

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

**INTERIM COUNTRY STRATEGY PAPER
2010-2011**

**Regional Department, West 2 (ORWB)
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Currency Unit: Dobra (STD)

UA 1 = USD 1.4789
UA 1 = EUR 1.20520
UA 1 = STD 28,352

Fiscal Year

1 January - 31 December

ADB	: African Development Bank
ADF	: African Development Fund
ADI	: Indépendant d'action Démocratique (Independent Democratic Action)
AFCR	: Africa Food Crisis Response
ANP-STP	: National Petroleum Agency
AWF	: African Water Facility
BISTP	: International Bank of Sao Tome and Principe
BPW	: Building and Public Works
CCGA	: Aid Coordination and Management Agency
CEMAC	: Economic and Monetary Community of Central Africa
CMA-CGM	: Compagnie Maritime d'Affrètement-Compagnie Générale Maritime (French Shipping Line)
CPIA	: Country Policy and Institutional Assessment
CPO	: Country Programme Officer
CSP	: Country Strategy Paper
DRSTP	: Democratic Republic of Sao Tome and Principe
ECCAS	: Economic Community of Central African States
ECF	: Extended Credit Facility
EEZ	: Exclusive Economic Zone
EITI	: Extractive Industries Transparency Initiative
EU	: European Union
FDI	: Foreign Direct Investment
FSF	: Fragile States Facility
GEF	: Global Environment Fund
GDP	: Gross Domestic Product
HDI	: Human Development Index
HIPC	: Heavily Indebted Poor Countries
HRDP	: Human Resource Development Project
ICAO	: International Civil Aviation Organisation
IMF	: International Monetary Fund
JDA	: Joint Development Authority
JDZ	: Joint Development Zone
KAP	: Knowledge, Attitude and Practice
LDC	: Least Developed Countries
LDP	: Livestock Development Project
MDFC	: Mouvement Démocratique des Forces du Changements (Force for Change Democratic Movement)
MDFM-PL	: Mouvement Démocratique de Forces du Changement-Parti Libéral (Force for Change Democratic Movement-Liberal Party)
MDG	: Millennium Development Goals

MLSTP-PSD	:	Mouvement de Libération de Sao Tome et Principe-Parti social démocrate (Sao Tome and Principe Liberation Movement-Social Democratic Party)
NGO	:	Non-Governmental Organisation
NHDP	:	National Health Development Plan
NPO	:	National Programme Office
ODA	:	Official Development Assistance
ORP	:	Poverty Reduction Observatory
PAP	:	Priority Action Plans
PCD-GR	:	Democratic Convergence Party -Reflection Group
PCR	:	Project Completion Report
PEFA	:	Public Expenditure and Financial Accountability
PRGF	:	Poverty Reduction and Growth Facility
PRGSP	:	Poverty Reduction and Growth Strategy Paper
PRIASA	:	Infrastructure Rehabilitation for Food Security Support Project
SAFE	:	Sistema de Administração Financeira do Estado (Integrated System for Central Government Financial Administration)
SIS	:	Small Island State
TFP	:	Technical and Financial Partners
UA	:	Unit of Account
UNDP	:	United Nations Development Programme
WB	:	World Bank
WTO	:	World Trade Organisation

Executive Summary

1. **Introduction.** Sao Tome and Principe's current strategic framework is the 2002-2015 Poverty Reduction Strategy Paper (PRSP). It will, however, be replaced in 2011, before its completion, by a new strategic framework which takes into account the new vision for the country's economic transformation into a services hub for the region. In order to ensure the smoothest possible adaptation to this transitional phase heralding a fundamental change in the country's strategic framework, Bank assistance over the 2010-2011 period will be in the form of a two-pronged Interim Strategy Paper (I-CSP). Indeed, in addition to its intrinsic project-driven objectives, the I-CSP will serve as a lever for a more comprehensive strategy for the 2010-2016 period, and is underpinned by activities that will prepare the way for this future strategy. This underpins the operational blending of projects and a cluster of activities targeting studies, project identification, business law and the statistical system.

2. **Political Context.** The democratic system of the Republic of Sao Tome and Principe is marked by the regular holding of general elections and the advent of a culture of political alternation. This political process has, however, been marred by considerable government instability, which has undermined the smooth functioning of the State.

3. **Economic Context.** From a macro-economic performance standpoint, the global economic and financial crisis has impacted negatively on the national economy: the decline in budget support and drop in foreign direct investment have led to a slowdown in economic growth, thus putting a severe strain on the key internal and external balances. The real GDP growth rate in 2009 was 4%, compared to an average of 6% for the 2005-2008 period, while the inflation rate fell from 24.8% in 2008 to 16% in 2009. The public finance situation was characterised by a worsening of the primary deficit from 7.4% of GDP in 2008 to 8.2% of GDP in 2009 (compared to a forecast 4.5% of GDP), as a result of weak budget resource mobilisation and exceeding of the quantitative indicators of government spending. Regarding the country's external position, the overall balance of payments registered a deficit of USD 3.3 million in 2009, mainly funded from official reserves, compared to a surplus of USD 19.2 billion in 2008.

4. **State Reforms and Good Governance.** The Government has made great strides in implementing structural reforms, especially those relating to improvement of the public finance management system framework and performance. In this respect, the competent authorities have, among others, adopted the following major legal texts and measures: Law on the State Financial Administration System; Law on the Public Procurement Code; installation of an integrated computerised public finance management system; adoption of a new investment code and the creation of a one-stop-shop. All these efforts culminated in the conclusion of two IMF-supported programmes backed by formal agreements, and the reaching of the HIPCII completion point, thereby easing the heavy financial constraints on the country's economy. However, efforts are required to enhance the efficiency of public institutions, improve the credibility, exhaustiveness and transparency of the budget, and strengthen budget execution and control procedures.

5. **Social Context.** Sound performance in growth and structural reforms has not led to any significant improvement in the living conditions of the DRSTP's population: the HDI remained constant throughout the 1990 and 2000 decades. However, the DRSTP is on the way to achieving the MDGs of universal primary education with a primary education enrolment rate of 130.2% and combating malaria, AIDS and tuberculosis, in particular by reducing the prevalence of malaria and the related mortality rate of 5%, thus relegating this pandemic from the first to fourth leading cause of death in the country. Furthermore, the maternal and infant mortality rates have improved significantly, but will not meet the indicators set for 2015.

6. **Key Problems of the Economy and Development Opportunities.** The DRSTP is faced with geographic and economic constraints that undermine its social and economic development. The first concerns its insularity, combined with weak infrastructure development: the structural costs are very high and impact the competitiveness of all sectors of the economy. This is followed by economic vulnerability due to low capacity to respond to external shocks, narrowness of the domestic market, and lastly insufficient human resource capacity. To overcome these constraints, the authorities have refocused their overall future development strategy on tourism potential and the new agricultural policy as sources of growth, the use of the country's geostrategic position to transform it into a services hub for the region and the promotion of good governance, especially in oil revenue management. However, oil production will only start after 2015.

7. **Bank Group Assistance Strategy.** In order to adapt as smoothly as possible to the current transitional phase heralding a fundamental change in the country's strategic framework, the Bank's assistance over the 2010-2011 period will be in the form of an Interim Strategy Paper. This I-CSP draws on the Government's 2002-2015 CSP and on its 2009-2011 Programme backed by an IMF Extended Credit Facility (ECF). It is also underpinned by the Bank's policy of enhanced engagement in Fragile States (FSF). By bringing into play the FSF and other crosscutting facilities (GEF, Climate Change, etc.), the I-CSP seeks to increase resource flows to this country. In light of the foregoing, and the existing country allocation amount (UA 5 million), Bank operations will be consistent with the following two pillars:

- i) *Public Administration Capacity Building:* the overall objective sought is the continuing improvement of the macroeconomic management framework and performance as well as the strategic planning system. Under Window III of the FSF, it is planned to allocate a total financial package of UA 2.5 million entirely earmarked for this pillar; and
- ii) *Food Security Support:* the objective is to help strengthen food security through the development of basic rural economic infrastructure. This pillar comprises a single operation, the Infrastructure Rehabilitation for Food Security Support Project (PRIASA) amounting to UA 5 million.

8. Despite the short timeframe, a participatory approach was adopted in preparing the I-CSP, through consultations with the highest authorities, the administration, development partners, the United Nations System, the European Union and bilateral partners (Portugal and Brazil). Other stakeholders were members of civil society (private sector, youth associations and the Federation of NGOs). Their participation will continue to be sought during the dialogue mission.

9. The Boards are invited to consider and approve the Bank Group's Interim Country Strategy Paper for the 2010-2011 period.

I. INTRODUCTION

1. The Democratic Republic of Sao Tome and Principe (DRSTP) is a Small Island State (PEI) situated on the Equator off the coast of West Africa. It is an LDC, but with oil production prospects.

2. The country's current strategic framework is the 2002-2015 Poverty Reduction Strategy Paper (PRSP). Although this document remains the official reference, the Government has announced that it has initiated the preparation of a new PRSP that will take into account the new vision for the country's economic transformation into a services hub for the region. The new PRSP will be finalized in 2011. Therefore, the current PRSP will not be pursued to completion. As such, the country's strategic framework is in a transitional phase heralding a fundamental change.

3. In light of the foregoing, Bank assistance over the 2010-2011 period will be in the form of a two-pronged Interim Country Strategy Paper (I-CSP): on the one hand, to address the transitional situation and, on the other, to serve as a lever for a more comprehensive Bank strategy as from 2012. In laying the groundwork, the I-CSP not only attaches increased importance to projects, but also to a cluster of activities focused on studies, project identification, business law, the budget framework and the statistical system.

4. This I-CSP is aligned with the Government's 2002-2015 PRSP, and draws on the Government's 2009-2011 Programme backed by an IMF Extended Credit Facility (ECF). A participatory approach was adopted in its preparation, through consultations with the highest authorities, development partners, civil society and the private sector.

II. CONTEXT AND PROSPECTS

2.1 Political, Economic and Social Context

Political Context

5. **History of the Multi-Party System and Political Alternation ...** In thirty-five years of independence, the DRSTP has shifted from a one-party, socialist-inspired system to a liberal multi-party system. The democratic game has been fairly intense and marked with changes in political power, even though the high frequency of such changes almost led to the breakdown of political governance. Thus, the electoral milestones are: (i) accession of the main opposition party, the Democratic Convergence Party – Reflection Group (PCD-GR) to power in March 1991; then (ii) the return to the helm of the Sao Tome and Principe Liberation Movement – Social Democratic Party (MLSTP-PSD) in July 1994; (iii) from 1996 to 2002, cohabitation between a President from the ranks of the PCD-GR and a parliament dominated by the MLSTP-PSD; and (iv) the very stormy return of the PCD-GR from 2006 until 2008. The return of the opposition party following the August 2010 elections is another of these frequent changes in political power. Finally, something which is still rare in Africa, the political class strictly complies with the constitutional provision limiting the number of Presidential terms to two. The next Presidential election slated for 2011 will elect a new Head of the Executive, since the outgoing President cannot stand for re-election after his two successive terms.

