishing, improving the fishing practices currently used, introducing new technologies, and disseminating new fish-aggregating device models;
- Strengthen the institutional capacity of the fishing sector in the Fisheries Directorate;
- Create a competent authority for sanitary control of fish production;
- Create an information system on fish (socioeconomic, biological, statistical, and community development aspects);
- Improve the supply network for the factors of production and increase microfinance policies.

8.1.4. Program: Promoting a healthy environment and rational use of natural resources

The vulnerability and fragility of coastal ecosystems and areas necessitate the appropriate use of the environment, particularly when the negative effects of human pressure become more visible each day, both on geographic space and the natural resources existing there. The major environmental concern at present involves deforestation. Close to 85 percent of families use wood or charcoal for cooking, and buildings and furniture are basically made of wood, representing a real danger of deforestation accompanying demographic growth.

Policy measures:

- Protect and preserve ecosystems;
- Promote sustainable economic development;
- Improve the Climate Monitoring Network;
- Strengthen the capacity of environmental institutions;
- Implement actions consistent with international conventions for the protection of flora, fauna, water resources, biodiversity, soils, and inherent ecosystems;
- Implement the management plan for the Ôbo national parks of São Tomé and Príncipe;
- Build sanitary landfills.

8.1.5. Program: Guaranteeing food security

Food security exists when everyone has physical and economic access to enough healthy and nutritious food at all times to satisfy their energy requirements and food preferences and thus lead a healthy and active life.

The domestic availability of food in our country is insufficient for food security, i.e., the supply of foods is insufficient to meet the citizens' consumption needs. To change this situation, a consistent revision of agricultural policies is needed to make basic family farming a priority and define a food standard based on respect for the national food culture.

Policy measures:

- Define agricultural policies making basic family farming a priority as a guarantee of food security;
- Support food processing and preservation activities and consumption of foods rich in proteins and other nutrients;
- Support the regular organization of nutritional education at the community level.

8.2. Improving the environment for the private sector and strengthening performance in the tertiary sector

8.2.1. Program: Promoting the private sector as a viable option for development of the national economy

The country's economic and financial context, coupled with the size of the market, limited infrastructure, weak domestic savings, and the failure of the credit system to adapt have had a

deterrent effect on projects by economic transactors. This program seeks to overcome the constraints facing São Tomé and Príncipe's business community and help create an environment favorable to the emergence of a strong and competitive private sector.

Policy measures:

- Foster free enterprise as a decisive factor in the process of economic and social development and the creation of an environment favorable to private initiatives;
- Promote incentives favorable to the creation and growth of micro-, small and medium-sized companies by reducing bureaucracy, simplifying procedures, and establishing flexible ways to access financing;
- Encourage the creation and roll-out of companies in the country's various districts, rural areas, and areas at a disadvantage due to their location, as a way to create income opportunities for the inhabitants of these zones;
- Revise the institutional and legal framework supporting the sector;
- Develop a framework of attractive tax benefits;
- Revise the institutional framework supporting trade and investment;
- Revise the labor code to make the labor market more flexible;
- Create an agency to promote exports and investments;
- Create an electronic system for assigning/obtaining visas to enter the country.

8.2.2. Program: Promoting tourism and related activities

São Tomé and Príncipe offers extraordinary tourism potential thanks to its primary attractions (climate, landscape, historical and cultural heritage, traditions, folklore, handicrafts). This should be used as the basis for the type of secondary attractions to be built (hotels, restaurants, recreation facilities). Given that the country has this potential, this program seeks to give São Tomé and Príncipe the wherewithal to meet the demand for tourism, not only in terms of specific equipment and types of recreation, but also in terms of professionals able to rehabilitate and preserve the historic architectural heritage of the rural and urban landscape.

Policy measures:

- Create appropriate legislation to promote the country's tourism development;
- Provide incentives for tourism investments in rural areas;
- Promote training in the area of tourism (creation of hotel school);
- Create better material and human conditions for the tourism sector;
- Highlight the natural and sociocultural architectural heritage from the perspective of developing tourism;
- Develop laws governing hotel tourism activities and similar activities;

- Implement tourism statistics and tourism satellite account services.

8.2.3. Program: Integrating the economy in the subregion and in the multilateral trade system

This program seeks to integrate the country properly in the subregion and in the multilateral trade system in order to take full advantage of its strategic location in the Gulf of Guinea and in the world.

Policy measures:

- Create a National Trade Negotiation Commission;
- Consolidate the process of negotiating with regional organizations when reducing intra-African tariff and non-tariff barriers, always safeguarding the protection of emerging industries;
- Continue the process of adapting and modernizing trade legislation;
- Promote international partnerships in the trade sector and commit to subscribing to regional and international trade facilitation instruments;
- Design and implement actions leading to São Tomé and Príncipe's membership in the WTO.

8.2.4. Program: Developing the oil industry

The available data point to exploration of the oil fields starting in 2015 or 2016, with as yet unknown effects on the country's macroeconomic aggregates, since production prospects have not been evaluated as yet. Oil could contribute to the country's growth, provided that the resources generated are managed transparently and in accordance with government accounting standards.

Policy measures:

- Secure national interests in the ZDC;
- Establish development strategies for oil exploration and production activities in the ZEE and ZDC;
- Consolidate and strengthen the ANP-STP as a regulatory agency for the petroleum sector;
- Reevaluate the geological potential of the ZEE.

8.2.5. Program: National program to support microfinance

The main objective of this program is to promote the access of poor or low-income families and micro and small entrepreneurs to microfinance services on a sustainable basis by creating viable institutions integrated in the national financial market. The program should also be used as an instrument for implementing national policy in support of building the legal, regulatory, and institutional framework for the harmonious and secure development of the microfinance sector and increased institutional professionalism as well as the development of a continuous supply of

diversified products and services. This program is expected to create two specific entities: a national committee to promote microfinance⁸ and a management unit, in addition to other bodies.

Microfinance is a relatively recent phenomenon in São Tomé and Príncipe, does not yet have an institutional-regulatory framework, and appears disorganized. It follows that adopting a national microfinance policy is an urgent matter.

This microfinance policy should be the result of a concerted approach to promotion of the sector, defining a common vision shared by all the participants, the objectives, and the broad strategic pillars of the sector's development, the guiding principles of the various partners, as well as the critical conditions to be met in order for microfinance to effectively carry out its role within the framework of financing the country's development and reducing poverty.

This policy must take into account (i) the National Poverty Reduction Strategy; (ii) development of the private sector and support for micro and small enterprises and, above all, the sector; (iii) the guiding principles, good practices, and diagnostic assessment of the microfinance sector. Its implementation must respond to the desires of the beneficiaries, microfinance institutions, the government, donors, and providers of technical support. Financing for the program will be guaranteed with resources from both the government and its partners.

Thus, the following policy measures will be adopted:

- Support interventions targeting the creation of permanent financial institutions in order to sustainably ensure the population's access to financial services;
- Ensure consistency in microfinance interventions, identifying complementarities and potential linkages;
- Facilitate the adoption and application of the principles of a code of ethics on good microfinance practices;
- Develop and implement a suitable legal and regulatory framework;
- Facilitate the implementation of a national microfinance policy;
- Create a microfinance support fund;
- Create an institutional framework for the implementation of microfinance;
- Create a mechanism for implementing a national microfinance program;
- Create a microfinance office.

8.3. Developing transportation networks and infrastructures

The competitiveness of São Tomé and Príncipe is hampered by limited infrastructure. The country lacks modern transport infrastructures such as ports, airports, and roads needed to develop the private sector and stimulate growth.

The country's deficient infrastructure conditions, particularly in terms of a port and airport, make trade with the rest of the world difficult, lead to high transportation costs, and reduce the return

⁸ The unit of the national committee to promote microfinance is the steering committee, a decision-making body for the support program. It defines the program guidelines and the partnership framework as well as other microfinance participants, approves financing decisions for program activities, and ensures follow-up of the program's management (control of the management unit).

on capital, limiting competitiveness, discouraging domestic and foreign investment, and hindering economic growth.

In this respect, development actions focus on basic transportation and communications infrastructures to promote the country's balanced and sustained development.

8.3.1. Program: Road transport infrastructure

The objective of this program is to improve roadway operating conditions, thus helping to reduce transportation costs and creating conditions for promotion of the local economy.

Policy measures:

- Reorganize the public transportation network;
- Do maintenance work on the road network and preserve it;
- Improve the activities of the Road Maintenance Interest Group (GIME);
- Develop and implement the roadway mobility plan.

8.3.2. Program: Maritime transport infrastructures

Development of maritime transport is a priority given that it serves 90 percent of inter-island trade and trade between the archipelago and the rest of the world. Construction of a deep water port provides a unique opportunity for transforming São Tomé and Príncipe into a services center for the region.⁹

Policy measures:

- Strengthen the technical and operational capacity of the port of Ana Chaves in São Tomé;
- Construct a new port in the Autonomous Region of Príncipe;
- Prepare a study for development of coastal shipping;
- Construct a deep-water port.

8.3.3. Program: Airport modernization and expansion

The modernization and expansion of São Tomé and Príncipe's airports, most particularly the international airport of São Tomé, is a prerequisite for promoting its development. These interventions seek to promote the link between the islands and the rest of the world. This program thus proposes to create the conditions needed to welcome larger airplanes by extending landing strips and aprons and expanding the passenger terminal in São Tomé and Príncipe.

Policy measures:

- Improve the infrastructures for safely receiving and handling larger airplanes;
- Lengthen the airstrips and widening aprons (taxiway);

⁹ The technical-financial viability study for construction of the deep water port in Fernão Dias, budgeted at US\$475,990 has already been prepared. An agreement was signed in July 2007 with the third largest container operator (Terminal Link) to build the deep water port. Construction work has not begun so far.

- Expand the passenger terminal to meet the country's development needs;
- Improve fire-fighting services, as well as communication and navigation support services;
- Improve the management of the process for recertifying airway capacities;
- Provide the National Civil Aviation Institute (INAC) with modern and appropriate legislation;
- Give the airports security equipment and appropriate information technology;
- Attract other airline companies to provide services in STP;
- Improve the quality of user services;
- Construct a new runway at least 1,800 meters long in Príncipe and adapt airport infrastructures to meet the requirements of regional and national development.

8.4. Strengthening access to infrastructures to support development

8.4.1. Program: Providing reliable and low-cost energy

The secure supply of electrical energy plays an important role in ensuring the progress of the country's economic and social activities. Investment for electrification is considered one of the important conditions for successfully stimulating economic and social development. In order to increase energy production and efficiency and reduce the country's dependence on imported fuel, consideration will be given to methods for rapidly increasing the share of hydroelectric power and improving the technical capacity of the national Water and Electricity Corporation (EMAE). Finally, a study will be conducted on potential in the area of alternative energy (biomass, wood, wind and solar energy).

Policy measures:

- Increase the installed capacity and production of electrical energy;
- Improve the electrical transmission and distribution grid;
- Improve and expand energy services to populations;
- Strengthen the management capacities of the EMAE, prioritizing technical maintenance services, and increase the company's management autonomy;
- Rehabilitate and create network security conditions;
- Organize and regulate the energy market;
- Implement electrical power generation projects using renewable energy sources (solar, hydro, and wind);
- Involve the private sector in the production of electricity.

8.4.2. Program: Promoting and developing the telecommunications network

This program seeks to implement a broad reform of the telecommunications sector based on a strategy to maximize investment opportunities, meet the demand for new services, and improve effectiveness and efficiency.

Policy measures:

- Develop universal services, with particular impact on basic telephone services in rural regions;
- Define a sectoral legal and regulatory framework to ensure the promotion of investments in the sector and clarify the specific objectives of the government and network and services operators.
- Development of new services provided by ICTs.

8.4.3. Program: Land use planning and urban planning

The establishment of a National Policy on Land Use Planning and Urban Planning is considered an imperative for the objectives of poverty reduction and for pursuing the development goals. Land use planning promotes job creation and helps to allocate equipment and infrastructure, increasing accessibility to that equipment with the resulting reduction in inequalities.

Policy measures:

- Develop a National Land Use Plan;
- Create a Geographic Information System (SIG);
- Continue with the ESPERG-IPAD project on formation and updating of national mapping;
- Proceed with topographical surveys in areas of expansion and design and draw up an integrated plan to detail soil use and occupancy activities as well as services areas, residential areas, recreational areas, national parks, schools, hospitals, shopping, etc.;
- Update the cities' topographical plans for installation of local supporting social infrastructures;
- Develop basic laws on land use planning, registry, and mapping;
- Develop urban planning in conjunction with the regional government and district chambers;
- Promote technical-vocational training for geographic and registry services and local government staff.

8.4.4. Program: Constructing low-cost housing

In the area of housing, there is a continued housing deficit amounting to 60 percent and there are no general construction regulations governing urban construction and housing in São Tomé and Príncipe.

This program proposes to create targeted but not just social housing programs to include both low- and middle-income families, making different types of housing available at various prices based on the users' social level.

Policy measures:

- Give the IHI (Residential Housing Institute) properly qualified human resources and financial resources needed to make its services more operational;
- Create an ad hoc multisectoral committee, to include IHI members, local governments, and cooperation to be more proactive with the cooperation partners in order to obtain material and financial resources;
- Create do-it-yourself construction brigades or construction cooperatives in all the country's districts in order to reduce costs, taking social characteristics into account and involving the community or families in building their own homes;
- Update the entire registry of government properties and adopt coercive collection measures or utilize the banking system;
- Create a housing promotion fund that is properly structured and targeted for social housing, with collection of revenues through real estate;
- Encourage and support private companies or private initiatives that want to invest in the real estate market;
- Create new neighborhoods based on integrated projects with social housing, recreational areas, schools, shopping, health centers, etc.;
- Plan and build social housing based on current categories and at low cost;
- Develop a national policy and a Strategic Housing and Real Estate Plan;
- Establish housing investment priorities for low-income groups or those most in need (large family groups), taking into account gender approaches and respecting principles on proper treatment of those with any type of disability;
- Develop a basic housing promotion law;

8.5. Mainstreaming climate change issues in the country's development policies

Available statistical analyses and data on risk analysis indicate that São Tomé and Príncipe is susceptible to threats from both man and nature. The group of natural threats includes threats that have a hydrometrical, geological, or biological source and the group of man-made threats includes threats with a technological and environmental source.

Based on this data and taking into account the objectives outlined in the Kyoto Conference on climate change,¹⁰ São Tomé and Príncipe must strive to instill a culture of prevention and response to the consequences of climate change, mainstreaming climate change issues in planning for all sectors of national life, so as to minimize biodiversity losses, combined with

¹⁰ The Kyoto Conference outlined two broad objectives:

1. More effective integration of disaster risk analysis in sustainable development policies, plans, and programs at all levels, based on prevention, mitigation, and disaster prevention as well as on reducing vulnerability;
2. The creation and strengthening of institutions, mechanisms, and capacities that are able to contribute systematically to increased resilience against threats, at all levels, particularly the community level.

efforts to reduce food [insecurity] and vulnerability in general. In this context, urgent measures are needed to ensure:

- (a) Mandatory inclusion of the “Climate Change” dimension in sectoral and national diagnostic assessments in order to minimize and restore the environmental costs of development policies;
- (b) Creation of competence and knowledge regarding the importance of climate change in the country’s sustainable development process;
- (c) Mainstreaming of climate change issues in national and sectoral plans;
- (d) Advocacy actions with decision-makers on the harmful effects of climate change;
- (e) Promotion of awareness campaigns to inform the population concerning the harmful effects of climate change;
- (f) Training of sectoral experts and civil society regarding the basic concepts of climate change, as well as its harmful effects.
- (g) Urgent preparation of a guide on integrating climate change issues in the instruments of development policy, as well as in their implementation.

9. Pillar 3: Developing human capital and improving basic social services

Rationale for intervention: The development of human capital is one of the central concerns in assessing the possibilities and opportunities for a substantial reduction in the percentage of the population living in poverty, considering that the combination of actions in various fields requires capacities and skills ensuring the effectiveness and efficiency needed to produce results that match and satisfy the population’s expectations. This means that São Tomé and Príncipe needs human capital of a quantity and quality to ensure that it can act in priority areas and ensure gains in effectiveness and efficiency in its efforts to combat poverty.

Thus, it is committed to improving human resources education and training, through basic education and vocational training to foster a better approach among citizens to the issues of well-being (health, environmental sanitation) and productivity and promote the exercise of citizenship and mutual respect.

For this reason, in order to “democratize education and restructure the educational system,” the government believes that human resources development should be tied to policy measures that are not just educational but also relate more broadly to vocational qualification and requalification.

Education, as a priority area, is one way to ensure promotion of the individual and the preparation of society as a whole. Thus, there should be continued efforts to extend basic education to six years and guarantee the quality and effectiveness of teaching and learning.

However, the strengthening of human capital requires more than improving the quality of education and access to it by the poor and directing the poor to vocational education. It also requires continuing programs to combat AIDS and control the malaria vector as well as improvements in health services delivery.

For this reason, the specific strategic objectives for the development of human capital and improvement of basic social services are as follows:

- Develop quality education and promote vocational training in priority development areas;
- Guarantee by 2016 that all children and school-aged youth complete basic education;
- Guarantee by 2016 that 100 percent of the population has access to quality basic health services.

To achieve these objectives, actions will be developed in programs under the following headings:

9.1. Improving access, equity, and quality in the system of education and training

Inasmuch as human resources are one of the more important and long-term resources a country must have, educational policy should be designed so that various training categories and modalities are made available to all social group and age brackets. Thus, it becomes necessary to ensure conditions of access and accessibility for all, at all levels of education, particularly basic and secondary education, while at the same time making the effort needed to guarantee that children stay in school and to promote academic success.

The intent is to help improve educational access, equity, quality, and management to respond to educational needs, the Millennium Development Goals (MDGs), and Education for All (EFA) goals.

9.1.1. Program – Preschool education

Policy measures:

- Revise and update the curriculum for preschool education;
- Create standards for preschool education;
- Rehabilitate and build children's institutions;
- Regulate the activities of all teaching staff;
- Carry out training activities for all teaching staff, managers, inspectors, and supervisors in preschool education.

9.1.2. Program – Basic education

Policy measures:

- Strengthen system capacities to ensure widespread access to school and a full six years of basic schooling;
- Strengthen school canteens and make them generally available in basic education;
- Effectively implement the vocational career plan;

- Expand educational supply;
- Update the legislative framework;
- Define the school management regime;
- Train human resources.

