

CPIA Detailed Report

Country: São Tomé and Príncipe

Exercise Year: CPIA Exercise 2023

Currency: Dobra (STN)

City: São Tomé

Income Group: Lower middle income

Lending Category: IDA

Final CPIA Score: 2.944

(A) Economic Management

Cluster Score: 2.833

01. Fiscal Policy

Criteria Score: 3

1. Fiscal Policy

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

For more than a decade until 2021, STP faced a structural fiscal deficit that averaged 8% of GDP, driven by a low fiscal base, a large wage bill and a high demand for public investment. Indirect

taxes represents on average 60% of the total tax revenue compared to only 30% of direct taxes. In 2022 and 2023 indirect taxes represented 62.5% and 67.7% of total tax revenue and 37.3% and 32.2% of indirect taxes. The country collects more custom taxes than income taxes. STP receives also a lot of grants, representing around 40% of the total revenue to come up for the gap in tax revenues. Meanwhile, current expenditure represents on average 70% of the total effective expenditure. In 2022 and 2023 current expenditure corresponded 71.5% and 68.3% of the total effective expenditure. Expenditure with staff represented 47.4% and 52% in 2022 and 2023 of which salary corresponded to 21.5% and 20.4% in both years. In contrast, investment expenditure on average represents only 28% of the total expenditure. In 2022 and 2023 investment expenditure represented 26.8% and 29.5% of the total expenditure. The structural fiscal deficit comes from the inability of the country to collect enough revenues to respond to the country's real investment needs. Most investment needs are financed by multilateral and bilateral partners through grants and donations. Grants represents on average 40% of the total revenue, which accounts for all the country's investments. The primary deficit is projected to decline to 1.6% in 2023 from 5.7% in 2022 due to tightening budget measures, mainly on non-essential current expenditure. Domestic revenue mobilization (DRM) is weak, with the tax to GDP ratio at 11.7%, far below the Sub-Saharan average of around 20%. Overall fiscal deficit kept at 6% of GDP in 2022 and is projected to continue negative at 4.9% in 2023 and 4% of GDP in 2024. The Government of Sao Tome and Principe was unable to stir economic growth amongst the COVID-19 pandemic and Russia's invasion to Ukraine. Real GDP growth is estimated to decline to 0.9% in 2022 from an already weak growth of 1.9% in 2021 exacerbating an already weak economic context. Real GDP growth is projected to bounce back to same level of 2021 of 1.9% and improve further in 2024 to 2.4%. Meanwhile, inflation rate has been rising from 8.1% in 2021 to an estimated 17.9% in 2022 and is projected to rise further to 19.1% in 2023. The current account faces also a structural deficit, in 2021 deficit stood at 19% and is estimated to improve slightly to 14.5% in 2022. Meanwhile, current deficit is projected to stand at 13.3% in 2023. As a result of these imbalances, the government agreed on an Extended Credit Facility (ECF)[1] program with the IMF for USD 18.2 million, aiming to establish the basis for stronger and more inclusive growth. The final details of the agreement are still under negotiations, which should be finalized by October 2023.

[1]IMF ECF program approved in October 2019 and concluded in October 2022

02. Monetary Policy

Criteria Score: 3.5

2. Monetary Policy

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Since 2018, the Central Bank of STP (BCSTP) has pursued a cautious monetary policy to support macroeconomic stability. BCST tightened its policy stance in late 2020 to mop up excess liquidity and lower the Non-Performing Loan (NPL) ratio in the banking system. In the context of COVID-19 pandemic, the Sao Tome and Principe Central Bank (BCSTP) Monetary Policy Committee (MPC) published a comunique on 31st December 2020 about its decision to continue issuing deposit certificates to mop up excess liquidity in the banking system, reset the minimum cash reserve to 18% for local currency and 21% for foreign currency, keep the BCSTP interest rate to 9% and permanent liquidity facility rate to 9.5%. These policy actions were taken to mitigate the adverse effects of the COVID-19 pandemic on the economy. The global trade was severely affected by the combination of the COVID-19 pandemic and the Russian's invasion of Ukraine leading to a sharp increase in the inflation rate in the country from 9.5% in 2021 to 25.2% year on year at the end of 2022 according to the national statistics data. According to a BCST study on impact of COVID-19 to the economy, around 13% of companies in the country were temporarily closed, 52% registered a downsizing of operations above 40%, SMEs had more impact to their operations compared to large enterprises, around 14,000 people were laid off and overall poverty rate rose to 65.2% from 62.3%. One of the most affected sector was the tourism sector, it contracted by 16.2% of GDP in 2020. Tourist arrival declined to 10,718 in 2020 from 34,918 in 2019. To further strengthening the initial monetary policy measures with the objective to curb the inflation and excess liquidity, the BCSTP monetary policy committee (MPC) decided in June 2022 to rise the interest rate from 9% to 10%, permanent liquidity facility interest rate from 9.5% to 10.5% and the coefficient for the minimum cash reserves in local currency from 18% to 28%, keeping the minimum foreign currency reserves to 21%. As a result, in May 2023, the inflation rate dropped slightly to 23.2% year on year but rose again in June 2023 to 25.4% almost the same as of end 2022 of 25.2%. Rising inflation poses a risk to the country's commitment to maintain a fixed exchange rate of 24.5 Euro/Dobra with Portugal. Under the commitment, STP is required to keep the inflation rate within single digits and foreign reserves of at least three months of import cover.

03. Debt Policy

Criteria Score: 2

3. Debt Policy

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Public debt is under stress but sustainable in the long term according to the 2022 IMF Debt Sustainability Analysis (DSA). Total public debt averaged 109% of GDP in the period 2020-2023. Under the recent ended IMF program, the Government adopted a prudent borrowing policy and contracted only concessional loans. Public debt declined in 2021 and 2022 from 107.9% and 104.6% of GDP from 115.1% in 2020. However, the oil supply to power sector forced the government to contract extra loans to respond to the end of 2022 and early 2023 power sector crisis. After a decline trend in 2021 and 2022, public debt rose again in 2023 to 109.1% of GDP. STP remains in debt distress due to long standing post-Highly Indebted Poor Countries (HIPC) external arrears, although the stock of public debt is deemed sustainable. Some public debt indicators breach the thresholds under the baseline scenario, but public debt remains on a downward trajectory amid the authorities' commitment to continue fiscal consolidation, implement planned energy sector reforms, and borrow externally only on concessional terms. Under the baseline scenario, the public debt-to-GDP ratio is projected to decrease to 71% in 2027, from 91.7 % of GDP[1] in 2021, largely reflecting the expansionary fiscal performance. The government implemented an IMF Extended Credit Facility (ECF) for USD 18 million between October 2019 and October 2022 which sought to support the government's economic reform program, restore macroeconomic stability, reduce debt vulnerability, alleviate balance of payments pressures, and create the foundations for stronger and more inclusive growth. A new ECF program is expected to be approved by the IMF Board by end-August 2023.

[1] The public debt stock here excludes pre-HIPC legacy arrears to Angola (USD 36 million) and pre-HIPC legacy arrears to Italy (USD 24.3 million). It also excludes disputed Nigeria debt (USD 30 million), as there is no signed contract between the two countries (IMF, 5th Review of the Extended Credit Facility, September 2023).

(B) Structural Policy

Cluster Score: 3

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 3.333

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The country is a full member of the Economic Community of Central African States (ECCAS) and has ratified the Africa Free Trade Area (AfCFTA) agreement in July 2019, after signing it in March 2018. The Bank's 2019 Africa Regional Integration Index (ARII) ranked STP 26th out of 54 countries. It ranked last in the regional integration dimension and 5th from the bottom in the regional infrastructure dimension in the 2016 ARII. In the 2019 ARII, STP ranked 6th on regional integration, 9th on trade integration and 10th on productive integration out of 11 countries in the ECCAS region. This shows a small improvement from the 2016 survey. In 2022, the country exported mainly agriculture products to Netherlands, Belgium and Portugal. The country exported also some of its products to Cameroon and Angola. On the other hand, the country imported mainly consumption goods and oil products from Portugal, Italy, Angola and Togo. Oil products import derived mainly from Angola and Togo. In 2022, the country exported mainly cacao and palm oil corresponding to 46.4% and 46.9% of the total export product. The lack of a deep seaport to load and offload heavy goods and an international standard cargo terminal to export goods constrains the country's ability to trade with the rest of the region and world. Nonetheless, the authorities are committed to build an air cargo terminal and looking at the various options to build a new port to improve the country's connectivity with the region and rest of the world. The country's financial system is mainly linked to Portugal as the local currency is pegged to the Euro (1 Dbs is equivalent to 24.5 Euros) with the main commercial bank correspondent located in Portugal. Moreover, the Master Card is not yet accepted in the country limiting transactions with this type of card.

4.b. Trade restrictiveness

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Sao Tome and Principe (STP) has trading ties with most countries in the world and very little trade barriers. The country's trade volume has been rising from USD 6.9 million of export and USD 128.6 million of import in 2013 to USD 16.7 million of export and USD 168.5 million of import in 2022. The country is a member of the Economic Community of Central African States (ECCAS). As a member of ECCAS, STP eliminated export tariffs and adheres to its five-band tariff structure (0, 5, 10, 20, and 30% for 5,486 items). STP has benefitted little from its membership in RECs as its trade with these communities remains at rather low levels. The country has ratified the Africa Free Trade Area (AfCFTA) agreement in July 2019, after signing it in March 2018 and has always expressed openness to trade with the world. Europe is the main export market for STP, representing 87.6% of the total export in 2022, followed by Africa with 8.6%. In import terms, Europe is also the main market, representing 50% of the total import in 2022, followed by Africa with 35.7%. The trading partners are: Belgium, Spain, France, Netherlands, Portugal and Germany

in Europe, meanwhile in Africa region the country trades mostly with Angola, Gabon, South Africa, Cameroon, Nigeria and Togo. STP trades also with Asia mainly: China, South Korea, Indonesia, Japan, Taiwan, Vietnam, and Thailand. In America continent the main trade partners are: USA, Bahamas, and Brazil. United Arab Emirates is the main partner in the middle east region. STP export mainly cacao, coffee, pepper, cocoa oil, chocolate and palm oil, and import mainly food and drink products, cloths, furniture, medicines, vehicles, I.T equipment, construction material and fuel products. The export is mainly directed to Europe and some import products comes from Africa, mainly fuel products. As a Small Island Developing State (SIDS) STP has significant challenges to trade with Africa main continent due to its discontinuity, representing an extra cost to the country. The Directorate General of Customs developed the SIDONIA World System in 2011 with support from the United Nations Conference on Trade and Development (UNCTAD) and introduced the single window of foreign trade with support of the World Bank, the Institute for the Improvement of the Business Environment in Africa (ICF) and technical assistance from UNCTAD to facilitate the country's trade with the rest of the world. Twelve (12) national public and private services, including a commercial bank (BISTP), were integrated and interconnected in the technological platform of the single window. These initiatives resulted in the modernization of customs services and the external trade sector, as well as in the strengthening of the capacity of the country to mobilise revenue and in the implementation of international norms, standards, best recommendations, and practices. Since the introduction of SIDONIA world system 11 years have passed, now there is a need to upgrade the system to a newer window based version and address emerging issues relating to international trade. As a result, the country's authorities are committed to upgrade the SIDONIA system with support of UNCTAD and African Development Bank, modernize and update the customs legal framework, and improve the quality of services provided by the customs and services of the single window of foreign trade.

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

As part of legislative and modernization, the Directorate General of Customs developed the SIDONIA *World* system in 2011 with support from the United Nations Conference on Trade and Development (UNCTAD). The country also introduced the Single Window of Foreign Trade (GUCE) as well with the support of the World Bank, the Institute for the Improvement of the Business Environment in Africa (ICF) and technical assistance from UNCTAD. Twelve (12) national Public and Private Services, including a Commercial Bank (BISTP), were integrated and interconnected in the technological platform of the Single Window. These initiatives resulted in the modernisation of customs services and the external trade sector, as well as in the strengthening of the capacity of the Santomense State to mobilise revenue and in the implementation of international norms, standards, best recommendations, and practices. After about 116 years of the introducing SIDONIA *World* system and other reform

measures, there is need to upgrade the system to a newer window-based version and address emerging issues relating to international trade as outlined in the 2023 Strategic Plan. The strategic plan entails the updating and modernization of technological and physical infrastructures, strengthening of institutional capacity, modernization of customs legal framework, reorganization and improvement of services, and improving resource mobilization. The country's effort to have an international trade system is an effort to facilitate trade with the rest of the world, including their neighbour countries in the region. Furthermore, STP is a signatory of most international trading conventions such as the Kyoto Convention on simplification and harmonization of the customs regime, the Africa Free Trade Zone and most world trade conventions. However, more actions should be considered such as the updating of the Harmonized System and Tariff Classifications, revision of the customs litigation code, and integration in the customs code. Moreover, the country should make more efforts towards elimination of corruption and bad practices in the customs services by introducing more robust procedures and auditing systems both digital and non-digital procedures and norms to improve the governance of the customs administration. However, the country lacks adequate infrastructures to take full advantage of trading such as ports, airports and domestic roads to facilitate trade. The lack of a deep seaport to load and offload heavy goods and an international standard cargo terminal to export goods constrains the country's ability to trade with the rest of the region and world. Nonetheless, the authorities are committed to build an air cargo terminal and looking at the various options to build a new port to improve the country's connectivity with the region and rest of the world.

05. Financial Sector Development

Criteria Score: 2.667

5.a. Financial stability

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Since 2018, the Central Bank of STP (BCSTP) has pursued a cautious monetary policy to support macroeconomic stability. BCSTP tightened its policy stance in late 2020 to mop up excess liquidity and lower the Non-Performing Loan (NPL) ratio in the banking system. These policy actions were taken to mitigate the adverse effects of the COVID-19 pandemic on the economy. The global trade was severely affected by the combination of the COVID-19 pandemic and the Russian's invasion of Ukraine leading to a sharp increase in the inflation rate in the country from 9.5% in 2021 to 25.2% at the end of 2022. To curb

the inflation and excess liquidity, the BCSTP took further actions in June 2022, such as resuming the issuance of deposit certificates at variable rates, raising the reserve requirements on local currency deposits from 18% to 28%, raising the interest rate of the BCSTP liquidity facility from 9.5% to 10.5%, and increasing the reference rate from 9% to 10%. As a result, in May 2023, the inflation rate dropped slightly to 23.2% year on year. At the same, in May 2023, the BCST's Monetary Policy Committee (MPC) kept the interest rate, liquidity facility and reserve requirements rates. The Non-Performing Loan (NPL) has been rose to 28.6% in 2021 from 24.6% in 2018 at the same time the construction sector has benefited the most in loans. In 2018 the construction sector benefited 36% of the total loans with a slight increase in 2021 with a 39% of the total loans. The consumption sector benefited second with 23% of the total loans in 2018 and 21% in 2021. Meanwhile, the trade sector in 2018 had 19% in 2018 and 2021. In 2022 the construction sector had 32% of the total loans while the consumption and trade sector had 24% and 8%. The other sectors are the agriculture and fishery, manufacturing, tourism, and education and health with less percentages.