Box 1

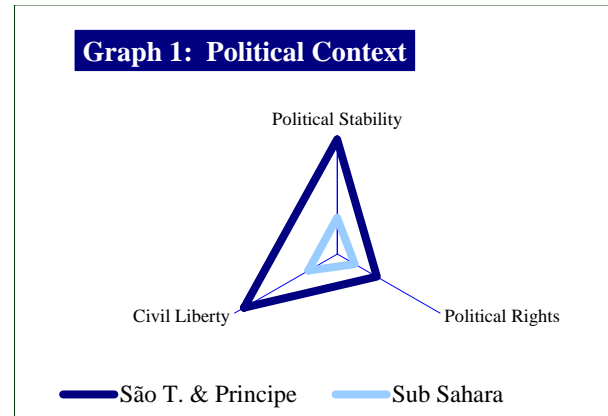
Year	Political Parties	Number of MPs	%
1991	PCD-GR (Democratic Convergence Party - Reflection Group)	33	60
	• MLSTP-PSD	21	38.18
	• CODO	1	01.82
1994	MLSTP-PSD (Movement for the Liberation of Sao Tome, Social Democratic Party)	27	49.09
	• ADI	14	25.45
	• PCD-GR	14	25.45
1998	MLSTP-PSD (Movement for the Liberation of Sao Tome, Social Democratic Party)	31	56.4
	• ADI	16	29.09
	• PCD-GR	8	14.55
2002	MLSTP-PSD (Movement for the Liberation of Sao Tome, Social Democratic Party)	24	43.64
	• PCD-GR/MDFM-PL	20	36.36
	• Coalition of Democratic Forces including ADI	11	20.00
2006	PCD-GR/MDFM-PL (Force of Change Democratic Movement)	23	41.82
	• MLSTP-PSD (Movement for the Liberation of Sao Tome, Social Democratic Party)	20	36.36
	• ADI	11	20.00
	• Novo Rumo	1	01.82
2010	ADI	26	47.27
	• MLSTP-PSD	21	38.18
	• PCD-GR	7	12.73
	• MDFM-PL	1	01.82

Observation :
 1995 and 2003 – Military and restoration of constitutional order under international pressure. In 2008, MDFM withdrew from the Government
 The Government with Mr. Rafael Branco of the MLSTP-PSD as Prime Minister ran the country in a coalition of the MLSTP-PSD/PCD-GR, until the end of the term, with the election which has just been held.

6. ...Punctuated with Crises. The political scene was not spared periods of tension with frequent changes of government (13 Prime ministers between 1991 and 2010), which almost paralysed political governance. These troubles culminated in attempted military coups d'état (August 1995 and July 2003), which led to a breakdown in constitutional order. However, constitutional order was rapidly restored under pressure from the international community. In the wake of the disturbances from 2006-2008, there was a period of relative stability under the last government (July 2008) backed by a broad-based coalition of the MLSTP-PSD, MDFM-PL (Force of Change Democratic Movement – Liberal Party) and PCD-GR parties with a majority of 43 out of the 55 seats in parliament. The 2009 Freedom House Report ranked the DRSTP in sixth position in Africa in terms of civil liberties and political rights, with scores far above the averages for Sub-Saharan Africa. (Figure 1).

7. The fragility of institutions and government instability count as the childhood diseases of democracy in Sao Tome and Principe. One of the factors of instability lies in the volatility of the coalitions of the main political parties. This volatility is itself the result of the method of proportional

representation. Finally, the hybrid system (coexistence of a Head of State and a Prime Minister appointed from the ranks of the parliamentary majority) is also *à priori* one of the causes in this emerging democratic environment.



Source: ADB Statistics Department, 2009

The promised revision of the Constitution should confirm the transition from proportional to majority representation to foster bipolarity and stability.

Economic Context

8. Sao Tome and Principe is an SIS and the second smallest State in Africa in terms of area (1,000 km²) and population (165,000 inh.). It is classified as a 'remote and independent' SIS according to international nomenclature (Box 2). The country inherited an agricultural economy traditionally dependent on cocoa exports, and more recently tourism receipts. Though still a typical LDC, the country does, however, have oil production prospects, significant agricultural and tourism potential, and a biodiversity capital. It nurtures the ambition of transforming itself into a sub-regional services hub. To take advantage of these assets and to emerge, it will have to take up the challenge of its vulnerabilities¹. Lastly, the country has re-engaged with the IMF (ECF) since early 2009.

¹ These concern weak institutional capacity, food insecurity, dependence on international aid (80%) and vulnerability to external shocks.

Box 2: Study on the Cost of Insularity in Sao Tome and Principe and SIS

The study was conducted by the Bank in 2009 on Portuguese financing. It reveals major constraints on SIS: remoteness, small population, few natural resources, little diversification, high transport and input costs, problems of economies of scale and access to external markets.

There are four SIS economic systems established according to criteria such as periphericity, size and structure of the economy: remote, peripheral, dependent and central. According to this typology, STP would be a mixed system, i.e. remote and dependent. Examples of success (Mauritius, Seychelles, Cape-Verde) are based on: (i) concentration of exports on competitive sectors, which reduces the size constraint; (ii) access to external markets; (iii) good governance and political stability; (iv) opening up to foreign capital; (v) integration into the international market; and (v) resource development.

For Sao Tome and Principe, the additional cost factors analyzed were transport (maritime and air), energy, telecommunications and the internal goods and services distribution mechanisms. For these four factors (maritime transport, air transport, energy and telecommunications), the additional costs generated represent about USD 24.5 million per year, i.e. 13.9% of GDP. Priority investment projects and programmes for this new PRSP have been identified. They include construction of the deep-water port (DWP), rehabilitation of road infrastructure, rehabilitation of the airport or modernisation of the energy sector and upgrading of the telecommunications network. Furthermore, the distribution of goods and services at local level is also subject to insularity-related additional costs, in particular inter-island transport, limited number of deliveries and domestic transport-related costs (state of the road network, car repairs). High distribution costs are also related to the overall inefficiency of the economy and not only to insularity.

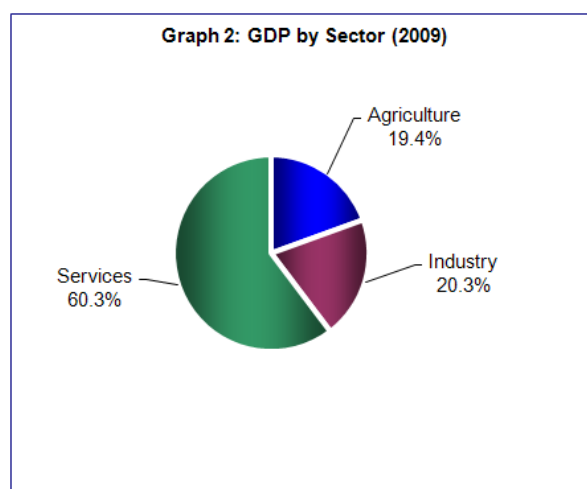
In addition to infrastructure, the priority areas for reducing the remoteness and vulnerability of Sao Tome and Principe are specializations in export sectors such as tourism, niche agriculture, and transshipment services. Regional integration is also a fundamental challenge. To that end, capacity building and links (political, economic and cultural) with the countries of the region are essential.

Growth

9. **Global Financial Crisis and Slowdown in Growth.** The impact of the crisis on FDI and tourist flows has led to a slowdown in economic growth. The real GDP growth rate in 2009 was 4% compared to an annual average of 6% between 2005 and 2008. This trend was the result of a slowdown in the activities of the construction and trade sectors in the wake of the fall in domestic spending related to the sharp drop in FDI (-74.7%). Nevertheless, the ongoing hotel infrastructure development projects and public investment (roads and social sector projects) have mitigated the negative impact of the crisis. In 2009, the inflation rate had fallen to 16% compared to rates of between 25% and 27% for the 2006-2008 period, largely reflecting the dual global energy and food crisis.

Key Growth Drivers

10. Over the 2005-2009 period, growth was mainly driven by the tertiary sector and, to a lesser extent, by the secondary sector. Indeed, the services sector - a source of income and livelihood for almost 50% of the work force - accounted for 60.3% of GDP in 2009. (Graph 2). FDI flows, related to oil exploration and the development of hotel infrastructure, have considerably revitalised tourism activities and had a knock-on effect on trade.

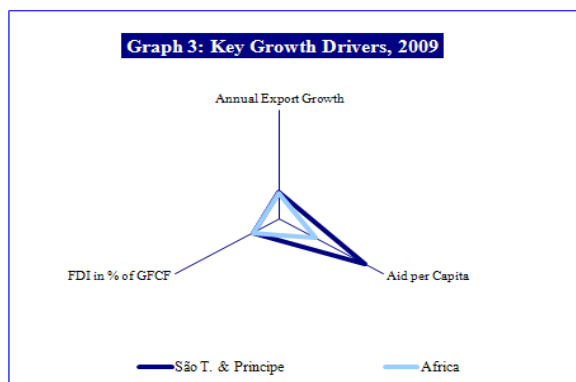


Source: ADB Statistics Department, 2009

11. Development of the secondary sector, which represented 20.3% of GDP and employed 20% of the workforce in 2009, has been marked by the buoyancy of the BPW sector, in particular, the road rehabilitation, maintenance and construction projects as well as tourism infrastructure and real estate construction projects. Had there been no port structural constraints, the sector's contribution to growth would have been higher. The obsolescence of the country's main port (built in the colonial era) impedes project implementation, in particular BPW projects.

12. The primary sector only contributes 19.4% to national wealth and barely employs 30% of the workforce. Despite the fishery and agricultural resources potential, this reflects the steady decline in the performance of the cocoa sub-sector which, in terms of volume and prices, has difficulty in withstanding

competition from the other very big producers.² According to recent studies, this sector's contribution to growth has been negative in recent years³. (Graph 3).



Source: ADB Statistics Department, 2009

13. From a demand standpoint, growth was mainly boosted by investments under the impetus of its dual private and public sector component, thanks to infrastructure construction works in the roads and social sectors implemented under the public investment programme and FDI related to oil exploration and tourism. ODA (Official Development Assistance)/inh. in DRSTP is over twice the Sub-Saharan African average (Graph 3). Indeed, FDI and ODA had reached 44.51% of GDP in 2008. In particular, the public component of public expenditure also contributed positively to growth through higher current expenditure, especially on salaries and the procurement of goods and services which increased by almost 150% and 200%, respectively, between 2005 and 2009.