9.1.3. Program – Secondary education

Policy measures:

- Implement a vocational career plan;
- Expand educational supply;
- Strengthen institutional capacity;
- Update the legislative framework;
- Define the school management regime;
- Train human resources;
- Implement 12th grade across the board throughout the public system.

9.1.4. Program – Special education

Policy measures:

- Update the legislative framework;
- Revise and update the strategy and curriculum;
- Expand access to the district capitals;
- Train human resources.

9.1.5. Program – Higher education

Instruct and train human resources in the most diverse areas of knowledge and learning in order to respond to the needs for skills in the labor market and the challenges of development.

Policy measures:

- Expand the supply of training services in various areas in order to meet current demand.

9.1.6. Program – Technical vocational education

Policy measures:

- Develop and approve the law governing vocational training;
- Strengthen the capacity of institutions involved in vocational training;
- Create a technical and vocational education department;
- Increase and diversify the supply of quality vocational training;
- Include young people in vocational training structures and create conditions for the formation of microenterprises of young boys and girls.

9.1.7. Program – Continuing education/literacy

Policy measures:

- Eradicate illiteracy among youth older than age 15 and among adults;
- Promote education for young people and adults in coordination with income-producing activities and incorporate in job market.

9.2. Improving access to and quality of health, the water supply, and basic sanitation

Under this heading, the aim is to help improve access to and equity in both preventive and curative healthcare services and to improve access to drinking water and basic sanitation.

9.2.1. Program: Equitable access to and use of healthcare and viability of the healthcare system

Policy measures:

- Construct new hospitals to reduce the time needed for patients/users to travel to the hospital;
- Train and hire medical staff;
- Improve and restore existing hospitals and health centers;
- Improve the country's existing maternity services;
- Improve the quality of health care services so as to reduce waiting time at hospitals;
- Develop specialty services at hospital centers;
- Regulate, encourage, and supervise the development of the private health sector.

9.2.2. Program: Rehabilitation, expansion, and improvement of water supply systems

Policy measures:

- Promote the rational use of water resource services;

- Rehabilitate water supply, transport, and distribution networks;
- Construct dams and reservoirs in agricultural areas where water is most scarce;
- Consolidate studies of river basins as well as of the potential of São Tomé and Príncipe;
- Rehabilitate the water supply system;
- Renovate and expand the water supply system to meet growing demand;
- Improve the sector's institutional apparatus;
- Approve a water code.

9.2.3. Program: Improving access to basic sanitation

Policy measures:

- Properly inventory all wetland areas in São Tomé and Príncipe so that a consistent wetland policy can be defined;
- Rehabilitate the old sewer systems for rainwater disposal in the city of São Tomé and Príncipe and construct new systems;
- Promote a broad campaign to encourage healthy habits and lifestyles;
- Construct improved latrines;
- Promote policies for building houses with bathrooms in urban areas

10. Pillar 4: Strengthening social cohesion and social protection

Rationale: Social cohesion is a fundamental principle for building a more inclusive and balanced society, and for mitigating poverty. Under current conditions, however, persistent social inequalities continue to impede the exercise of rights of citizenship. Moreover, inequality has serious consequences for children's development, a dignified life for seniors, and social participation by those with disabilities. Young people and women heads of household swell the ranks of vulnerable groups, which lack occupational options and employment opportunities that would enable them to improve their living conditions. In most cases, individual survival strategies are adopted simply to fulfill the objectives of meeting immediate needs and do not prioritize concerns with rationalizing resources and preserving the environment. Cultural and moral principles and values are being eroded in an environment that lacks guidance and education in best practices.

The intention of the measures planned under this pillar is to improve living conditions for the population. This will be done by carrying out programs in support of social inclusion, particularly for the most vulnerable groups – such as family heads living in extreme poverty, the unemployed, and pensioners – to enable them to develop the ability to support themselves. Programs will also provide care for the victims of disasters and natural catastrophes; assist needy and vulnerable seniors in every district throughout the country; combat child labor, the sexual abuse and exploitation of minors, and domestic violence; and work toward a level playing field for men and women.

The following strategic objectives have been identified:

1. Promote the national identity and develop the country's cultural heritage
2. Guarantee equality and gender equity
3. Promote initiatives for the effective protection of vulnerable or disadvantaged social groups with policies of support and social inclusion

10.1 Promoting citizenship and social equity

10.1.1 Program: Developing and preserving the historical and cultural identity of São Tomé and Príncipe

Culture is the calling card of a people and the driver of a country's development. The country is facing trends, such as globalization, that are leading to a crisis of identity. Accordingly, dynamic cultural policies need to be developed and adopted, to support the process of regional integration and the dynamics of global transformation while safeguarding national diversity. In this way we can underwrite our country's identity. Against this backdrop, it will be imperative to engage in cross-cutting efforts to ponder the importance of dialogue in affirming national culture.

The aim of the program is to reinforce São Tomé and Príncipe's cultural identity to contribute to the development of culture by implementing strategies that work toward meeting the needs of all citizens.

Policy measures:

- Define and prepare an inventory of the national cultural heritage in close collaboration with district chambers and the Autonomous Authority of Príncipe;
- Take urgent action at the archives of São Tomé and Príncipe to conserve and preserve existing assets, including the mandatory incorporation of relevant documentation of a historic nature into the Historic Archives of São Tomé and Príncipe;
- Record the general history of São Tomé and Príncipe;
- Develop historical memory by erecting statues and monuments of major figures and role models from the history and culture of São Tomé and Príncipe;
- Promote cultural manifestations threatened by extinction (quiná and others);
- Promote greater interconnection between traditional and scientific medicine to take advantage of the development potential offered by the country's flora;
- Salvage ethical and moral values by strengthening the national cultural identity;
- Improve the linkages between the cultural sector, cultural sponsors, and producers of culture;
- Create networks of cultural groups, and men and women of culture;
- Promote creativity and revitalize the culture of São Tomé and Príncipe;
- Promote research in various areas of culture in order to gain a better knowledge of the country's social, cultural, and historical reality;
- Preserve historic sites and build historic monuments and landmarks;
- Build the institutional capacity of the Directorate of Culture;

- Develop and preserve colonial architecture, chiefly in rural areas, in view of its advanced condition of deterioration;

10.1.2 Program: Promoting gender equality and equity

This program aims to promote equality between men and women and diminish the marginalization of women in order to achieve sustainable human development and eradicate poverty.

Policy measures:

- Improve women's access to decision-making positions;
- Create conditions to ensure greater access for girls to the various levels of education;
- Accustom children (girls and boys) to participate equally in all tasks – at home and at school;
- Promote actions to eliminate all forms of violence.

10.1.3 Programs: Promoting youth and sport

Policy measures:

- Reinforce the legal framework and regulate the Youth Institute
- Develop and implement the National Youth Plan

10.2 Social assistance and social protection

10.2.1 Program: Development of the social protection system

This program calls for the adoption of a series of transfers in the form of facilities for basic services to which all citizens should have access, i.e. social protection that prioritizes the most vulnerable and the need for poor families to break the cycle of inter-generational poverty.

Policy measures:

- Develop a National Strategy for Social Protection that brings all programs under one conceptual umbrella and serves as a guide for the development of an efficient and effective system of social protection;
- Budget for an operating plan to implement the strategy that includes secure sources of financing and clearly identifies partners for cooperation;
- Develop a lobbying plan to obtain the fiscal space for financing the operating plan;
- Develop a plan for the development of public service staff in the social sphere.

11. Priority areas

The phenomenon of poverty breaks down into multiple scarcities and results in the perpetuation of needs that call for setting multiple priorities in terms of sectors and areas of intervention.

Accordingly – and in the context of a crisis in which there is uncertainty as to the actual potential for mobilizing resources – the Government intends to identify those areas having the highest

priority for action in order to effectively ensure macroeconomic stability and access to basic goods for decent survival.

To this end, the following intervention areas have been identified:

- (i) Good governance, judicial credibility, and macroeconomic stability – considering that it is urgent to redefine the mission of the Government, adapt human and material resources based on that mission, reorganize government operations, and revamp government management. In the legal sphere, reforms are needed to improve the credibility and increase the swiftness of the judiciary. Specifically, these include, inter alia, modernizing the legislature, strengthening and training judges, introducing legal inspection, and ensuring universal access to justice and compliance with obligations and contracts. In the area of public financial management, it is urgent to continue actions to consolidate the gains already made. Specifically, this calls for, inter alia, improving the regulatory framework underlying the management of public finances, improving government accountability, enhancing the public procurement and contracting system, improving information systems, refining the system for collection of taxes and other fiscal and non-fiscal revenues; and integrating the various services and institutions involved in resource administration within a single information systems platform.
- (ii) Recovery, promotion, and diversification of production – to enable the primary sector, and specifically agriculture, livestock and fishing, to move toward playing a significant role in the coming years. It is these areas that hold out the best short- and medium-term prospects for employment, reduction of hunger and poverty, and contributions toward stabilizing rural populations.
- (iii) Strengthening and upgrading of basic economic infrastructure – in view of its crucial role in improving living conditions for the population. In addition, maintaining a dynamic productive sector is also largely contingent upon the development of economic infrastructure. Included here are: transportation – rehabilitation and maintenance of roads and rural tracks, construction and rehabilitation of port and airport facilities; electric energy – improvements in the management capacity of the Water and Electricity Corporation (EMAE), increased access to energy in terms of quantity and quality for the national grid to meet demand from consumers, development and updating of legislation on the electricity sector, establishment of programs for energy efficiency, and rehabilitation of the electricity transport and distribution system, both medium and low tension.
- (iv) Development of human capital and social solidarity – because improving education and training for human resources in the form of basic education and occupational training, in addition to increasing the involvement of cities and citizens in issues of well-being (health and sanitation) and productivity promotes the exercise of citizenship and mutual respect. In this regard, it is equally urgent to prioritize issues relating to health, sanitation, and a safe water supply. This entails promoting improvements in the workings and performance of the health care system; improvements in access and quality for primary health care and specialized health care services; promoting communication campaigns to change behaviors; strengthening capacity to train health care workers; pursuing efforts to prevent the vertical transmission of HIV/AIDS; reducing infant mortality rates and mortality among children under five years of age; improving the availability of medicine and inputs (anti-malarial, anti-retroviral,

tuberculostatic drugs, impregnated mosquito nets, screening tests, and diagnostic equipment and supplies); pursuing campaigns to combat malaria and non-contagious diseases; upgrading sanitary infrastructure; and improving access and coverage of the population in terms of safe water and basic sanitation: information, education, and communication on water management, construction of drainage systems and treatment of sewers, construction and rehabilitation of water capture systems, rural water supply, and a stronger institutional and legal framework for the water and sanitation sector. Social safety nets will also be strengthened to benefit the neediest, specifically by setting up day care centers and centers to serve children at risk, among others.

12. Macroeconomic prospects for 2012-2016

12.1 International macroeconomic prospects

The global economy is undergoing a rapid recovery following the severe recession of 2009. Indeed, following a decline of 0.7 percent in 2009, global output grew 5 percent in 2010 and 4 percent in 2011. However, the pace of recovery varies substantially from one region to another, with emerging market economies and certain developing countries posting a stronger dynamic. The recovery in the global economy is expected to continue in 2012 at a similar rate as in 2011, according to calculations by the IMF.

In the commodities market, prices for energy products (petroleum products) are rising in response to strong global demand and supply shocks. Brent crude oil, which was selling at US\$63.21 per barrel in 2009, less than in 2008, increased to US\$93.21 per barrel. Expectations are that the rising trend will continue in the coming years. Brent transactions are expected to be priced at US\$95.34 per barrel in 2012 and US\$119.34 in 2016.

With respect to nonoil products such as food, prices for major consumer staples fell in 2011 globally. The food price index of the Food and Agriculture Organization of the United Nations (FAO) stood at 211 points in December 2011, 5.5 percent lower than the same month the year before. The drop was caused by a sudden decline in world prices for grain, edible oil, sugar, and dairy products. FAO projections call for a continued drop in food prices for most of 2012 as a result of the expected increase in supply for several basic food staples and uncertainty about the global economic situation.

The US economy also recovered from the severe recession of 2009, posting an increase in real GDP of close to 3 percent in 2010 and 1.5 percent in 2011. Growth was supported mainly by private consumption, driven by fiscal stimulus measures and exports. IMF projections call for growth in real GDP on the order of 1.8 percent in 2012. Inflation remains stable and moderate.

The Eurozone economies are showing a more modest rate of economic growth after having suffered a severe economic recession in 2009 of -4.3 percent. Despite the elevated financial instability seen in 2010 in the Eurozone, economic results were surprisingly positive, with growth of 1.8 percent in 2010 and 1.7 percent in 2011. Economic growth is expected to slow to 1.1 percent in 2012. The level of inflation in the euro area, as measured by the Harmonized Consumer Price Index (HCPI), posted a rate of 1.6 percent in 2010 and 2.5 percent in 2011. Projections for 2012 called for the inflation rate to fall to 1.5 percent.

[...text missing...] sub-Saharan Africa. Albeit to a lesser degree, the sub-Saharan economy was also affected by the international financial crisis, with the rate of economic growth declining

from 7.2 percent in 2007 to 2.7 percent in 2009, the lowest figure in recent years. However, the pace of economic activity recovered rapidly, posting growth of 5.4 percent and 5.2 percent in 2010 and 2011, respectively. Projections for 2012 call for an expansion in economic activity of 5.8 percent. However, the sustainability of economic growth continues to depend to a large degree on the external economic situation, prices for commodities, the continued existence of domestic stimulus, and strong capital inflows from foreign direct investment.

Inflation in sub-Saharan Africa stood at 7.5 percent in 2010 and 8.4 percent in 2011, higher in both cases than in 2009.

The Chinese economy weathered the crisis very well with the help of expansionist fiscal policies. In 2009, growth surpassed 9 percent, and in 2010 and 2011 it reached figures verging on 10 percent. Projections for 2012 call for growth of around 9 percent. At the same time, inflationary pressures increased as a result of rising food prices caused mainly by problems with supply.

In Japan, following a severe economic recession of 6.3 percent in 2009, the greatest recession in recent years, the economy grew 4 percent in 2010. In 2011, Japan was tragically hit by a strong earthquake and tsunami that took the lives of thousands of victims, caused serious damage to nuclear power stations, and disrupted the entire workings of the economy, which led to a recession in economic activity (-0.5 percent). Growth of 2.3 percent is projected for 2012.

12.2 Domestic macroeconomic prospects

The macroeconomic situation for the period 2012-2016 was conceived in terms of two scenarios, as follows: (i) the base scenario, which assumes that petroleum production and exports will start up in 2015; and (ii) an alternative scenario without petroleum production and exports. Both scenarios assume that the nominal exchange rate will continue to be indexed to the euro at the rate of STD 24,500 to EUR 1. Budget projections are based on the assumption that the Government will continue to make timely payments for the supply of energy, through an effort that will combine strong budget discipline, structural reforms to the EMAE, and the adoption of an automatic indexing mechanism for retail fuel prices. The chief characteristics of macroeconomic prospects under both scenarios are as follows:

Under the petroleum scenario, growth will rise to 6 percent by 2014 and take off thereafter with the start-up of oil production and exports, while inflation will fall to single digits. The Government is expected to hold the domestic primary deficit steady at about 3 percent of GDP until 2014, in line with available financing, while the deficit on current account is expected to decline.

Under the non-petroleum scenario, projections call for growth at a lower rate than under the petroleum scenario, in the absence of oil-related investment spending and the knock-on effects of oil revenues. Budget financing will be limited, and the Government will tend to adopt more restrictive budget policies and aim for a domestic primary deficit of around 2 percent of GDP.

12.2.1 Base scenario

External environment

As the global economy recovers, São Tomé and Príncipe will be able to start reaping the benefits of its public investment program, making positive strides in tourism and telecommunications as well as additional investments in the oil sector. Projections call for oil prices to remain high or at

least sufficient to attract additional investments in this sector through the medium term. The country is highly dependent upon imports and therefore fluctuations in world prices for commodities and in the euro-dollar exchange rate have a major impact on domestic inflation. The expected moderation in oil and food prices in the medium term should offset the projected weakening of the euro and the dobra (STD) with respect to the dollar (US\$). The rate of growth in imports will fall in tandem with the decline in world commodity prices.

Prospects for growth and inflation and sector projections

The best way to reduce poverty is by increasing growth in real GDP. The economic growth strategy is laying the foundation for development of the private sector and economic diversification. Prospects for the medium-term (2012-2016) call for annual growth in GDP of close to 5.5 percent in 2012 and 6 percent until 2014 (table 1 in the annex). Oil production will take GDP growth to close to 25 percent in 2015. The drivers of growth will relate to drilling in the Joint Development Zone (JDZ) with Nigeria and potentially in the Exclusive Economic Zone (EEZ) as well, since there is potential for drilling oil wells in blocks 2, 3, and 4. The construction sector will benefit from investments in the areas of transportation infrastructure (ports and airports), as well as energy and telecommunications. The social investment program will continue to be supported with funds provided by international donors. Improvements in infrastructure will help promote growth in tourism, external transport services, and telecommunications.

Projected inflation will reflect the expected decline in prices for nonoil commodities over the medium term. Inflation is expected to fall from an average of 14.3 percent in 2011 to about 9 percent in 2012, and then continue to decline to about 3 percent by 2015, as the parity set vis-à-vis the euro succeeds in managing inflationary expectations and as economic diversification continues.

Public finances

In the medium term, the Government's objective is to stabilize the domestic primary deficit to keep it in line with available non-debt-generating financing. To this end, the Government plans to step up revenue collection and mobilize more domestic revenues as the benefits of the economic expansion resulting from starting up petroleum production accrue, as of 2015. Total revenues, excluding oil revenues, should increase from STD 0.8 billion (17.5 percent of GDP) in 2011 to STD 1.4 billion (16 percent of GDP) in 2016 (see tables 2 and 3 in the annex). The major source of revenue growth will be tax revenues – chiefly direct taxes – which are projected to increase about 1 percentage point of GDP in the medium term as a result of efforts to mobilize tax revenues by means of measures to improve the tax and customs administrations. In addition to these efforts, the Government plans to control spending, and particularly to give priority to spending on goods and services and transfers that are compatible with available resources. Generally speaking, the overall primary deficit should improve gradually to 3 percent of GDP by 2014, rising to close to 6 percent of GDP as oil production and exports get under way, as the Government implements its public investment program. Financing in the form of budget support grants is expected to be provided by the World Bank, other development partners such as the European Union, and regional partners, while the Government will continue to transfer resources from the National Petroleum Account. As of 2015, financing will come mainly from oil revenues.