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Sao Tome and Principe's financial sector is shallow and underdeveloped, and SMEs are facing significant challenges to access finance. The banking system comprises five commercial banks (of which four are foreign-owned) with 23 branches, which hold 98% of the financial sector's assets. Although the banking sector has remained stable, the quality of bank assets has come under pressure in recent years. STP's financial sector is underdeveloped compared to other countries in sub-Saharan Africa, and efforts are underway to deepen it. At the time of the CSP approval in 2018, the financial sector comprised six commercial banks and two insurance firms. Since then, two commercial banks have ceased operations and only four of them remain in the market, mostly owned by foreign shareholders. The World Bank's data show that the country's financial sector assets represented only 37.2% of its GDP in 2019, while the regional average was 107.6%. This indicated a low level of financial intermediation and inclusion in STP, reflecting various constraints such as a small domestic market, and limited financial infrastructure. Furthermore, the limited use of international credit cards in the country posed a challenge for the tourism industry. To respond to these challenges, BCSTP approved its strategy covering the 2021-2024 period anchored on four pillars, namely: (i) Efficient Monetary Policy and Sustainable Exchange Rate Regime, (ii) Modern and Solid Financial System, (iii) Finance Literacy and Inclusion, (iv) Strengthening Institutional Capacity and Internal Management. BCSTP is in the process to establish a national switch as part of its efforts to modernize and strengthen the country's payment system infrastructure. This is seen as a key priority in order to promote interoperability between different payment systems, reduce transaction costs, and increase the efficiency and security of electronic payments.

However, resource mobilization has been a challenge in the sector due to the limited size of the economy and source of saving and financing. Other than some flow of income from multilateral development partners, bilateral lending, and export of goods and services, the country has a limited source of national and foreign investment. Furthermore, the country does not have a stock market to attract savings for needed investments in various sectors. The portfolio investment is also underdeveloped due to the unsophisticated financial sector. STP needs to urgently develop its financial and stock market to attract foreign investment into the country as well as to integrate to the more sophisticated financial hubs in the continent such as the Johannesburg stock exchange.

5.c. Access to financial services

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Access to finance for Micro, Small, and Medium Enterprises (MSME) and the private sector in general, is the lack of confidence in key institutions charged with enforcing contracts, which leads to increased perceptions of risk and lower investment. The 2020 Doing Business report ranks STP 185th for the Enforcing contracts indicator, below the SSA average of 126. A case in point is a civil court system – charged with resolving commercial disputes – which is not only slow in resolving disputes but also ineffective in enforcing its decisions. Indeed, it is estimated that it takes an average of over 3 years to resolve simple commercial disputes through the courts and decisions come either too late for effective enforcement or are not enforced at all. Moreover, the legal framework for commercial matters (i.e. the Commercial Code and the Civil Procedure Code) is outdated and archaic and does not provide the structure or mechanisms to provide legal certainty for businesses operating in today’s economy. These constraints have made commercial lenders and other investors wary of providing the financing the private sector desperately needs to give the lack of legal certainty and the challenges associated with the recovery of assets following a default or the resolution of any dispute. As a result, financing for businesses, and particularly for MSMEs, is not only overly costly but in most cases rationed to the point of unavailability. Most banks are comfortable to apply the resources into the government’s bonds and central bank rather than providing financing to the economy and household. During the COVID-19 de government had to open a line of credit to assist SMEs to cope with the containment measures by establishing a line of credit in the amount of US\$3 million. to facilitate lending to SMEs in January 2021. As a result, approximately 22 SMEs affected by the pandemic have been granted access to more than \$800,000 in credit. The recent upgrade of the national payments system, capable of accepting international credit cards, would help boost tourism revenue and financial inclusion is a step in the right direction. STP has recently taken steps to upgrade its national payment system and now international credit cards are accepted. This could have a positive impact on the whole economy.

06. Business Regulatory Environment

Criteria Score: 3

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The private sector in STP is in its early stages of development. The majority of its activities are carried out by micro, and small enterprises, which account for about 90% of the sector. There are approximately 9,602 MSMEs in the private sector, but only 3,650 (or 38%) are formally registered. The high level of informality limits their access to finance and business development services. Despite the opening of a one stop shop for business registration thirteen years ago, the business environment still is a challenge with a large percentage (approx. 62%) of the MSMEs operating in the informal sector, mainly in retail trade (70%). Sao Tome was ranked 150 out of 190 countries in World Bank 2020 regarding the ease of starting a business. The total number of procedures to register a firm is 6 procedures and takes 7 days to register the firm. The institution in charge of business registration is the Guiché Único (Registry). The procedure includes checking and reserving the proposed company name; paying the registration fee; registering the company and obtaining a taxpayer identification number; obtaining and legalizing the special company books; declaring the company's start of operations to the Tax Authorities; and registering the employer and employees for Social Security. The World Bank's DB report ranked Sao Tome as No. 111 in the ease of getting permit. It takes between 67 days and 16 procedures to obtain permits. The requirements for obtaining a building permit are not easily accessible. Sao Tome was ranked 150 out of 190 countries in World Bank 2020 regarding the ease of starting a business. The total number of procedures to register a firm is 6 procedures and takes 7 days to register the firm. The institution in charge of business registration is the Guiché Único (Registry). The procedure includes checking and reserving the proposed company name; paying the registration fee; registering the company and obtaining a taxpayer identification number; obtaining and legalizing the special company books; declaring the company's start of operations to the Tax Authorities; and registering the employer and employees for Social Security. The World Bank's DB report ranked Sao Tome as No. 111 in the ease of getting permit. It takes between 67 days and 16 procedures to obtain permits. The requirements for obtaining a building permit are not easily accessible. According to the World Bank's DB report, resolving insolvency framework provides that a

creditor or debtor has the right to object to decisions accepting or rejecting creditors' claims. The insolvency framework provides for the possibility of the debtor obtaining credit after the commencement of insolvency proceedings. Labor disputes are usually solved through dialogue between parties, under mediation of the General Labor Inspection Department (IGT), or through litigation if a consensus cannot be reached.

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According to the World Bank 2020 Doing Business (DB) report, the country's business environment remains challenging, as it ranks 170th out of 190 countries with a score of 45. This is far below the continent's rank average of (140) and score (51.8). The country did not improve its ranking and score from the 2019 Doing Business report. Another major issue for the private sector is the frequent power outages, which force them to rely on diesel generators, increasing their operational costs. Nonetheless, the country has a Private Sector Development Strategy (PSDS) 2015-2024 which emphasizes the need to improve the business environment. In 2010 the government created a one stop shop to facilitate business registration and 2022 the government created a national incubator and business acceleration network an institution (RENA) to support SMEs formalization and management. RENA was established in 2022 with support of UNDP. RENA objective is to stir private sector initiatives and growth with emphasis to young people. Moreover, the country has also a One Stop Shop (GUE) for business registration and formalization. Since its creation in 24th August 2010 the institution was capable to register more than 700 companies of all sizes from small to large enterprises. For a company to register in GUE there is a need to present your national ID or passport for foreign residents, 2 photographs, tax number, the company statutes and admissibility certificate. The cost to register is around USD 125. Any individual or individuals can register a company and operate in the country but there is some bureaucracy in obtain certain licences to full operate. Moreover, there is a very known judicial case of brewery factory that has exchange hands more than twice depending on party and judge presiding the case. A concession has also been overturn after the opposition party won the election. These cases reflects the delicate business environment in the country.

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0

Second Draft Score	3.0
Final Score	3.0

Country Notes:

The country has commercial code dated to colonial era which is set to be updated with the support of the Bank. The country has also around 46 commercial taxes, slightly higher than the Sub-Saharan African average of 36.6. Nonetheless, the country created a regulation on arbitration center for business approved in 2020 and other regulations for ongoing business operations to monitoring business activities. The center will be supported by AfDB to be fully operational and starting supporting the business community. The country's business regulations are aimed at protecting the environment, society, and people in general. Each sector produces its own regulation to best monitor their sector. One major regulation that is expected to have an impact on businesses is the introduction of the Value Added Tax (VAT). The VAT has been initially introduced for large and medium corporations and will gradually be introduced to small enterprises. It has demanded most business to change the operations in order to comply with the VAT law and regulations. This has forced most firms to digitalize their invoice systems to capture all their sales. The introduction of the VAT is expected to increase the Government's tax revenues. Taxes and duties in the country are in general at the same level as the continental average. These regulations are vital for the creation of a conducive business environment and the attraction of foreign investment. The country is committed to create a conducive commercial justice system to attract domestic and foreign investors. According to the US Department of State, there are no limits on foreign ownership or control except for activities customarily reserved for the state. The form of public participation, namely the percentage of government ownership in joint ventures, varies according to the agreement. Sao Tome is gradually moving towards open competition in all sectors of the economy, and competitive equality is the official standard applied to private enterprises in competition with public enterprises regarding access to markets, credit, and other business activities. The government has eliminated former public monopolies in farming, banking, insurance, airline services, telecommunications, and trade (export and import). According to the US Department of State, repatriation of capital is possible with prior authorization in Sao Tome. According to both the Foreign Exchange Law and the Investment Code, transfer of profits outside the country is also allowed after the deductions for legal and statutory reserves and the payment of existing taxes owed. The government encourages reinvestments with associated reductions in income taxes.

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The 2019 labour code defines the relationship between employees and employers regarding their rights and duties. It also incorporates the union, strike, and health and safety at the workplace. The current law legislates also about labour contracts, data protection, equal rights, careers, working hours, sanctions, crisis, working duration, remuneration, and admission. The law provides working rights to all citizens without discrimination. Private and public institutions are free to hire and contract people to perform tasks in the workplace under humane conditions. The law does not prohibit anti-union discrimination or retaliation against strikers and has adopted a minimum wage for the private sector standing at USD 71.0. It also establishes a standard working hours of 8 per day and allows for paid annual leave for a worker with 1 year of tenure. On the other hand, the Decree-Law N° 32/88 establishes land use. The land can be used for urban, agricultural, industrial, mining and water resources, recreational, infrastructure systems and other purposes. In principle, the land belongs to the state and can only be leased to private entities for not more than 100 years. Law 5/2007 legislates about the land concession, which states about the land transfer and registration. Private entities must pay a Property Transfer Tax (SISA) when acquiring land. Moreover, land can be used for business purposes except for military activities and foreign companies are also free to acquire land. According to the US Department of State, a significant portion of Sao Tome's workforce is young, relatively well-educated, and multilingual (Portuguese and French). Further training of the workforce is needed, however, for the economy to continue developing. The percentage of foreign/migrant workers is low but covered by the new Labor Code (Law 6/2019). The government does not officially require but encourages companies to hire nationals. According EODB, there are 8 procedures and 52 days process involves in registering property in Lesotho. The type of land registration system in the economy is Title Registration System. The Conservatória do Registo Predial de São Tomé is the institution in charge for land registration. There is no electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system). The Sao Tome First Instance Tribunal (Tribunal de Primeira Instancia de Sao Tome) is the Court of first instance in charge of a case involving a standard land dispute between two local businesses over tenure rights for a property worth 50 times gross national income (GNI) per capita and located in the largest business city.

(C) Policies for Social Inclusion/Equity

Cluster Score: 3.207

07. Gender Equality

Criteria Score: 3.333

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0

Final Score	3.0
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Country Notes:

The National Institute for the Promotion of Gender Equality and Equity [created by Law 11/2008](INPG – Instituto Nacional para Promoção da Igualdade e Equidade de Género) was established in 2008 as national machinery for the promotion of gender mainstreaming in the country. INPG is also responsible to advance the implementation of the National Strategy for Gender Equality and Equity (ENIEG) as a framework to guide mainstreaming of gender into all sectors of national development. The strategy provides for the advancement of women, gender equality and equity throughout the country which seeks to build by 2015 a society in which social justice, solidarity, equality, equity, and respect for all citizens are real values deeply shared by all. However, the INPG is under-resourced in both human and financial aspects to advance this mandate. Furthermore, the Gender Focal Points in line ministries are loaded with other duties which adversely impact on effective mainstreaming of gender. In addition, the mechanism for coordination of gender equality programs within the UN Gender Theme Group is currently weak, not operational hence the lack of joint programming. On what pertains the National Gender Strategy the ENIEG II is expired and there is a need to develop the ENIEG III. An evaluation was implemented to ENIEG II, which highlighted the relevance of the Strategy as a tool for interventions aiming to reduce inequalities in the social and economic promotion of women. The main progresses were reported in the area of improved women's health services, increased girls' access to primary education and improved legal framework with the "de jure" equality.

The country has made significant strides in promoting gender equality, creating a conducive environment for the promotion of gender equality. In the 2020 Human Development Report's Gender Development Index (GDI), STP registered a score of 0.906, a slight improvement compared to 0.900 in 2019. Gender equality is enshrined under the Country Constitution of 1990. Historically, women in STP have occupied high levels in government, including the posts of Minister of Finance, President of the Supreme Court, Prime Minister, and Governor of the Central Bank. Despite this reality, in the 2022 elections, only 8 of 55 elected MPs are women and only 4 government members are women. Therefore, more efforts are required to extend opportunities for women's participation in decision making at all levels. São Tome and Principe's constitution does not allow for gender discrimination. The country promotes equal access to education, training, and employment for both women and men. The Labour code set out the rights for employees without any type of discrimination. The code in its article 15th describes the equal right and non-discrimination rights of employees. The code prohibits discrimination in terms of job access and other types of discrimination based on race, colour, gender, religious belief, political orientation, origins, and social status. Employers are also prohibited to practice any type of direct or indirect discrimination. The code provides venues for the employee to complain and prosecute employers in case of discrimination. It set out clearly the rights of employees to progress and develop without any discrimination. Moreover, the Government continues to advocate and promote measures towards gender equality and opportunities in all spheres of society. There is a constant preoccupation to attend to women's rights to have access to education, employment, business, and leadership at various levels of society. Although the code promotes equal access to education and training for both women and men, implementation has been a challenge.