Medium-Term Prospects

14. In 2010, work is expected to start on construction of the deep water transshipment port at Fernão Dias, cornerstone of the regional services hub, following a one-year postponement by the main private investor⁴, due to the global financial crisis. Work could also begin on the construction of a fuel supply port at Neves⁵ in 2010. The construction of

² Such as Cote d'Ivoire and Ghana.

³ Study on Growth Sources in DRSTP, Kalamogo, Coulibaly (2009).

⁴ Terminalink, subsidiary of the French group CMA-CGM

⁵ Financed by the Angolan company SONANGOL

two new luxury hotels⁶ should be completed in 2010. These projects and related activities as well as the bonuses and FDI related to oil exploration should be the main growth drivers in 2010 and 2011.

15. Between 2010 and 2012, overall economic activity is expected to recover gradually. This should increase the real GDP growth rate to 4.5% before settling at 6% in 2012, i.e. the pre-crisis level. This trend will be largely due to the combined effects of the steady resumption of FDI (+215%), recovery of the tourism sector (+48%) and ongoing public expenditure commitments, boosted by oil signature bonuses. Inflation is projected to drop significantly to 9% in 2010 and 6% in 2011, related to the necessary tightening of fiscal and monetary policy in the wake of the adoption of a fixed exchange rate regime pegging the Dobra to the Euro.

Macroeconomic Management

16. **International Financial Crisis and Severe Strain on the Major Economic Balances** (Graph 4). With regard to public finance, execution of central government's financial operations shows a steady improvement in the key budget balances, but is interrupted by the impact of the global financial crisis, especially at the budget resource mobilization level. Thus, the primary deficit narrowed from 10.7% of GDP in 2006 to 7.4% of GDP in 2008, before widening again to 8.2% of GDP in 2009, i.e. 182% of the level of the programme estimates (or +3.7% of GDP). This is due, among others, to: (i) insufficient mobilisation of budget support (less than 30% of estimated amounts) and lower taxes on international transactions as a result of the crisis and the tax exemption policy implemented as part of the first annual instalment of the IMF-backed programme; and (ii) exceeding the quantitative indicators related to the public expenditure trend because of budget incentives in support of consumption-propelled growth, particularly a 24.5% increase in the wage bill. This situation has compelled the Government to draw on the 'privatisation revenue' account.

⁶ LAICO (Libyan African Investment Company)

17. It is planned to reduce the primary budget deficit from 8.2% of GDP in 2009 to 3.7% of GDP in 2011. This public finance situation is expected to result from the buoyancy of tax revenue, which is expected to increase by 20% per year, an increase in oil exploration-related revenue and control of primary public expenditure, stabilised at a nominal value for 2010 and in real terms with a 10% increase in 2011.

18. Regarding the country's **external position**, the deficit on current account transactions narrowed from 37.1% of GDP in 2008 to 27.5% of GDP in 2009. This was mainly due to official transfers (+32.6%) and secondarily to an improvement in the trade balance in GDP terms, under the contrasting impacts of a sharp increase in cocoa exports (+22.7%) and a downturn in imports attributable to a fall in the oil import bill (-33.5%) and imported capital goods (postponement of private investment projects). Net capital inflows from abroad have only partially offset the current deficit; the overall balance of payments deficit was USD 3.3 billion in 2009, financed from official reserves, compared to a surplus of USD 19.2 billion in 2008.

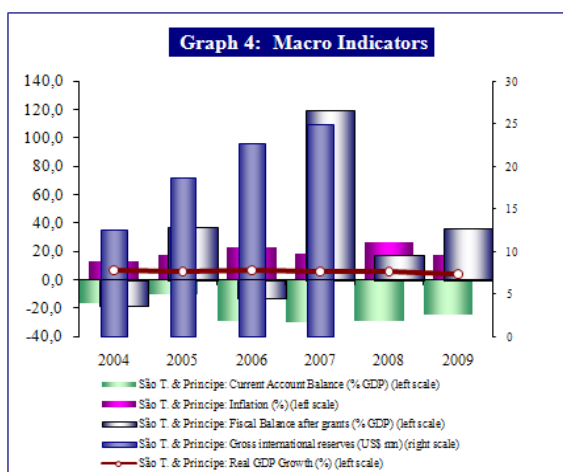
19. The external current account deficit is expected to widen to 35.9% of GDP in 2011 compared to 27.5% of GDP in 2009, because of the anticipated sharp increase in imports as a result of FDI and development projects slated for 2010 and 2011. However, exports

are expected to improve with the revival of tourism sector activities and strengthening of the means of production for cash crops, especially organic cocoa and palm oil. In nominal value, the overall deficit is expected to stabilise at almost USD 3.5 billion, to be covered by international reserves which will average nearly 5.5 months of imports for the 2010-2011 period.

20. In 2009, the **monetary situation** was marked by the conclusion of an Agreement with Portugal concerning a fixed exchange rate regime pegging the Dobra to the Euro and the opening of a Euro 25 million line of credit to maintain monetary stability. In this connection, the monetary authorities have succeeded in creating conditions for putting in place this monetary arrangement by: (i) bringing down inflation, controlling the level of liquidity in the economy (foreign exchange auctions, placing a ceiling on monetary financing of budget deficits from 'oil revenue' and 'privatisation revenue' accounts, etc); and (ii) stabilizing the level of official reserves. Thus since early 2010, the exchange rate has been pegged at 24,500 Dobra to one Euro (EUR). The Central Bank is implementing measures to support the pegging of the Dobra to the Euro and to consolidate its financial oversight role.

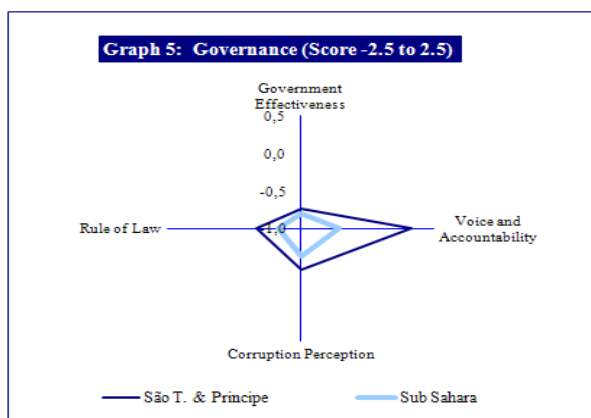
Governance

21. With regard to governance, progress has been made. Although stormy, the political game is being played in strict compliance with a Constitution establishing a secular and democratic State, and freedoms (human rights, freedom of the press, etc.) that are effectively guaranteed by the Basic Law. However, the combined effect of government instability and weak capacity constitute constraints on the smooth functioning of institutions. The DRSTP has a 'Rule of law, transparency and corruption' index slightly higher than the one for all Sub-Saharan African countries (Graph 5).



Source: ADB Statistics Department, March 2010

22. The Government has embarked upon reforms to improve the framework and performance of the public finance management system. These reforms are fully consistent with more modern and reassuring rules for the preparation, adoption, execution and control of the central government budget, while more clearly defining the responsibilities of the State's financial actors. In this respect, important legal texts have been adopted and measures implemented: the SAFE (Integrated System for Central Government Financial Administration) or Organic Law on Budget Laws; Law establishing the Court of Auditors; Law on the Public Procurement Code; Framework Law on Oil Resource Management and subsequent related texts (Box 3) as well as admission of the DRSTP as a candidate for adherence to the Extractive Industries Transparency Initiative (EITI), in the expectation of a favourable response. It should however be noted that oil production is expected to start beyond 2015.



Source: ADB Statistics Department, 2010

23. The conclusions and recommendations of the last PEFA exercise carried out in September 2009 reflect the scale of the weaknesses to be eliminated at all levels of the budget: lack of budget credibility, exhaustiveness and transparency, weaknesses in internal controls and budget execution, virtual absence of external control. Following this exercise, the Government designed a budget reform action plan which takes up the main conclusions and recommendations of these audits, and has undertaken to implement it with a view to enhancing the effectiveness of public administration under its 2009-2011

Programme. In 2007, the DRSTP reached the HIPC Initiative Completion Point, thereby cancelling over 90% of its multilateral external debt. To consolidate this outcome, the authorities are preparing a legislative framework intended to improve public debt management.

24. The country has ratified the United Nations Convention against Corruption. However, there is no anti-corruption strategy or specific law on the subject, or an institution responsible for the issue at the national level. In conclusion, further efforts are required to enhance the effectiveness of public institutions, in particular the budgetary system.

Box 3: Oil Resource Management

- Framework Law 4/2000 on the status of oil activity
- Decree-Law 3/2004 on the National Petroleum Council
- Decree-Law 5/2004 on the National Petroleum Agency
- Framework-Law 8/2004 on oil revenue

- The Joint Operating Zone (JDZ) is managed by the Joint Development Authority (JDA) and the related agreements make provision for Nigeria and the DRSTP to respectively receive 60% and 40% of oil revenue.

- Management of the Exclusive Economic Zone (EEZ) was entrusted to the National Petroleum Agency (ANP-STP). The latter prepared and issued the first EEZ bidding documents in 2010.

- Oil Resource Management Mechanisms

The legal and institutional framework includes the following provisions:

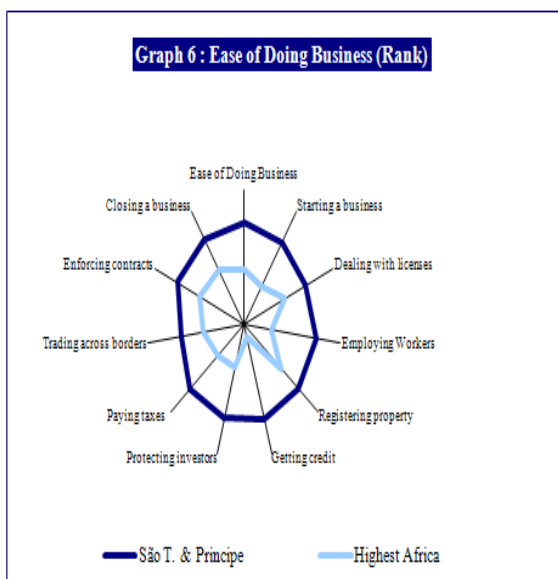
- (i) Centralisation of all oil revenue in a special account opened with the United States of America Federal Reserve;
- (ii) Transparent use of oil resources, part of which will be allocated to the State budget as fungible funds (unallocated resources) and the other part invested for future generations;
- (iii) Draw-downs from the special account shall require a prior authorization of Parliament under the initial budget law as a source of financing budget balance; and
- (iv) Transfer requests require the signatures of both the President and Prime Minister.