External sector and prospects for debt

The external current account deficit is not expected to improve significantly with the start-up of oil production, based on the assumption that major oil-related investments will need to be made in 2015 and 2016.¹¹ When oil production commences in 2015, the spike in exports will be largely offset by the strong expected increase in imports relating to large-scale oil investments in 2015 and 2016, on the order of US\$200 million. The improvement in the trade balance deficit will be offset by an expected worsening in net factor services relating to profit remittances and cost recovery by oil companies (tables 4 and 5 in the annex). Growth in pre-oil exports will be driven by increases in cocoa production, re-exports of fuel to air and sea transport companies as São Tomé and Príncipe rehabilitates the airport and implements connectivity, and an expansion in tourism.

External financing should remain more or less unchanged, given the expectation that private flows – particularly foreign direct investment – will support the expected growth in oil investment, while grant financing should diminish as a proportion of total financing as the country makes the transition from grants to loans under the Agency for International Development (AID). Even with the start-up of oil production, São Tomé and Príncipe still presents a high risk of overindebtedness. A recent debt sustainability analysis (DSA),¹² prepared jointly by the IMF and the World Bank, shows that the net present value of the debt to exports ratio remains above the indicative threshold specified for the country for an extended period of time. Overall external debt indicators are high in the short term but should begin to fall after oil production and exports commence in 2015. It should be noted in this regard that the projected debt profile is consistent with a high but manageable debt dynamic and that the country will be able to meet its current obligations.

Monetary projections

Projections call for monetary expansion hand in hand with economic growth. Credit to the private sector should rise about 10 percent per annum during the period 2012-2016 with a spike in growth in 2015 when oil revenues begin to enter the economy (tables 6 and 7 in the annex). The rate of expansion in the monetary base will be consistent with maintaining gross international reserves equivalent to approximately 4 months of imports, averaging 13.5 percent per annum. Currency circulation speed should continue to be about 2.7 percent until oil production commences.

Foreign direct investment inflows in preparation for petroleum production will raise the level of international reserves from about 3.5 months of imports at the end of 2011 to about 4 months of imports at the end of 2014. When oil production begins in 2015, international reserves are expected to rise to about 5 months of imports in the medium term. The nominal exchange rate should remain linked to the euro at the rate of STD 24,500 to EUR 1, supported by a line of credit from the Portuguese treasury. The dobra – like the euro – is expected to depreciate gradually vis-à-vis the dollar.

Bank supervision will be strengthened with periodic inspection visits, regular monitoring of bank solvency indicators such as the loans-to-deposits ratio, the review of bank business plans, and the implementation of a liquidity management framework.

¹¹ This assumption will be monitored closely in the coming months.

¹² IMF report 12/34.

12.2.2 Alternative scenario (nonoil)

External environment

This scenario assumes that the amounts of oil reserves to be discovered in the ZDC and ZEE will not be commercially viable. In this case, the country will have to seek to diversify its export base. Donor assistance will also be more critical to modernize the country's infrastructure and train capacity in economic management.

Prospects for growth and inflation

It is assumed that growth in real GDP will be 0.5 percent of GDP, less than under the oil scenario, in 2013-14. This reflects lower inflows of petroleum-related foreign direct investment and a slower rate of implementation of the Government's public investment program in the absence of financing generated by oil revenues (table 8 in the annex). In the long term, projections call for steady growth in the range of 5.5 percent, at close to the historic norm. In order to achieve this potential, sound macroeconomic policies will be needed, together with measures to improve the investment climate, and the successful implementation of a tourism development strategy. Growth will be driven by tourism, agriculture, and fishing. In the absence of oil, investment will need to be funded by inflows of grants. Projections for inflation remain unchanged, since inflation is influenced above all by external factors and exchange parity.

Public finances

In the absence of oil production, resources to finance the budget would be more limited, since the Government would not be able to continue to rely on the oil bonanza. Resources in the National Petroleum Account would be scarcer and economic activity would be less intense, generating a lower level of tax revenues. In this event, the Government would adopt a target for the domestic primary deficit of about 2 percent of GDP up to 2016, which would be in line with available non-debt-generating financing (tables 9 and 10 in the annex). This would require an adjustment of close to 1.5 percentage points of GDP in the medium term. To this end, the Government plans to redouble its efforts to mobilize more revenues, and expects that total revenues will rise to close to 17 percent of GDP in 2016. The expectation is that measures relating to the tax administration and intended to expand the tax base will generate an increase in tax revenues and help mitigate the impact of the lack of oil revenues. At the same time, the Government intends to limit non-priority spending and keep the payroll at the same level in real terms. Under this scenario, the Government would continue to depend on grants from its development partners to provide budget support.

External sector and prospects for debt

The projected deficit on the external current account (excluding official transfers) would fall from about 48 percent of GDP in 2011 to a near medium-term level of 30 percent of GDP in 2016, reflecting the decline in imports that would occur under the hypothesis that petroleum-related projects are not implemented (tables 12 and 13 in the annex). It would be difficult to obtain resources to finance the current account deficit since it is unlikely that non-concessional loans could be maintained at the unsustainably high levels posted in 2009-2011. Capital investment of about US\$24 million to be financed by concessional loans in 2013 and 2014 would have to be deferred to avoid a potentially unsustainable debt dynamic. In order to maintain debt sustainability, external indebtedness will have to be reduced in 2012-2015 by about 3 percent of GDP per annum. In the absence of investment opportunities in the oil sector, foreign direct

investment flows will fall to about 6.5 percent of GDP, which is consistent with the average for sub-Saharan countries. Grant financing is expected to remain near historical norms, but the mobilization of additional grants could attenuate the impact of lower borrowing levels for capital investments.

Under the nonoil scenario, São Tomé and Príncipe would continue to present a high risk of overindebtedness in the medium term and would be more vulnerable to adverse economic shocks. The debt-to-GDP ratio would increase steadily to more than 30 percent before falling off gradually as a result of a combination of fiscal discipline and GDP growth. Ensuring debt sustainability over the longer term would require a sustained effort at budget adjustment.

Monetary projections

With the decline in investment in the oil sector, demand for currency would soften, along with foreign exchange deposits at commercial banks. The monetary base would grow at a rate compatible with maintaining gross usable international reserves equivalent to approximately 4 months of imports, at an average of about 11 percent per annum (versus 13.5 percent per annum under the oil scenario). Slower growth in the monetary base and a slower accumulation of net external assets would lower the rate of growth in net domestic assets. Credit to the private sector would rise at about 8 percent a year between 2012 and 2016, compared to a rate of 10 percent in the event of a start-up in oil production (tables 13 and 14 in the annex).

12.3 Risks

Major vulnerabilities in the medium term include slower growth in GDP, continued financial and economic problems in Europe, and shocks in global prices.

- Slower GDP growth could occur as a result of the failure to discover petroleum in commercially viable quantities in the JDZ and EEZ or financial problems in the developed countries.
- The high risk of recession in the developed world generates a significant risk of deterioration in the outlook presented here. Problems in the Eurozone, the major source of investment and trade for São Tomé and Príncipe, could limit the country's prospects for growth. Economic disturbances in the Eurozone countries, especially Portugal, would have immediate repercussions on São Tomé and Príncipe through the resulting decline in external aid, financial flows, and remittances.
- Shocks in global prices for food and fuel could generate an adverse impact on inflation by raising the effective real exchange rate and reducing the country's competitiveness, in addition to having an enormous adverse impact on the poor.

13. IMPLEMENTATION, MONITORING, AND EVALUATION MECHANISM

The existence of a functional structure for implementation, monitoring, and evaluation of the National Poverty Reduction Strategy will ensure the effective implementation of the actions planned.

Nevertheless, the experience with the monitoring mechanism for the first PRSP disclosed weaknesses and indicated deficient functionality owing to limited commitment at the sector and national levels. This situation – which could also be attributed to distortions in the horizontal and vertical relationships among the institutions responsible for the programming, execution, and

monitoring of strategic priorities – necessarily impacted both performance and the quality and dissemination of information and statistical data, and therefore the evaluation of the actions taken, as well as their impact.

Accordingly, one of the main pillars of the Five-Year Strategy is to strengthen the existing mechanism so that once it is fully functional it can take on with greater determination the commitment to implement, monitor, and evaluate the strategy based on the programs set up.

To this end, and considering that what is at stake is the efficiency and effectiveness of the implementation, monitoring, and evaluation mechanism for the strategy, a process should be undertaken to amend the provisions of Decree-Law 32/2005 in order to:

- Create conditions for the regular functioning of the implementation, monitoring, and evaluation mechanism;
- Incorporate the Aid Coordination Unit (ACU);
- Provide for the participation of the Budget Directorate;
- Strengthen the role of the Poverty Reduction Observatory and define the institutional framework for its relationships with the other institutions involved, specifically the Planning Directorate and the National Statistics Institute;
- Redefine the focal points for the various sectors as well as regional and local decision-making bodies;
- Clarify the forms of participation (whether monitoring or contribution) for technical and financial partners;
- Ensure that the institutions involved, at the central, regional, and district levels, are accountable for the process of collecting, systematizing, and disseminating information and data relating to the process of implementing and monitoring the programs provided for, as well as the evaluation of their respective results and impact.

13.1 Organization figure for implementation, monitoring, and evaluation

The organization figure for the implementation, monitoring, and evaluation of the Five-Year Strategy is intended to overcome the weaknesses seen in the past and to ensure better coordination of implementation and circulation of information.

In this regard, the amendment of Decree-Law 32/2005 will restructure and make improvements in the implementation, monitoring, and evaluation mechanism, which will then include the following bodies:

- (i) Ministerial Council;
- (ii) National Consultative Council;
- (iii) Technical Coordination Commission;
- (iv) Poverty Reduction Observatory;
- (v) Focal points.

Ministerial Council

The Ministerial Council is the supervision and oversight agency for poverty reduction actions, and is responsible for facilitating the implementation of the programs and for taking decisions

and measures to improve the institutional framework and the system for monitoring and evaluating the impact of policies, the implementation of the activities carried out, and the results obtained.

The Ministerial Council brings together all the members of the Government as needed to evaluate the realization of the National Poverty Reduction Strategy. Meetings of the Ministerial Council will be convened by the Minister for Planning.

The meetings of the Ministerial Council will be chaired by the Prime Minister and Head of Government or, in the event of the latter's absence or inability to attend, the Minister for Planning. Experts and technicians directly involved in the implementation of the National Poverty Reduction Strategy may be invited to meetings of the Ministerial Council as needed.

National Consultative Council

The National Consultative Council is an expanded consultative body on poverty reduction, and presents proposals and initiatives, provides opinions, formulates recommendations, and makes contributions for the effective appropriation of the National Poverty Reduction Strategy at the level of all higher-level decision-making bodies.

The members of the National Consultative Council include the Directors of Planning and Budget and of the National Statistics Institute, the Aid Coordination Unit, and the Poverty Reduction Observatory, as well as focal points at the sector, regional, and district level, and delegates from institutions representing the private sector and organized civil society.

The National Consultative Council meets at least twice a year under the chairmanship of the Minister for Planning. Special meetings may be convened as needed.

When necessary, the National Consultative Council will hold special meetings co-chaired by the Ministers for Planning, Finance, Cooperation, and Foreign Trade, with the participation of technical and financial partners for purposes of monitoring and consultation on cooperation and partnership issues around the National Poverty Reduction Strategy.

Technical Coordination Commission

The Technical Coordination Commission is a standing technical body that coordinates all activities relating to the implementation, monitoring, evaluation, and updating or revision of the National Poverty Reduction Strategy.

The Technical Coordination Commission is responsible for the following:

- (i) Promote institutional relations among all the parties involved in the process of implementation, monitoring, and evaluation of the Five-Year Strategy;
- (ii) Ensure the workings of horizontal institutional relations to ensure the flow of information on regional, district, and sector contributions to the execution of the Five-Year Strategy;
- (iii) Provide ongoing technical assistance to the decision-making bodies in connection with the evaluation of the execution of the Five-Year Strategy;
- (iv) Evaluate the results of performance by the various focal points for monitoring purposes;
- (v) Contribute to the production and presentation of summary reports on the contributions by member institutions;
- (vi) Propose revisions or updates to the Strategy based on developments in the poverty situation.

The members of the Technical Coordination Commission are the Directors of Planning and Budget and of the National Statistics Institute, the Aid Coordination Unit, and the Poverty Reduction Observatory.

For purposes of consultation and consensus-building or clarification, any of the focal points may be invited to participate in the meetings of the Technical Coordination Commission, which meets quarterly. Special meetings may be convened at the request of any of the members.

The meetings of the Technical Coordination Commission are co-chaired by the Director of the Poverty Reduction Observatory and the Director of Planning.

Poverty Reduction Observatory

The Poverty Reduction Observatory is the technical body responsible for monitoring and evaluation of the implementation of the National Poverty Reduction Strategy. The Observatory ensures interaction among the agencies comprising the implementation, monitoring, and evaluation mechanism. Therefore, it is important not to neglect its institutional (re)focusing, and it must be granted the authority and jurisdiction necessary to fulfill its mandate. This implies that in the context of the new dynamic of poverty reduction, regardless of the new policy or any decision as to its bylaws, the Observatory is fundamentally competent or being strengthened in terms of human resources as well as material and financial resources – so that the analysis and evaluation components can effectively be prioritized and their results used to determine the substance of future programming. To this end, the provisions of Decree-Law 32/2005 should be revised accordingly.

Focal points

The focal points are technical agencies that provide support to the Poverty Reduction Observatory and are tasked with ensuring the coordination of interventions by the various organizations involved in the implementation of programs and projects under the National Poverty Reduction Strategy. The reliability and the flow of data and information for purposes of monitoring and evaluation are largely dependent upon them.

For the purposes of monitoring and evaluating the implementation of the National Poverty Reduction Strategy, focal points are established with responsibilities at the following intervention levels:

- (i) Technical or sector ministries and autonomous central institutions;
- (ii) The Autonomous Region of Príncipe;
- (iii) Districts.

Sector focal points: The sector focal points are the services responsible for research and planning within the sector ministries and autonomous central institutions or services tasked with the mandate for planning, programming, and implementation of policies, programs, and budgets, as well as the monitoring thereof.¹³

¹³ The existence of a planning service at the level of each sector, in the Autonomous Region of Príncipe, and including the districts, under the guidance of the Ministry of Planning, would be a great asset. This would: (1) solve the problem of nominations or appointments of focal points; (2) improve the viability of coordination; (3) facilitate the standardization of procedures for institutional relations; and (4) streamline matters relating to the collection, systematization, processing, and circulation of data and information generally. The Technical Coordination Commission could play a key role in this regard.

Regional focal point: The regional focal point is the Regional Commission for the National Poverty Reduction Strategy created at the level of the Autonomous Region of Principe and composed of representatives of the Regional Government and Regional Assembly, and the Central Government of the Region, as well as the private sector and regional civil society organizations. The Regional Commission for Poverty Reduction meets quarterly under the chairmanship of the President of the Regional Government, and special meetings may be convened as needed.

District focal points: The district focal points are the District Commissions for Poverty Reduction created for each district and composed of representative of the District Chambers and District Assemblies, and the Central Government of the District, as well as representatives of the private sector and civil society organizations present in the district. Each District Commission for Poverty Reduction meets quarterly under the chairmanship of the President of the District Chamber, and special meetings may be convened as needed.

The focal points at the various levels will be represented by the respective responsible parties or by technicians designated by the latter at meetings of the National Consultative Council.

The focal points are responsible for:

- Maintaining institutional relations with the Poverty Reduction Observatory for purposes of coordinating monitoring and evaluation activities on the implementation of the National Poverty Reduction Strategy;

- Compiling data and information to enable the monitoring of the physical and financial execution of poverty reduction programs and projects, taking into account the specificities of the sectors or institutions they represent;

- Producing periodic reports on the activities carried out and the results obtained, as well as the respective impact on the evolution of the poverty situation, considering the strategic pillars set forth in the National Poverty Reduction Strategy.

13.2 Implementation and Monitoring of the Strategy

The objective of the Strategy 2012-2016 is to improve the lives of the population by promoting economic growth, poverty reduction, and achievement of the Millennium Development Goals (MDGs). Performance will not be measured solely and exclusively by the actions taken and resources mobilized, but also in terms of the scope of the objectives initially set. Therefore, the principle of results-based management will be taken into account at every stage in the process of planning, implementation, and monitoring and evaluation of the various sector programs. This concern was expressed by the various participants in the process of developing this strategy.

The strategy will be operationalized by means of the following programming instruments: the Priority Action Program (PAP) and the Regional and District Operating Plans (PORD). The PAP should include all investment and priority actions inherent in the various strategic pillars. The PAP represents the conversion of the National Poverty Reduction Strategy into programs and projects and should be consistent with the Public Investment Program (PIP), based on the Program Budgets for the sectors, and serve as a link between the Strategy and the General Government Budget, which is the main instrument for implementation of the National Poverty Reduction Strategy.

Each of the ministries will be required to be organized and operate in such a way as to optimize

the structuring of sector programs, as well as obtain resources for their implementation and instruments for monitoring and evaluation.

At the level of regional and district authorities, the strategy will be operationalized in accordance with the Operating Plans, taking into account the strategic pillars and the investment priorities contained in both the strategy and the accompanying action plan.

Local community development projects will be implemented with the involvement of the communities, through and/or in liaison with the local authorities in order to not only promote capacity-building at this level of government but also to better focus interventions on an evidential basis.

Technical and financial partners will need to harmonize their country programs and interventions with the Strategy, in accordance with the Paris Declaration on Aid Effectiveness. The programs and projects proposed by the development partners will be analyzed and evaluated to ensure that they pursue the Strategy's objectives and priorities, prior to implementation.

In 2014, an interim evaluation will be carried out to:

- Assess the degree of alignment of the various interventions with the Strategy's objectives and priorities;

- Assess the degree of achievement of the Strategy;

- Adjust the interventions as needed to contribute to improving the performance and implementation of the Strategy.

13.3 Monitoring and evaluation system

An analysis of the root causes of poverty and the desired changes calls for vigorous action and needs to be upheld by supporting principles and measures, in order to ensure the effectiveness of the poverty reduction strategy.

In this context, it is urgently necessary to ensure or monitor the proposed interventions by building a monitoring and evaluation system in order to:

- (i) Strengthen human and institutional capacity in the areas of planning, monitoring, and evaluation;
- (ii) Coordinate the implementation of interventions and the circulation of information;
- (iii) Monitor and evaluate the results.