The country has made strong progress on land framework and tenure and there are no statutory laws that discriminate between women and men in terms of land rights or access to land. Through the principle of equality under the Constitution (Art. 36, 1990) both women and men have equal rights to own property, and to transfer it in life or through death. In addition, the government approved the Family Law (1997) on which outlined marital property regimes and the administration of common property (Art. 29-32; Art. 35-37), whereas each spouse has the right to administer, use and transfer property. Many women are still married under the traditional and customary law, in this case is considered informal union, and these are regulated under the Law 2/77. Also, this law recognizes customary weddings and its succession effects and through this means property can be transferred to the surviving partner in intestate successions (CRC, 2010). According to the world bank this situation has enhanced most women to have control and access to the productive resources such as land at the same level as men, (87% according to the WB 2007). However, despite the rights under the constitution, compared to men, many women were found with low access to titles or any land-holding certificate due to their educational levels. By law, women have equal access to resources as credit, as their counterparts and they are entitling to open individual bank accounts, access formal financial services such as line of credit or financial loans, regardless of their marital status (WB 2017). A single woman can open a bank account in her name, while it is required for a married woman to have a joint authorization from her husband, noting that this requirement is also valid for a married man. This is rooted in the constitution (art 14) and in the Family Law. However, despite the advances of the legislation many women do not benefit from the implementation of legislation, neither enjoy the same access as man to credit, financial resources need to start or to improve their business, including to purchase productive assets to work the land. STP also performed well in terms of improvement of maternal health, basic health care outcomes reducing the numbers of child and maternal mortality, reduction of child mortality of children under 5 years. According the UNDAF 2017-2021 Report of 2017 the infant mortality rate of children under five years of age is 51 per 1,000 live births. Reduced infant mortality to 38 per 1000 live births in 2015 from 89 per 1000 live births in 1990; improvement of maternal health to 76 per 100,000 births in 2015 from 151.3 per 100,000 live births in 2005. However, the total fertility rate is considerably higher among rural women (5.2) and the country's adolescent fertility rate is also high among rural women and 44% of women in poor families are married before the age of 18 years in comparison with the women of the rich families (16%). The country also has high fertility rates among teenagers 93 per 1.000 women in the age of 15-19 years (EU, Gender profile 2021). The country also made progress in the fight against TB, Malaria and other diseases as 0 malaria deaths in 2014 across the island of São Tomé, with the island of Príncipe being in the eradication phase (UNDAF 2017-2021). HIV/AIDS prevalence rate also decrease from 1.5% in 2009 to 0.5% in 2015. However, women remain more vulnerable to HIV, with a percentage of female adults with HIV increased from 33% in 2000 to 39% in 2015[World Bank Gender Data Portal], and subject to stigma and discrimination associated with HIV and AIDS.

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0

Final Score	3.0
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Country Notes:

Despite achievements made in terms of gender equity, challenges remain with regard to integrating women in all sectors of the economy. STP adopted a Gender Strategy back in 2007, followed by the establishment in 2008 of the National Institute for the Promotion of Gender, and the adoption of the 2013-17 Gender Strategy. Women in STP represent 62.5% of the unemployed urban population, against 37.5% of men. Women are mainly employed in the tertiary sectors. About 59% of women work in trade and are traditionally less active in the agriculture sector than men, which constitutes 66% of the active population in rural areas. Gender disparities persist despite the existing legal framework advocating for gender equality. Women continue to be the most vulnerable group because of their lower social status. In terms of political and socio-economic representation, only 18% of seats in parliament are occupied by women, which is below the 30% stipulated in the national law. In the 2020 United Nations' Gender Development Index, Sao Tome and Principe scores 0.906, a higher value than the Sub-Saharan Africa average (0.894) and Medium Human Development (0835). When disaggregated, the female Human Development index stands at 0.590, which is slightly lower than male's 0.660. Also, the estimated gross national income per capita for females (USD 2,462) is substantially lower than for males (5,439). Therefore, progresses made in the promotion of equal access for men and women to productive and economic resources is not yet very significant. As a result, significant gender disparities exist in participation and remuneration in the labour force, business ownership, land tenure, property ownership, and inheritance practices. Formal policies and laws are obstacles to gender equality in these areas, and there have been no recent efforts to make formal laws and policies more supportive of gender equality.

Agriculture is a vital sector of country economy. Women tend to be employed in the agriculture sector (12%) of the total workforce in agriculture due to the low levels of skills required. The agricultural sector mainly focuses on export cash crops such as cocoa, coffee, sugar and pepper and recent efforts to diversify food production includes women engagement with agriculture of subsistence planting bananas, cassava, and maize which is weak and fragile since is unable to produce food in large quantities to satisfy the national market. The country exposition to natural disasters, such as landslides and floods, affect both crops with negative impacts on women, children, youth and vulnerable populations in terms of food insecurity, malnutrition and increasing poverty. Women also face also high levels of unemployment and poverty due to the weak opportunities to develop a business in agricultural and fishing sectors. The agriculture sector is organized through a federation of cooperatives. The nationalization of cocoa plantations in the 1980s and the agricultural privatization in the 1990s have resulted in the creation of small and medium-sized agricultural enterprises, managed by men with weak women representation. Women and youth and other vulnerable households that cannot be integrated in these SME's tend to find solutions as self-employed in the agricultural sector, and in case of natural disasters which affect crops they are the most exposed to poverty. Many women own land, they face challenges with access to market, processing, and innovation and technologies in agriculture. Roles and papers in the agriculture sector are based on gender traditional bias: men in production and women in selling/distribution at the markets. While women are perceived as actively participating in the agriculture sector, men retain the power/decision-making role, and there is not as such a strategy to increase women's empowerment in the agriculture value chains. The country also has considerable maritime natural resources and a diversified fishery potential, especially around the island of Príncipe. Again, the sector employs more men while women are engaged with commercialization on fishing for their livelihood. Some challenges faced by women to generate income from this activity are linked with market accessibility, a lack of infrastructure for

fish conservation, icing, processing, preservation facilities including the low capacity of purchasing equipment's to invest in the fishing business.

7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

São Tome and Principe's constitution does not allow for gender discrimination. The country promotes equal access to education, training, and employment. The code in its article 15th describes the equal right and non-discrimination rights of employees. The code prohibits discrimination in terms of job access or any type of discrimination base on race, colour, gender, religious belief, political orientation, origins and social status. Employers are also prohibited to practice any type of direct or indirect discrimination. The constitution gives also equal rights to land access and ownership to all citizens in the country. Women have the right to men when acquiring land and property both for personnel use or business. STP performs relatively well on gender equality, but challenges remain relating to integrating women across the various sectors of the economy. The country adopted a Gender Strategy for the first time in 2007, followed by the establishment of the National Institute for the Promotion of Gender. Gender disparities persist despite the existing legal framework advocating for gender equality. In terms of political and socio-economic representation, only 18% of seats in parliament are occupied by women, which is below the 30% stipulated in the national law. In the 2020 Human Development Report's Gender Development Index (GDI), STP registered a score of 0.906, a slight improvement compared to 0.900 in 2019. The government is preparing a national action plan to promote women's economic empowerment and financial inclusion. Moreover, CEDAW has not been ratified. Family law gives men and women different rights in requesting a divorce, or in obtaining individual identity cards or a passport. Violence against women is common, the law does not treat it as a crime, and there are no policies, institutions or programs aimed at decreasing violence against women. Significant gender disparities exist in political participation at the local or national level. Laws and policies are obstacles to women's participation in national or local governments, and there have been no recent efforts to make laws and policies more supportive of gender equality in this respect.

STP statistics on domestic violence are scarce, though evidence shows that the most common type of violence is physical. The law protects citizens from all sorts of violence, but its enforcement has been rather weak, owing to the limited capacity of the police force (in terms of training and facilities) to quickly respond to citizen's needs. Domestic violence is among the various impediments to de facto equality and tends to mainly affect women and children. The country has a Domestic Violence Law act n.11/2008) that addresses violence perpetrated in family, by partners and spouses. The STP Government revised and

approved measures in legislation, to combat domestic violence specifically the Penal Code (2012), the Law Against Domestic Violence (act n.11/2008) and Law Strengthening Legal Protection Mechanisms for Domestic Violence Victims (act n.12/2008) aiming to reinforce severe penalties for violations of the rights of girls and women. Act n. 11/2008[1] on domestic and family violence established measures to prevent and punish domestic violence. It contains a definition of the offence of trafficking in human beings and increased the penalties for trafficking when it was associated with prostitution, child pornography, kidnapping and exploitation of prostitution. The National Institute for the Promotion of Gender Equality and Equity is the government institution responsible to coordinate the multisectorial response on GBV and to articulate with the Ministries of Justice, Home Affairs and Health for the implementation of the National Strategy of fight against Gender Based Violence (I ENLCVBG). There is no evidence that female genital mutilation is widely practiced in Sao Tome and Principe.

08. Equity of Public Resource Use

Criteria Score: 3

8.a. Poverty Measurement

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

STP has made some progress in human development outcomes. According to the UN Human Development Index (HDI), the country stood at 0.617 in 2018 and 0.618 in 2021, representing an improvement of 4 places in the HDI rank. The multidimensional poverty rate declined from 40.7% in 2008 to 11.7% in 2019. This was due to the improvement of child mortality, school attendance, sanitation, electricity and housing access. The number of deprived people fell from 4.4% to 0.8% (child mortality), 12.1% to 4% (school attendance), 35.1% to 11% (sanitation), 29.3% to 7% (electricity) and 1.3% to 0.3% (housing access) from 2008 to 2019 respectively. Placing the country in 138th position in 2021 HDI compared to 137th, an improvement of one place.

Despite progress in human development challenges remain in a number of SDGs areas related to employment opportunities, particularly for young people, and rising inequality. When adjusted for inequality, STP's HDI drops by 16.8% (UNDP, 2020) and the country's GINI coefficient has risen from 32.1 in 2000 to 56.3 in 2018, indicating an alarming widening in the inequality gap (World Development Indicators 2020). Poverty rates have remained stubbornly high reducing marginally from 68.4% to 66.7% between 2010 and 2017. The incidence of extreme poverty was recorded at 47% in 2017 (INE, 2020). Some 46% of households comprising couples with children are poor, and 23% of households are composed of extended families. Female-headed households tend to be poorer than their male equivalents with a poverty rate of 61.6% compared to 55.8%. (INE, 2020). Severe food insecurity is a concern with around 10% of families reporting in the 2017 household survey that at least one of their members had had to skip a full day of meals due to lack of money. And it appears this problem is not limited to the poor, 7.5% of non-poor families also reported the same situation. Not having enough money for food seems to be a recurring problem with 42% of families reporting experiences of food shortages for a few months of the year, and 26% declaring that they are affected by this problem for almost the entire year. Social protection programs aimed at the poorest and most vulnerable groups are inadequately resourced and often unable to make timely and regular cash transfers to beneficiaries. In 2020, no value was assigned to the unemployment fund and only 1.18% was assigned to social security from the total budget. In addition to the lack of funding, sector policies are poorly coordinated and lack a common set of tools to serve those most at risk of being left behind. There is a need to put in place mechanisms to monitor poverty alleviation programs and vulnerable people support. At the moment, the Social Security Institute follows on support to the pensioners and some vulnerable people benefiting from the World Bank project. Nonetheless, this feeble mechanism needs to be strengthened to better collect, monitor, and evaluate the data in order to facilitate regular reporting.

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0

Second Draft Score	3.0
Final Score	3.0

Country Notes:

For more than a decade until 2021, STP faced a structural fiscal deficit that averaged 8% of GDP, driven by a low fiscal base, a large wage bill and a high demand for public investment. The primary deficit rose to an estimated 6.1% of GDP in 2022 from 3.6% in 2021, as government expanded its spending ahead of the general election. Domestic revenue mobilization (DRM) is weak, with the tax to GDP ratio at 11.7%, far below the Sub-Saharan average of around 20%. Public investment rose from 5.9% in 2021 to 9.3% of GDP in 2022. Fiscal revenue only covers current expenditure due to low fiscal base and high level of informality. In 2022, the wage bill accounted for 66% of the total current expenditure, while public investment accounted for 26% of total revenue. As a result of these imbalances, the government agreed on an Extended Credit Facility (ECF) program with the IMF for USD 18.2 million, aiming to establish the basis for stronger and more inclusive growth. A key component of the program was the introduction of the Value Added Tax (VAT), which faced several postponements. However, the government is currently in talks with the IMF for a new support package, which required the implementation of VAT on 1st June 2023. The VAT introduction will enhance the government's capacity on DRM and widen the fiscal base.

8.c. Regressive Tax

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The value-added tax (VAT) seems to be a more just tax. The VAT is a consumption tax added to the production process of a supply chain, from production to the point of sale. The VAT charged to customers is based on the cost of the product, less any of the costs of materials used in the product that has already been taxed at the previous stage. The VAT is a regressive tax that seeks to collect tax only on added value components. Value-added taxation is based on taxpayers' consumption rather than their income. In contrast to a progressive income tax, which levies greater taxes on higher-level earners, VAT applies equally to every purchase. The introduction of the VAT in Sao Tome and Principe will help the Government to collect more tax and according to IMF, it might correspond to 2% of GDP over the medium term. The law was adopted in October 2019 and the VAT was introduced in June 2023 at rate of 15% at the same time the government is trying to improve the tax system. The tax office is being strengthened to

better monitor the whole process. The impact of the tax is likely to be minimal to the poor as they rely mainly on subsistence agriculture and the informal sector. Furthermore, the Government has exempted domestic produced products from VAT to ease the burden of tax on low income people.

09. Building Human Resources

Criteria Score: 3.5

9.a. Health and nutrition services

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Current health expenditure in São Tomé and Príncipe was 5.53% of GDP as of 2019. Its highest value over the past 19 years was 12.6% in 2003, while its lowest value was 5.3% in 2015. The healthcare expenditure is about USD 118 (per capita) in 2018 which is primarily funded by the Government (49%), development assistance (32%) and out of pocket (19%). The country's Universal Health Coverage (UHC) Index stood at 54.8 in 2019 compared to 51.1 in 2010, reflecting the slow progress on health coverage. Cause of death by non-communicable diseases in STP was reported to stand at 57.6% in 2019, which includes ischemic heart disease, stroke, kidney, cirrhosis, chronic obstructive pulmonary disease, asthma and others. According to the 2021 UN HDR, life expectancy in STP at birth stands at 67.6 years old.

The health system in STP lacks infrastructure and health specialists. The COVID-19 pandemic has weighed on the already weak health system in terms of its ability to provide other essential health services, such as family planning, maternal and neonatal care, treatment of communicable and non-communicable diseases, and responding to emergencies. Under-five mortality dropped from 33.3 per thousand live births in 2016 to 29.8 in 2019 while maternal mortality averaged about 130 per 100,000 during the same period. The country was ranked 192nd out of 195 countries globally in terms of epidemic control, according to the Global Health Security Index (GHSI). As a result of the COVID-19 pandemic, the country allocated more resources to the health sector to put in place a more robust health care system. The government is committed to putting in place a resilient health system capable of responding to outbreaks and pandemic crises. According to the 2008 analysis of access to essential medicines, 95.5% of the population of STP is less than an hour's walk from a health facility and the number of beds for hospitalization stands at 40 beds per 10,000 inhabitants.

Furthermore, life expectancy in Sao Tome and Principe stands at 68.4 years, placing the country in the UN medium human development index report on 135th position out of 189 countries. This is a decline compared to the 2019 life expectancy of 70.2 years. According to the same report, 12.2% of the population lost health expectancy and has only 29 hospital beds available per 10,000 people. The COVID-19 pandemic brought extra challenges to the health sector, overcrowding the hospital beds and capacity. The country only has a single reference hospital with secondary and limited tertiary care and additional attention and investments are needed to improve the level of health at a decentralized level, especially in primary and community health care. The number of human resources is unbalanced with 0,38 doctor/1000 habitants and 2,39 nurses/midwives /1000 habitants. In addition, the number of specialists is limited. In normal times, this limitation of specialists is addressed by medical missions and telemedicine support from Portugal. However, the absence of specialists in the country had significant consequences during the acute phase of the COVID-19 pandemic, when flights and borders were closed. It is to be noted that out of the 911 persons affected by COVID-19 on STP; so far, 88 were health workers. Therefore, there is a need for the country to create a national health system to better serve the population and respond to the actual demand for health and primary care. Nonetheless, the country has been quite successful on most health and nutrition programs with most treatment costs being covered by 2.5 days of wages in the public sector. This is reflected by the progress the country has noticed in maternal, newborn, adolescent, and nutritional health, including vaccination, according to the SR-MNIA, 2017.