Business Climate and Competitiveness

25. Since 1977, the Authorities have implemented reforms to strengthen the legal and regulatory framework governing economic activities, with a view to creating an enabling environment for economic growth and job creation. These measures concern: (i) the adoption of a new, more attractive investment

code, providing benefits to all investors, especially facilitation of procedures for obtaining permits and licenses; (ii) a reduction in corporate tax from 45% to 25%; (iii) establishment of a one-stop-shop to shorten the time taken to start up a business; and (iv) reformulation of the basic texts of the judicial system (status of magistrates, Organic Law on the Office of the Public Prosecutor, etc.). Furthermore, the banking system has become more dense, increasing the number of banking establishments to seven, the oldest (International Bank of Sao Tome & Principe - BISTP) of which manages two thirds of bank credits and deposits, while the six others have limited activity in expectation of the oil boom.

26. Although necessary, all these reforms are insufficient since their effectiveness is diminished by structural weaknesses, namely: (i) lack of development and obsolescence of basic infrastructure, particularly the seaport and public utility services (water, electricity, telecommunications, etc.); (ii) weak public administration capacity and red-tape surrounding starting a business and employment regulations; (iii) an inadequate judicial system suffering quantitative and qualitative weaknesses (coverage of commercial aspects) in terms of legal personnel and lack of material and financial resources allocated to law enforcement.

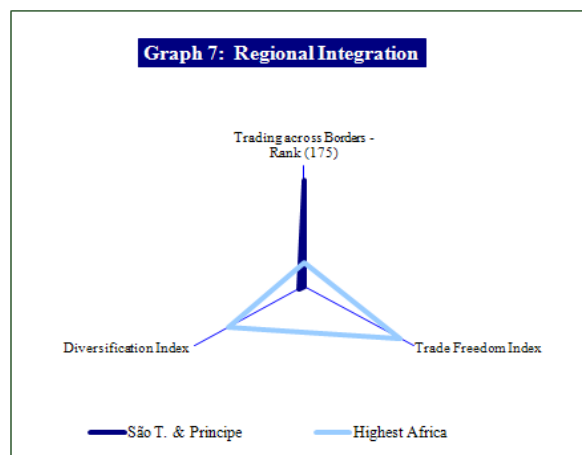


Source: ADB Statistics Department using WB Doing Business 2010 Data

27. In addition, the combined effect of insularity and additional costs generated by a deterioration in the country’s interface with the outside world (transport, telecommunications, energy, etc.) constitute major obstacles for turning the country’s comparative advantages into competitive advantages. Thus, the country’s business climate score remains well below the average for Sub-Saharan Africa as shown in Graph 6 above. The DRSTP’s ranking (180th out of 183 countries) in the World Bank’s Doing Business 2010 Report only confirms this *de facto* situation.

Regional Integration and Trade

28. Sao Tome and Principe is a member of the Economic Community of Central African States (ECCAS) and has observer status in the Economic and Monetary Community for Central Africa (CEMAC). The EU remains its main trading partner: virtually all exports (90%) are intended for Portugal and a second group of European countries (40%) comprising the Netherlands, Belgium and France. Over 60% of imports originate from Portugal. However, a few African countries have preferred positions such as Angola, which is placed just behind Portugal with 22 %



Source: ADB Statistics Department using ADB/UNDP 2009 data.

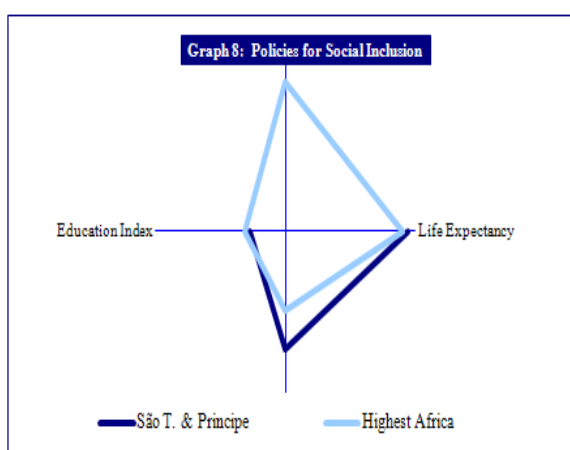
of imports, and Gabon and Nigeria with a little over 3% each (higher rates than for ECCAS, where intra-community trade represents about 2% of the Zone’s total trade). However,

regarding cross-border trade, the DRSTP is ranked 88th out of 175 countries (Graph 7).

29. To ensure the success of its new vision of transforming the country into a services hub for the region, the issue of its integration into the regional economy has become a major challenge (insertion into the common market by establishing and harmonizing customs regulations, adjusting general and sector policies, etc.). Other initiatives taken by the country for its insertion into the global economy are its application for WTO membership and the conclusion of a regional partnership agreement with the EU. In this area, little progress has been made in view of problems relating to certification and plant protection standards required by the world market.

Social Context and MDGs

30. The DRSTP is one of the Least Developed Countries (LDC). According to the 2001 Poverty Profile study, which will be updated latest end 2010, 15.1% of the 54% of the population living below the poverty line, live in extreme poverty (compared to 36% at the end of the 1980s). This is due to a reduction in the supply of social services and lack of infrastructure maintenance. This state of poverty is more pronounced in rural areas (65% against 22% in urban areas).



Source: ADB Statistics Department/ UNDP Data, 2009

In 2009, life expectancy was 65.9 years, compared to an average of 55.7 years for Africa. The HDI of 0.651 points in 2007 - virtually constant over the past ten years - was

above the African average of 0.514 (Graph 8). This score ranked the DRSTP 131st out of 182 countries in 2007. In contrast, the education index is below the African average and could be illustrated by the illiteracy rate of 87.9% in DRSTP, compared to an average of 59.4% in Africa for 2007.

31. The DRSTP is on its way to achieving the MDG of universal primary education with a primary education enrolment rate of 130.2% in 2009. The secondary education enrolment rate is improving but the number of students has levelled off at 38% owing to the high number of dropouts in the course of schooling. However, the key problems of the education sector remain, among which: lack of infrastructure; insufficient teachers with the required scientific and teacher training; lack of school textbooks and teaching aids. The same applies to the MDG for the health sector, combating malaria, AIDS and tuberculosis. Indeed, the infant mortality rate fell from 81.7‰ in 1990 to 71‰ in 2009 compared to an African average of 80‰. The rate for births assisted by qualified medical personnel rose from an average of 52% in 1990-1999 to 80.7% in 2009 compared to 50.2% for the whole of Africa. A fall in the prevalence of malaria has resulted in a mortality rate of 5% for this disease, relegating the pandemic from the first to fourth leading cause of death in the country. This is attributable to the use of treated bed nets and the insecticide spraying and mosquito eradication programme (mosquitoes are the vectors of the parasite).

32. In view of the increase in the HIV/AIDS prevalence rate from 0.5% in 2001 to 1.5% in 2005, a national AIDS control programme has been adopted, the two basic components of which are the distribution of condoms and free supply of antiretroviral drugs. Pregnant women are given preventive combination therapy. However, the main bottlenecks in the health sector are poor coverage and quality of health care services due to under-qualified human resources and the deterioration of infrastructure (buildings, drinking water supply, energy, etc.) and equipment.

Environment and Climate Change

33. The DRSTP has highly diversified wildlife and plant life, which is quite distinct from the rest of the continent. Its biodiversity constitutes a vast untapped capital and

Box 4: Sao Tome & Principe's Environmental Capital

The distance from the African coast (200 km) and hilly topography of the archipelago (situated on the Cameroon volcanic line) have resulted in the development of highly diversified wildlife and plant life which are quite distinct from those of the Continent.

Biodiversity constitutes a vast untapped tourism potential. The equatorial climate explains the existence of abundant water resources. The hot and humid season extends over an average of 9 months, with annual rainfall rising to 7 metres in the highest areas. The water network is radial with over 50, 5 to 27 km rivers with a fall of between 1,000 and 1,500 metres.

The availability of water resources per inhabitant is about 16m³ per day. Intended for human consumption and irrigation, water resources could contribute, among others, to the production of electric power which is cruelly lacking in the country; and thereby lower imports of petroleum derivatives.

The plant cover has a high economic and social value. The 1990 forest inventory estimated the total volume of wood at 16 million m³, of which 11 million were usable; including 70,000 to 100,000 m³ of timber (0.5 m³ per inhabitant/year). The forest is also an important source of fruit, animals and medicinal plants. Because of the forest, the country has an absorption potential of 1500 Bts of CO₂-e, whereas emissions do not exceed 500 Bts of CO₂-e. STP could benefit from this situation, either through the clean development mechanism or obtaining financial resources for forest conservation. Soil fertility and biodiversity facilitate cropping without fertilizers or other chemical products, which is highly conducive to organic production. Organic cocoa production has already begun in both islands in the form of small family farms organized into cooperatives. This cocoa is exported under the fair trade regime.

includes rare, high value resources (medicinal plants, animal species, fishery resources, etc.). A natural wealth and economic asset, this environment has been subject to considerable pressure over the past two decades.

34. Similar to other SIS, Sao Tome and Principe offers models for rapid response to change that could also convey lessons for larger continental countries. Indeed, based on

certain times series⁷, the rising trend of temperatures and simultaneous decline in rainfall shows the DRSTP's vulnerability to climate change. As a small island country, it is directly exposed to the inexorable rise in the sea level, a direct consequence of overall global warming. Uncontrolled forest exploitation, especially for high quality timber and fuel wood, constitutes a factor of vulnerability of wood resources. Coastal areas are subject to highly active erosion due to exploitation of embankments for construction materials (sand, blocks and clay, etc.). This results in deep penetration of the coastline. The extent of such penetration could increase as the sea level rises. Regarding fisheries, the trend of climatic parameters (temperature, sea level, rainfall, maritime currents, etc.) could make fishery resources scarce. The declining trend in the rainfall level will lead to a gradual slowing of the flow rate of rivers and streams (fall in water resource reserves), the fragility of ecosystems⁸ and new conditions for agriculture.

35. In addition, the environmental challenges are closely interlinked with widespread rural poverty. There is a severe lack of material and human resources to protect the particularly rich wildlife and plant life. At any rate, the seventh of the Millennium Development Goals (MDGs) which relates to sustainable development, will not be achieved without the strong determination of the national authorities and increased support of the international community.