In this regard, two levels of monitoring are proposed:

(A) Higher-level or strategic monitoring is intended to:

- Collect and process data on the physical and financial execution of sector programs, focusing on indicators measuring outputs and results on sectors with direct links to poverty;

- Collect, record, analyze, and disclose in a specific report to be produced periodically the evolution of the indicators included in frameworks adopted previously;

- Produce a periodic monitoring report on the implementation of the National Poverty Reduction Strategy, for submission to the various agencies included in the mechanism.

(B) Sector, district, and regional monitoring refers to monitoring of sector, regional, and district implementation, through sector focal points and regional and district committees:

Sector monitoring will be provided by the Sector Focal Point (SFP), represented by the sector planning services (SPS), which have a mandate to ensure consistency in the planning of interventions and coordinate the implementation and monitoring of actions falling within the jurisdiction of the sector;

Regional monitoring will be provided by the Regional Focal Point (RFP), represented by a representative of the Regional Government, with the mandate to coordinate the implementation and monitoring of actions in the field at the regional level;

District monitoring will be provided by the District Focal Point (DFP), represented by a representative of the District Chamber, with the mandate to coordinate the implementation and monitoring of actions in the field at the district level.

13.4. Dissemination of information for monitoring and assessment of results

13.4.1 Disclosure of information

Monitoring and evaluation will enable information to be fed back to political decision-makers and society on the performance of institutions and the impact of existing policies and programs. In this context, the dissemination of information is the means whereby the monitoring and evaluation results will be disclosed so that they may be taken into account in sound and timely decision-making. The results are to be disseminated extensively to ensure the broadest possible use. Extensive dissemination of results will consolidate the system and reinforce a culture of results-based management.

13.4.2 Ways and means of disseminating information

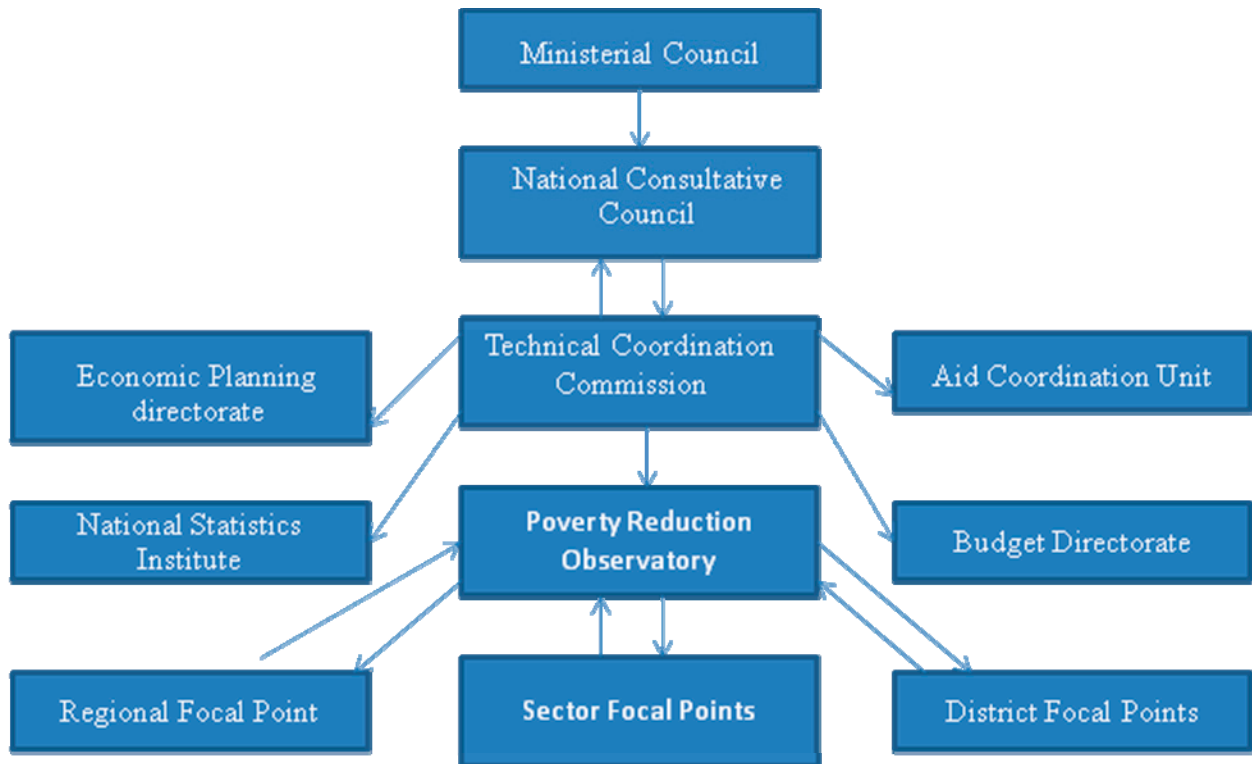
In view of the constraints that exist in this area, it is crucial to (re)define a communication strategy that takes into account the needs of different users: decision-makers, program managers, technical and financial partners, the media, and the public at large.

In addition, it is important to identify communicators possessing the skills and vocation to disseminate appropriate, structured information tailored to the target consumers.

The following ways and means of disseminating information will be employed:

- Publication of periodic reports;
- Organization of dissemination seminars;
- Sector meetings with technical personnel;
- Radio and television programs;
- Publications in the written press;
- Meetings at educational establishments and communities;
- Distribution of pamphlets and brochures;
- Website promotion with updated information.

Organization Figure–Implementation, Monitoring, and Evaluation Mechanism for PRSP II



ANNEXES

National Growth and Poverty Reduction Strategy 2012-2016

Monitoring and Evaluation Framework

Pillars/Objectives	Indicators	Baseline situation		Targets					Entity responsible
		Base levels	Means of verification/sources	2012	2013	2014	2015	2016	
Pillar I – Reforming public institutions, strengthening the strategy of good governance									
	Average time for resolution of legal cases	n.a.		n.a.	n.a.	n.a.	n.a.	n.a.	MJEE/Courts
	% of births recorded in less than one month nationwide	100							
		n.a.							
	% of central services rationalized and with new by-laws	n.a.							
	Number of sectors with strategic planning instruments	8	Data available in 2011-DGP					10	
	Number of public services within the government system	n.a.						15	INIC
	Degree of completion of the E-Government Action Plan (%)	n.a.							
	Degree of completion of SAFE Action Plan (%)								
	Number of FP units connected to SAFE	0				15	15	15	INIC/DTEI
	GDP/inhabitant	US\$1,017	INE (2010)						
	Annual rate of inflation		INE (2011)	6	4	3	3	3	INE
	Human Development Index	0.488	Human Development Report (2010)						
	Real rate of growth in GDP	4.9	INE (2011)	5.5	6	6	25	4.1	
	Public investment expenditure as a % of GDP	62.5	IMF (2011)	34.6					
	Annual rate of inflation	13	INE (2010)	8.0					
	Foreign exchange reserves (months of imports)	4.3	BCSTP (2010)						
	APD as a % of GDP	29	DT (2010)						
	Unemployment rate	13.9	INE(2010)						
	Effective rate of demographic growth	1.77	STP Demographic Projections to 2025	1.83	1.8	1.7	1.72	1.69	
	Revision of legislation on decentralization								

	Degree of citizen participation in government affairs	Low						Reasonable	Sovereign entities
	Degree of deconcentration of administrative services	Low						Reasonable	MAPD
	Degree of ownership by civil society of economic, social, and cultural initiatives	Reasonable						Medium	Government & Development Partners
	Reach of radio and television coverage	Good						Good	Government
	Guarantee of freedom of the press	Good						Good	Government
	Access to communication media	Good						Good	Government
	Mobile telephone lines explored	18,424	STP CST 2007						
	Number of land line users per 1,000 inhabitants	48	STP CST 2007						
	Number of mobile telephone users per 1,000 inhabitants	503	STP CST 2009						
	Percentage of users added with a radio	59.2	STP CST 2007						
	Percentage of users added with a TV	37.6	INE (QUIBB)						
	Percentage of the population with internet access	21.8	STP CST 2007						

Pillars/Objectives	Indicators	Baseline situation		Targets					Entity responsible
		Base levels	Means of verification/sources	2012	2013	2014	2015	2016	
<u>Pillar II – Promoting integrated and sustainable economic growth</u>									
	% agriculture sector in GDP	11.6	STP_INE_2009					15	MPD-DGA
	Trend of cocoa production (Ton)	2302.63	STP_INE_2010					3000	MPD-DGA
	Trend of coffee production (Ton)	12.8	STP_						
	Trend of pepper production (Ton)	1.7	STP_MADRP_2007	7.6 ton			60	100	
	Production of root crops and tubers (Ton)	n.a.							MPD-DGA
	Fruit production (Ton)	n.a.							MPD-DGA
	Cereals production (Ton)	n.a.							MPD-DGA
	Vegetable production (Ton)	n.a.							MPD-DGA
	Km rural roads rehabilitated	n.a.							
	Area irrigated (ha)	n.a.							MPD-DGA
	Area of forest (ha)	30	MDG6-2009	30	30	30	30	30	MPD-D Forests
	Meat production (Ton)								
	Fish capture (Ton)	4827	Statistical bulletin-Trend of STP fish capture 2001-2010						
	% active population living from fishing	6.8	Statistical bulletin-INE data-DGP calculations						
	Small-scale/ semi-industrial fishing (Ton)	4000	Fisheries Master Plan-2010				4000		
	Industrial fishing (Ton)	2300	Fisheries Master Plan-2010				2300		
	Exports (Ton) (80% industrial fishing)	1840	Fisheries Master Plan-2010				1840		
	Per capita consumption (kg)	24.5	Fisheries Master Plan-2010				31	31	MPD-D Fisheries/MSA S-DCS
	No. of Small-scale fishermen	2500	Fisheries Master Plan-2010				2800	2800	MPD-D Fisheries
	Fish capture per vessel (Ton)	1.9	Fisheries Master Plan-2010				2.3		MPD-D Fisheries
	No. of jobs created in the sector	3948	IED-2006 (STP)					5000	MPD-D Fisheries
	No. of persons depending directly and indirectly on fishing	n.a.							
	No. of processing and conservation units	n.a.							MPD-DP

% share of industrial sector in GDP	9.5	STP_INE_2009						10	MPD-D. Industry
Number of tourists visiting São Tomé and Príncipe	7962	Migration and border services- 2010	10,828	14,726	20,027	27,336	37,177		
No. of tourist facilities graduated	20	DTH report-2011	20					25	MPD-DTH
No. of financial institutions in the country	8	BCSTP report	8	8	8	8	8	8	BCSTP
Country ranking in the "Doing Business" report	163	Doing Business 2012							
% share of the commerce sector in GDP	25	STP_INE_2009	24.1						
Growth rate of imports (%)	7.6	STP_INE_2010							
Growth rate of exports (%)	5.7	STP_INE_2010							
No. of trade and international integration agreements signed	n.a.								
No. of legal provisions in the trade regulation framework	n.a.								
No. of economic operators subject to inspection	n.a.								
Km of national roads paved	8.42	INAE (2006)							
Km of national roads rehabilitated	1.7	INAE (2006)							
Km of rural roads built	1.1	INAE (2006)							
Km of rural roads rehabilitated	27	INAE (2006)							
Km of roads maintained by the GIME	1100	INAE (2009)							
No. of electricity customers (thousand)	25	EMAE Financial Report -2011	27.0	29.2	31.5	34.0	38.0		EMAE
Electricity coverage rate (%)	60.7	INE (2009)					70.0		EMAE
% of urban population with access to electricity	72.9	INE (2009)							MPD/MOPRN/ EMAE
% of rural population with access to electricity	48.1	INE (2009)							MPD/MOPRN/ EMAE
Share of hydroelectricity in total energy produced (%)	5	EMAE Financial Report -2011						10	MOPRN
% of production in assured renewable energies	5							12	MOPRN

Pillars/Objectives	Indicators	Baseline situation		Targets					Entity responsible
		Base levels	Means of verification/sources	2012	2013	2014	2015	2016	
<u>Pillar III – Developing human capital and improving basic social services</u>									
	Gross rate of admission to basic education	117	STP MECF 2009						MECF
	Net rate of enrollment in basic education	118	Statistics Directorate (2010/11)	114	111	107	104	100	MECF
	Dropout rate – basic education	2	Pillar III-2009-2010	2	1	1	0	0	MECF
	Completion rate – basic education	86	Statistics Directorate (2010/11)	89	92	94	97	100,0	MECF
	Repeater rate – basic education	12	Statistics Directorate (2010/11)	11	10	8	7	6	MECF
	Promotion rate – basic education	87	Statistics Directorate (2010/11)	88	89	91	92	94	MECF
	% of teachers with specific training – basic education	40	Statistics Directorate (2010/11)	52	64	76	88	100	MECF
	Enrollment rate for girls – basic education	50	Statistics Directorate (2010/11)	50	50	50	50	50	MECF
	Gross rate of admission – secondary education	84	Statistics Directorate (2010/11)	86	87	89	90	92	MECF
	Gross rate of enrollment – technical education	590	Statistics Directorate (2010/11)	772	954	1136	1318	1500	MECF
	Promotion rate – secondary education	56	Statistics Directorate (2010/11)	60	65	69	74	78	MECF
	% repetition – secondary education	20	Statistics Directorate (2010/11)	18	17	15	14	12	MECF
	Student-class ratio – secondary education	54	Statistics Directorate (2010/11)	52	49	47	44	42	MECF
	% drop-outs – secondary education	24	Statistics Directorate (2010/11)	21	18	16	13	10	MECF
	Illiteracy rate	89.1	INE (2005)					98	MECF
	Number of students receiving bursaries for domestic study in higher education	253	Statistics Directorate (2010/11)	5	752	1001	1251	1500	MECF
	Number of students receiving bursaries for study abroad	708	Statistics Directorate (2010/11)	586	465	343	222	100	MECF
	Students in higher education per 100,000 inhabitants	956	Statistics Directorate (2010/11)	1085	1214	1342	1471	1600	MECF
	Gross enrollment rate – higher education	766	STP MECF 2009						MECF
	Number of occupational training establishments	5	Statistics Directorate (2010/11)	6	7	8	9	10	MECF
	% of expenditure on education in OGE	11.6	STP_MPF_2009	7.6			10	10	MECF
	Mortality rate among children under 5	63	IDS-STP; 2008-2009	58%	50%	45%	40%	40%	
	Infant mortality rate	38	IDS-STP; 2008-2009	30%	25%	20%	20%	20%	
	Maternal mortality rate	158	IDS-STP; 2008-2009	120			17,3		
	Proportion of births assisted by health care personnel	94.6	MS-SR; 2008	94.6%	95%	95%	95%	96%	

% of health care units offering at least five health care services (first aid, pre- and post-natal care, STD prevention, and GBV management)	86.4	Planning and Monitoring Instrument	88%	88%	90%	90%	90%	
		CPAP 2010						
% of health care units offering comprehensive health care services for young people and adolescents	75.6	STP info	81%	85%	85%	90%	100%	
% of health care units (at district level) offering quality basic obstetric care	75	STP info	75%	75%	80%	90%	90%	
% of health care personnel by district and by health care clinic having benefited from at least one training activity	97	STP info	98%	98%	98%	98%	98%	
% of the population with access to health care services at < 30 minutes	74.1	QUIBB-2005						
Ratio of doctors to inhabitants	2300	MS-SR; 2008	2926	2743	2587	2452	2334	
Ratio of nurses to inhabitants	908	MS-SR; 2008	461	368	368	352	320	
Incidence of malaria	22.3/1000	IDS-STP; 2008-2009					4/1000	MSAS
Mortality rate – malaria	0.14/1000	IDS-STP; 2008-2009						
Health care units providing maternal health care	72.9	STP info	90	90	90	92	92	
Total fertility rate	3.7	STP Demographic Projections Horizon 2025	3.63	3.56	3.49	3.41	3.34	
Neighborhood coverage rate	77	IDS-STP; 2008-2009	80%	82%	82%	84%	85%	
Incidence of tuberculosis	77	MDG6-2009						
Prevalence of tuberculosis		MDG6-2009						
Mortality rate – tuberculosis	0,04	STP INE 2007						
Number of providers of HIV prevention services	105	STP info	120	130	140	150	150	
Number of providers of AIDS treatment services	22	STP info	25	25	30	35	40	
Number of community health care workers oriented and actively providing services	170	STP info	172	192	200	210	220	
% of pregnant women testing HIV-positive	98	STP info	98%	98%	98%	99%	99%	
% of HIV-infected pregnant women receiving anti-retroviral (ARV) treatment to reduce the risk of mother-to-child transmission	70	STP info	75%	85%	90%	99%	100%	

% of health care units offering voluntary counseling and testing (VCT)	91.8	STP info	98%	98%	99%	100%	100%	
Prevalence of HIV/AIDS among pregnant women attending pre-natal check-ups	0.6	STP_CPAP_2009	1.5	1.5	1.5	1.5	1.5	
Number of associations and NGOs active in combating HIV/AIDS	8	STP info	10	10	12	12	15	MSAS
Proportion of persons following ART treatment								
Prevalence of contraception	38.5	STP info					50%	
Prevalence of HIV-positive persons alive after 12 months of ART treatment	12%	European Union MDGs Initiative				95%		
Life expectancy at birth	67.2	STP INE 2008	68.3	68.6	68.9	69.2	69.4	
% of health care expenditure on OGE	10		10%	10%	10%	10%	10%	
Number of young people's associations functioning								
Number of legal provisions in the regulatory framework for commerce	n.a.							
Number of partnerships with external counterparts	n.a.							