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The Basic Law of the Educational System of STP establishes through Law no. 4/2018 introduces TVET within the framework of Extra-School Education. Nevertheless, there's no National Strategy, or national authority for TVET at the moment in STP. TVET which is considered an important lever in the STP development (and other developing countries) process is still underdeveloped. Other African countries, such as Kenya, have established Strategic Plans to frame TVET activities and their development. A national TVET authority would accredit institutions, curricula and activities and carry out Monitoring, Evaluation, and Learning (ME&L) on those activities. Currently, three training institutes have TVET activities worth mentioning in São Tomé: the CFP of Budo Budo, the Professional Training Center Brazil-STP, and CATAP, with the addition of Protásio Pina Center in Príncipe. The **Professional Training Center, CFP of Budo-Budo** develops an innovative action in terms of internship placement (modern sector) or traditional apprenticeship in STP. It began its activities in 2002 as part of a cooperation project with the Portuguese Ministry of Labor that continues to this day. It developed a range of instruments and training modalities including internship programs, insertion in traditional learning, and training in small businesses. It also provides local training in STP districts. Its Annual Activity Plan is developed with private

sector partners that provide feedback and valuable inputs in the definition of specific training.

Besides the center in Budo-Budo in São Tomé city, it has a center near the capital in Água Izé (carpentry) and uses the facilities of the Protásio Pina Center for training in Príncipe. However, the Protásio Pina Center is not a “satellite” center of the CFP of Budo Budo and has its activity. Príncipe trainees have fixed places in all training held in Budo Budo and financial/housing support to attend. Current capacity building (2023) includes health and safety at work; informatics; human resources, plumbing, and welding, among others. These range from 3 to 12 months. It hopes to train 504 graduates in 2023. Usually, it has 350 to 400 trainees annually. No data on graduates’ employment and retention of employment was available. It is worth mentioning that previously there was training in Tourism and Hospitality in the Center, but since 2016 with the opening of the Tourism School, they stopped providing this training. There is no specific training in agriculture. The **Professional Training Center Brazil-STP** is the result of a partnership between the STP’s Ministry of Education, the Brazilian Cooperation Agency (ABC), and the National Industrial Learning Service (SENAI). Located in the city of São Tomé, it offers professional capacity building, although no specific training in agriculture. Inaugurated in 2014, the training center has six classrooms, a multipurpose room, three laboratories (information technology, hydraulics, and food), five workshops (car mechanics, motorcycle mechanics, electricity, civil construction, and welding), an auditorium, and a library. Currently, there is training in electronic networks, management and administration, and electrotechnics that offer equivalence to secondary education. They have an average duration of three months. Since 2014, they have trained more than 1 250 students. No data on graduates’ employment and retention of employment was available. The **Centre for Technical Improvement of Agriculture and Animal Husbandry (CATAP)** is located in Piedade-Batepá, just 9 km from the capital, and was established in 1989. It is the only agriculture and livestock training center in STP. CATAP has been providing short (6 months) and medium (up to 3 years) term training in some form since 1989. Horticulture, animal husbandry, and agroforestry are some examples of recent training provided. Again, no data on graduates’ employment and retention of employment was available. With a staff of over 30 persons, it offers internship conditions for 60 persons and has a kitchen and canteen that offer suitable conditions for trainees to adequately live there during TVET activities if needed. With moderate investment, its personnel and installations can be leveraged to accommodate ATVET activities matching the quality requirements needed. **Protásio Pina Center** – It’s the only center in the Autonomous Region of Príncipe (ARP) providing training activities. It opened in 2013 with AfDB financing and currently offers very short-term training (15 days), but always dependent on trainers coming from São Tomé. That leads to irregularity in their availability. **Cooperation and investment projects** have also provided vocational training. A good example is the Development of handicraft production in STP Project, financed by the ABC, the Community of Portuguese Speaking Countries (CPLP), and GoSTP. Its main objective was to provide technical training to design and develop handicraft products that represent STP’s cultural identity. Targeting artisans and apprentices (mostly young people and women), the project provided them with new sources of income through handicraft production for domestic consumption and export. For that, it was necessary to, among others, provide training to about 150 artisans and apprentices in the production of handicrafts.

STP scored 0.618 out of 1 and ranked 138 out of 191 countries in the 2021 UNDP Human Development Report (HDR). Primary school enrolment has continued to increase, reaching a gross enrollment ratio of 107% in 2017, slightly above the world average of 103.4% across 147 countries. The country’s literacy rate stood at 90.1% in 2022. The share of public spending on education in the 2021 state budget increased to 16.6% from 12.4% in 2016. According to the 2022 UN SDG report, the national unemployment rate rose to 15.7% in 2022 from 8.9% in 2017. While lower amongst men (5.1%), unemployment is significant higher for women (14.6%) and young people in the 15-24-year age group (21.3%). Technical Vocation, Education and Training (TVET) for young people could be a response to the skills mismatches for labour market demand.

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Three of the most common diseases in Sao Tome and Principe are tuberculosis (TB), malaria, and human immunodeficiency (HIV). TB is endemic in the country and can cause various pulmonary symptoms and affect the lymphatic system, joints, and even the central nervous system. According to UNDP's data, there was a 63% decrease on TB mortality since 2000, a 95% detection rate for the disease, and a 78% success rate in treating patients. HIV/AIDS prevalence in Sao Tome and Principe stands at 0.3% and women remain more vulnerable to the disease. The country faces a low prevalence of HIV and is on declining from 0.5% in 2017 to 0.3% in 2019. Sex workers are the most vulnerable to contract HIV with a prevalence ratio of 1.4% and only 43.8% using a condom together with the prisoners' population with a prevalence of 8.2% and only 5.9% receiving antiretroviral therapy (ATR). The country's HIV program covers 82.5% of the infected population. The mortality rates from malaria have declined from 3.9 to 0.5 cases per 100,000 people. The global fund helped to distribute 503,000-bed nets, reaching 100% of the population, and treated 56,800 cases of malaria in recent years.

In terms of capacities in emergency preparedness, STP ranked 192th out 195 countries in the 2019 Global Health Security Index of 17.5. The Joint External Evaluation realized in May 2019 showed that STP's level of preparedness in relation to the 19 International Health Regulations (IHR) indicators, and the capacity of the health systems readiness to respond to emergencies was very low in all aspects of IHR capacities, except the vaccination technical area, which had a developed and sustainable capacity. The evaluation also revealed that the technical platform to record and process new cases was weak. In addition, STP national laboratory never performed biomolecular biology and had no diagnostic capacities such as RT-PCR for confirmation of viral diseases infections. Thus, STP had to strategically prepare for the importation of the virus and the unfolding of the epidemic at home. The COVID-19 pandemic hindered the ability of the health system to provide other essential health services – from family planning to maternal and neonatal care, to treatment of communicable and non-communicable diseases, and to emergency response. This disruption in health services meant that the direct mortality from COVID-19 infections was compounded by the indirect – and preventable – mortality caused by the strain on health systems. Although, the health system indicators are good, in reality the country lacks proper health infrastructure to cater for the population and provide more specialized health services. The Sao Tome and Principe Island has only one main hospital that lacks almost everything to provide a proper services to the population. The Principe Island faces also with the same challenges and sometimes worse due to the double insularity. There is a lack of equipments for exams, insufficient beds to accomadate patients and doctors, and medicines. Therefore, the government should increase investments in the health sector to respond to the

country's demand. Nonetheless, the government has announced a national health plan 2023-2032, which envisages to increase investment in the sector and is based on development and implementation of person-centred primary health care, strengthen the resilience of the health system, promote quality of life and reduce vulnerabilities to health related determinants and risk factors, development of a sectoral investment plan, and update the provision of existing health services at all levels of health system including human resources. At the same time the World Health Organization has elected to work with the country on strengthening primary health care, strengthening international health regulation capacities, improving health and well-being of the population, supporting financial protection, and improving availability, distribution, and quality of human resources.

10. Social Protection and Labor

Criteria Score: 2.7

10.a. Social safety net programs

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Sao Tome and Principe adopted a National Protection Strategy in 2014 focusing on social pension, vulnerable families, and public work. Social protection in the country is almost non-existent, funds to cover the vulnerable are scarce. In the 2022 and 2023 budget, only 0.3% and 1% of total expenditure was allocated to social security. Nonetheless, the World Bank approved in 2018 a social protection and skill development project for USD 10 million aimed at building a national safety net system for poor households, labour market, and relevant skills development programs. An additional fund was approved in February 2021 for the project of USD 8 million to scale up the cash transfer project to 16,000 households over a period of nine months, strengthening the country's capacity to manage and operate sustainable social protection systems. The additional fund came to strengthen and respond to the mitigation measures the Government was implementing in the context of the COVID-19. This support helped to contain the impact of the pandemic. The World Bank funding are the main resources going towards the social protection sector. Although some support has been provided by development partners, it is not sustainable in the long term due to the lack of internal resources to continue the program. The country has also a social security system where most public sector contributes but the retirement amount that most former public employs get is very low standing at USD 100 on average per month. Therefore, most people do not trust the social security system and tries to create alternative for their retirement.

10.b. Protection of basic labour standards

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

A new Labour Code, Law 6/2019 entered into force on 10/07/2019, defines the labour relation between employee and employer regarding the rights and duties of both parties. It also describes the prohibited types of works such as slavery and child labour. The law provides equal access to work and rights to all citizens in the country without any type of discrimination. It is a progressive code, private and public entities are free to hire and contract people to perform tasks in the humane workplace without fear of discrimination and harassment. It sets out the basic labour standards for employees' work conditions and defines the working conditions in terms of health, hygiene and security. It also describes the type of working environment that employers must provide to their employees. According to the 2018 ILO evaluation report, the government has ratified ILO Convention 182 on the Worst Forms of Child Labour and is implementing the convention in national law and policy. It has also begun to make progress in complying with the other ILO core conventions.

However, São Tomé and Príncipe has not made sufficient efforts to eliminate the worst forms of child labour. Although the newly adopted Labour Law includes a list of hazardous work prohibited for children, they are still subdued to do it. In addition, the Basic Education System Law requires a compulsory education age of 15 years. In this context, children should complete their school cycle instead of leaving early to look for precarious work. Moreover, the government continues to support centres that aim to prevent child labour. Children from low-income families usually engage in the worst forms of child labour in trade, agriculture, and early sexual exploitation. Limited financial resources hamper law enforcement agencies' capacity to enforce child labour laws. The National Action Plan for the Elimination of Child Labour was not implemented due to a lack of funding, aiming to target children engaged in the agriculture sector. Another issue is the enforcement of the law, which the government does not have enough resources to ensure the compliance of the law.

10.c. Labour market regulations

Score Type	Value
Draft Score	3.0

Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

At the labour market level, in 2019 the main economic activities providing employment were “wholesale and retail trade including vehicle repair” (30%), “agriculture, forestry and fisheries” (23.4%) and “other services” (9.5%). Hotel, restaurant and transport activities, while contributing to the promotion of the private sector and small and medium-sized enterprises (SMEs), do not create enough jobs (aggregated at 7.1%) such as agriculture, which is still the activity with greater potential for economic inclusion of young people, women and vulnerable groups.

The new Labour Code, Law N. 6/2019 entered into force on 10/07/2019 set out the employment conditions for employees and the type of work allowed. The recent code establishes clearly the parameters for health, hygiene, and safety in the workplace, general working conditions for employees, union rights, strikes, employee and employers rights and obligations, contracts, special regime, speech rights, privacy rights, physical integrity, discrimination rights, equal rights, harassment, and access to work. The code defines the work contract to which one is obliged to provide through a manual or intellectual activity to an employer. The main instrument, which regulates the relationship between an employee and employer is the employment contract, which set out the type o work, duration and reward for the work. The new Labour Code is regulated by different Government decrees. The government challenge is to regulate the law.

10.d. Community driven initiatives

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

In Sao Tome and Principe, there are a number of Non-Organizational Organizations (NGOs) looking at different issues in the country. These organizations have a number of initiatives to support local communities. The law which guides NGOs intervention in the country is Law 8-2012. It establishes the functioning of associations, funds, and other non-profitable organizations working in Sao Tome and Principe in different fields. There are non-profitable organizations in the field of social, economic, culture,

environment, science, art, philanthropy, and others. They are exempt to work in politics, the military, trade unions, religion, and confession fields. They can either be national, foreign, or international organizations. NGOs can establish cooperation with Government, the private sector, civil society, and other institutions.

There are a number of well-known NGOs such as MARA (Ocean, Environment, and Fishery), Wildlife, Women Entrepreneur Association, Youth Entrepreneur Association, and NGO federation. There are 72 ONGs registered in the NGO federation in Sao Tome and Principe and at least 22 are environment focus. The Women Entrepreneur Association (WEA) has been working on women empowerment by providing business training, seminar and coaching to build their capacity, while the Youth Entrepreneur Association (YEA) support entrepreneurs to register their business and export their products.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

In São Tome and Principe, the decree N° 25/2014 regulates the mandatory social protection under the Law 7/2004 of social protection. The law states that all active workers must contribute to the public social fund for the old-age pension, invalidity, and another impediment to work. The minimum contribution period to benefit from the pension is at least 25 years. It also describes the procedures to enroll and request your pension after retirement. The National Institute of Social Service (INSS) is responsible to manage the fund and ensure its sustainability. The fund must adopt a strategy to add value to its resources and has contributions from employees, employers, investments, and any other contribution from public, private or international institutions. The fund must provide subsidies to former contributors in case of incapacity, old age, death, and in the case of family increase. Nevertheless, there is a need to ensure that the fund is sustainable to respond to future demand.

Social protection in STP is organized in three levels: i) social protection of the citizenry (non-contributory social assistance), ii) obligatory social protection (contributory, mandatory social insurance), and iii) complementary social protection (contributory, optional social insurance). Social security covers the employed person, including civil servants and military personnel; and household workers. It excludes the informal sector and self-employed persons. Despite this progress, STP still has some gaps in the law in terms of the operationalization of the proposed legal framework. Regardless of the existence of the legal bases for the implementation of Social Protection, the Social Protection Framework Law of 2004 has not been regulated and the SP Council started working in late 2017. The administration of the citizenry programs (social assistance) is implemented by the MEAS and other social line ministries, local authorities, and NGOs working in social services. Mandatory social insurance is managed by the National Social Security Institute (NSS) and the optional social insurance is not operative yet. The World Bank is

providing support to the country on the Social Protection area through a USD 10 million project approved in 2018 and another one with an additional resource of USD 8 million approved in early 2021. However, the social system is not sustainable due to the lack of funding and the low saving capacity of the active workforce.