2.2 Strategic Options

2.2.1 Country Strategic Framework

36. The reference framework for development policies is the 2002-2015 PRSP, implemented through three-year Priority Action Plans (PAP). The PRSP has the following five

⁷ Time series of Sao Tome Airport from 1951 to 2004 on drought in the north east sector of Sao tome island

⁸ Examination of the floodwater hydrographs at two stations on the River Iô Grande show a clear general downward trend in flows, with sharp inter-year fluctuations in flow rates.

strategic thrusts: (i) reform of public institutions, capacity building and promotion of good governance; (ii) acceleration of economic growth and income redistribution; (iii) creation of opportunities to increase and diversify the incomes of the poor; (iv) development of human resources and improved access to basic social services; and (v) adoption of a monitoring/evaluation mechanism and updating of the strategy.

37. On completion of the second 2006-2008 PAP and given its mixed results, the Government initiated a process for the preparation of a new PRSP to mainstream its new vision for transforming the country's economy into a services hub for the region. This entails design, methodological and operational adjustments to the PRSP which will be finalised in 2011. To this end, the updating of the household and budget consumption survey and the poverty profile is ongoing, even though the process is up against the challenge of the country's capacity. In fact, the country's strategic framework is in abeyance, thereby limiting its medium- and long-term reliability.

38. It is against this backdrop that the authorities are implementing a 2009-2011 programme backed by the IMF ECF, which draws on the strategic thrusts of the 2002-2015 PRSP. The goal of this programme is the continuing improvement of the macroeconomic management framework and performance, in particular the financial stabilisation policies. Its development objectives include setting up basic infrastructure, strengthening food security and promoting tourism as an engine of growth.

2.2.2 Weaknesses and Challenges

39. Sao Tome and Principe faces the following structural constraints: insularity, economic vulnerability and weak institutional capacity.

40. Insularity and Lack of Infrastructure Development. The costs of insularity (remoteness, difficulty of access, few economies of scale, etc.) remain structurally very high (additional costs) owing to the combined effect of obsolete transport,

telecommunications and energy infrastructure, and the poor management performance of the operating public enterprises. Maritime transport costs are extremely high. According to a 2006 study, a container loaded in Northern Europe for Sao Tome costs about 40% more than a similar container bound for Libreville, which is about the same distance. These problems are even more acute for the island of Principe which suffers from double insularity due to the virtual non-existence of transport infrastructure⁹. Consequently, surplus agricultural and fishery production cannot be sold or the high tourist potential tapped. The additional costs (maritime transport, air transport, energy and telecommunications), estimated at 14-15% of GDP¹⁰, affect the competitiveness of all sectors of the economy (Box 6).

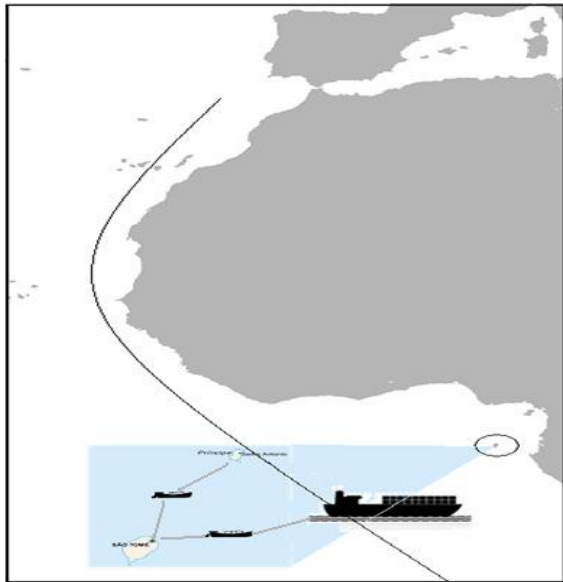
41. Furthermore, the ICAO (International Civil Aviation Organisation) has recommended the upgrading of the airport to international standards (review of the legal context and regulatory framework, modernisation of infrastructure, etc.), while the European Commission has banned all aircraft registered in the DRSTP from overflying Europe for security reasons. With regard to maritime transport, the cost of port operations is high firstly because ships load and unload their cargo off shore, using barges (see below). Then the characteristics of the seaport (depth at pier, infrastructure and equipment, management method, etc.) greatly increase the transport costs due to unpredictable unloading times.

⁹ The port of San Antonio is in a state of total neglect: the draught is only 1.70 m and the only crane, which is 33 years old, fell into the water in 2009. Goods are shipped by barge (150 km and an eight-hour journey) or former fishing boats, not suited for such transport, with frequent accidents (sinking of the Teresa with 20 people on board in 2008).

¹⁰ According to the study on the costs of insularity in Sao Tome & Principe conducted by the Bank in 2009.

42. At this stage, maritime transport (construction of a deep-water port,

Box 5: Loading and Unloading Operations in Sao Tome & Principe



Source: Study on the Costs of Insularity ADB, 2009

inter-island transport, etc). and air transport (rehabilitation and extension of the airport) as well as telecommunications and energy (CST and EMAE recovery and investment efforts) and rehabilitation of road infrastructure have been identified as priority sectors for reducing the cost of insularity.

43. Economic Vulnerabilities and Food Insecurity. The production of a single export crop and, consequently, little diversification of the productive fabric, have resulted not only in extreme vulnerability of the economy because of the constant fluctuations in world prices of basic commodities, but also and above all, in the marginalisation of food-crop farming. This has created outward-looking food consumption habits which generate high imports. Despite a proven productive potential, the country continues to depend heavily on imports. The analytical survey on food security conducted in 2007 showed that about 36,000 people (22% of STP's population) lived in a situation of food insecurity. Analysis of the different constraints led to identification of the key problems of remoteness, irregular supplies and inadequate

conservation, enhancement and quality of products.

44. In 2008, the food crisis had a negative impact on the social and economic context: a 68% increase in the price of rice; an all-time inflation rate of 34% in the first quarter of 2008; and worsening of the external current account by 2.4% of GDP. To address this situation, the Bank awarded budget support of one million UA in the form of grants from its Surplus Accounts under the Africa Food Crisis Response (AFCR). However, a sustainable response to food insecurity requires the promotion of agricultural production and its interface in terms of infrastructure, rural socio-economic equipment and sustainable environmental management.

45. The same applies to the heavy dependence on international financial assistance: the global financial crisis has shown the extent of this dependence with a 74.2% drop in FDI flows and a 30% mobilisation rate for budget aid in 2009. In conclusion, the narrowness of the domestic market, with a potential of about 165,000 consumers and low income per inhabitant, is a serious obstacle to the production of goods to meet domestic demand on competitive conditions. One of the solutions to these key problems could be regional economic integration.

46. Capacity and Human Resource Constraints. This is an obstacle which constitutes a major challenge, given the needs of the administration and the private sector, the complex and far-reaching objectives of the new economic policy, in the face of physical, economic, institutional and human resource constraints specific to the DRSTP. Consequently, efforts are required to implement a National Training Programme to match the short-, medium- and long-term needs of the labour market with the demands of the country's new economic and social development strategy. It is also necessary to carry out intensive training of professionals with focus on technical qualifications essential for the development of their natural potential. It is recommended that a study be conducted to assess the training needs and the educational

system's response capacity, especially in the area of higher education and vocational training.

2.2.3. Strengths and Opportunities

47. Oil Sector and Good Governance. Oil production is expected after 2015. The DRSTP's economic situation could develop favourably with fresh prospects of tapping the oil its subsoil appears to hold. The latest drillings confirm the existence of extractable hydrocarbon reserves in the joint zone with Nigeria and the first competitive bidding process concerning seven (7) of the nineteen (19) blocks in the Exclusive Economic Zone was initiated in March 2010. If the resources meet expectations, oil rent will deeply alter the economic structures, entailing a significant increase in the importance of the tertiary sector (excluding public administration) which is still very little developed.

48. Oil signature bonuses already received amount to USD 78 million, with USD 49 million in 2005 and USD 29 million in 2007. In the medium term, however, revenue generated by oil exploration activities will have a significant impact on the management of public funds. The adoption of a legal framework determining transparent and efficient oil fund management mechanisms (control of the use of resources, financing of priority social and economic infrastructure development projects, future generations fund, etc.) and the prospect of EITI membership are in themselves evidence of the good financial governance efforts and constitute a sound basis for building the new economic transformation strategy. However, further efforts are essential to consolidate these achievements.

49. The New Agricultural Policy. Microclimate diversity and soil fertility as a result of the islands' volcanic constitution and high rainfall have resulted in a wide range of tropical crops: horticulture, fruit farming (mango, pineapple, papaya, guava, avocado, and annonaceous plants), food crops (maize, beans, tubers) and other perennial crops such as pepper, cloves, vanilla, cinnamon,

rubber, etc. The new sector policy has dual objectives: (i) diversification of agricultural production to ensure food security and thus improve national coverage of food product requirements (reduction of imports); and (ii) restructuring of the agricultural export sub-sectors to increase export volumes and prices (quality effect), especially in the case of high value-added niche exports (organic products and fair trade for cocoa, pepper, vanilla etc.). However, given the lack of available agricultural land and the unsatisfactory outcome of the experience of rehabilitating cocoa companies and land distribution, it would be desirable to carry out an agrarian census with a view to restructuring the sector (rationalisation of farm sizes, identification of growth-bearing sub-sectors and technological diversification –processing activities, 'Knowledge, Attitude and Practice – KAP' Study, etc.).

50. Tourism. The country has real potential through nature's endowment (omnipresent sea, dense forests, tree savannah, mountains, endemic animal and plant species, etc.) and an exceptional reservoir of natural beauty spots. The archipelago's biodiversity through the richness of its wildlife and plant life (blue marlins, whales, dolphins, turtles, birds, butterflies, monkeys, a wide variety of plants, etc.) and the exceptional richness of the architecture in the big plantations are all assets for the development of this sector of activity, in particular ecotourism. In the medium- and long-term, the authorities plan to welcome about 35,000 tourists, compared to about 7,500 in 2009. Although the country has real tourism potential, tourist activity remains limited due to the lack of hotel infrastructure that meets international standards and access difficulties (non-existence of regular, reliable air links) as well as the weak infrastructure and services network (roads, water, electricity, telecommunications, banking system, etc.). To tap the potential of this emerging activity, it will therefore be necessary to modernize and develop all infrastructure. In view of the current average hotel occupancy rate of 35% and ongoing FDIs, the number of visitors could rise to 20,000 by 2015. In the longer term and providing all the constraints are removed and a

sound sector policy implemented, this quantitative objective could be achieved by end 2020. A real opportunity for economic diversification, the tourism sector lacks a clear vision on its strategic positioning and requires the development of a strategy to guide the policy of marketing and promoting Sao Tome and Principe as a tourist destination.