Pillars/Objectives	Indicators	Baseline situation		Targets					Entity responsible
		Base levels	Means of verification/sources	2012	2013	2014	2015	2016	
<u>Pillar IV – Strengthening social cohesion and protection</u>									
	Unemployment rate (M/W)	13.9	STP INE 2008						
	Historic areas rehabilitated	n.a.							
	Number of beneficiaries of the social pension	n.a.							
	Number of students from needy families benefiting from training	n.a.							
	Number of community associations and NGOs supported	n.a.							
	Number of day care centers / shelters supported	n.a.							
	Number of social workers trained and operational	n.a.							
	Number of children at risk sheltered at institutional care providers	n.a.							
	Number of cases of complaints of children's rights violations received	n.a.							
	Number of institutions sheltering children at risk created and functioning	n.a.							
	Chronic malnutrition rate among children under 5	8.5	IDS-STP;2008-2009					3	MSAS/MPD
	Primary sector contribution to GDP (%)	17	STP INE 2009					20	MPD-DGA
	% of women-headed families living below the poverty line	66.2	STP INE 2006						
	% of women-headed families	38	IOF 2010						MPD/MFCI
	Number of needy persons benefiting from legal protection	n.a.							
	Number of protected areas (land and sea)	n.a.							
	National housing policy drafted	n.a.							
	% of the population with access to waste collection services	n.a.							
	% of the population having a septic tank or connection to the sewer system	n.a.						80	

	Coverage of latrines and basic sanitation (%)	29.7	QUIBB-2005					n.a.	
	% of the population with access to improved sanitation facilities	26	Participatory Strategy for Water STP for and Sanitation in STP 2030 (2010)				58.0	58	
	% of the population with access to a source of safe drinking water at home or within a reasonably accessible distance, in rural areas	12					53.0		
	% of the population with access to a source of safe drinking water at home or within a reasonable accessible distance, in urban areas	57	Participatory Strategy for Water STP for and Sanitation in STP 2030 (2010)				75.0		

Table 1. São Tomé and Príncipe: Principal Economic Indicators, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual		Estimate	Projection						
	(Annual percentage change, unless indicated otherwise)									
National output and prices										
GDP in constant prices	6.0	9.1	4.0	4.5	4.9	5.5	6.0	6.0	24.9	4.1
Consumer prices										
End of period	27.6	24.8	16.1	12.9	11.9	6.0	4.0	3.0	3.0	3.0
Period average	18.6	32.0	17.0	13.3	14.3	8.8	5.0	3.5	3.0	3.0
Foreign trade										
Exports of goods and nonfactor services	-20.5	29.4	12.1	21.3	9.2	10.2	11.7	12.5	477.1	0.6
Imports of goods and nonfactor services	-5.4	35.7	-9.5	29.8	4.3	7.9	9.5	7.5	43.5	5.6
Exchange rate (dobras per US dollar; end of period) ¹	14,362	15,228	16,814	18,336	19,008	...	...	...	...	...
Effective real exchange rate (depreciation = -)	-0.4	13.2	12.0	-2.8	11.7	...	...	...	...	...
Money and credit										
Base money	50.0	18.9	22.3	-7.9	-15.4	31.8	15.7	12.3	15.9	14.4
Broad money (M3)	38.1	36.8	8.2	25.1	17.5	11.7	13.8	11.9	15.5	14.0
Credit to the economy	33.9	22.8	39.1	40.0	12.3	9.2	7.6	7.6	16.0	9.7
Velocity (GDP/average M3)	2.6	2.6	2.8	2.6	2.6	2.7	2.7	2.7	3.0	2.8
Central bank reference interest rate (%)	28.0	28.0	16.0	15.0	15.0	...	...	...	...	...
Bank lending rate (%)	32.4	32.4	31.1	28.9	27.0	...	...	...	...	...
Bank deposit rate (%)	12.8	12.8	11.9	11.0	12.4	...	...	...	...	...
Government finances										
	(Percentage of GDP, unless indicated otherwise)									
Total revenue, grants, and oil signature bonuses ²	165.5	45.4	31.2	38.1	30.9	37.7	27.2	26.6	35.5	33.2
Of which: tax revenue	16.4	15.2	14.5	16.6	15.9	16.2	16.2	16.3	14.4	14.7
Nontax revenue	2.8	1.5	2.1	2.2	1.7	1.4	1.4	1.4	1.5	1.5
Grants	126.6	28.7	14.6	19.3	12.4	11.1	9.6	8.9	5.0	3.8
Oil signature bonuses	19.8	0.0	0.0	0.0	0.8	9.0	0.0	0.0	0.0	0.0
Oil revenues	...	...	...	...	...	...	...	...	14.7	13.3
Total expenditure and net lending	40.1	31.2	49.8	49.1	47.4	38.7	33.5	32.2	26.7	25.8
Of which: personnel costs	8.9	8.1	7.9	8.3	8.3	8.2	8.2	8.2	7.1	7.3

Nonwage noninterest current expenditure	15.7	12.1	11.7	11.1	9.9	9.7	9.7	9.6	8.2	8.1
Capital expenditure covered by the Treasury	1.1	1.3	4.0	2.3	1.8	2.0	2.0	2.0	5.6	6.0
Capital expenditure covered by donors	10.4	6.9	24.5	26.3	25.9	17.6	12.3	11.2	4.8	3.6
Domestic primary balance ³	-8.5	-7.0	-8.0	-4.1	-3.5	-3.4	-3.3	-3.0	-5.8	-5.8
Overall balance (commitment basis)	125.4	14.2	-18.6	-11.0	-16.5	-1.1	-6.3	-5.6	8.8	7.5
External sector										
Current account balance										
Including official transfers	-36.9	-22.5	-26.1	-33.6	-34.6	-33.5	-32.6	-30.9	-27.7	-29.8
Excluding official transfers	-48.0	-53.1	-43.6	-55.6	-48.2	-45.7	-43.2	-40.6	-33.3	-33.8
NPV of external debt	12.4	10.6	18.7	33.8	34.2	34.9	32.4	31.4	25.3	24.6
External debt service (% of exports) ⁴	68.7	49.2	18.9	11.2	13.8	12.6	13.7	13.2	2.7	2.4
Exports of goods and nonfactor services (US\$ million)	13.7	17.7	19.8	24.0	26.2	28.9	32.3	36.3	209.7	211.0
Gross foreign reserves ^{5,6,7}										
Months of imports of goods and nonfactor services ⁸	3.5	6.9	5.7	4.4	3.5	3.5	3.7	3.9	5.1	5.2
Millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.1	38.4	40.7	55.8	59.6
As a proportion of M2 (%)	70	91	93	129	117	110	99	87	94	83
National Oil Account (millions of U.S. dollars) ⁹	14.9	12.1	9.8	7.9	8.4	30.7	24.8	20.0	68.2	115.1
Memorandum item										
GDP										
Billions of dobras	1,953	2,696	3,185	3,719	4,376	5,090	5,771	6,435	8,250	8,781
Millions of U.S. dollars	137	182	194	201	236	266	307	347	441	466
Privatization account (millions of U.S. dollars)	0	21	6	0	0	0	0	0	0	0

Sources: São Tomé and Príncipe authorities and IMF staff estimates and projections.

¹ Average central bank (BCSTP) rate.

² Includes HIPC and MDRI debt relief.

³ Excluding oil revenue, grants, interest earned, scheduled interest payments, and foreign-financed scholarships and capital outlays.

⁴ In percent of exports of goods and nonfactor services. Includes HIPC and MDRI debt relief.

⁵ Gross reserves exclude the National Oil Account and guarantee deposits placed at the BCSTP by financial institutions waiting for operating license.

⁶ For 2008, includes privatization proceeds from the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used to audit operations, and US\$21.4 million was placed with the central bank to strengthen reserves.

⁷ For 2009, includes a new allocation of STD 6.5 million.

⁸ Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

⁹ For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

Table 2. São Tomé and Príncipe: Financial Operations of the Central Government, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual				Estimate	Projection				
Total revenue and grants	3233	1225	995	1417	1352	1918	1568	1710	2931	2918
Total revenue	374	451	529	698	770	895	1012	1138	1311	1418
Tax revenue	320	411	462	617	697	822	932	1050	1191	1289
Nontax revenue, of which:	55	40	67	80	73	73	79	88	120	129
Oil program with Nigeria	7	6	0	20	11	23	15	16	16	17
Grants	2471	774	466	719	545	563	557	572	409	334
Project grants	168	165	387	686	380	401	481	498	398	318
Nonproject grants	21	93	13	5	132	128	75	74	0	0
HIPC Initiative-related grants ¹	2282	516	66	28	32	34	0	0	11	15
Oil signature bonuses	387	0	0	0	37	459	0	0	0	0
Oil revenue	...	...	...	...	...	...	...	...	1211	1166
Total expenditure	783	841	1587	1824	2075	1972	1931	2070	2202	2263
Domestic primary expenditure	554	633	783	829	911	1046	1188	1315	1772	1913
Current expenditure	506	569	646	737	831	943	1062	1178	1297	1380
Of which: personnel costs	174	219	252	309	364	418	471	529	588	638
Interest due	24	23	22	16	32	32	31	31	30	30
Goods and services	112	164	195	191	209	232	253	282	306	332
Transfers	140	124	144	192	202	237	271	292	323	328
Capital expenditure	226	219	907	1066	1209	994	830	852	866	843
Financed by the Treasury	22	34	126	87	77	100	117	128	466	524
Financed by external sources	203	185	781	979	1132	894	712	724	400	319
HIPC Initiative-related social expenditure	51	53	33	21	35	35	40	39	39	40
Domestic primary balance²	-166	-188	-254	-152	-152	-173	-191	-194	-477	-512
Overall fiscal balance (commitments basis)	2449	383	-592	-408	-723	-54	-363	-360	729	655
Net change in arrears, float, and statistical discrepancies (reduction = -)	25	46	37	-58	0	0	0	0	0	0
External arrears	0	0	0	0	0	0	0	0	0	0
Domestic arrears	6	21	0	0	0	0	0	0	0	0
Float and statistical discrepancies	20	25	37	-58	0	0	0	0	0	0
Overall fiscal balance (cash basis)	2475	430	-555	-465	-723	-54	-363	-360	729	655
Financing	-2475	-430	555	465	723	54	363	360	-729	-655
Net external	-2461	-473	354	246	720	472	198	257	10	13
Disbursements (projects)	39	20	394	293	752	493	231	226	2	1
Program financing (loans)	30	30	0	1	0	64	45	114	106	96
Net short-term loans ³	-213	0	0	0	0	0	0	0	0	0
Scheduled amortization	-2319	-530	-75	-48	-18	-67	-62	-66	-81	-68
Change in arrears (principal)	-144	0	0	0	0	0	0	0	0	0
Bilateral rescheduling ^{4, 5}	147	7	2	0	3	0	0	0	0	0
Savings on HIPC flows	0	0	32	0	-17	-17	-17	-17	-17	-17
Net domestic	-14	44	201	219	3	-418	165	102	-739	-668
Net bank credit to the government	-14	-270	168	219	3	-418	165	102	-739	-668
Banking system credit (excluding National Oil Account)	46	-298	148	201	-35	50	50	10	-90	-98
Of which: privatization account ⁶	0	-312	196	13	0	0	0	0	0	0

National Oil Account	-60	29	21	18	38	-468	116	92	-649	-569
Nonbank financing	0	313	33	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Overall balance (commitment basis, including grants, excluding oil bonuses)	-234	-402	-490	-216	-790	-966	-198	-257	-22	-28
MDRI debt relief (flow in US million)	2	2	0	0	0	0	0	0	0	0
Privatization account (US million)	0	21	6	0	0	0	0	0	0	0
National Oil Account (US\$ million, excluding transfers to budget) ⁷	15	12	10	8	8	31	25	20	68	115

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

¹ For 2007, includes IDA and AfDB MDRI debt relief as a stock of debt reduction.

² Excluding oil revenue, grants, interest earned, scheduled interest payments, foreign-financed scholarships, and foreign-financed capital.

³ For 2007, includes the repayment of three US\$5 million loans disbursed by Nigeria in 2002–04 upon receipt of oil signature bonuses for Blocks 2-4 in the Joint Development Zone.

⁴ For 2007, assumes rescheduling agreement with non-Paris Club bilateral creditors for current maturities and stock of arrears.

⁵ For 2007, includes IMF MDRI debt relief as a stock of debt reduction.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used to audit the operation, and US\$21.4 million was placed with the central bank to strengthen foreign reserves.

⁷ For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

Table 3. São Tomé and Príncipe: Financial Operations of the Central Government, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Estimate	Projection					
Total revenue and grants	165.5	45.4	31.2	38.1	30.9	37.7	27.2	26.6	35.5	33.2
Total revenue	19.2	16.7	16.6	18.8	17.6	17.6	17.5	17.7	15.9	16.1
Tax revenue	16.4	15.2	14.5	16.6	15.9	16.2	16.2	16.3	14.4	14.7
Nontax revenue, of which:	2.8	1.5	2.1	2.2	1.7	1.4	1.4	1.4	1.5	1.5
Oil program with Nigeria	0.4	0.2	0.0	0.5	0.3	0.4	0.3	0.3	0.2	0.2
Grants	126.6	28.7	14.6	19.3	12.4	11.1	9.6	8.9	5.0	3.8
Project grants	8.6	6.1	12.2	18.5	8.7	7.9	8.3	7.7	4.8	3.6
Nonproject grants	1.1	3.4	0.4	0.1	3.0	2.5	1.3	1.2	0.0	0.0
HIPC Initiative-related grants ¹	116.9	19.1	2.1	0.7	0.7	0.7	0.0	0.0	0.1	0.2
Oil signature bonuses	19.8	0.0	0.0	0.0	0.8	9.0	0.0	0.0	0.0	0.0
Oil revenue									14.7	13.3
Total expenditure	40.1	31.2	49.8	49.1	47.4	38.7	33.5	32.2	26.7	25.8
Domestic primary expenditure	28.4	23.5	24.6	22.3	20.8	20.6	20.6	20.4	21.5	21.8
Current expenditure	25.9	21.1	20.3	19.8	19.0	18.5	18.4	18.3	15.7	15.7
Of which: Personnel costs	8.9	8.1	7.9	8.3	8.3	8.2	8.2	8.2	7.1	7.3
Interest due	1.3	0.9	0.7	0.4	0.7	0.6	0.5	0.5	0.4	0.3
Goods and services	5.7	6.1	6.1	5.1	4.8	4.6	4.4	4.4	3.7	3.8
Transfers	7.2	4.6	4.5	5.2	4.6	4.6	4.7	4.5	3.9	3.7
Capital expenditure	11.6	8.1	28.5	28.7	27.6	19.5	14.4	13.2	10.5	9.6
Financed by the Treasury	1.1	1.3	4.0	2.3	1.8	2.0	2.0	2.0	5.6	6.0
Financed by external sources	10.4	6.9	24.5	26.3	25.9	17.6	12.3	11.2	4.8	3.6
HIPC Initiative-related social expenditure	2.6	2.0	1.0	0.6	0.8	0.7	0.7	0.6	0.5	0.5
Domestic primary balance²	-8.5	-7.0	-8.0	-4.1	-3.5	-3.4	-3.3	-3.0	-5.8	-5.8
Overall fiscal balance	125.4	14.2	-18.6	-11.0	-16.5	-1.1	-6.3	-5.6	8.8	7.5
(commitments basis)										
Net change in arrears, float, and statistical discrepancies (reduction = -)	1.3	1.7	1.2	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears	0.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancies	1.0	0.9	1.2	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (cash basis)	126.7	15.9	-17.4	-12.5	-16.5	-1.1	-6.3	-5.6	8.8	7.5
Financing	-126.7	-15.9	17.4	12.5	16.5	1.1	6.3	5.6	-8.8	-7.5
Net external	-126.0	-17.6	11.1	6.6	16.5	9.3	3.4	4.0	0.1	0.1
Disbursements (projects)	2.0	0.7	12.4	7.9	17.2	9.7	4.0	3.5	0.0	0.0
Program financing (loans)	1.5	1.1	0.0	0.0	0.0	1.3	0.8	1.8	1.3	1.1
Net short-term loans ³	-10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization	-118.8	-19.7	-2.3	-1.3	-0.4	-1.3	-1.1	-1.0	-1.0	-0.8
Change in arrears (principal)	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral rescheduling ^{4, 5}	7.6	0.3	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Savings from HIPC flows										
Net domestic	-0.7	1.6	6.3	5.9	0.1	-8.2	2.9	1.6	-9.0	-7.6
Net bank credit to the government	-0.7	-10.0	5.3	5.9	0.1	-8.2	2.9	1.6	-9.0	-7.6
Banking system credit (excluding National Oil Account)	2.4	-11.1	4.6	5.4	-0.8	1.0	0.9	0.2	-1.1	-1.1
Of which: Privatization account ⁶	0.0	-11.6	6.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
National Oil Account	-3.1	1.1	0.6	0.5	0.9	-9.2	2.0	1.4	-7.9	-6.5
Nonbank financing	0.0	11.6	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Memorandum items:

Overall balance (commitment basis, including grants, oil flows, exclud bonuses)	-12.0	-14.9	-15.4	-5.8	-18.1	-19.0	-3.4	-4.0	-0.3	-0.3
MDRI debt relief (flow in US\$ million)	1.7	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization Account balance (US\$ million)	0.0	21.0	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Oil Account Balance (US\$ million, excluding transfers to bud	14.9	12.1	9.8	7.9	8.4	30.7	24.8	20.0	68.2	115.1
Nominal GDP (STD million)	1,953	2,696	3,185	3,719	4,376	5,090	5,771	6,435	8,250	8,781

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

¹ For 2007, includes IDA and AfDB MDRI debt relief as a stock of debt reduction.

² Excluding oil revenue, grants, interest earned, scheduled interest payments, foreign-financed scholarships, and foreign-financed capital.

³ For 2007, includes the repayment of three \$5 million loans disbursed by Nigeria in 2002–04 upon receipt of oil signature bonuses for Blocks 2–4 in the Joint Development Zone.

⁴ For 2007, assumes rescheduling agreement with non-Paris Club bilateral creditors for current maturities and stock of arrears.

⁵ For 2007, includes IMF MDRI debt relief as a stock of debt reduction.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used to audit the operation, and US\$21.4 million was placed with the central bank to strengthen foreign reserves.