11. Environmental Policies and Regulations

Criteria Score: 3.5

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The environment and energy regulation of the country is quite limited and there is no general environment and energy law. Rather, there are several scattered pieces of legislation focusing on various forms of harnessing and using energy and mitigation measures for the environment. Electricity is the most developed energy source, considering its growing role in the economic and social development of the country, regulated by electricity regulation. The General Environment Directorate (DGA) under the Ministry of Public Works, Infrastructure, Natural Resources and Environment (MOPIRINA), is responsible for the environment towards the preservation of ecosystems and the longevity of species and life on earth. The DGA is responsible for ensuring the effective enforcement of laws and other environmental policy instruments through assessment and monitoring, collaborating on the development of an integrated environmental policy, ensuring multi-sectoral coordination, creating and coordinating the national environmental information system and producing statistical indicators, accrediting companies in environmental fields, collaborating on the definition of the waste management policy, encouraging the development of new technologies in the environmental field, coordinating the integration of environmental issues with international relations and proposing the designation of focal points for certain environmental areas and coordinate the relevant actions. Nonetheless, the directorate lacks human and institutional capacity to fulfil its role. It focuses mainly on defining public policy, approving projects and issuing environmental licenses, waste management, and chemical products. DGA is also responsible for monitoring and to ensure implementation of the country's international instruments such as Clean and Development Mechanisms (Decree N. 12/2012), National Action Plan for Adaptation to Climate Change (PANA), National Biodiversity Strategy and Action Plan, Action Plan for Integrated Management of Urban Solid Waste. Although the country has all these instruments, policies, and regulations, it does not have the full capacity to implement and monitor all these instruments without international support. This limits the country's ability to leverage private sector financing for climate change and green growth.

The issue of financing poses a significant challenge, particularly for LDCs and lower-middle-income nations like São Tomé and Príncipe (STP). Addressing this challenge necessitates the establishment of a new financial framework that prioritizes effective investments in achieving the SDGs. Therefore, it is paramount that we unite in support of the United Nations Secretary-General's SDG stimulus plan, which aims to bridge the financing gap for the SDGs. For a Small Island Developing State (SIDS) like São Tomé and Príncipe (STP), the recent multiple crises have taken a disproportionately severe toll. Heavily reliant on external markets for imports, exports, and financing, and operating within a very fragile environmental and biodiversity context, STP is highly exposed to external shocks. Furthermore, these shocks have a particularly harsh impact on the impoverished and the most marginalized segments of the population, who are ill-equipped to withstand their repercussions. São Tomé and Príncipe, a small archipelagic developing country, is vulnerable to natural hazards, such as coastal and river flash floods, storms, and droughts. Frequent flash floods and severe storms accompanied by hail, thunder, lightning, and violent winds particularly threaten the country. The confluence of such hazards from 2014 to 2016 resulted in widespread flooding across the communities of Praia Gamboa, Santa Catarina, Ribeira Afonso, Malanza, and Io Grande, destroying homes and causing the loss of human lives. The Government of São Tomé and Príncipe has taken important steps to manage disaster and climate risks. Established in 2007, the Office of Director General of Environment under the Ministry of Natural Resources and Environment is responsible for coordinating and executing all policies and strategies related to climate change and other environmental challenges. In 2011, the National Disaster Preparedness and Response Council (CONPREC) was created to coordinate disaster risk management (DRM) activities and ensure an effective response to disasters. Additionally, the establishment of the National Committee for Climate Change in 2012 strengthened the capacity of national institutions to coordinate and manage climate-related challenges. To further advance its DRM and climate resilience agenda, the Government of São Tomé and Príncipe is prioritizing: Improving response capacity to climate-related disasters; Mainstreaming climate and disaster resilience in development sectors such as transport, tourism, energy, and urban development; Increasing awareness and education on disaster prevention and preparedness; and Developing reliable early warning systems to monitor hydro-meteorological conditions. GFDRR progress to date GFDRR's support for disaster and climate resilience in São Tomé and Príncipe began at the regional level in 2014. Key areas of focus have included supporting the country to better identify and reduce its disaster risk, enhancing climate resilience, and developing a regional capacity for disaster response and reconstruction planning. Starting in 2014, through the Africa Caribbean Pacific-European Union National Disaster Risk Reduction Program, GFDRR supported activities to strengthen DRM capacity and disaster risk reduction (DRR) coordination, planning, and policy advisory in Economic Community of Central African States member countries, which includes São Tomé and Príncipe. The project developed a plan of action for regional DRR and climate adaptation implementation. It also prompted the creation of the Regional Climate Centre in Douala, Cameroon in 2015. Since 2016, GFDRR has supported technical assistance to strengthen the Government of São Tomé and Príncipe's capacity to reduce the vulnerability of the country's coastal areas and promote climate-resilient integrated coastal management. Activities include updating the evolution of shorelines and assets mapping in targeted coastal communities, and producing a high-resolution digital terrain model of the country's most vulnerable communities by using drones. The project has also strengthened capacity building for monitoring coastal zone evolution and produced information necessary to help the government and targeted communities plan adaptation options. Going forward, GFDRR anticipates demand to support São Tomé and Príncipe on: Reducing the vulnerability of coastal communities to natural hazards and climate change; Increasing institutional capacity and access to improved technical expertise and finance for climate and disaster resilience; and Facilitating effective implementation of climate resilience strategies based on sound analytics and risk information. In 2022, STP achieved a significant milestone by preparing its first National Voluntary Report, comprehensively evaluating its progress toward the SDGs. This report was presented during the High-Level Political Dialogue in New York. Despite incredible challenges, STP has made remarkable strides in healthcare, education and access to clean water among others, elevating its human development status and positioning the country for potential graduation from Least Developed Country (LDC) status by the end of next year. Nevertheless, significant hurdles remain, particularly in areas such as governance, justice reform, poverty reduction and inequality. The recent surge in migration to Portugal,

triggered by the new legislation introduced by the Government of Portugal to operationalize the mobility agreement within the Comunidade dos Países de Língua Portuguesa (CPLP), is indicative of growing dissatisfaction among a predominantly young population (61% of the population are in the under-25 age group – UN Common Country Analysis 2022) seeking employment opportunities elsewhere, with potential challenges and opportunities which need to be analyzed carefully. Today, STP stands at a pivotal juncture where it must harness its inherent potential to foster prosperity and sustainable development. With a youthful population, unspoiled natural beauty, rich biodiversity, unique agricultural offerings and a profound historical and cultural heritage, the nation possesses invaluable resources waiting to be fully utilized for economic transformation and social progress. In a compelling manner, the SDG agenda offers a holistic framework for accomplishing sustainable economic growth, fostering job creation, and effectively reducing poverty, all within the guiding principle of ensuring that no one is left behind. Therefore, it is imperative that all stakeholders, both state and non-state, intensify their commitment to these goals and address the pressing challenges that threaten our shared future. In particular, strong partnerships with youth including the most marginalized, are essential.

(D) Public Sector Management and Institutions

Cluster Score: 2.958

12. Property Rights and Rule-based Governance

Criteria Score: 3.125

12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

In terms of intellectual property, the country is regulated by the Law 4/2001 of 31st December and Decree 6/2004 of 30th December. The law introduced new types of industrial property rights such as utility models, complementary protection certificates, semiconductor products' topography, awards, logos, and criminal sanctions for the violations of these rights. The law also refers to the explicit reference to three-dimension and sound trademark; the clarification of the reasons for the refusal registration, a more rigorous delimitation of the imitation concept; special protection for notorious and prestigious trademark; the duration of trademarks; the caducity requests for non-use; and creation of new explicit provisions that recognize the regional trademarks (ARIPO) and international trademarks (Madrid Protocol). The law also recognizes regional (ARIPO) and international patents (PCT). There have been no significant issues or concerns raised by U.S. companies regarding property rights, signalling a satisfactory level of protection and enforcement in practice. While no new IP laws or regulations were introduced in the past year, the existing Regulation on Industrial Property indicates a legal framework is in place to enforce various aspects of IP, including patents and trademarks. Membership in the World Intellectual Property Organisation (WIPO) indicates alignment with international IP standards and practices [WIPO].

The State guarantees private property rights, complying with constitutional and legal requirements, offering a formal recognition and protection of property rights [[Constitution Article 46]]. The Expropriation Code mandates upfront market-value payment for expropriated private property, signifying an enforced and practical legal framework regarding property rights [[Expropriation Code Article 13]]. Despite owning the majority of the land, the government provides avenues for private entities to gain access to agricultural land through concessions, indicating respect and recognition for formal and informal property utilisation, albeit with certain limitations. The 2018 Notary Law demonstrates a legal framework assuring procedural integrity and judicial security of notarial acts related to property transactions [[2018 Notary Law]].

The law that regulates the land registration is the inland registration code and notary law, Law N°12/2018 and 14/2018 and according to the latest 2020 World Bank Doing Business Report, it takes 8 procedures, 52 days, and costs 10.2% of property value to register a property in Sao Tome and Principe. The country scores also 4.5 on the Quality of the Land Administration Index, which is below the Sub-Saharan Africa average (9) and its island-like peers such as Cape Verde (12), Comoros (7), and Seychelles (21). Overall in registering property, the country scores 41.1, which is below the Sub-Saharan average (53.6), Comoros (58.4), Cape Verde (68.8), Seychelles (70.8), and Mauritius (82.5). To register a property it is required to obtain an updated ownership certificate at the property registry (23 days), obtain a copy of the incorporation documents at the commercial registry agency (2 days), tax authority prepares an assessment of property transfer tax (SISA)(7 days), an inspection of the property is done by the buyer with a representative from the tax authority and independent party to assess the value of the property (1 day), pay SISA at the central bank (1 day), obtain proof of payment (7 days), a public notary prepares notarizes the sale-purchase agreement (7 days), and apply for registration at the registro predial (7 days). After obtaining confirmation of tax payments, the buyer can now apply for the registration of the property at the registro predial using the deed drafted by the notary to get a new property certificate with his/her name. The score of 3.0 is further substantiated by a notable improvement in the property rights index between 2021 and 2023, which indicates enhanced practices and/or perception in the realm of property rights within the country. However, it's noted that there may be opportunities to enhance transparency and efficiency in the property and contract rights domain, especially considering the lack of information regarding the functionality of property registries and the restriction on foreigners purchasing land. Additionally, there seems to be a lack of explicit detail about the robustness of IP enforcement, particularly concerning the handling of violations and disputes.

Regarding enforcing contracts, the 2020 World Bank Doing Business Report states that 1,185 days and 45.6% of the claim value to enforce contracts in Sao Tome and Principe. The country scores 28.8 points, which is below the Sub-Saharan Africa average (49.6) and its island countries peers such as Comoros

(33.0); Seychelles (51.2); Cape Verde (64.8), and Mauritius (72.2) out of 100 points. Furthermore, it takes 90 days, 730 days, and 365 days to filing and service, trial and judgment, and enforcement of judgment. In terms of costs, the attorney fees, court fees, and enforcement fees stand at 23.4%, 6.5%, and 15.7% of the claim. Overall, the quality of judicial processes of the country is rated at 4.5 out of 18 due to low court structure and proceeds (1.5), case management (1.5), court automation (0.0), and alternative dispute resolution (1.5). Therefore, the country needs to continue improving on issues related to property registration and contract rights.

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Rarely, drafted bills or regulations are made available for public comment. Copies of most regulations can be purchased online. Overall, the legal system is perceived as acting independently. The judicial process is fair but is subject to manipulation on occasion. All regulations or enforcement actions are appealable to the Supreme Court. On all accounts, it appears the country performs averagely on most indicators. The 2016 Investment Code allows for everyone to do private investments in Sao Tome and Principe without any discrimination. The law creates a legal regime for all investments in the country, in which the global amount is equal to or above Euros 50,0000. It looks at the eligibility for fiscal incentives, investment operations, capital transfer, rights and obligations of investors, admissibility process, sanctionary regime, and conflict resolution. Other related laws are the fiscal benefits, Law 15/2016, certification of private investment registration, Law 7/2018, and the creation of Investment Promotion Agency (APCI), Decree 2/2012. These laws complement the private investment law and provide guidance on fiscal benefits procedures. Some of the laws are in the format of code to provide more stability, predictability and transparency to the economy. This facilitates the investment decision of private entities and helps to attract domestic and foreign capital. The labour law is also a code approved in 2019, it states that there should not be any type of discrimination, and defines the relationship between the employee and employers.

Overall the country's judicial system seems quite stable in terms of approving and enforcing the law, including those related to economic activity. Nevertheless, efforts must be done to improve the timeline to

enforce contracts, according to the latest 2020 World Bank Doing Business Report, it takes 1,185 days to enforce contracts and the quality of the judicial processes index score is 4.5 out of 18. This is below the Sub-Saharan Africa average of 6.9. On the other, there is no practice in the country to Resolving Insolvency according to the same report. While laws and regulations are not arbitrarily changed and are available to the public, thereby maintaining a level of predictability and transparency, the potential for ruling party influence and occasional manipulation of the judicial process indicate a shortfall in ensuring absolute impartiality and uninfluenced application of laws. Additionally, while the courts are available for resolving disputes and have mechanisms for enforcing regulatory frameworks, their use may be financially inhibitive to some entities, and select instances show that resolutions may lean towards dialogue and negotiation rather than robust judicial process. Moreover, there is a very prominent case related to the brewery manufacture company that has changed property depending on which ruling party is leading the country. The judicial decision has been leaned to one or another side depending on ruling party. Furthermore, a decision of the court to overturn a port concession damages also the country's perception on business investment and security for doing business. Therefore, there is a need to continue strengthening the country's judicial system to be able to fulfill its role of enforcing the law in balanced and just way without any preferences.

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Sao Tome and Principe has a one stop shop for company registration. Guiche Unico, the one stop shop in Sao Tome and Principe, claims that for a business registration it takes 1-5 working days but in reality this can take longer and the process might be concluded within a month or more. Meanwhile, the cost of registration a company stands at 12% of income per capita, which is significantly lower than the regional average of 36.3% of income per capita. Meanwhile, the process of obtaining licenses are mostly provided by the different institutions depending on license purpose. Most processes are cumbersome and takes times and effort to obtain a business license. In the latest 2020 World Bank Doing Business Report, in Sao Tome and Principe, it takes 6 procedures to register and start a business with a cost of 12.4% of income per capita. On average it takes 7 days to conclude the registration process and the minimal capital represents 179.6% of income per capita. The country ranks 150th place out of 190 countries surveyed and scores 78.2 out of 100, placing the country below the Sub-Saharan Africa average of 80.1 and its peers

such Seychelles (78.8), Cape Verde (84.5), and Mauritius (94.5). In terms of obtaining a construction permit, there are necessary 16 procedures, 67 days with a cost of 2.2% of warehouse value. The country is ranked 111th place on dealing with construction permits with a score of 66.6 out of 100, which is again below its peers such as Seychelles (67.3), Comoros (68.0), Cape Verde (74.6), and Mauritius (85.8). On the other hand, to register a property is necessary 8 procedures and 52 days with a correspondent cost of 10.2% of property value. The country on registering property is placed on 172 places with a score of 41.1, which is also below the regional average of 5.6, and its peers, Comoros (58.4), Cape Verde (68.8), Seychelles (70.8), and Mauritius (82.5). Despite the mechanisms in place, the actual practice of business registration can be lengthier than the stated 1-5 days, potentially stretching to a month or more. While the one-stop shop and services like APCI are meant to facilitate business operations, the reality on the ground, per the World Bank Doing Business Report, indicates that it takes 6 procedures and an average of 7 days to conclude registration, with the country ranking 150th out of 190 surveyed countries. There is a notable discrepancy in the ease of doing business, particularly when compared to regional peers such as Seychelles, Cape Verde, and Mauritius, across various metrics including dealing with construction permits and registering property. Although mechanisms are in place, the actual execution and operationalisation of these services appear to be hindered by bureaucratic delays and potential inefficiencies. In light of these aspects, while the framework and infrastructure for business operations and license acquisition in STP are present and clear, practical applications reveal delays and bureaucratic impediments.