51. A Geostrategic Position. Due to its location in the middle of the Gulf of Guinea, a zone of heavy maritime and air traffic facilitating access to the regional market, the DRSTP intends to take advantage of its special strategic geographic position. The Gulf islands are also strategic locations for telecommunications and opening to the outside world. Consequently, it is envisaging the creation of a regional services hub through the development of infrastructure that matches international standards. Thus, since May 2009, the Government has initiated the process of formulating the new national development strategy underpinned by tourism and service delivery in the sub-region. To this end, plans are a-foot especially to construct the Fernão Dias deep water port, offering port transshipment facilities on a sub-regional scale, the rehabilitation, modernisation and extension of Sao Tome International Airport to turn it into an air transport hub and the creation of a free trade zone. This should be done parallel to the development of other infrastructure likely to reduce the cost of insularity. In addition, strong general determination and real political stability will be required to successfully achieve this series of complex and far-reaching objectives, achievement of which remains impeded by weak institutional capacity.

2.3. Recent Developments in Aid Coordination

52. Official Development Assistance accounts for 80% of the country's GDP. Despite its importance, the country still does not have a structured institution with access to data for analysing and managing aid. In early 2007, however, the STP authorities approved the establishment of the Aid Coordination and Management Agency (CCGA) under the dual oversight of the Ministry of Foreign Affairs, Cooperation and Communities, and the

Ministry of Planning and Finance. Despite the establishment of this agency, coordination and complementarity of interventions were developed more with partners such as the IMF and World Bank, during field missions or by telephone or the internet. The partners on the ground in Sao Tome and Principe (UNDP and the United Nations System which hosts the Bank's Programme Office in Sao Tome and Principe, a few bilateral partners such as Portugal, Brazil, France, the USA through the Millennium Challenge Corporation (MCC), Taiwan) meet periodically. This facilitates the exchange of information and the creation of synergy with regard to development actions.

53. Although a signatory to the Paris Declaration, budget support only represents 12% of the total aid received by the country. In this respect, the European Commission has conducted an assessment of public finance management (Public Expenditure and Financial Accountability assessment, PEFA) to determine the possibility of budget aid under the 11th European Development Fund. The areas of intervention of the different development partners are presented in Annex 6.

2.4. Bank Positioning

2.4.1. Bank Portfolio

54. The Bank Group's portfolio comprises two (2) active projects for a total UA 8 million: Human Resource Development Project (HRDP); and the Livestock Development Project (LDP II). There are many weaknesses in the portfolio management¹¹, resulting in an overall rating of 1.97 by the 2009 portfolio review compared to 2.02 for the previous one conducted in 2002. In addition to the generic difficulties, there are also issues related to the complexity of the technical management of projects, the inadequacy of procurement methods that are ill suited to the country's realities and weaknesses in project implementation and monitoring/evaluation. There should also be greater consistency

¹¹ Average age of 5 years and in their start-up phase (2.21 years); low disbursement rate (17.2%).

between the country's specificities (size) and the setting up of operations. Similarly, the effectiveness and capacity of the NPO should be considerably enhanced.

55. The ongoing LDP and HRDP projects will contribute to the achievement of the capacity building and food security objectives. Indeed, the HRDP aims to: (i) build the capacity of structures responsible for the design and implementation of human resource development projects; (ii) strengthen and diversify opportunities for training and professional integration of youths and workers; and, (iii) develop the knowledge of poor female household heads in the country's most disadvantaged regions. In keeping with the same institution building objective, the LDP aims to build the capacity of producers and technicians, in addition to its specific sector objectives/¹².

2.4.2. Lessons Learned from Previous CSP

56. The 2005-2009 CSP focused on the following two pillars: (i) poverty reduction in rural areas; and (ii) promotion of public finance management governance. In terms of outcomes regarding the first pillar, it was impossible to calculate the indicators for the reduction in the poverty and unemployment rates due to lack of data. In contrast, those related to improved access to basic social services (school enrolment, literacy, infant mortality and maternal health, etc.) are slightly below the quantitative benchmarks set for 2009. Implementation of the projects selected under this pillar produced unsatisfactory results. The second pillar produced mixed results: some progress in good governance; shortcomings regarding the private sector legal and regulatory framework as well as PRSP monitoring/evaluation.

57. In terms of recommendations, the 2005-2009 CSP completion report proposes to adapt all stages of the project life cycle to the

specificities of the DRSTP. With regard to the design of operations, it will be necessary, while ensuring quality at entry, to simplify the technical design of projects, create conditions to facilitate their start-up (limiting the number of conditions for effectiveness, speeding up of first disbursement, etc.), adapt procurement methods to the local context and put in place institutional arrangements based on structures that have already demonstrated their effectiveness.

58. Furthermore, to provide better support to project implementation, the effectiveness and capacity of the NPO should be significantly enhanced. In particular, to strengthen the NPO, plans have been made to recruit a Country Programme Officer (CPO), an administrative and financial assistant and a secretary. Plans are also underway to attach the NPO to the Gabon Regional Office.

59. The CSP Completion Report also recommended activation of Fragile State status for this country because of the institutional constraints limiting the capacity of public administration, particularly in the area of strategic planning. Thus, induction into the Fragile States category would enable DRSTP to benefit from the supplementary resources of the FSF, especially under Window III, in order to meet the enormous capacity requirements of the current situation and the Government's new social and economic development strategy.

III. BANK ASSISTANCE STRATEGY OVER THE 2010-2011 PERIOD

3.1 Rationale for Bank Intervention

60. The 2002-2015 PRSP remains the official public reference, even though the Government has announced that it will be replaced before its completion by a new strategic framework. The latter will take into account the new vision for the country's economic transformation into a services hub for the region and will be finalized in 2011.

61. The existing strategic framework has its limitations in the medium-to-long term.

¹² / Improvement of livestock productivity, job creation, improved income and food security.

Similarly, the current country allocation¹³ also has its limitations even though efforts are being made in this I-CSP to increase resource flows, in particular through the activation of fragile State status and the use of various crosscutting facilities. In light of the foregoing, the Bank's strategy for the 2010-2011 period will be interim. The aim of the I-CSP is to help the country alleviate two of its short-term vulnerabilities, namely, (i) capacity weaknesses, in particular to finalise the new PRSP and conduct strategic sector studies for the country; and (ii) food insecurity, the risks of which were underscored by the recent food crisis that led to an exponential rise in prices and put about one in five people in a situation of food insecurity. This I-CSP, which will serve as a lever for the more comprehensive 2012-2016 CSP, comprises a cluster of activities which lay the groundwork for this future strategy.

62. The I-CSP is aligned with the PRSP, especially in its strategic thrusts of 'reform of public institutions, capacity building and promotion of good governance' and 'creation of opportunities for higher and more diversified income for the poor'. It is also aligned with the Bank's 2008-2012 medium-term priorities, the policy in favour of Fragile States and the 2010-2014 agricultural sector strategy. The latter recommends support to agricultural production and its interface in terms of infrastructure, rural socio-economic equipment and sustainable management of the environment.

63. Preparation of the I-CSP was participatory, entailing consultations with the highest authorities, administration, development partners, the United Nations System, the European Union and bilateral partners (Portugal and Brazil). Other stakeholders included members of civil society (private sector, youth associations and the Federation of NGOs). This participatory approach will be pursued during the dialogue mission.

64. In the 2010-2011 interim phase, the Bank's assistance strategy will focus on the following two pillars:

Pillar 1: Public Administration Capacity Building: the approach will be the one recently adopted in the FSF Window III guidelines, which rationally integrate technical assistance and capacity building. The overall objective sought is to improve the macroeconomic management framework and performance and the strategic planning system as well as the preparation of sector policies in accordance with the guidelines which recommend assistance with the preparation of master plans. A financial package of UA 2.5 million has been allocated under the FSF Window III, all of which is earmarked for this pillar; and,

Pillar 2: Support to Food Security: the main objective is to contribute to an improvement in food security by developing basic economic infrastructure in rural areas and managing renewable natural resources. This pillar only comprises one operation, the Infrastructure Rehabilitation for Food Security Support Project (PRIASA) for UA 5 million.

65. It is just as important to emphasise that the I-CSP is a bridging programme which will enable the Bank to deploy a future, more comprehensive assistance strategy for this country over the 2012-2016 period. To this end, it attaches considerable importance to preparatory work including studies, capacity building, business environment and the budget framework. The Bank will use the interim period to its advantage to identify suitable projects for financing under ADF-XII and the private sector window through public-private partnerships (PPP). The financing of investment projects by the private sector window will depend on an improvement in the business environment and the removal of institutional constraints.

66. For the period under consideration, financing is estimated at UA 7.5 million, comprising the ADF-XI allocation (UA 5 million) and resources of the FSF Targeted Support Window for capacity building (UA 2.5 million). The DRSTP could also benefit from other facilities of the Bank and other donors, in

¹³/ ADF XI: UA 5 million.

particular funds dedicated to the environment (GEF, UA 1.3 million) and climate change (AWF, UA 1.7 million).

67. The first annual tranche of the ADF-XII country allocation, i.e. about UA 1.5 million, is part of the I-CSP's fiscal periphery. However, in order to avoid the continuing allocation of small amounts to different beneficiaries, especially in the present context when the country's strategic context is literally on hold, the I-CSP has deliberately opted to schedule the ADF-XII allocation as from 2012 under the future 2012-2016 CSP. This would not only be more optimal, but would also ensure compliance with the principle of scaling up the size of projects.

3.2 Expected Deliverables and Targets

Pillar I: Building the Economic Management and Economic Planning Capacity of Public Administration.

Objective 1.1. Support the Finalisation of the New PRSP.

68. A draft PRSP already exists, which contains the new vision for the country's economic and social transformation into a services hub for the region. The transformation will be driven by: (i) up-market eco-tourism, and the provision of transport services; and (ii) oil exploration and production activities in the Gulf of Guinea.

69. As a priority and in close collaboration with UNDP, the FSF resources will finance the finalisation of the household budget/consumption survey update and the poverty profile. In addition, the studies identified in the sectors of tourism, agriculture (agrarian data and KAP - 'Knowledge, Attitude and Practices' - Study to support the revival of agriculture¹⁴), education (training needs assessment) and health (health map and preparation of the NHDP), as well as other relevant sectors will be financed within the limits of the funds.

¹⁴ There appears to be cultural resistance to the conversion of former farm workers of the colonial era into a traditional African smallholder community.

70. ESTA will participate in financing the 2011 population census to update poverty reduction policy monitoring indicators. More comprehensive support to the development of statistics is also underway in this regard, particularly covering the cost of national coordination, national accounts, price statistics, social statistics and statistics for the priority areas under ADF XI (infrastructure, governance, agriculture and the environment).