⁷ For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

Table 4. São Tomé and Príncipe: Balance of Payments, 2007-2016

(Millions of U.S. dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Estimate	Projection					
Balance of trade	-58.1	-84.3	-74.6	-87.4	-96.4	-102.9	-112.7	-121.3	-23.5	-34.9
Exports, FOB	6.8	7.8	9.2	12.0	13.6	14.5	15.2	15.7	164.9	163.7
Of which: Oil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	149.4	146.0
Cocoa	3.5	5.0	5.4	4.3	5.7	5.0	5.3	5.5	5.1	4.9
Re-export	2.9	2.2	3.0	5.1	5.1	6.2	6.4	6.5	6.7	6.9
Imports, FOB	-64.9	-92.2	-83.8	-99.4	-109.9	-117.4	-127.9	-137.0	-188.3	-198.6
Of which: Food	-17.6	-24.2	-29.0	-31.8	-40.0	-40.7	-42.3	-43.1	-44.0	-45.9
Petroleum products	-14.6	-22.1	-14.7	-18.4	-25.4	-31.2	-32.1	-32.5	-33.4	-34.6
Services and output (net)	-7.7	-11.9	-8.9	-22.6	-15.6	-17.3	-18.1	-17.8	-121.9	-121.1
Exports of nonfactor services	6.8	9.8	10.6	12.0	12.7	14.5	17.2	20.7	44.8	47.3
Of which: travel and tourism	5.1	7.9	8.5	9.6	10.1	11.8	14.3	17.5	23.3	26.1
Imports of nonfactor services	-19.0	-21.6	-19.2	-34.3	-29.4	-32.9	-36.7	-39.9	-65.5	-69.4
Factor services (net)	4.5	-0.1	-0.3	-0.4	1.2	1.2	1.4	1.4	-101.2	-98.9
Interest due	-0.7	-2.5	-1.0	-0.5	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7
Interest income on National Oil Account	3.0	0.2	0.0	0.0	0.1	0.1	0.2	0.2	0.3	1.5
Private transfers (net)	-0.3	-0.2	-0.9	-1.5	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6
Official transfers (net)	15.3	55.4	33.9	44.0	31.9	32.6	32.4	33.7	24.8	18.6
Of which: Project grants	11.8	11.1	23.6	37.0	20.5	21.0	25.6	26.8	21.3	16.9
HIPC Initiative-related grants	0.0	34.8	4.0	1.5	1.7	1.8	0.0	0.0	0.6	0.8
Balance of current account	-50.7	-41.0	-50.4	-67.5	-81.5	-89.1	-100.0	-107.0	-122.2	-138.9
Including official transfers	-66.0	-96.4	-84.3	-111.5	-113.5	-121.7	-132.4	-140.7	-146.9	-157.5
Excluding official transfers	68.7	72.1	71.5	58.0	85.4	114.1	96.8	104.0	184.0	189.0
Balance of capital and financial account	68.7	72.1	71.5	58.0	85.4	114.1	96.8	104.0	184.0	189.0
Transfers of capital ¹	162.7	34.8	79.4	0.0	3.2	0.0	0.0	0.0	0.0	0.0
Financial account	-94.0	37.3	-7.9	58.0	82.2	114.1	96.8	104.0	184.0	189.0
Public sector (net)	-176.9	-32.5	-52.9	28.5	23.6	22.1	11.1	14.9	1.7	1.8
Project loans	1.4	1.9	2.7	2.3	4.7	3.3	2.4	1.5	1.0	0.5
Program loans	2.1	2.0	0.3	0.1	0.0	0.0	0.0	4.6	4.6	4.6
Amortization	-178.2	-35.7	-80.7	-1.2	-2.6	-2.6	-2.7	-2.6	-3.3	-2.6
Other investments	-2.2	-0.8	24.7	27.3	21.4	21.3	11.3	11.3	-0.7	-0.7
Of which: Transfers to the JDZ	-3.0	-0.1	-0.1	-0.1	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7
Private sector (net)	82.9	69.9	45.0	29.6	58.6	92.1	85.8	89.1	182.3	187.3
Foreign direct investment	58.4	79.0	20.9	24.6	20.0	47.5	30.0	33.9	119.4	122.2
Of which: Oil signature bonuses ²	28.6	0.0	0.0	0.0	2.0	24.0	0.0	0.0	0.0	0.0
Commercial banks	-3.2	-2.3	11.4	17.0	3.1	-1.8	-0.2	6.0	-0.8	0.0
Short-term private capital	27.7	-6.8	12.7	-12.0	35.5	46.3	56.0	49.2	63.7	65.0
Errors and omissions	-9.1	-16.1	-12.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	8.9	15.1	8.5	-7.2	3.8	25.0	-3.2	-3.1	61.9	50.1
Financing	-8.9	-15.1	-8.5	7.2	-3.8	-25.0	3.2	3.1	-61.9	-50.1
Change in official reserves, excluding NOA (increase)	-1.9	-18.5	-2.8	5.2	-3.4	-2.6	-2.7	-1.7	-13.7	-3.2
Use of Fund resources (net)	-0.8	0.7	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	1.3	0.7	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases (including MDRI repayments)	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Oil Account (increase = -)	-6.3	2.7	2.4	1.9	-0.5	-22.4	5.9	4.8	-48.1	-46.9

Change in arrears (net; decrease = -)	-10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special financing ³	0.0	0.0	-8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Balance of current account (percentage of GDP)										
Before official transfers	-48.0	-53.1	-43.6	-55.6	-48.2	-45.7	-43.2	-40.6	-33.3	-33.8
After official transfers	-36.9	-22.5	-26.1	-33.6	-34.6	-33.5	-32.6	-30.9	-27.7	-29.8
Debt service ratio (percentage of exports) ⁴	68.7	49.2	18.9	11.2	13.8	12.6	13.7	13.2	2.7	2.4
Gross usable reserves ^{5, 6}										
Millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.1	38.4	40.7	55.8	59.6
Months of imports of goods and nonfactor services ⁷	3.5	6.9	5.7	4.4	3.5	3.5	3.7	3.9	5.1	5.2
As a proportion of M2 (%)	69.8	90.8	92.8	128.7	116.7	109.6	98.8	87.0	93.7	83.5

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

¹ Includes HIPC and MDRI debt relief provided upon completion point in 2007.

² For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

³ For 2009, includes a new allocation for STD 6.5 million.

⁴ As a percentage of exports of goods and nonfactor services.

⁵ Gross reserves exclude the National Oil Account and foreign-currency deposits by commercial banks at BCSTP to comply with RMC on foreign-currency deposits or to pay licensing fees.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used for auditing operations, and US\$21.4 million was placed with the central bank to strengthen reserves.

⁷ Imports of goods and nonfactor services, excluding imports of investment goods and technical assistance.

Table 5. São Tomé and Príncipe: Balance of Payments, 2007-2016

(Percentage of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual				Estimate	Projection				
Balance of trade	-42.2	-46.4	-38.5	-43.5	-40.9	-38.7	-36.7	-35.0	-5.3	-7.5
Exports, FOB	5.0	4.3	4.8	6.0	5.8	5.4	4.9	4.5	37.4	35.1
Of which: Oil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.9	31.3
Cocoa	2.5	2.8	2.8	2.2	2.4	1.9	1.7	1.6	1.2	1.1
Re-export	2.1	1.2	1.5	2.5	2.2	2.3	2.1	1.9	1.5	1.5
Imports, FOB	-47.2	-50.7	-43.3	-49.5	-46.7	-44.1	-41.7	-39.5	-42.7	-42.6
Of which: Food	-12.8	-13.3	-15.0	-15.9	-17.0	-15.3	-13.8	-12.4	-10.0	-9.8
Petroleum products	-10.6	-12.2	-7.6	-9.2	-10.8	-11.7	-10.5	-9.4	-7.6	-7.4
Services and output (net)	-5.6	-6.5	-4.6	-11.3	-6.6	-6.5	-5.9	-5.1	-27.6	-26.0
Exports of nonfactor services	5.0	5.4	5.5	6.0	5.4	5.4	5.6	6.0	10.2	10.1
Of which: Travel and tourism	3.7	4.3	4.4	4.8	4.3	4.4	4.7	5.0	5.3	5.6
Imports of nonfactor services	-13.8	-11.9	-9.9	-17.1	-12.5	-12.4	-11.9	-11.5	-14.8	-14.9
Factor services (net)	3.3	0.0	-0.1	-0.2	0.5	0.4	0.4	0.4	-23.0	-21.2
Interest due	-0.5	-1.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.1
Interest income on National Petroleum Account	2.2	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3
Private transfers (net)	-0.2	-0.1	-0.5	-0.7	-0.6	-0.6	-0.5	-0.4	-0.4	-0.3
Official transfers (net)	11.1	30.5	17.5	21.9	13.6	12.3	10.6	9.7	5.6	4.0
Of which: Project grants	8.6	6.1	12.2	18.5	8.7	7.9	8.3	7.7	4.8	3.6
HIPC Initiative-related grants	0.0	19.1	2.1	0.7	0.7	0.7	0.0	0.0	0.1	0.2
Balance of current account										
Including official transfers	-36.9	-22.5	-26.1	-33.6	-34.6	-33.5	-32.6	-30.9	-27.7	-29.8
Excluding official transfers	-48.0	-53.1	-43.6	-55.6	-48.2	-45.7	-43.2	-40.6	-33.3	-33.8
Balance of capital and financial account	50.0	39.7	36.9	28.9	36.3	42.9	31.6	30.0	41.7	40.5
Transfers of capital ¹	118.4	19.2	41.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Financial account	-68.4	20.5	-4.1	28.9	34.9	42.9	31.6	30.0	41.7	40.5
Public sector (net)	-128.7	-17.9	-27.3	14.2	10.0	8.3	3.6	4.3	0.4	0.4
Project loans	1.0	1.1	1.4	1.1	2.0	1.3	0.8	0.4	0.2	0.1
Program loans	1.5	1.1	0.2	0.0	0.0	0.0	0.0	1.3	1.1	1.0
Amortization	-129.7	-19.6	-41.7	-0.6	-1.1	-1.0	-0.9	-0.7	-0.7	-0.6
Other investments	-1.6	-0.4	12.8	13.6	9.1	8.0	3.7	3.3	-0.2	-0.1
Of which: Transfers to the JDZ	-2.2	-0.1	-0.1	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1
Private sector (net)	60.3	38.4	23.2	14.7	24.9	34.6	28.0	25.7	41.3	40.2
Foreign direct investment	42.5	43.5	10.8	12.2	8.5	17.9	9.8	9.8	27.1	26.2
Of which: Oil signing bonuses ²	20.8	0.0	0.0	0.0	0.8	9.0	0.0	0.0	0.0	0.0
Commercial banks	-2.3	-1.3	5.9	8.5	1.3	-0.7	-0.1	1.7	-0.2	0.0
Short-term private capital	20.1	-3.7	6.6	-6.0	15.1	17.4	18.3	14.2	14.4	13.9
Errors and omissions	-6.6	-8.9	-6.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	6.5	8.3	4.4	-3.6	1.6	9.4	-1.0	-0.9	14.0	10.7
Financing	-6.5	-8.3	-4.4	3.6	-1.6	-9.4	1.0	0.9	-14.0	-10.7
Change in official reserves, excluding NOA (increase = -)	-1.4	-10.2	-1.4	2.6	-1.4	-1.0	-0.9	-0.5	-3.1	-0.7
Use of Fund resources (net)	-0.6	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.9	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases (including MDRI repayments)	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Oil Account (increase = -)	-4.6	1.5	1.2	0.9	-0.2	-8.4	1.9	1.4	-10.9	-10.1

Change in arrears (net; decrease = -)	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special financing ³	0.0	0.0	-4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Debt service ratio (percentage of exports) ⁴	68.7	49.2	18.9	11.2	13.8	12.6	13.7	13.2	2.7	2.4
Gross usable reserves ^{5 6}										
Millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.1	38.4	40.7	55.8	59.6
Months of imports of goods and nonfactor services ⁷	3.5	6.9	5.7	4.4	3.5	3.5	3.7	3.9	5.1	5.2
As a proportion of M2 (%)	70	91	93	129	117	110	99	87	94	83

Source: São Tomé and Príncipe authorities; and IMF staff estimates and projections.

¹ Includes HIPC and MDRI debt relief provided upon completion point in 2007.

² For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

³ For 2009, includes a new allocation of STD 6.5 million.

⁴ As a percentage of exports of goods and nonfactor services.

⁵ Gross reserves exclude the National Oil Account and foreign-currency deposits by commercial banks at the BCSTP to comply with RMC on foreign-currency deposits or to pay licensing fees.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used for auditing operations, and US\$21.4 million was placed with the central bank to strengthen reserves.

⁷ Imports of goods and nonfactor services exclude imports of investment goods and technical assistance.

Table 6. São Tomé and Príncipe: Summary of Central Bank Accounts, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Estimate		Projection				
Net external assets	857	1,199	1,228	998	891	1,367	1,298	1,243	2,429	3,412
Net international reserves ¹	699	1,019	1,192	942	861	1,336	1,268	1,214	2,399	3,381
Gross reserves ¹	775	1,111	1,284	1,052	1,148	1,634	1,547	1,470	2,638	3,600
Of which: National Oil Account (NOA)	212	183	163	145	157	625	467	372	1,275	2,167
Foreign-currency deposits by commercial banks	165	212	295	71	82	58	67	75	87	98
Secured deposits	0	0	0	23	0	0	0	0	0	0
Short-term liabilities	-76	-93	-91	-110	-287	-297	-279	-257	-239	-218
Other external assets	172	195	385	259	237	246	241	238	240	242
Other liabilities ¹	-14	-15	-348	-203	-207	-215	-211	-209	-210	-212
Net domestic assets	-440	-703	-622	-439	-419	-745	-577	-435	-1,492	-2,340
Net domestic credit	-152	-393	-211	14	70	-346	-268	-234	-1,724	-2,698
Net credit to the government	-163	-406	-232	-23	35	-382	-304	-271	-1,762	-2,738
Credit to the government	112	126	157	258	262	264	249	228	209	210
Of which: Use of DSE/PRGF	69	82	113	211	215	216	201	181	162	163
Government deposits	-274	-532	-389	-281	-228	-646	-553	-499	-1,971	-2,948
Ordinary	-13	-89	-42	-26	-25	25	-41	-82	-651	-736
Of which: HIPC Initiative resources	-8	-5	-1	-1	0	0	0	0	0	0
Counterpart resources	-8	-22	-30	-43	-30	-30	-30	-30	-30	-30
Foreign currency	-253	-420	-318	-211	-173	-641	-482	-387	-1,291	-2,182
Of which: NOA	-212	-183	-163	-145	-157	-625	-467	-372	-1,275	-2,167
Credit to commercial banks	1	1	1	9	1	1	0	0	0	0
Credit to other sectors	10	13	20	28	35	35	37	37	38	40
Certificates of deposit at the central bank	0	0	0	0	0	0	0	0	0	0
Other items (net)	-288	-311	-411	-454	-489	-399	-310	-200	232	358
Base money	417	496	606	558	472	622	720	809	937	1,072
Currency issue	126	141	167	191	204	193	223	250	290	332
Bank reserves	291	355	439	367	268	430	497	558	647	740
Of which: Local currency	126	143	144	297	186	372	430	483	560	640
Foreign currency	165	212	295	71	82	58	67	75	87	100
Memorandum items:										
Gross international reserves (US\$ million)	54.0	73.0	76.3	56.6	60.4	85.4	80.9	78.2	142.1	192.5
Excluding NOA and secured deposits	39.2	60.9	66.7	47.6	52.1	52.7	56.5	58.4	73.4	76.6
Net international reserves (US\$ million)	48.7	66.9	70.9	50.7	45.3	69.9	66.3	64.5	129.2	180.8
Of which: NOA (US\$ million)	14.8	12.0	9.7	7.8	8.3	32.7	24.4	19.8	68.7	115.9
Secured deposits (US\$ million)	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Net international reserves (US\$ million; excluding NOA)	33.9	54.9	61.2	41.7	37.0	37.2	41.9	44.7	60.5	64.9
Of which: Commercial bank reserves in foreign currency	11.5	13.9	17.5	3.8	4.3	3.0	3.5	4.0	4.7	5.3
Net usable international reserves										
In millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.1	38.4	40.7	55.8	59.6
In months of imports	3.5	6.9	5.7	4.4	3.5	3.5	3.7	3.9	5.1	5.2
Base money (annual percentage change)	50.0	18.9	22.3	-7.9	-15.4	31.8	15.7	12.3	15.9	14.4

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

¹ For 2009, includes a new allocation of STD 6.5 million.

Table 7. São Tomé and Príncipe: Monetary Survey, 2007-2016

(Billions of dobras)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Projection						
Net external assets	1,030	1,418	1,279	1,364	1,197	1,641	1,558	1,617	2,791	3,776
Central bank	857	1,199	1,228	998	891	1,367	1,298	1,243	2,429	3,412
Commercial banks	173	219	50	367	306	274	261	374	362	364
Net domestic assets	-266	-373	-148	50	465	214	553	746	-62	-666
Net domestic credit	460	334	810	1,466	1,696	1,438	1,655	1,838	691	-44
Net credit to the government	-178	-450	-280	-60	-17	-434	-359	-328	-1,822	-2,801
Credit to the government	112	127	158	261	269	270	255	235	216	217
Government deposits	-290	-577	-438	-321	-286	-704	-614	-563	-2,038	-3,018
Budget deposits	-13	-89	-42	-26	-25	25	-41	-82	-651	-736
Counterpart resources	-8	-22	-30	-43	-30	-30	-30	-30	-30	-30
Foreign-currency deposits	-269	-465	-366	-252	-231	-700	-543	-451	-1,358	-2,252
Of which: National Oil Account	-212	-183	-163	-145	-157	-625	-467	-372	-1,275	-2,167
Credit to the economy	638	784	1,090	1,526	1,713	1,872	2,014	2,166	2,513	2,757
Of which: Credit in foreign currency	460	572	739	1,099	1,119	1,224	1,317	1,419	1,649	1,811
(Millions of U.S. dollars)	32	38	44	59	59	64	69	75	89	97
Other items (net)	-726	-707	-958	-1,415	-1,232	-1,223	-1,102	-1,092	-752	-622
Broad money (M3)	764	1,045	1,130	1,415	1,662	1,855	2,111	2,363	2,729	3,110
Local currency	329	534	553	585	693	792	902	1,032	1,220	1,421
Currency	285	429	437	562	661	756	861	986	1,164	1,357
In circulation	109	120	149	163	183	210	239	273	323	376
Demand deposits	176	309	288	399	478	547	622	712	842	981
Time deposits	43	105	116	23	31	36	41	47	55	64
Foreign-currency deposits	435	511	578	829	969	1,063	1,210	1,330	1,509	1,689
Memorandum items:										
Velocity (ratio of GDP/average M3)	2.6	2.6	2.8	2.6	2.6	2.7	2.7	2.7	3.0	2.8
Money multiplier (M3/M0)	1.8	2.1	1.9	2.5	3.5	3.0	2.9	2.9	2.9	2.9
Base money (12-month growth rate)	50.0	18.9	22.3	-7.9	-15.4	31.8	15.7	12.3	15.9	14.4
Credit to the economy (12-month growth rate)	33.9	22.8	39.1	40.0	12.3	9.2	7.6	7.6	16.0	9.7
M3 (12-month growth rate) ¹	38.1	36.8	8.2	25.1	17.5	11.7	13.8	11.9	15.5	14.0

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

¹ Revised monetary data from commercial banks as of January 2010 are not comparable to the time series.