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Although the Sao Tome and Principe went through an alleged attempt coup the d'etat on 25th Novemebtr 2022 that resulted in four fatalities exposing the country's an underlying institutional weaknes, it still a quite stable and secure place to conduct business. The country is ranked 97.4 in the 2020 Ibrahim Index of African Governance (IIAG), improving 8 places since the 2010 index report. The country scores are high in the absence of armed conflict (100), absence of violence against civilians(100), absence of forced migration (99.8), absence of human trafficking and forced labour (98.8) and absence of criminality (88.3). Overall it scores 97.4 in Security and Safety and 63.8 in Rule of Law and Justice, whereas on

Accountability and Transparency, and, Anti-Corruption the country had a lower score of 58.4 and 50.6. However, the security and rule of law score dropped from 67.3 in 2018 to 66 in 2022, reflecting the low capacity of the police and judicial system. Nonetheless, the country is quite safe to conduct economic activity as there is a low prevalence of violent crime. The overall score in the Security and Rule of Law in the 2020 IAG stands at 67.5, which places the country in the 9th position out of 54 countries surveyed, which is higher than the continent average of 49.5 and Central Africa with a score of 37.1.

It must also be noted that the country has sought to be an active partner in regional maritime security efforts, although its capacity and resources are minimal. Despite two violent murders in early 2020, violent crime rates are at a historical low. The country generally has a good human rights record and demonstrates respect for citizens', workers', and businesses' rights. The U.S. Department of State has assessed São Tomé as being a low threat location for crime directed at or affecting official U.S. government interests. Violent crime directed toward expatriates or foreign tourists is infrequent. The Government of Sao Tome and Principe is committed to improving the country's safety and creating a business environment for investments and economic activities. While it has a reasonably good human rights record and shows respect for citizens' and workers' rights, there have been some notable exceptions that must be accounted for in recent times. Notwithstanding its overall stability, instances of government agents committing arbitrary and unlawful killings, as seen in 2021 and 2022, raise significant concerns about the state's ability to consistently protect citizens' rights. Episodes like the suspect who died after being beaten in a cell indicate issues within law enforcement and judicial processes that are critical when considering the protection of life and property. The accusations against high-ranking military officials concerning torture and death point towards potential vulnerabilities and discrepancies within the military and legal systems. These recent episodes demonstrate the need to further strengthen the country's judicial system not to be captured by any vested interests installed in the country.

13. Quality of Budgetary and Financial Management

Criteria Score: 3

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Constitution of 2003, is the fundamental act of the Democratic Republic of STP, which establishes the primary objectives of the State, establishes the responsibilities of the Government (the Executive Power) and the National Assembly (the legislature) in relation to the State Budget, which defines the

responsibilities of the Public Administration in relation to the provision of public services and the payment of taxes by the citizens, and which defines the following sovereign bodies in the country: a) President of the Republic; b) National Assembly; c) Government; and d) Courts. In STP, the Executive Power is exercised by the government, and the Legislative Power is assigned to the National Assembly, while the Judiciary It is independent of the executive and the legislative powers. The legal basis of the PFM system in STP is the Law 3/2007 and Law 12/2009 on the Financial Management System of the State (SAFE Law), which establishes the general principles and rules for the public financial management in the country. These rules apply to the entire Public Sector at central and decentralized levels for the preparation and execution of the budget, and the operation of the five subsystems of the SAFE system, namely: Budget, Treasury, Public Accounting, State Assets and Internal Control. The legal basis of the Central Government is the Law 1/2019, which establishes the structure of the XVII Constitutional Government, composed of the sectoral ministries and the entities under their supervision within the central government's budget (BCG), narrower than the general government (GC) which includes the decentralized and autonomous entities, which are part of the general state budget (GSB). The legal basis of the decentralization is Title IX of the Constitution of the Republic where the bodies of the Regional and Local Power are foreseen. The local governments or subnational governments were established by Law 5/80 of 21 November 1980, which defines the territorial organization within the country, for political and administrative purposes, divided the country into six districts, namely: Agua Grande, Mé-Zochi, Cantagalo, Caué, Lembá and Lobata, as well as an autonomous region (Principe), with the governments of these local governments directly elected and, in the PFM area, empowered to collect local revenues and determine their budgets. Law 16/92 and Law 10/2005 on the revision of the Local Governments Framework Law gave the local governments property and financial autonomy within the framework of administrative decentralization and de-concentration that presuppose the political will to simplify the services, combat bureaucracy and approximate services to citizens and voters and are still providing the local governments with the human resources and material and financial means necessary to fulfil their end. The Legal Regime of the State Owned Enterprises and the Public Business Sector is approved by Decree-Law 22/2011 on the State Business Sector, composed of Public Companies and Public Corporations in which the State is the majority shareholder and Subsidiary Corporations in which the State is the minority partner. The legal framework of the internal control mechanism in STP can be found in Articles 67th to 71st of the SAFE Law, which define the subsystem of the Internal Control (IC). This comprises the central, regional and local bodies and public institutions that intervene in the processes of collection, levying and use of public resources and cover the respective rules and procedures. It also defines the competencies of all bodies, the objects of IC on the correct use of public resources and the accuracy and reliability of the accounting data, the specific principles and rules applicable by international auditing organizations, and the survey and accountability of all responsible for public assets or values.

13.b. Effective financial management systems

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

STP has made progress in public financial management (PFM) but challenges remain that continue to impair the Government's ability to appropriately manage and account for public resources. The country's PFM system still suffers from weak internal controls, weak institutional capacity and inadequate information technology (IT) systems. Fiscal discipline is compromised by internal budget control weaknesses. Budget credibility is compromised owing to extensive reallocations during the fiscal year. The ineffectiveness of the commitment controls across government has led to the accumulation of significant domestic arrears, particularly relating to EMAE. STP undertook a public expenditure and financial accountability (PEFA) exercise in 2019, which found weaknesses with respect to budget forecasting, public finance transparency, asset and liabilities management, fiscal strategy, budget execution controls, accounting reports and auditing. Following the publication of the report, the country prepared a rolling PFM reform strategy (initially 2020-2023) with the aim to holistically address domestic mobilization, expenditure management and budget oversight weaknesses. To follow up on the PEFA's recommendations, the Government created a Public Reform Department (GARFIP). A PEFA self-assessment exercise has been undertaken that will inform Government in updating the existing PFM reforms strategy and related action plan until 2026. The next PEFA assessment is planned for 2026.

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The ongoing programs with the multilateral donors, including AfDB, are helping the country to improve and timely present its budgeting and fiscal reporting. The already Integrated Public Finance Management system (SAFE) has been useful in capturing all the budget transactions and producing reports. The strengthening of the Ministry of Planning, Finance, and Blue Economy has also helped in improving the report produced and the data presented. Moreover, the strengthening of the public finance role and responsibility in the various government departments has also contributed to the improvement of the data collection, information, and reporting. For instance, the Government was able to make public the 2020 budget execution by February 2021. This is clearly an improvement from the Government and proof of timely presentation of the report. However, the Government pretends to introduce a medium-term fiscal framework based on sectoral department medium-term programs. The manual payments have stopped through the approval of a new, which limits the use of public institutions opening new accounts and the Government has managed to link its treasury system to the central bank to stop manual payments. Nonetheless, there is a need to continue improving by investing in electronic governance and interconnect all public institutions through a fiber network. The country's fiscal reports are becoming more accurate and

produced on reasonable time, however, these reports are not widely made available. It is difficult to get access to these reports as a member of the public and this limits the ability of experts to draw analyses and make improvement proposals.

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The total expenses include the foreseen expenses, and those incurred as a result of exceptional events. Expenditures financed externally by loans or donations that are budgeted must be included together with contingency reserves(s) and the interest on the debt. In STP, during the last 3 years, the budget reliability is low, impacted by the deviation from the initial budget approved by the National Assembly and the achieved budget. The 2020 budget had a 102% execution compared to the planned budget and 41% rise compared to 2019 budget. Meanwhile, the 2021 budget was executed by 81% compared to the initial planned budget with a decline of 8.6% compared to 2020 budget, whereas the 2022 budget had an execution of only 78.4% of the planned budget with an rise in expenditure of 16.5% compared to 2021 budget. Meanwhile, the 2020 The level of budget implementation was mixed in the past 3 years, in 2020 the budget execution exceeded the planned budget, whereas in 2021 and 2022 the budget execution was lower to the planned budget. Therefore, the budget planning and execution has flutuated a bit and there is a need for better planning and programming of the budget. In 2023 budget the allocated 33.43% of the budget to general public services, 7.92% to national defense, 0.63% to public order and domestic security, 18.35% to education, 12.13% to health, 0.51% to social security, 1.43% to housing and community services, 1.05% to sport and culture, 1.14% to fuel and power, 2.98% to agriculture and fishery, 6.70% to transport and communication, 0.26% to trade and services, 0.12% to employment, 0.36% to environment, 0.04% to other economic services and 12.95% to financing services. Meanwhile, the 2022 budget allocated 31.58% of the budget to general public services, 7.41% to National Defense, 0.97% to public order and domestic security, 17.09% to education, 12.87% to health, 3.16% social security and assistance, 2.35% to housing and community services, 1.63% to sport and culture, 1.49% to fuel and power, 5.31% to agriculture and fishery, 5.41% to transporte and communication, 0.51% to trade and services, 0.09% to employment, 0.34% environment, 0.66% to other economic services, and 9.15% financial expenditures.

14. Efficiency of Revenue Mobilization

Criteria Score: 3

14.a. Tax policy

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The primary deficit rose to an estimated 6.1% of GDP in 2022 from 3.6% in 2021, as government expanded its spending ahead of the general election. Domestic revenue mobilization (DRM) is weak, with the tax to GDP ratio at 11.7%, far below the Sub-Saharan average of around 20%. Public investment rose from 5.9% in 2021 to 9.3% of GDP in 2022. Fiscal revenue only covers current expenditure due to low fiscal base and high level of informality. In 2022, the wage bill accounted for 66% of the total current expenditure, while public investment accounted for 26% of total revenue. Indirect taxes represent on average 60% of the total tax revenue compared to only 30% of direct taxes. Moreover, in 2022 and 2023 indirect taxes represented 62.5% and 67.7% of total tax revenue and 37.3% and 32.2% of indirect taxes. The country collects more custom taxes than income taxes. STP receives also a lot of grants, representing around 40% of the total revenue to come up for the gap in tax revenues. Grant represented 37.6% and 41.3% of the total revenue in 2022 and 2023. Meanwhile, current expenditure represents on average 70% of the total effective expenditure. In 2022 and 2023 current expenditure corresponded 71.5% and 68.3% of the total effective expenditure. Expenditure with staff represented 47.4% and 52% in 2022 and 2023 of which salary corresponded to 21.5% and 20.4% in both years. In contrast, investment expenditure on average represents only 28% of the total expenditure. In 2022 and 2023 investment expenditure represented 26.8% and 29.5% of the total expenditure. The structural fiscal deficit comes from the inability of the country to collect enough revenues to respond to the country's real investment needs. Most investment needs are financed by multilateral and bilateral partners through grants and donations. Grants represent on average 40% of the total revenue, which accounts for all the country's investments. As a result of these imbalances, the government agreed on an Extended Credit Facility (ECF) program with the IMF for USD 18.2 million, aiming to establish the basis for stronger and more inclusive growth. A key component of the program was the introduction of the Value Added Tax (VAT), which faced several postponements. However, the government is currently in talks with the IMF for a new support package, which required the implementation of VAT on 1st June 2023. The VAT introduction will enhance the government's capacity on DRM and widen the fiscal base.

14.b. Tax administration

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The tax office has recruited around 25 more staff in 2021 rising the total staff number to 80 staff from 54. The number of staff to respond to the new attributions is insufficient, special with the introduction of the Value Added Tax (V.A.T). The Government approved in 2019 the framework law for Value Added Tax (VAT), Law 13/2019. However, in March 2022 the Government introduced some alterations to the law on decree law number 6/2022 of March 2022. The Government objective was to simplify the tax system and broaden the tax base, enabling to mobilize more revenue to the state budget. After 3 years of preparation and sensitivation the Government finally introduced the VAT on 1st June 2023. The World Bank has been supporting the country on introduction of the VAT together with the IMF and African Dvelopment Bank. As a result of the VAT introduction, the Government in 2023 state budget has projected a revenue of Euros 7.5 million, representing 10.6% of the total tax revenue. Meanwhile the Personal and Corporate Income Tax stands in 2022 stood at 29.4% and 6.7% of total tax revenue. The 2023 budget projected the personal and corporate income tax to 24.8% and 6.4% of the total tax revenue. The expectation is that the VAT will help to formalize more business and broaden the country's tax base. This will help the country to increase the tax revenue to at least double to the current value within in two years, representing around 2% of the country's GDP over the medium term. The current reforms will continue to look into ways to strengthen the taxpayer database integrity, effective risk management, supporting voluntary compliance, timely filing of tax declarations, timely payment of taxes, accurate reporting in declarations, effective dispute resolution, efficient revenue management, and, accountability and transparency.

On the other hand, the custom office as part of legislative and modernization, the Directorate General of Customs developed the *SIDONIA World* system in 2011 with support from the United Nations Conference on Trade and Development (UNCTAD). The country also introduced the Single Window of Foreign Trade (GUCE) as well with the support of the World Bank, the Institute for the Improvement of the Business Environment in Africa (ICF) and technical assistance from UNCTAD. Twelve (12) national Public and Private Services, including a Commercial Bank (BISTP), were integrated and interconnected in the technological platform of the Single Window. These initiatives resulted in the modernisation of customs services and the external trade sector, as well as in the strengthening of the capacity of the Santomense State to mobilise revenue and in the implementation of international norms, standards, best recommendations, and practices. After about 16 years of the introducing *SIDONIA World* system and other reform measures, there is need to upgrade the system to a newer window-based version and address emerging issues relating to international trade as outlined in the 2023 Strategic Plan.

The revenue management capacity is penalized by the registration limitations, lack of practical and up-to-date information on resources of the tax administration decisions, limitations on revenue risk management, non-implementation of *Sydonia World*, lack of a monitoring and compliance improvement plan and

weaknesses in monitoring the arrears.