Objective 1.2. Create Prior Conditions for the Preparation of a Budget Support

71. The fiduciary risks remain high despite the ongoing reforms. Indeed, despite the reforms, the persistence of old practices (inefficiency of the revenue and expenditure circuits, lack of efficient control.) could lead to budget overruns. To mitigate these risks, it will not only be necessary to pursue the budget reforms initiated since 2008, but also and especially, to consolidate and deepen them in the context of a general budget support. Consequently, aware of the need for tighter control of the budget cycle, the authorities are envisaging the adoption of a budget reform programme in keeping with the recommendations of the different assessments/diagnoses of the public finance management system, in particular the 2010 PEFA.

72. To make this programme more consistent by specifying and articulating the different dimensions of the scope of the reform and ensure better sequencing of all the measures to be implemented, the Bank will, using FSF technical assistance, support the Ministry of Planning and Finance in preparing an overall multi-year action plan for implementing the said reforms through technical assistance and the funding of training programmes. This plan aims to improve the process and modalities governing the preparation of the central government budget, strengthen the procedures for executing and controlling budget operations, enhance the transparency of the public procurement system and reorganise the financial administrations to ensure compliance with the new legal and regulatory provisions.

73. In the medium and long term when the fiduciary conditions for budget support are met, it is expected that budget support will in turn provide a channel for supporting the macroeconomic and structural reforms, in particular those aimed at improving the business environment and increasing the volume of Bank assistance in its next 2012-2016 strategy.

Objective 1.3. Improve the Business Climate and Strengthen Competitiveness

74. With a view to creating favourable conditions for economic growth and job creation, the Bank will provide support mainly through technical assistance to enable the pursuit and deepening of reforms to strengthen the legal and regulatory framework of economic activities, particularly:

- (i) The creation of a one-stop-shop and its operationalisation to shorten the time taken to start-up a business;
- (ii) The establishment of legal structures covering commercial aspects and employment regulations (flexibility);
- (iii) The conduct of preparatory studies for the creation of a legal and institutional framework for PPP, with a view to increasing the volume of the country's financing; and,
- (iv) Preparatory studies and technical assistance to upgrade the basic economic infrastructure for the development of general trade (port, electricity, etc.), in line with international standards, especially the promotion of tourism activities (airport). To this end, technical assistance, studies on the cost of rehabilitating the existing facilities and preparation of action plans for restructuring the port (ENAPORT) and the airport (ENASA) parastatal companies are not only necessary to absorb the expected growth in economic activity, but also a prior condition for privatizing their management. The same applies to the water and electricity production and distribution utility (EMAE). These studies could constitute a strong base for the

preparation of the 2012-2016 CSP and the related operational programme. They could also constitute the basis for a possible involvement of the private sector window and PPP for these sectors.

75. All this could contribute to the creation of an enabling environment for general economic activities (absorption of the high transport and energy costs), more attractive to national and foreign investors as well as for the long-term improvement in Sao Tome and Principe's 'Doing Business' ranking.

Pillar II: Support to Food Security

Objective 2.1. Increase Agricultural Production and Artisanal Fisheries

76. Within the framework of an updated rural development policy charter, one of the Government's objectives is to guarantee the population's food security particularly through infrastructure development, the adoption of appropriate conservation and processing technologies as well as organisation of the subsectors. The PRIASA is in keeping with this objective. Its main objective is to ensure wider national coverage of food requirements by setting up appropriate basic infrastructure to ensure the development and security of production in zones with very vulnerable communities (smallholders and fishermen). To this end, the project has selected the following key development activities: 340 ha of additional irrigated area; 27 km of rehabilitated rural roads; 46 product storage, conservation and processing units rehabilitated or constructed; and 1,200 farmers and fishermen trained, 50% of whom will be women. The recruitment of a technical assistant on FSF financing could be envisaged as support to fisheries sector management. All these activities should permit an increase in fishery production as well as horticultural and food crop production (4,000 and 3,600 tonnes, respectively). The PRIASA project will contribute to food security in synergy with the ongoing Livestock II Project. The latter project will be restructured end 2010 to bring it more in line with the country's situation.

CSP will be the subject of a joint completion report with the Government.

Objective 2.2. Help to Mitigate the Impact of Climate Change

77. As a small island country, the sensitivity of the DRST to adverse climatic conditions is obvious (rise in sea and ocean levels, level of water resources, fragility of ecosystems, specificities of insularity, etc.). In this respect, the country will benefit from the Bank's technical and financial assistance for its Climate Change Management Programme and, in particular, a climate change mitigation and/or adaptation project in the agricultural sector under the Global Environment Fund (GEF) and other facilities related to climate change. Moreover, recognizing the existing vulnerabilities and future risks associated with climate change, the Government has sought additional assistance to finance forest upgrading and protection programmes, and those promoting renewable energies - considered as priority sectors of intervention. The promotion of alternative energy sources (biomass, mini-hydro) will help to offset forest degradation and dependence on wood by preserving the fragile eco-systems which is the main source of tourism. Other options will also be explored and sustained for alternatives to wood as construction material.

3.3. Monitoring/Evaluation Mechanisms

78. The Poverty Reduction Observatory (ORP) - a mechanism for coordinating and monitoring the design and implementation of the National Poverty Reduction Strategy - will ensure the monitoring/evaluation of the 2010-2011 Interim CSP in liaison with the Bank and in accordance with the matrix of outcome and impact indicators (Annex 2). The ORP's capacity will be strengthened through technical and financial support. As such, it will be provided with material and competent human resources, including international technical assistance. The PRIASA logical framework will make it possible to assess the outcomes of the Bank's intervention strategy. Lastly, the I-

3.4. Country Dialogue Issues

79. The Bank will focus its dialogue with the central authorities on the critical issue of improving portfolio performance and the CPIA criteria, with special emphasis on the implementation of the 2010 PEFA conclusions and recommendations and the development of the Paris Declaration mechanisms and procedures to ensure rapid and effective absorption of external aid. Dialogue will also focus on the economic transformation of the DRSTP into a service economy (development of tourism, construction of the regional transshipment terminal, etc.) and the Bank's contribution to the design and implementation of this new economic and social development strategy as part of the preparation of the 2012-2016 CSP. As indicated above, the Bank will also advise the Government throughout the formulation of the new PRSP, and support the conduct of studies in the growth-bearing sectors, namely oil, tourism, fisheries, transshipment, cocoa and a few certified products in niche markets. Especially in the case of oil, focus will be on advise in support of preparing the new economic phase and reducing the attendant risks, including over-investment, the squandering of resources, and the "Dutch disease" syndrome.

80. The Bank will focus dialogue on the assessment of and strategies for reducing the costs of insularity which have just been the subject of an economic and sector study. Dialogue will also continue to focus on the Sao Tome and Principe's CPIA rating which, although still low (3.43 in 2009) has improved compared to those of previous years (3.18 in 2007; 3.38 in 2008), particularly due to the progress made in budget performance management.

3.5. Potential Risks and Mitigative Measures

81. In an emerging democratic environment, the greatest risk could be a return

to or persistence of government instability. Indeed, political tension could re-emerge, given the victory of the opposition in the parliamentary elections of August 2010 (relative majority) and the election, in 2011 of a new President of the Republic (the outgoing President cannot stand again in light of the constitutional provisions). However, the relative stability of the current Government, especially since July 2008, gives grounds for optimism for democracy. This political risk could be mitigated more fundamentally by promoting political dialogue and improving the functioning of republican institutions as part of the constitutional review recommended by the entire political class.

82. Another likely shock could be an unfavourable international economic situation. However, the Government intends to absorb these exogenous shocks by consolidating and scaling up reforms on the tightening of budget management as well as the mobilisation of supplementary resources, given its status as a fragile Small Island State.

83. The institutional capacity risk is also omnipresent. The Bank considers that the capacity building mechanism to be established under the FSF Window III and PRIASA will partially mitigate this risk, especially regarding the targeted weaknesses in planning and public finance management.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

84. The DRSTP has achieved sound macroeconomic performance with a real average GDP growth rate of 6% between 2005 and 2009, accompanied by a narrowing of the budget deficit and stabilisation of international reserves at 5 months of imports. It has also

made great strides in implementing structural reforms. All these efforts culminated in the conclusion of two consecutive programmes, backed by the IMF's PRGF and reaching of the HIPC Completion Point, thereby easing the financial constraints. However, this progress has not led to an improvement in the population's living conditions. The country must also address weak institutional capacity as well as constraints on infrastructure, insularity and food security as well as challenges related to oil production prospects.

85. The I-CSP has a two-pronged thrust: (i) meet the country's short-term requirements within the limits of existing resources (institutional capacity, food insecurity); and (ii) lay the groundwork for preparing the Bank's future medium-and long-term strategy (2012-2016) for Sao Tome and Principe from 2012, which addresses the country's new prospects (institutional capacity, actions targeted on improving the business climate, the establishment of a one-stop shop and a legal and institutional framework for the PPP, sector strategic studies etc.).

86. Within this context, it is proposed to use the ADF-XI allocation (UA 5 million) to finance the PRIASA operation and FSF resources (UA 2.5 million) for an institutional support project to improve macroeconomic management and strategic planning. Other facilities will be mobilized to meet requirements in the crosscutting areas of the environment and climate change, and to serve as a lever for a more comprehensive Bank strategy.

4.2 Recommendations

87. The Boards are invited to consider and approve the Bank's I-CSP for Sao Tome and Principe for the 2010-2011 period.

Map of São Tomé & Príncipe



Sao Tome and Principe 2010-2011 I-CSP Results Monitoring Matrix

Government Development Objectives - 2002 -2015 PRSP - 2009-2011 PRGF	Constraints to Achieving the Desired Development Objectives	Expected Outcomes	Expected Outcomes		Bank Interventions
			Impact Indicators Long-Term Outcomes	Target Indicators and Timeframe	
Pillar 1 – Support to Food Security					
Improvement of Food Security	Remoteness of agricultural production areas	Increase in primary sector production: - 1200 t. and 3400 t. of horticultural and food crop products, respectively, by end 2012 and 2014 - 1200 t. and 4000 t. of artisanal fishery products, respectively, by end 2012 and 2014	Rehabilitation of rural roads Reduction in imports of agricultural food crop and fishery products to STP Reduction in percentage of population living below the poverty line	10 km and 27 km of rural roads rehabilitated ,respectively, by end 2012 and 2014 The proportion of local products in food intake is up from 60% in 2011 to 75% in 2016 Dependence on imports of agricultural products is reduced by 50% between 2007 and 2015	Food Security Infrastructure Rehabilitation Support Project (PRIASA)
	Weak development of irrigation networks and facilities for storing, conserving and processing agricultural and fishery products		Rehabilitation and extension of 11 irrigation networks Number of storage, conservation and processing units rehabilitated/constructed and equipped	120 and 340 additional hectares of irrigated land, respectively, by end 2012 and 2014 22 and 46 infrastructure works completed (unloading piers and fish markets, cold chains, warehouses and storage sheds, solar dryers and processing units) between 2012 and 2014	
	Weak capacity of smallholders and fishermen representing about 36% of STP's population (estimated at 169,000 inh. in 2010 with 86,000 women)		Number of supervisors, farmers and fishermen trained	50 and 100 supervisory personnel trained, respectively, by end 2012 and 2014 400 and 1200 smallholders and fishermen supervised by 2012 and 2014 20 and 45 associations supported respectively by end 2012 and 2014	