Table 8. São Tomé and Príncipe: Principal Economic Indicators, 2007-2016 (nonoil scenario)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Estimate		Projection				
	Annual percentage change (unless indicated otherwise)									
National output and prices										
GDP at constant prices	6.0	9.1	4.0	4.5	4.9	5.5	5.5	5.5	5.5	6.0
Consumer prices										
End of period	27.6	24.8	16.1	12.9	11.9	6.0	4.0	3.0	3.0	3.0
Period average	18.6	32.0	17.0	13.3	14.3	8.8	5.0	3.5	3.0	3.0
Foreign trade										
Exports of goods and nonfactor services	-20.5	29.4	12.1	21.3	9.2	3.1	7.2	6.7	4.6	5.3
Imports of goods and nonfactor services	-5.4	35.7	-9.5	29.8	4.3	4.0	0.8	1.8	2.5	1.4
Exchange rate (dobras per US\$, end of period) ¹	14,362	15,228	16,814	18,336	19,008					
Effective real exchange rate (depreciation = -)	-0.4	13.2	12.0	-2.8	11.7					
Money and credit										
Base money	50.0	18.9	22.3	-7.9	-15.4	35.0	15.5	12.3	8.6	8.7
Broad money (M3)	38.1	36.8	8.2	25.1	17.5	12.8	13.5	11.9	8.8	8.7
Credit to the economy	33.9	22.8	39.1	40.0	12.3	9.2	7.1	7.1	8.1	9.6
Velocity (GDP/average M3)	2.6	2.6	2.8	2.6	2.6	2.7	2.7	2.7	2.7	2.7
Central bank reference interest rate (%)	28.0	28.0	16.0	15.0	15.0					
Bank lending rate (%)	32.4	32.4	31.1	28.9	27.0					
Bank deposit rate (%)	12.8	12.8	11.9	11.0	12.4					
Government finances										
	(Percentage of GDP, unless indicated otherwise)									
Total revenue, grants, and oil signature bonuses ²	165.5	45.4	31.2	38.1	30.9	37.3	27.0	26.6	26.5	26.1
Of which: Tax revenue	16.4	15.2	14.5	16.6	15.9	16.0	16.0	16.4	16.7	16.7
Nontax revenue	2.8	1.5	2.1	2.2	1.7	1.4	1.4	1.4	1.4	1.4
Grants	126.6	28.7	14.6	19.3	12.4	11.0	9.6	8.8	8.4	8.0
Oil signature bonuses	19.8	0.0	0.0	0.0	0.8	8.9	0.0	0.0	0.0	0.0
Oil revenue										
Total expenditure and net lending	40.1	31.2	49.8	49.1	47.4	38.4	33.2	31.9	31.5	30.3
Of which: Personnel costs	8.9	8.1	7.9	8.3	8.3	8.1	8.1	8.2	8.2	8.2
Noninterest and nonwage current expenditure	15.7	12.1	11.7	11.1	9.9	9.6	9.6	9.6	9.5	9.2
Capital expenditure financed by the Treasury	1.1	1.3	4.0	2.3	1.8	1.9	2.0	2.0	2.0	1.7
Capital expenditure financed by donors	10.4	6.9	24.5	26.3	25.9	17.4	12.3	11.2	10.8	10.3
Domestic primary balance ³	-8.5	-7.0	-8.0	-4.1	-3.5	-3.4	-3.3	-2.7	-2.4	-1.8
Overall balance (commitments basis)	125.4	14.2	-18.6	-11.0	-16.5	-1.1	-6.2	-5.3	-5.0	-4.3
External sector										
Balance of current account										
Including official transfers	-36.9	-22.5	-26.1	-33.6	-34.6	-32.2	-27.7	-24.3	-25.5	-25.3
Excluding official transfers	-48.0	-53.1	-43.6	-55.6	-48.2	-44.4	-38.2	-34.1	-32.1	-29.9
NPV of external debt	12.4	10.6	18.7	33.8	34.2	34.6	32.2	31.2	29.7	28.4
External debt service (% of exports) ⁴	68.7	49.2	18.9	11.2	13.8	12.6	13.7	13.0	13.6	11.6
Exports of goods and nonfactor services (US\$ millions)	13.7	17.7	19.8	24.0	26.2	27.1	29.0	31.0	32.4	34.1
Gross international reserves ^{5, 6, 7}										
Months of imports of goods and nonfactor services ⁸	3.5	6.9	5.7	4.4	3.5	3.5	3.6	3.9	4.3	4.6
Millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.2	36.8	40.7	46.4	52.0
As a proportion of M2 (%)	70	91	93	129	117	103	92	82	77	74
National Petroleum Account (US\$ million) ⁹	14.9	12.1	9.8	7.9	8.4	30.7	24.8	20.0	16.3	13.4
Memorandum items:										

GDP											
Billions of dobras	1,953	2,696	3,185	3,719	4,376	5,141	5,814	6,481	7,023	7,608	
Millions of U.S. dollars	137	182	194	201	236	269	309	349	375	404	
Privatization Account (US\$)	0	21	6	0	0	0	0	0	0	0	

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

¹ Average BCSTP rate.

² Includes HIPC and MDRI debt relief.

³ Excluding oil revenue, grants, interest earned, scheduled interest payments, foreign-financed scholarships, and foreign-financed capital.

⁴ As a percentage of exports of goods and nonfactor services. Includes HIPC and MDRI debt relief.

⁵ Gross reserves exclude the National Oil Account and foreign-currency deposits by commercial banks at the BCSTP to comply with minimum cash reserve requirements on foreign-currency deposits or to pay licensing fees.

⁶ For 2008, includes the proceeds of privatization of the government share of the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used for auditing operations, and US\$21.4 million was placed with the central bank to strengthen reserves.

⁷ For 2009, includes a new allocation of STD 6.5 million.

⁸ Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

⁹ For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

Table 9. São Tomé and Príncipe: Financial Operations of the Central Government, 2007-2016 (nonoil scenario)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual				Estimate	Projection				
Total revenue and grants	3233	1225	995	1417	1352	1918	1568	1725	1859	1983
Total revenue	374	451	529	698	770	895	1012	1154	1270	1376
Tax revenue	320	411	462	617	697	822	932	1065	1174	1272
Nontax revenue, of which:	55	40	67	80	73	73	79	88	96	104
Oil program with Nigeria	7	6	0	20	11	23	15	16	18	19
Grants	2471	774	466	719	545	563	557	572	589	607
Project grants	168	165	387	686	380	401	481	498	512	528
Nonproject grants	21	93	13	5	132	128	75	74	77	79
HIPC Initiative-related grants ¹	2282	516	66	28	32	34	0	0	0	0
Oil signature bonuses	387	0	0	0	37	459	0	0	0	0
Oil revenue										
Total expenditure	783	841	1587	1824	2075	1972	1931	2070	2209	2307
Domestic primary expenditure	554	633	783	829	911	1046	1188	1315	1422	1497
Current expenditure	506	569	646	737	831	943	1062	1178	1273	1356
Of which: Personnel costs	174	219	252	309	364	418	471	529	576	624
Interest due	24	23	22	16	32	32	31	31	30	30
Goods and services	112	164	195	191	209	232	253	282	306	332
Transfers	140	124	144	192	202	237	271	292	310	317
Capital expenditure	226	219	907	1066	1209	994	830	852	897	911
Financed by the Treasury	22	34	126	87	77	100	117	128	140	131
Financed by external sources	203	185	781	979	1132	894	712	724	757	780
HIPC Initiative-related social expenditure	51	53	33	21	35	35	40	39	39	40
Domestic primary balance²	-166	-188	-254	-152	-152	-173	-191	-178	-170	-140
Overall fiscal balance (commitments basis)	2449	383	-592	-408	-723	-54	-363	-344	-351	-324
Net change in arrears, float, and statistical discrepancies (reduction = -)	25	46	37	-58	0	0	0	0	0	0
External arrears	0	0	0	0	0	0	0	0	0	0
Domestic arrears	6	21	0	0	0	0	0	0	0	0
Float and statistical discrepancies	20	25	37	-58	0	0	0	0	0	0
Overall fiscal balance (cash basis)	2475	430	-555	-465	-723	-54	-363	-344	-351	-324
Financing	-2475	-430	555	465	723	54	363	344	351	324
Net external	-2461	-473	354	246	720	472	198	269	253	264
Disbursements (projects)	39	20	394	293	752	493	231	238	245	252
Program financing (loans)	30	30	0	1	0	64	45	114	106	96
Net short-term loans ³	-213	0	0	0	0	0	0	0	0	0
Scheduled amortization	-2319	-530	-75	-48	-18	-67	-62	-66	-81	-68
Change in arrears (capital)	-144	0	0	0	0	0	0	0	0	0
Bilateral rescheduling ^{4, 5}	147	7	2	0	3	0	0	0	0	0
Savings from HIPC flows	0	0	32	0	-17	-17	-17	-17	-17	-17
Net domestic	-14	44	201	219	3	-418	165	75	97	60
Net bank credit to the government	-14	-270	168	219	3	-418	165	75	97	60
Banking system credit (excluding National Oil Account)	46	-298	148	201	-35	50	50	-17	21	-3
Of which: Privatization Account ⁶	0	-312	196	13	0	0	0	0	0	0
National Oil Account	-60	29	21	18	38	-468	116	92	76	63
Nonbank financing	0	313	33	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										

Overall balance (commitments basis, including grants, oil flows, excluding bonuses)	-234	-402	-490	-216	-790	-966	-198	-269	-253	-264
MDRI debt relief (flow in millions of U.S. dollars)	2	2	0	0	0	0	0	0	0	0
Privatization Account balance (millions of U.S. dollars)	0	21	6	0	0	0	0	0	0	0
NOA balance (millions of U.S. dollars, excluding transfers to budget) ⁷	15	12	10	8	8	31	25	20	16	13

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

¹ For 2007, includes IDA and AfDB MDRI debt relief as a stock of debt reduction.

² Excluding oil revenue, grants, interest earned, scheduled interest payments, foreign-financed scholarships, and foreign-financed capital.

³ For 2007, includes the repayment of three \$5 million loans disbursed by Nigeria in 2002–04 upon receipt of oil signature bonuses for Blocks 2–4 in the Joint Development Zone.

⁴ For 2007, assumes rescheduling agreement with non-Paris Club bilateral creditors for current maturities and stock of arrears.

⁵ For 2007, includes IMF MDRI debt relief as a stock of debt reduction.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used to audit the operation, and US\$21.4 million was placed with the central bank to strengthen foreign reserves.

⁷ For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

Table 10. São Tomé and Príncipe: Financial Operations of the Central Government, 2007-2016 (nonoil scenario)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Estimate		Projection				
Total revenue and grants	165.5	45.4	31.2	38.1	30.9	37.3	27.0	26.6	26.5	26.1
Total revenue	19.2	16.7	16.6	18.8	17.6	17.4	17.4	17.8	18.1	18.1
Tax revenue	16.4	15.2	14.5	16.6	15.9	16.0	16.0	16.4	16.7	16.7
Nontax revenue, of which:	2.8	1.5	2.1	2.2	1.7	1.4	1.4	1.4	1.4	1.4
Oil program with Nigeria	0.4	0.2	0.0	0.5	0.3	0.4	0.3	0.3	0.3	0.3
Grants	126.6	28.7	14.6	19.3	12.4	11.0	9.6	8.8	8.4	8.0
Project grants	8.6	6.1	12.2	18.5	8.7	7.8	8.3	7.7	7.3	6.9
Nonproject grants	1.1	3.4	0.4	0.1	3.0	2.5	1.3	1.1	1.1	1.0
HIPC Initiative-related grants ¹	116.9	19.1	2.1	0.7	0.7	0.7	0.0	0.0	0.0	0.0
Oil signature bonuses	19.8	0.0	0.0	0.0	0.8	8.9	0.0	0.0	0.0	0.0
Oil revenue										
Total expenditure	40.1	31.2	49.8	49.1	47.4	38.4	33.2	31.9	31.5	30.3
Domestic primary expenditure	28.4	23.5	24.6	22.3	20.8	20.3	20.4	20.3	20.2	19.7
Current expenditure	25.9	21.1	20.3	19.8	19.0	18.3	18.3	18.2	18.1	17.8
Of which: Personnel costs	8.9	8.1	7.9	8.3	8.3	8.1	8.1	8.2	8.2	8.2
Interest due	1.3	0.9	0.7	0.4	0.7	0.6	0.5	0.5	0.4	0.4
Goods and services	5.7	6.1	6.1	5.1	4.8	4.5	4.3	4.3	4.4	4.4
Transfers	7.2	4.6	4.5	5.2	4.6	4.6	4.7	4.5	4.4	4.2
Capital expenditure	11.6	8.1	28.5	28.7	27.6	19.3	14.3	13.1	12.8	12.0
Financed by the Treasury	1.1	1.3	4.0	2.3	1.8	1.9	2.0	2.0	2.0	1.7
Financed by external sources	10.4	6.9	24.5	26.3	25.9	17.4	12.3	11.2	10.8	10.3
HIPC Initiative-related social expenditure	2.6	2.0	1.0	0.6	0.8	0.7	0.7	0.6	0.6	0.5
Domestic primary balance²	-8.5	-7.0	-8.0	-4.1	-3.5	-3.4	-3.3	-2.7	-2.4	-1.8
Overall fiscal balance (commitments basis)	125.4	14.2	-18.6	-11.0	-16.5	-1.1	-6.2	-5.3	-5.0	-4.3
Net change in arrears, float, and statistical discrepancies (reduction = -)	1.3	1.7	1.2	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears	0.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancies	1.0	0.9	1.2	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (cash basis)	126.7	15.9	-17.4	-12.5	-16.5	-1.1	-6.2	-5.3	-5.0	-4.3
Financing	-126.7	-15.9	17.4	12.5	16.5	1.1	6.2	5.3	5.0	4.3
Net external	-126.0	-17.6	11.1	6.6	16.5	9.2	3.4	4.2	3.6	3.5
Disbursements (projects)	2.0	0.7	12.4	7.9	17.2	9.6	4.0	3.7	3.5	3.3
Program financing (loans)	1.5	1.1	0.0	0.0	0.0	1.2	0.8	1.8	1.5	1.3
Net short-term loans ³	-10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization	-118.8	-19.7	-2.3	-1.3	-0.4	-1.3	-1.1	-1.0	-1.2	-0.9
Change in arrears (capital)	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral rescheduling ^{4, 5}	7.6	0.3	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Savings from HIPC flows										
Net domestic	-0.7	1.6	6.3	5.9	0.1	-8.1	2.8	1.2	1.4	0.8
Net bank credit to the government	-0.7	-10.0	5.3	5.9	0.1	-8.1	2.8	1.2	1.4	0.8
Banking system credit (excluding National Oil Account)	2.4	-11.1	4.6	5.4	-0.8	1.0	0.9	-0.3	0.3	0.0
Of which: Privatization account ⁶	0.0	-11.6	6.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
National Oil Account	-3.1	1.1	0.6	0.5	0.9	-9.1	2.0	1.4	1.1	0.8
Nonbank financing	0.0	11.6	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Memorandum items:

Overall balance (commitments basis, including grants, oil flows, excluding bonuses)	-12.0	-14.9	-15.4	-5.8	-18.1	-18.8	-3.4	-4.2	-3.6	-3.5
MDRI debt relief (flow in millions of U.S. dollars)	1.7	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization account balance (millions of U.S. dollars)	0.0	21.0	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NOA balance (millions of U.S. dollars, excluding transfers to budget) ⁷	14.9	12.1	9.8	7.9	8.4	30.7	24.8	20.0	16.3	13.4
Nominal GDP (billions of dobras)	1,953	2,696	3,185	3,719	4,376	5,141	5,814	6,481	7,023	7,608

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

¹ For 2007, includes IDA and AfDB MDRI debt relief as a stock of debt reduction.

² Excluding oil revenue, grants, interest earned, scheduled interest payments, foreign-financed scholarships, and foreign-financed capital.

³ For 2007, includes the repayment of three \$5 million loans disbursed by Nigeria in 2002–04 upon receipt of oil signature bonuses for Blocks 2–4 in the Joint Development Zone.

⁴ For 2007, assumes rescheduling agreement with non-Paris Club bilateral creditors for current maturities and stock of arrears.

⁵ For 2007, includes IMF MDRI debt relief as a stock of debt reduction.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used to audit the operation, and US\$21.4 million was placed with the central bank to strengthen foreign reserves.