15. Quality of Public Administration

Criteria Score: 2.667

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

In general government response and coordination is weak and dysfunctional. Sometimes there is an unclarity of mandate on some issues with two or more institutions intervening on the same issues. The various government ministries and agencies do not consult and coordinate their action to provide a more robust and efficient response to the country's needs. According to the 2020 Ibrahim Index of African Governance, Sao Tome and Principe scores 49.4 on Public Administration, an improvement of 7.2 points since 2010. This clearly shows some progress in the country's public administration in general but challenges still remain. On the capacity of the statistical system, and, tax and revenue mobilization the country regressed by 4.1 and 8.9. On business registration, it takes 6 procedures and 7 days and for a construction permit, it takes 16 procedures and 67 days through different institutions. These cumbersome steps require the consultation of different unrelated institutions, resulting in inefficient use of time. These cumbersome processes sometimes become an impediment to business development. Sao Tome and Principe score lower on registering a business compared to its peers such as Seychelles (78.8), Cape Verde (84.5), Mauritius (94.5), and to Regional Average (80.1). Placing the country also in lower-ranking (150) compared to the same countries, Seychelles (147), Cape Verde (121), Mauritius (20). On construction permits, the country ranks 111, which is lower compared to Seychelles (106), Comoros (101), Cape Verde (50) and Mauritius (8). Therefore, it is important for the country to continue implementing reforms towards the improvement of public administration coordination and responsiveness to the population's service demand. It is critical for the public sector to serve well the population and provide the required service with quality and fast. In recent years multilateral donors have emphasized on need for the government to improve policy coordination and responsiveness in order to improve project and law implementation. The new agreed IMF program will stress again on need for the government to improve its

macroeconomic and sector policy to better deal with the various country challenges.

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Although the new elected government has expressed on its program the need to improve the public institutions service deliver, the country still has a long path to build a well structured and efficient public institutions with good service delivery. The good service delivery purpose is the third priority of the government program. The government has already taken some steps towards achieving its purpose by requesting support from Portugal to work with the country on public service reform by taking into account and advantage of information technology with the aim to build electronic governance infrastructure. The government objective is to digitalize as much as possible their service in order to reduce cost and time to the population and business. The lack of I.T solutions was an impediment to public service delivery. However, the current situation is characterized by a low public administration capacity, which contributes to an inefficient service delivery and operation. The public sector is unable to attract the best professionals due to the low rate of pay to provide better services to the population. The administration is characterized by lengthy and bureaucratic processes, unnecessary documents, and forms, transforming the whole process into a very heavy and cumbersome one. Furthermore, the public sector is ill-equipped with very low investments in necessary tools for better performance of the staff. The lack of work material makes it difficult for the staff to perform to their very best capacity towards a more efficient and speedy service. The decentralization process of the six districts is yet to produce real results on public service delivery and operational efficiency. On the other hand, the country scores 28.37 in the sub-category of Government effectiveness in the 2020 World Bank Worldwide Governance Indicator, a slight decline to 2019 figure of 29.81. Moreover, there is no objective performance evaluation process in the public administration, becoming a source of lack of motivation and drive to deliver the best possible services. Although public services are poor and lack quality, the country offers most of its social services free to its citizens such as education, health, and social protection.

15.c. Merit and ethics

Score Type	Value
Draft Score	2.5

Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

There is no well-established set of criteria for performance and career progress in public administration. There are episodes of change of management in public administration after elections when there is a change of Government. This instability keeps away well-trained and experienced staff and reduces commitment from all staff. According to the 2020 Ibrahim Index of African Governance, Sao Tome and Principe scores 49.4 out of 100 in the Public Administration, an improvement of 7.2 points since 2010. The registration, professional administration, and budgetary and financial management sub-categories score increased by 37.5, 9.9, and 1.5 since 2010.

Sao Tome and Principe lack a proper performance and evaluation instrument to assess the performance of the public administration staff. This created an environment for arbitral promotion without any rigorous criteria. As a result, the most and capable staff are not promoted to the right position, and staff lacks motivation. There is a lot of nepotism and a lack of ethics in the public sector contributing to the overall poor performance of the sector. Moving forward, there is a need for this type of instrument to be put in place with clear rules and procedures for all staff with rigorous supervision and auditing. A code of conduct is essential to promote the right ethics and conduct to public administration staff. On the other, hand the figure of the ombudsman is important to listen and take confidential complaints of misconduct and unethical behaviour without fear of prosecution. Nonetheless, the new elected government vowed to put in place a new public administration policy with emphasis to digitalization, career progression and adjusted remuneration. The government has already made some changes in the judicial system by reducing the retirement age for judges.

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 3

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5

Second Draft Score	2.5
Final Score	2.5

Country Notes:

The Constitution of 2003, is the fundamental act of the Democratic Republic of STP, which establishes the primary objectives of the State, establishes the responsibilities of the Government (the Executive Power) and the National Assembly (the legislature) in relation to the State Budget, which defines the responsibilities of the Public Administration in relation to the provision of public services and the payment of taxes by the citizens, and which defines the following sovereign bodies in the country: President of the Republic, National Assembly, Government, and courts. In STP, the Executive Power is exercised by the government, and the Legislative Power is assigned to the National Assembly, while the Judiciary It is independent of the executive and the legislative powers. The legal basis of the PFM system in STP is the Law 3/2007 and Law 12/2009 on the Financial Management System of the State (SAFE Law), which establishes the general principles and rules for the public financial management in the country. These rules apply to the entire Public Sector at central and decentralized levels for the preparation and execution of the budget, and the operation of the five subsystems of the SAFE system - namely Budget, Treasury, Public Accounting, State Assets and Internal Control.

The Public Administration Inspection Unit (IGAP) oversees all government's activities and ensure accountability for the state resources, meanwhile, the Finance Inspectorate Division oversee all the expenditure related to the government budget. The Public Administration Inspection Unit is a public sector unit with administrative and finance autonomy responsible for the auditing and management of the human resources, modernization, structures and procedures of the central, local and regional state. It was created by the decree n° 54/2014 with the aim to audit the public administration activities. Meanwhile, the Finance Inspectorate has the mandate for auditing all budget activities related. Its main focus is on Ministry of Finance activities, budget expenditure and control. Both the Public Administration Inspection Unit and Finance Inspectorate are executive oversight institutions. The audit court has the mandate to oversee, monitoring, oversee, audit and provide opinion to the state account and procurement processes. The new elected government has changed the statutes of the Audit Court by limiting its mandate to monitoring, oversee, audit and provide opinion to the state account and procurement processes. In the previous statutes it was mandatory for the government to send the state account to the audit court for opinion, which followed a submission to the parliament for the state account discussion and final approval. The changes in the statutes is a regression to the good international practices of putting in place strong and committed institutions to oversee government actions and activities. Therefore, there is a need for the country to revert this tendency of reducing the oversight mechanisms to the government actions and weakening the judicial system. The country needs to build strong and resilient oversight system and a very robust judicial system.

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	3.5

Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

According to the 2020 Ibrahim Index of African Governance (IIAG), Sao Tome and Principe rank 7th out of 54 countries surveyed on participation, which assesses the freedom of association and assembly, political pluralism, civil society space, and democratic elections. In this context, it scores 75.8 in overall participation where civil society space has the highest score of 92.2, followed by freedom of association and assembly (87.5), political pluralism (64.4), democratic election (59.1). Regarding rights, it scores 70.7 where freedom of expression and belief (95.5) has the highest score, followed by digital rights (84.4), media freedom (72.9), personal liberties (72.7), and protection against discrimination (27.8). On inclusion and equality, the country scores 55.2, where equal political representation has the highest score of 76.5, followed by equal civil liberties (70.2), equal political power (54.7), equal socioeconomic opportunity (43.2), and equal access to public services (31.2). On gender, the country scores 64.7. The overall score for participation, rights, and inclusion stands at 66.6 out of 100.

The budget transparency depends on the ease of public access to information on plans, the situation and the results of the budget implementation. The scope and relevance of publicly available information influence the population's ability to engage in discussions with the government and to understand how the public resources are used. Therefore, the government for the 2023 budget conducted a consultation process led by the Prime Minister to assess the population needs, concern and priorities. Although the budget is available in the internet, it is not ease to access as the website is not user friendly and information is not ease to understand by an average person. There is a need for the government to start publishing a citizen budget for ease understanding at the same made it widely available for ease access by the population. The access to this information allows a better allocation of resources by strengthening the dialogue between the government and public policy stakeholders, but also enhances the service provision. The information provided to the public allows a reading of the budgetary reality of the country, with a description of the budgetary implementation a numerical presentation of previous year's implementation and the economic, financial and budgetary perspectives for following year, and outlines the main policy measures to be implemented. However, given the fact that the language used is technical, although with the provision of a glossary of the main concepts, and the budget proposal is not directly linked to the policy measures to be implemented and contained in the Major Options of the Plan, they reduce its clarity and consequently reduce the number of people with the ability to understand the proposal. Also, as stated by the organizations representing the civil society and the private sector, there is no adequate socialization of the budget proposal, with the private sector and civil society prior to its discussion and approval by the National Assembly (AN), with only the radio transmission of the discussions that take place in the AN plenary for the approval of the budget. Regarding the main means of access to information, this is generally advertised to the public through its publication on the website of the Ministry of Finance. The budgetary law is also published in the Diário da República, whose access is paid, thus limiting the access to information. In the past two years the civil liberties and access to information in the country has not changed much but there is a need to keeping improving the information access and availability to the public. There is a lack of formal information in most institutions and a culture to inform the public current activities of the government and overall public institutions. Very few public institutions

have a website with updated information on their activities, law, rules and procedures that govern their activities. Therefore, there is to digitalize the public administration to improve information access to the public and services. Public administration institutions should have website and display information on their activities, mandate, regulation, norms and publish on periodic basis their business activities report. Public information on how to access their services should also be available in their website. The Government has vowed to digitalize the public administration to improve the public administration services and overall performance. The process is yet to start and should count on Portugal Government support.

16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Although Sao Tome and Principe enjoys regular elections with alternative change of power, the political, economic and judicial landscape of the country is dominated by some influential people and group. These groups and people try to place their influence in the public administration and other sphere of the society. The regular elections with different parties winning the elections allows for no exclusive party or person to become too powerful to control the state. The state is not fully captured by any vested interests. It is important for the country to continue making firm progress in civil liberties, rights, and democracy in order to implement robust supervision and monitoring institutions capable to impede the capturing of the state by any particular group. The semi-presidential system allows for a balance of power and checks by the executive, legislative and presidential power, supported by the judicial system. However, the judicial system must be strengthened to become more robust and strong in order to ensure freedom and free speech in the country. The alleged coup d'etat incident that took place on 25th November 2022 exposed the country's judicial fragilities and underlying institutional weakness. Furthermore, the ROSEMA judicial case is another example of the judicial fragility in the country, where the case is decided based on party that is ruling the country. The ROSEMA case has been going on for more 10 years with a number of appeals from both sides and the decision is given based on party that is ruling the country. If the MLSTP is ruling the country then the decision is favoured to Angolan business man and if the other party, ADI, is ruling the country then the decision goes in favour of Saotomean business man. Sao Tome and Principe needs to invest more in its judicial system to ensure strong judicial institutions capable to enforce the law and curtail any sort of bribery behaviour in the Government. The event that took place on 25th November 2022 and inability of the judicial system to be partial in the brewery dispute shows the country's institutional weakness. Therefore, there is a need to improve the country's judicial system in order to be more impartial and robust against any vested interest. The judicial system should be given more autonomy and a well structured and robust procedures should be put in place for judges to progress in their career as well as a very strong code of conduct.

According to the 2020, Ibrahim Index of African Governance (IIAG), Sao Tome and Principe (STP) scores 58.4 on accountability and transparency, which shows a decline of 0.6 points since 2010. Despite the minor decline in the general accountability and transparency category, the country has performed well in the absence of undue influence on the Government (100), institutional checks and balances (91.9), and civil checks and balances (60.6). As a result, STP has a reasonable level of balance and checks in the country which tries to deter the state to be captured by narrow vested interests. Nonetheless, the country only scores 52.4 out of 100 on disclosure of financial and judicial information, and 13.9 on accessibility of information. This clearly shows the need for improvement on public information disclosure and access to information for the public to better scrutinize the government performance.

(E) Infrastructure and Regional Integration

Cluster Score: 2.334

17. Infrastructure Development

Criteria Score: 2.167

17.a. Sector strategy/policy

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The Ministry of Infrastructure, Natural Resources and Environment is responsible for most infrastructure strategy and policies on transport, power, water, telecommunication and construction. Power generation continues to rely on imported fossil fuels, used to generate 95% of the country's power supply, making electricity supply expensive and unreliable. EMAE, the power utility, has not been able to fulfill its agreed minimum annual payment to ENCO, the importer and distributor of fuels (a subsidiary of Angola's SONANGOL). The imported fossil fuel put a significant pressure on the country's balance of payment. The average annual fuel import bill for energy production is USD 36.3 million per year, representing 8% of GDP. The country's Net International Reserves, which stood at USD 29.9 million in December 2021

declined to USD 14.3 million in 2022, mainly to finance the import of fuel. EMAE's debt represents 24.9% of the country's total debt. STP's energy sector faces several challenges, notably overreliance on the unsustainable and environment-unfriendly fossil fuel, aging power infrastructure and limited maintenance, which results in erratic electricity supply. Tariffs are also not cost-reflective, although the cost of electricity is high ranging from USD 8.3 per kilowatt-hour (kWh) to USD 49.3 per kWh. To reduce STP's dependence on fossil fuel and improve the financial viability of the sector, the government in 2018 approved its Least Cost Power Development Plan (LCPDP) 2018-2035, which aims to increase the shares of renewable energy in the generation mix from 7.6% in 2018 to 53% by 2030. The LCPDP has been the backbone for the multilateral support to the power sector. As a result, The Bank approved in 2020 the Energy Sector Transition and Institutional Support Project (ETISP) for UA 10 million with the aim to support the country in promoting green growth, improving production, and reduce technical and commercial losses to improve the sector's efficiency and sustainability. All power sector intervention have been done in order to meet the country's aspiration of achieving 53% renewable energy generation mix. However, the implementation process has been slow and by now the country still relies on 95% of fossil fuel power generation.

According to the UN Human Development Report (HDR) 2018, the percentage of the population with access to improved drinking water and improved sanitation facilities improved by 4.3% and 2.9% in 2019. It jumped from 79.7% and 40.1% in 2018 to 84% and 43% in 2019, respectively. The country has abundant water resources, but they lack infrastructure investment to manage them effectively. Poor water treatment and limited access to sanitation increases the incidence of water-borne diseases, which is a major health problem in STP. According to the National Development Plan (NDP), the country is committed to achieving the rate of access to improved water sources of 90% and improved sanitation of 60% by 2030. The government is planning to restructure the water and power public utility (EMAE) to respond to the water and sanitation challenges.