⁷ For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

Table 11. São Tomé and Príncipe: Balance of Payments, 2007-2016 (nonoil scenario)

(Millions of U.S. dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual				Estimate	Projection				
Trade balance	-58.1	-84.3	-74.6	-87.4	-96.4	-99.2	-98.2	-98.8	-103.0	-105.5
Exports, FOB	6.8	7.8	9.2	12.0	13.6	13.7	14.3	14.8	14.6	14.5
Of which: Oil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cocoa	3.5	5.0	5.4	4.3	5.7	5.0	5.3	5.5	5.1	4.9
Re-exports	2.9	2.2	3.0	5.1	5.1	5.4	5.6	5.7	5.8	6.0
Imports, FOB	-64.9	-92.2	-83.8	-99.4	-109.9	-112.9	-112.6	-113.6	-117.6	-119.9
Of which: Food	-17.6	-24.2	-29.0	-31.8	-40.0	-37.7	-39.2	-39.9	-40.8	-42.5
Petroleum products	-14.6	-22.1	-14.7	-18.4	-25.4	-27.2	-28.0	-28.4	-29.1	-30.2
Services and output (net)	-7.7	-11.9	-8.9	-22.6	-15.6	-17.4	-17.5	-17.7	-15.7	-13.5
Exports of nonfactor services	6.8	9.8	10.6	12.0	12.7	13.4	14.7	16.1	17.8	19.6
Of which: Travel and tourism	5.1	7.9	8.5	9.6	10.1	10.7	11.8	13.1	14.6	16.3
Imports of nonfactor services	-19.0	-21.6	-19.2	-34.3	-29.4	-32.0	-33.6	-35.2	-34.9	-34.8
Factor services (net)	4.5	-0.1	-0.3	-0.4	1.2	1.2	1.4	1.4	1.5	1.7
Interest due	-0.7	-2.5	-1.0	-0.5	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7
Interest income on NOA	3.0	0.2	0.0	0.0	0.1	0.1	0.2	0.2	0.3	0.4
Private transfers (net)	-0.3	-0.2	-0.9	-1.5	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6
Official transfers (net)	15.3	55.4	33.9	44.0	31.9	32.6	32.4	33.7	24.8	18.6
Of which: project grants	11.8	11.1	23.6	37.0	20.5	21.0	25.6	26.8	21.3	16.9
HIPC Initiative-related grants	0.0	34.8	4.0	1.5	1.7	1.8	0.0	0.0	0.6	0.8
Balance of current account										
Including official transfers	-50.7	-41.0	-50.4	-67.5	-81.5	-85.6	-84.9	-84.4	-95.5	-102.0
Excluding official transfers	-66.0	-96.4	-84.3	-111.5	-113.5	-118.2	-117.3	-118.0	-120.2	-120.6
Balance of capital and financial account	68.7	72.1	71.5	58.0	85.4	108.7	82.1	83.0	95.8	103.9
Transfers of capital ¹	162.7	34.8	79.4	0.0	3.2	0.0	0.0	0.0	0.0	0.0
Financial account	-94.0	37.3	-7.9	58.0	82.2	108.7	82.1	83.0	95.8	103.9
Public sector (net)	-176.9	-32.5	-52.9	28.5	23.6	22.7	12.0	16.0	2.8	2.7
Project loans	1.4	1.9	2.7	2.3	4.7	3.3	2.4	1.5	1.0	0.5
Program loans	2.1	2.0	0.3	0.1	0.0	0.0	0.0	4.6	4.6	4.6
Amortization	-178.2	-35.7	-80.7	-1.2	-2.6	-2.6	-2.7	-2.6	-3.3	-2.6
Other investments	-2.2	-0.8	24.7	27.3	21.4	21.9	12.3	12.4	0.4	0.3
Of which: Transfers to the JDZ	-3.0	-0.1	-0.1	-0.1	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7
Private sector (net)	82.9	69.9	45.0	29.6	58.6	86.0	70.1	67.0	93.0	101.1
Foreign direct investment	58.4	79.0	20.9	24.6	20.0	42.5	20.0	22.6	24.4	26.3
Of which: Oil signature bonuses ²	28.6	0.0	0.0	0.0	2.0	24.0	0.0	0.0	0.0	0.0
Commercial banks	-3.2	-2.3	11.4	17.0	3.1	-1.8	-0.2	6.0	-0.8	0.0
Short-term private capital	27.7	-6.8	12.7	-12.0	35.5	45.3	50.3	38.4	69.3	74.8
Errors and omissions	-9.1	-16.1	-12.5	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	8.9	15.1	8.5	-7.2	3.8	23.1	-2.9	-1.4	0.3	1.9
Financing	-8.9	-15.1	-8.5	7.2	-3.8	-23.1	2.9	1.4	-0.3	-1.9
Change in official reserves, excluding the NOA (increase = -)	-1.9	-18.5	-2.8	5.2	-3.4	-0.1	-2.1	-2.3	-3.0	-3.8
Use of Fund resources (net)	-0.8	0.7	0.5	0.1	0.0	-0.6	-0.9	-1.1	-1.1	-1.0
Purchases	1.3	0.7	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases (including MDRI repayments)	-2.1	0.0	0.0	0.0	0.0	-0.6	-0.9	-1.1	-1.1	-1.0
National Oil Account (increase = -)	-6.3	2.7	2.4	1.9	-0.5	-22.4	5.9	4.8	3.7	2.9

Change in arrears (net; decrease = -)	-10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special financing ³	0.0	0.0	-8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Balance of current account (percentage of GDP)										
Before official transfers	-48.0	-53.1	-43.6	-55.6	-48.2	-44.4	-38.2	-34.1	-32.1	-29.9
After official transfers	-36.9	-22.5	-26.1	-33.6	-34.6	-32.2	-27.7	-24.3	-25.5	-25.3
Debt service ratio (percentage of exports) ⁴	68.7	49.2	18.9	11.2	13.8	12.6	13.7	13.0	13.6	11.6
Gross usable reserves ^{5, 6}										
Millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.2	36.8	40.7	46.4	52.0
Months of imports of goods and nonfactor services ⁷	3.5	6.9	5.7	4.4	3.5	3.5	3.6	3.9	4.3	4.6
As a proportion of M2 (%)	69.8	90.8	92.8	128.7	116.7	102.5	91.7	81.8	77.2	73.7

Source: São Tomé and Príncipe authorities; and IMF staff estimates and projections.

¹ Includes HIPC and MDRI debt relief provided upon completion point in 2007.

² For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

³ For 2009, includes a new allocation of STD 6.5 million.

⁴ As a percentage of exports of goods and nonfactor services.

⁵ Gross reserves exclude the National Oil Account and foreign-currency deposits by commercial banks at the BCSTP to comply with RMC on foreign-currency deposits or to pay licensing fees.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used for auditing operations, and US\$21.4 million was placed with the central bank to strengthen reserves.

⁷ Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

Table 12. São Tomé and Príncipe: Balance of Payments, 2007-2016 (nonoil scenario)

(Percentage of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual			Estimate	Projection					
Balance of trade	-42.2	-46.4	-38.5	-43.5	-40.9	-36.9	-31.8	-28.3	-27.4	-26.1
Exports, FOB	5.0	4.3	4.8	6.0	5.8	5.1	4.6	4.3	3.9	3.6
Of which: Oil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cocoa	2.5	2.8	2.8	2.2	2.4	1.9	1.7	1.6	1.4	1.2
Re-export	2.1	1.2	1.5	2.5	2.2	2.0	1.8	1.6	1.6	1.5
Imports, FOB	-47.2	-50.7	-43.3	-49.5	-46.7	-42.0	-36.4	-32.6	-31.3	-29.7
Of which: Food	-12.8	-13.3	-15.0	-15.9	-17.0	-14.0	-12.7	-11.4	-10.9	-10.5
Petroleum products	-10.6	-12.2	-7.6	-9.2	-10.8	-10.1	-9.1	-8.1	-7.8	-7.5
Services and output (net)	-5.6	-6.5	-4.6	-11.3	-6.6	-6.5	-5.7	-5.1	-4.2	-3.3
Exports of nonfactor services	5.0	5.4	5.5	6.0	5.4	5.0	4.7	4.6	4.7	4.9
Of which: Travel and tourism	3.7	4.3	4.4	4.8	4.3	4.0	3.8	3.8	3.9	4.0
Imports of nonfactor services	-13.8	-11.9	-9.9	-17.1	-12.5	-11.9	-10.9	-10.1	-9.3	-8.6
Factor services (net)	3.3	0.0	-0.1	-0.2	0.5	0.4	0.4	0.4	0.4	0.4
Interest due	-0.5	-1.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2
Interest income on the NOA	2.2	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Private transfers (net)	-0.2	-0.1	-0.5	-0.7	-0.6	-0.6	-0.5	-0.4	-0.4	-0.4
Official transfers (net)	11.1	30.5	17.5	21.9	13.6	12.1	10.5	9.6	6.6	4.6
Of which: Project grants	8.6	6.1	12.2	18.5	8.7	7.8	8.3	7.7	5.7	4.2
HIPC Initiative-related grants	0.0	19.1	2.1	0.7	0.7	0.7	0.0	0.0	0.2	0.2
Balance of current account	-36.9	-22.5	-26.1	-33.6	-34.6	-31.8	-27.5	-24.2	-25.4	-25.2
Including official transfers	-48.0	-53.1	-43.6	-55.6	-48.2	-44.0	-38.0	-33.8	-32.0	-29.8
Excluding official transfers	50.0	39.7	36.9	28.9	36.3	40.4	26.6	23.8	25.5	25.7
Balance of capital and financial account	50.0	39.7	36.9	28.9	36.3	40.4	26.6	23.8	25.5	25.7
Transfers of capital ¹	118.4	19.2	41.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Financial account	-68.4	20.5	-4.1	28.9	34.9	40.4	26.6	23.8	25.5	25.7
Public sector (net)	-128.7	-17.9	-27.3	14.2	10.0	8.4	3.9	4.6	0.7	0.7
Project loans	1.0	1.1	1.4	1.1	2.0	1.2	0.8	0.4	0.3	0.1
Program loans	1.5	1.1	0.2	0.0	0.0	0.0	0.0	1.3	1.2	1.1
Amortization	-129.7	-19.6	-41.7	-0.6	-1.1	-1.0	-0.9	-0.7	-0.9	-0.7
Other investments	-1.6	-0.4	12.8	13.6	9.1	8.2	4.0	3.6	0.1	0.1
Of which: Transfers to the JDZ	-2.2	-0.1	-0.1	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2
Private sector (net)	60.3	38.4	23.2	14.7	24.9	32.0	22.7	19.2	24.8	25.0
Foreign direct investment	42.5	43.5	10.8	12.2	8.5	15.8	6.5	6.5	6.5	6.5
Of which: Oil signature bonuses ²	20.8	0.0	0.0	0.0	0.8	8.9	0.0	0.0	0.0	0.0
Commercial banks	-2.3	-1.3	5.9	8.5	1.3	-0.7	-0.1	1.7	-0.2	0.0
Short-term private capital	20.1	-3.7	6.6	-6.0	15.1	16.9	16.3	11.0	18.5	18.5
Errors and omissions	-6.6	-8.9	-6.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	6.5	8.3	4.4	-3.6	1.6	8.6	-0.9	-0.4	0.1	0.5
Financing	-6.5	-8.3	-4.4	3.6	-1.6	-8.6	0.9	0.4	-0.1	-0.5
Change in official reserves, excluding the NOA (incre)	-1.4	-10.2	-1.4	2.6	-1.4	-0.1	-0.7	-0.7	-0.8	-0.9
Use of Fund resources (net)	-0.6	0.4	0.3	0.0	0.0	-0.2	-0.3	-0.3	-0.3	-0.2
Purchases	0.9	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases (including MDRI repayments)	-1.5	0.0	0.0	0.0	0.0	-0.2	-0.3	-0.3	-0.3	-0.2
National Oil Account (increase = -)	-4.6	1.5	1.2	0.9	-0.2	-8.3	1.9	1.4	1.0	0.7

Change in arrears (net; decrease = -)	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special financing ³	0.0	0.0	-4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Debt service ratio (percentage of exports) ⁴	68.7	49.2	18.9	11.2	13.8	12.6	13.7	13.0	13.6	11.6
Gross usable reserves ^{5,6}										
Millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.2	36.8	40.7	46.4	52.0
Months of imports of goods and nonfactor services ⁷	3.5	6.9	5.7	4.4	3.5	3.5	3.6	3.9	4.3	4.6
As a proportion of M2 (%)	69.8	90.8	92.8	128.7	116.7	102.5	91.7	81.8	77.2	73.7

Source: São Tomé and Príncipe authorities; and IMF staff estimates and projections.

¹ Includes HIPC and MDRI debt relief provided upon completion point in 2007.

² For 2012, based on the assumption that the dispute will be settled to allow disbursement of bonuses for Block 6.

³ For 2009, includes a new allocation of STD 6.5 million.

⁴ As a percentage of exports of goods and nonfactor services.

⁵ Gross reserves exclude the National Oil Account and foreign-currency deposits by commercial banks at the BCSTP to comply with RMC on foreign-currency deposits or to pay licensing fees.

⁶ For 2008, includes the proceeds of privatization of the government share in the fuel distribution company (ENCO), in the amount of US\$32 million. Of this total, US\$10 million was used to repay part of the ENCO debt to Sonangol, US\$0.96 million was used for auditing operations, and US\$21.4 million was placed with the central bank to strengthen reserves.

⁷ Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

Table 13. São Tomé and Príncipe: Summary of Central Bank Accounts, 2007-2016 (nonoil scenario)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual					Projection				
Net external assets	857	1,199	1,228	998	891	1,331	1,268	1,245	1,279	1,346
Net international reserves	699	1,019	1,192	942	861	1,300	1,238	1,215	1,249	1,316
Gross reserves ¹	775	1,111	1,284	1,052	1,148	1,598	1,518	1,472	1,489	1,534
Of which: National Oil Account (NOA)	212	183	163	145	157	586	467	372	305	252
Foreign-currency deposits by commercial banks	165	212	295	71	82	59	68	77	83	91
Secured deposits	0	0	0	23	0	0	0	0	0	0
Short-term liabilities	-76	-93	-91	-110	-287	-297	-279	-257	-239	-218
Other external assets	172	195	385	259	237	246	241	238	240	242
Other liabilities ¹	-14	-15	-348	-203	-207	-215	-211	-209	-210	-212
Net domestic assets	-440	-703	-622	-439	-419	-694	-533	-419	-383	-371
Net domestic credit	-152	-393	-211	14	70	-349	-310	-262	-157	-195
Net credit to the central government	-163	-406	-232	-23	35	-385	-347	-298	-195	-235
Credit to the government	112	126	157	258	262	264	249	228	209	210
Of which: Use of the DSE/PRGF	69	82	113	211	215	216	201	181	162	163
Government deposits	-274	-532	-389	-281	-228	-649	-595	-526	-404	-445
Ordinary	-13	-89	-42	-26	-25	-17	-83	-109	-54	-148
Of which: HIPC Initiative resources	-8	-5	-1	-1	0	0	0	0	0	0
Counterpart resources	-8	-22	-30	-43	-30	-30	-30	-30	-30	-30
Foreign currency	-253	-420	-318	-211	-173	-602	-482	-387	-320	-268
Of which: NOA	-212	-183	-163	-145	-157	-586	-467	-372	-305	-252
Credit to commercial banks	1	1	1	9	1	1	0	0	0	0
Credit to other sectors	10	13	20	28	35	35	37	37	38	40
Certificates of deposit at the central bank	0	0	0	0	0	0	0	0	0	0
Other items (net)	-288	-311	-411	-454	-489	-344	-223	-157	-226	-176
Base money	417	496	606	558	472	637	736	826	897	975
Currency issue	126	141	167	191	204	197	228	256	278	302
Bank reserves	291	355	439	367	268	440	508	570	619	673
Of which: Local currency	126	143	144	297	186	381	440	493	536	583
Foreign currency	165	212	295	71	82	59	68	77	83	91
Memorandum items:										
Gross international reserves (US\$ million)	54.0	73.0	76.3	56.6	60.4	83.5	79.3	78.3	80.2	82.0
Excluding NOA and secured deposits	39.2	60.9	66.7	47.6	52.1	52.9	54.9	58.5	63.8	68.5
Net international reserves (US\$ million)	48.7	66.9	70.9	50.7	45.3	68.0	64.7	64.6	67.3	70.4
Of which: National Oil Account (US\$ million)	14.8	12.0	9.7	7.8	8.3	30.7	24.4	19.8	16.4	13.5
Secured deposits (US\$ million)	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Net international reserves (US\$ million, excluding the	33.9	54.9	61.2	41.7	37.0	37.3	40.3	44.8	50.9	56.9
Of which: Commercial bank reserves in foreign curren	11.5	13.9	17.5	3.8	4.3	3.1	3.6	4.1	4.5	4.8
Net usable international reserves										
In millions of U.S. dollars	22.5	40.9	43.7	37.9	32.7	34.2	36.8	40.7	46.4	52.0
In months of imports	3.5	6.9	5.7	4.4	3.5	3.5	3.6	3.9	4.3	4.6
Base money (annual percentage change)	50.0	18.9	22.3	-7.9	-15.4	35.0	15.5	12.3	8.6	8.7

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

¹ For 2009, includes a new allocation of STD 6.5 million.

Table 14. São Tomé and Príncipe: Monetary Survey, 2007-2016 (nonoil scenario)

(Billions of dobras)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual				Projection					
Net external assets	1,030	1,418	1,279	1,364	1,197	1,605	1,529	1,618	1,641	1,711
Central bank	857	1,199	1,228	998	891	1,331	1,268	1,245	1,279	1,346
Commercial banks	173	219	50	367	306	274	261	374	362	364
Net domestic assets	-266	-373	-148	50	465	269	598	761	947	1,104
Net domestic credit	460	334	810	1,466	1,696	1,435	1,604	1,791	2,066	2,245
Net credit to the central government	-178	-450	-280	-60	-17	-437	-401	-356	-255	-298
Credit to the government	112	127	158	261	269	270	255	235	216	217
Government deposits	-290	-577	-438	-321	-290	-707	-656	-590	-471	-515
Budget deposits	-13	-89	-42	-26	-25	-17	-83	-109	-54	-148
Counterpart resources	-8	-22	-30	-43	-30	-30	-30	-30	-30	-30
Deposits in foreign currency	-269	-465	-366	-252	-231	-661	-543	-451	-387	-338
Of which: National Oil Account	-212	-183	-163	-145	-157	-586	-467	-372	-305	-252
Credit to the economy	638	784	1,090	1,526	1,713	1,872	2,005	2,147	2,321	2,543
Of which: Credit in foreign currency	460	572	739	1,099	1,119	1,224	1,312	1,406	1,521	1,668
(Millions of U.S. dollars)	32	38	44	59	59	64	69	75	82	89
Other items (net)	-726	-707	-958	-1,415	-1,232	-1,165	-1,006	-1,030	-1,119	-1,142
Broad money (M3)	764	1,045	1,130	1,415	1,662	1,874	2,127	2,380	2,588	2,814
Local currency	329	534	553	585	693	800	908	1,040	1,157	1,286
Currency	285	429	437	562	661	764	867	993	1,104	1,228
In circulation	109	120	149	163	183	212	240	275	306	340
Demand deposits	176	309	288	399	478	552	627	718	798	887
Time deposits	43	105	116	23	31	36	41	47	52	58
Deposits in foreign currency	435	511	578	829	969	1,074	1,219	1,340	1,431	1,528
Memorandum items:										
Velocity (ratio of GDP/average M3)	2.6	2.6	2.8	2.6	2.6	2.7	2.7	2.7	2.7	2.7
Money multiplier (M3/M0)	1.8	2.1	1.9	2.5	3.5	2.9	2.9	2.9	2.9	2.9
Base money (12-month growth rate)	50.0	18.9	22.3	-7.9	-15.4	35.0	15.5	12.3	8.6	8.7
Credit to the economy (12-month growth rate)	33.9	22.8	39.1	40.0	12.3	9.2	7.1	7.1	8.1	9.6
M3 (12-month growth rate) ¹	38.1	36.8	8.2	25.1	17.5	12.8	13.5	11.9	8.8	8.7

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

¹ Revised monetary data from commercial banks as of January 2010 are not comparable to the time series.