Poor and obsolete transport infrastructure remains a key constraint on STP's competitiveness. The nation has a road network of 320 km (198 miles), two-thirds (218 km, or 1352 miles) of which are paved. In Sao Tome Island, about 41.7% of the roads are in poor condition, 50% are in good condition and 8.3% are impassable. In Príncipe Island, the two main roads, the southern road and the road from the City of Santo Antonio to the airport, require improvement. Insufficient maintenance has seriously contributed to the deterioration of these roads. Moreover, limited port infrastructures, and lack of a deep-water port, amplify the connectivity challenges, resulting in high transport costs and isolating the economies of the two islands. Sustained investments in major transport infrastructure, notably airport and seaport, are, therefore, required to enable access to national, regional and international markets.

Telecommunications in STP is dominated by two operators. These are CST, 49% owned by the state share and 51% by Visabeira, in operation since 1989, and Unitel, an Angolan telecommunication company, in operation since 2014. There are 146,000 mobile lines in the country, representing a mobile population coverage of 86%. This offers a great potential to accelerate financial inclusion via mobile money services. However, telecommunication in STP is expensive due to obsolete ICT infrastructure and limited access to broadband internet services. The ICT legal and institutional framework does not promote digital start-ups and innovation. Investments in ICT are important to reduce the cost of telecommunication and to enable business innovation. The country has a regulator for telecommunication, mail, electricity and water. The national regulator was created in 2005 by the decree law n. 14/2005 of 24th August and started its operation in July 2006. The regulator has already created the National Frequency Table and National Plan for Landline and Mobile Number. The next step for the sector is to do development plans for the telecommunication and water sector. The transport sector does not have a national development plan and the road sub-sector has only a mobility plan.

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The country has 2018 produced a Public-Private Partnership (PPP) law, Law 6/2018, which has the objective to define the terms for conception, preparation, bidding, awarding, alter, auditing, and supervising PPPs projects. In this context, the government created also a technical unit to support the preparation, development, implementation, and monitoring of PPP projects. The introduction of the PPP law is to facilitate the development of infrastructure projects with the participation of the private sector with some government guarantees. The PPP law has had a very limit utilization with very few real cases of PPP projects. The country is yet to fully benefit from the law and promote PPP projects mainly for large infrastructure projects such as road, telecommunication, airport and ports. The country lacks adequate ports and airport and the PPP law can be an instrument to attract private sector investment in these infrastructures critical for the country's development. The telecommunication sector is the only one that has benefited from some private sector investments through the two telecommunication companies, which one is totally private and the other has some public sector participation. Moreover, the government has made also some investments in the telecommunication to secure its internal services. Nonetheless, the water, power, road and airports and ports lacks substantive investments, which could be done trough the PPP law.

The 2015 law regulates the construction and urbanization sector, Law 19/2015. It sets out the procedures to obtain licenses, the classification of construction, and the rules for urbanization. This is the main law, which regulates the construction of any infrastructure in the country. The Government is also assisted by procurement law to launch bidding for large work, Law 08/2009 of August 2009. The law sets out the procedures to procure and award large infrastructure contracts. To this end, most multilateral partners provide also support to equip the government with the best international practices. The current law is outdated and does not guarantee a clear separation between the activities of regulation and control of the operations of public procurement. Therefore, large infrastructure projects are at risk of not being well procured. Moreover, the country still has to approve a National Territorial Plan financed by AfDB, which set out the area for some infrastructure such as road, water, power, airport, and ports. The 2015 regulation on construction and urbanization has been used with some limitation and there is a need to streamline it and enforce on all constructions.

2022 Mo Ibrahim Rule of Law & Justice Index ranked Sao Tome & Principe at 10th out of 54 countries and with score of 66.0 out of 100 points. On foundation for economic opportunity, the country ranked on 36th place out of 54 countries and scored 44.5 points out of 100. The foundations for economic opportunity looks at country's public administration, business and labour environment, infrastructure and rural economy. On infrastructure, STP scored only 29.5 points out of 100 and ranked on 34th place out of 54

countries. This clearly shows the need for the country to continue investing on adequate infrastructure to facilitate the business activities as well as movement of goods and people. STP generally follows Portuguese standards but has no central standards. The only existing regulatory authority is AGER (Autoridade Geral de Regulação). The Ministry of Infrastructure, Natural Resources and Environment is responsible for the policies and laws for the infrastructure sector, while AGER, STP's General Regulating Agency regulates the telecommunications, postal, water, and electricity sectors. The laboratory of the Center for Agricultural and Technological Research (CIAT) also makes a basic analysis of food products. São Tomé and Príncipe follow CEMAC general standards.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Ministry of Public Works and Infrastructure has under its supervision several public companies. The Directorate of Administration and Finance (DAF) of this ministry has some monitoring, by sending a memorandum to its Minister about the financial and operational situation of the companies that submit their reports. However, there are neither audited financial reports nor systematic monitoring and enquiry of reports not received, nor the preparation of any monitoring report, or the remittance of recommendations to improve the management of these companies. Moreover, a Technical Project Implementation Unit (UTAP) to monitor PPP and large projects was created in 2019. STP's PFM system still suffers from weak internal controls, weak institutional capacity and inadequate information technology (IT) systems. According to the Bank's 2020 Country Fiduciary Risk Assessment (CFRA), STP should: (i) revise the legal framework on budgeting; (ii) address large deviations between programmed budget and actual expenditures; (iii) produce quarterly reports on budget execution in a timely manner; (iv) improve the preparation of state accounts; (v) establish formal mechanisms for following up internal and external audits recommendations, and strengthen public accountability and transparency in the management of public resources, including resources used for work and infrastructure; and (vi) strengthen capacity building for key PFM institutions. The Bank's recently completed Public Finance Management Project (PAGEF) has, however, helped the country approve and execute its budget in a timely manner to ensure the regularity and timeliness of reconciliation operations and improve public accountability and transparency. Most of the Public Investment Program (PIP) is related to infrastructure works, which represents 90% of the public finance monitoring exercise. The Monitoring of the small, medium and large infrastructure projects are done through the follow up of the audit court, which has the mandate to supervise, monitor and provide opinion on state accounting, including those related to the infrastructure projects. Most of the audit court exercise is on infrastructure projects as they represent the largest expenditure in most budgets and state account. However the Government of Sao Tome, has recently introduced a law limiting the monitoring, supervision and follow up of the government accounts, which demises the courts real mandate. The country has been benefiting from multilateral financing for road, power, schools and hospital which mainly

follows the international procurement procedures but there is limit capacity for the supervision institutions to fully monitoring these contracts and review them in order to ensure compliance with the domestic and international law.

Under the IMF's Extended Fund Facility (EFF), the government is also committed to further strengthening its PFM system. This is expressed in the country's long-term plan, vision 2030, and in the 2019 Public Financial Management Reform Plan, which commits the government to address these shortcomings in public management, in terms of budget credibility, cash management, expenditure efficiency, debt management, and tax revenue mobilization. Furthermore, the Government's Public Investment Program (PIP) has been improving on designing, implementation and monitoring. PIP is expressed by the source of funding and department, which allows for easy monitoring and evaluation process.

18. Regional Integration

Criteria Score: 2.5

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

According to the Labour Code of 2019, Law 6/2019, all foreign workers in Sao Tome and Principe have equal rights as the national within the international framework. Furthermore, the legislation guarantees equal treatment to foreign employees, which the country has a reciprocal treaty. All foreign workers need a work permit license, which gives them the right to work in Sao Tome and Principe territory. The country is a full member of the Economic Community of the Central Africa States (ECCAS) and the bloc adopted in 1993 a Protocol on Freedom of Movement and Right of Establishment of Nationals of Member States. It includes provision for the freedom of movement, residence, and establishment for all citizens in the ECCAS region. The protocol was amended in June 2000 to fast track free movement of people with the view to be fully effective in 2005 but it has failed to be implemented. In fact, only four CEMAC member states, Cameroon, Chad, Congo, and the Democratic Republic of Congo have free movement of people in effect. The main reason for the slow implementation of the protocol evoked by authorities is the security measures. Therefore, most countries request visas from fellow ECCAS members states to enter their country. However, the country introduced an electronic visa in 2012 allowing for most european countries

to travel visa free to the island and 7 African countries. STP stands scores 0.1323 and ranks 44th out of 54 countries in the 2022 Africa Visa Openness Index. According to the same report, 46 African countries requires visa to enter to Sao Tome and Principe. The visa requirement is an impediment to more regional integration and free trade area. Moreover, these countries require also a work permit for citizens of ECCAS countries to seek employment. Therefore, the movement of people and the right to establish and work is very limited for citizens of the region or any other. According to the 2019 Regional Integration Index (RII), São Tomé and Príncipe overall scored 0.388 out of 1 on the free movement of people and ranked in 34th place out of 5431 surveyed countries. The country's overall regional integration scores stood at 0.323 and ranked 26th out of 54 surveyed countries. In the ECCAS region, the country ranks 6th out of 11 countries on the free movement of people with a 0.473 score out of 1. However, around 200 foreign nationalities can obtain visa on arrivals, including Africa nationals. The country rectified the Africa Continental Free Trade Agreement (AfCFTA) ractified the agreement on 28th May 2019, which includes the free movement of people. According to the UNCTAD World Investment Report 2023, Sao Tome and Principe had an investment flow of USD 127 million in 2022 an increase from USD 14 million in 2021. The country has some oil exploration and tourism investments from foreign investors, which employs a number of national and international staff. In 2022 Portugal has rectified a law to facilitate the movement of people in the Portuguese Speaking Countries Community (CPLP), which has created a movement of people to Portugal. In 2020, Angola, a close trading and cultural ties country to Sao Tome and Principe, eliminated the need for VISA for all Santomean. Sao Tome and Principe has one of most open border in the continent allow for ease movement of people. The country challenges to integration is the lack of infrastructure to facilitate trade and movement of people. STP lacks adequate ports and airports to trade with the countries in the region. In terms of business environment and right to establish a business in the country, the policies are also quite open to most investors and allows for any foreign to establish a business without discrimination. Likewise according to labour code N.6/2019 of 16 November 2018, the law allows for a foreign to settle in the country for work as longer they can they have a work contract. According to the latest World Bank's 2020 Doing Business Report, STP's rank stood at 170 out of 190 countries and a score of 45 out of 100. the country scored 20 out of 100 and ranked 179 out 190 on protecting minority investors. According to the United States Department of State 2023 Investment Climate Statement, STP has taken positive steps over the last decade to improve its investment climate and to make the country a more attractive destination for FDI, including by working to combat corruption and create an open and transparent business environment.

18.b. Regional financial integration

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

STP's financial sector is underdeveloped compared to other countries in sub-Saharan Africa, and efforts are underway to deepen it. In 2018 the financial sector comprised six commercial banks and two insurance firms. Since then, two commercial banks have ceased operations and only four of them remain

in the market, mostly owned by foreign shareholders. The Central Bank of STP (BCSTP) supervises the national financial system. Among other responsibilities, the BCSTP sells hard currencies to the financial market and set reference interest rates. The dobra (STD) is the country's national currency, which is pegged to the Euro under an agreement with Portugal. The banking sector of STP is dominated by foreign banks, most of which, are from Portugal. In May 2021, the government modernized its payment system with the introduction of payment platforms for VISA and MasterCard. However, the MasterCard service is not yet full operational due to some system issues. STP is in monetary partnership with Portugal and has generally complied with the criteria. STP year on year inflation rate pick up moving from 9.5% in the end 2021 to 25.2% in the end of 2022. Inflation stands stood at 25.3% in June 2023 due to the COVID-19 pandemic impact and Russia's Invasion to Ukraine. It is clear that the country is vulnerable to international trade shocks and financing. STP has become the latest country to accede to the Fund for Export Development in Africa (FEDA), the development impact-focused subsidiary of the African Export-Import Bank (Afreximbank). The Financial Inclusion Rate in STP is 0.24, which corresponds to the lowest level of financial inclusion, according to the AFI classification in 2021. This indicates the need for the widespread of financial services across STP. The country has very few currency swap agreement with regional countries to allow people and business to trade in their local currency. The widely acceptable currency in the country is the Euro and United State Dolars. Some African currencies such as ECOWAS CFA, Central Africa CFA and Angola Kwanza is only accepted in the informal market due to high level of informal trade between countries that belong to these economic zones. According to the 2019 Regional Integration Index(RII) report, STP scored 0.803 in macroeconomic integration out of 1 and ranked 4th out of 11 economies. The World Bank's data show that the country's financial sector assets represented only 37.2% of its GDP in 2019, while the regional average was 107.6%. This indicated a low level of financial intermediation and inclusion in STP, reflecting various constraints such as a small domestic market, and limited financial infrastructure. Most financial transactions are taxed and charged a fee, which makes international or regional transactions expensive for most people. Moreover, the regional transactions are mostly executed by international intermediaries based in Europe. Furthermore, the limited use of international credit cards in the country posed a challenge for the tourism industry. To respond to these challenges, BCSTP approved its strategy covering the 2021-2024 period anchored on four pillars, namely: (i) Efficient Monetary Policy and Sustainable Exchange Rate Regime, (ii) Modern and Solid Financial System, (iii) Finance Literacy and Inclusion, (iv) Strengthening Institutional Capacity and Internal Management. BCSTP is in the process to improve the national switch as part of its efforts to modernize and strengthen the country's payment system infrastructure. This is seen as a key priority in order to promote interoperability between different payment systems, reduce transaction costs, and increase the efficiency and security of electronic payments.

Sao Tome and Principe has limited financial integration with regional countries members. The country is not a member of the Central Africa Economic and Monetary Community (CEMAC), which is made of six central Africa states, namely: Gabon, Cameroon, Central Africa Republic (CAR), Chad, Congo, and Equatorial Guinea. CEMAC aims to establish an economic and monetary union to facilitate the movement of people and trade. The treaty that created CEMAC was signed in 1994 in Jamena, Chad, and only rectified in 1999. The Monetary Union (UMAC) constitutes the main instrument to which the community through the Central African States Bank (BEAC) implements its monetary policy. Its headquarters is in Cameroon and issues Central African CFA franc, which is valid in all six countries. The BEAC's main responsibility is to manage the region's monetary policy, issue currency, drive the exchange rate, manage the foreign reserves and facilitate payments and settlement systems. The CFA exchange rate is pegged to the Euro. The community central bank is also pushing for macroeconomic convergence and monitoring mechanisms. Moreover, the community has also adopted a common external tariff, customs union, combined indirect taxation regulations, and initiated structural and sector policies. By not being a member of CEMAC, the country has is unable to trade freely with other members state. Instead, Sao Tome and Principe has a monetary agreement with Portugal, which pegs its national currency to the Euro. Under the commitment, STP is required to keep the inflation rate within single-digit and foreign reserves of at least three months of import cover. However, due to COVID-19 challenges, the inflation rate has been rising

from 7.7% in 2019 to 9.36% in 2020 posing a risk to an agreement. The inflation hike was driven by shortages of food and other essential goods. Sao Tome and Principe could if integrated into CEMAC take advantage of a market made up of 37 million people.

According to the 2019 Regional Integration Index(RII) report, STP scored 0.803 in macroeconomic integration out of 1 and ranked 4th out of 11 economies.