More consideration to environmental protection and the fight against climate change	Absence of specific policies to fight climate change	Mitigation of the impact of climate change	Support strategic reflection on a climate change management policy	Develop and implement the strategy to fight climate change.	A climate change mitigation and/or adaptation project in the agricultural sector under the Global Environment Fund.
Pillar II – Public Administration Capacity Building					
<p>Promotion of Good Governance:</p> <p>(i) Preparation of comprehensive development strategy and sector policies; and</p> <p>(ii) Strengthening of budget preparation, execution and control procedures</p> <p>(iii) Improved business climate and strengthening of competitiveness</p>	Lack of national expertise and material resources	Support to the preparation of PRSP II	<p>Conduct of budget-consumption surveys and updating of poverty profile</p> <p>Sector policies/work (agriculture, tourism, health, education, population census/statistics support)</p>	Finalisation of the PRSP II latest end of first quarter 2011	<p>Strategic Planning Capacity Building Support Project</p> <p>Support to the 2011 general population census. Support to the development of statistics.</p>
	<p>Poor budget credibility, exhaustiveness and transparency</p> <p>Weaknesses in budget execution and control</p> <p>Weaknesses in reporting</p> <p>Unreliable accounting system</p>	Promotion of responsible, efficient and transparent management of public funds	Preparation of the priority action plan for budget reforms	Satisfactory implementation of the Priority Action Plan	
	<p>Administrative red tape in setting up businesses</p> <p>Insufficient coverage by judicial structures of commercial aspects</p>	Training of staff for the one-stop-shop and of magistrates	Operationalisation of the one-stop shop and commercial courts	20 magistrates and staff trained Shortening of the time taken to set up a business from 144 days to 5 days by 2011	
	Poor development of basic economic infrastructure	Upgrading of the sea port and airport, and restructuring of the energy sector	Provision of technical assistance and conduct of studies	Availability of the plan for rehabilitation of existing structures and restructuring of ENAPORT, ENASA and EMAE with a view to privatizing their management	

Key Operational Characteristics of the Active Portfolio (1 July 2010)

Sector / Operation	Source	Approved Amount (million UA)	Disbursed Amount (million UA)	Disbursement Rate (%)	Time to Fulfill Conditions Precedent to First Disbursement (months)	Age (years)	Risk*
Agricultural Sector							
Livestock Support Project II	ADF	4	0.725	18.1	5	3.3	Non- PP
Food Crisis Response Balance of Payments Support		1	1	100	3		
Sub-total /Average		5	1.725	34.5	4		
Social Sector							
Human Resource Development Support Project	ADF	4	0.654	16.3	48	6.8	PPP
Sub-Total /Average		4	0.654	16.3	48		
Sub-Total Average <i>(projects submitted for the review – excluding Balance of Payments Support Operations)</i>		8	1.38	17.2%	26.5	5	
TOTAL / AVERAGE		9	3.105	34.5%	18.6		

* Non PP = non problem project; PPP = potentially problematic project; PP = problem project
PR = project at risk (PP or PPP)

Key Macroeconomic Economic Indicators

Table 1. São Tomé and Príncipe: Selected Economic Indicators, 2006–13

	2006	2007	2008	2009		2010		2011	2012	2013
				Prog.	Prel.	Prograr.	Ver. Prog.			
(Annual change in percent, unless indicated)										
National Income and prices										
GDP at constant prices	6.7	6.0	5.8	5.5	4.0	6.0	4.5	5.5	6.0	6.0
Consumer prices										
End of period	24.6	27.6	24.8	16.0	16.1	9.0	9.0	6.0	5.0	4.0
Period average	23.1	18.5	26.0	20.1	17.0	11.3	12.3	7.4	5.5	4.5
External trade										
Exports of goods and non-factor services	7.8	-22.0	49.7	-8.5	3.1	17.2	10.9	19.8	10.1	12.3
Imports of goods and non-factor services	45.2	4.0	25.7	27.4	-5.2	32.6	17.2	6.0	4.9	4.7
Exchange rate (dobras per US\$; end of period) ¹	12,945	14,220	15,228	...	...	...	...	...	...	...
Real effective exchange rate (depreciation = -)	4.3	1.3	20.0	...	...	...	...	...	...	...
Money and credit (end of period)										
Base money ²	32.0	50.0	18.9	10.7	22.3	10.2	7.0	12.1	9.2	11.3
Broad money (M3)	39.3	36.4	35.2	13.5	14.6	10.2	10.7	12.1	9.2	11.3
Velocity (GDP to average broad money)	2.7	2.8	2.9	3.1	2.8	2.6	2.6	2.6	2.5	2.5
Central bank reference interest rate (percent)	28.0	28.0		16.0	...	...	...	...	...	...
Bank lending rate (percent) 29.3 32.4 32.4	29.3	32.4	32.4	30.0	...	...	...	...	...	...
Bank deposit rate (percent)	10.8	12.8	12.8	10.0	...	...	...	...	...	...
(Percent of GDP, unless otherwise specified)										
Government finance										
Total revenue, grants, and oil signature bonuses ³	36.8	160.2	47.6	70.7	32.0	40.9	39.5	46.0	32.4	31.8
Of which : tax revenue ⁴	17.2	16.3	16.1	16.7	14.9	16.6	16.0	16.1	16.8	17.1
Non-tax revenue	3.7	2.8	1.6	1.8	2.2	2.6	2.5	2.3	2.2	2.1
grants	15.9	120.1	30.0	52.2	15.0	21.7	21.0	14.7	13.4	12.6
oil signature bonuses	0.0	21.0	0.0	0.0	0.0	0.0	0.0	12.9	0.0	0.0
Total expenditure and net lending	50.5	39.9	33.0	62.9	51.0	56.4	54.5	42.6	41.0	36.9
Of which: personnel costs	8.6	8.9	8.6	8.6	8.1	8.8	8.5	8.3	8.5	8.4
non-wage noninterest current expenditure	16.3	15.6	12.8	10.1	12.0	10.5	10.1	9.5	10.5	10.3
treasury funded capital expenditures	3.3	1.1	1.3	2.8	4.1	2.8	2.7	2.3	1.3	1.5
donor funded capital expenditures	16.5	10.4	7.2	39.6	25.0	32.7	31.6	20.8	19.0	17.9
Domestic primary balance ⁵	-10.7	-8.4	-7.4	-4.5	-8.2	-4.7	-4.6	-3.7	-3.2	-2.7
Overall balance (commitment basis)	-13.7	120.3	14.7	7.9	-18.9	-15.6	-15.0	3.4	-8.6	-7.9
External sector										
Current account balance										
Including official transfers	-28.8	-37.6	37.1	-43.0	-27.5	-31.5	-30.9	-35.9	-32.6	-31.4
Excluding official transfers	-53.5	-48.3	-50.4	-69.7	-43.7	-51.2	-51.5	-51.0	-46.4	-44.3
PV of external debt	159.8	11.8	11.0	19.0	16.4	21.5	20.4	28.0	28.1	29.0
External debt service (percent of exports) ⁶	33.8	19.2	1.0	5.5	5.1	5.7	14.0	12.6	11.3	12.5
Export of goods and non-factor services (US\$ millions)	17.2	13.4	20.0	19.8	20.6	24.7	22.9	27.4	30.2	33.9
Gross foreign reserves ^{7, 8, 9}										
Months of imports of goods and nonfactor services:	6.4	6.0	9.8	5.0	7.4	5.4	6.8	6.4	6.4	6.4
Millions of U.S. dollar	33.2	37.9	60.5	38.6	52.1	42.1	50.3	21.5	33.2	21.5
National Oil Account (US\$ millions)	0.0	14.9	12.2	9.9	9.9	8.1	8.0	30.2	27.0	24.1
Memorandum Item										
GDP										
Billions of dobras	1,551	1,963	2,553	3,196	3,106	3,489	3,612	4,050	4,379	4,825
Millions of U.S. dollars	125	145	175	201	191	208	193	201	228	245
Privatisation account (million US dollars) 0 0 21 17 15	0	0	21	17	15	11	8	5	4	3

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

¹ Central bank (BCSTP) buying rate.

² Projected base money growth for 2008 reflects the high level of base money at the end of 2007, which was significantly reduced in subsequent months through the BCSTP's foreign exchange sales.

³ Includes HIPC and MDRI debt relief.

⁴ For 2009, the authorities are expecting one-off revenues in the order of 1.1 percent of GDP.

⁵ A new definition is adopted from 2008, retroactively, to exclude oil revenue, grants, interest earned, scheduled interest payments, and foreign-financed capital outlay.

⁶ In percent of exports of goods and nonfactor services. Includes HIPC and MDRI debt relief.

⁷ Gross reserves exclude the National Oil Account and commercial banks' foreign currency deposit at the BCSTP in order to meet the reserve requirement for their foreign currency deposits or as application deposits for new licensing.

⁸ For 2008, includes the proceeds from the privatization of the government's share in the fuel distribution company (ENCO) of \$32 million. Of this, \$10 million were used to pay back some of ENCO's debt to Sonangol, \$0.96 million were used to audit the transaction and \$21.4 million were put in the central bank to boost reserves

⁹ For 2009, includes an additional allocation of 5.5 million SDR

¹⁰ Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

¹¹ For 2010, based on the assumption that dispute will be settled to allow disbursement of bonuses for Blocks 5 and 6 (\$26 million).

Key Macroeconomic Indicators

Table 2. São Tomé and Príncipe-Financial Operations of the Central Government, 2005-2011

	2005	2006	2007	2008	2009	2010	2011	2012	2013	
					Prog.	Proj.	Proj.			
	(Billions of Dobras)									
Total revenue and grants	974	570	3144	1216	2260	1808	1277	1773	1358	1429
Total revenue ¹	207	324	374	451	593	582	669	725	805	902
Tax revenue	180	267	320	411	534	513	578	628	703	795
Nontax revenue, of which	27	57	55	40	59	69	91	97	102	107
oil related revenue ²	0	18	7	6	9	17	36	39	40	41
Grants	204	247	2357	765	1667	1226	609	580	553	527
Project grants	152	197	168	165	810	321	592	562	534	507
Nonproject grants	17	2	21	93	18	58	17	18	18	19
HIPC Initiative-related grants ³	35	47	2168	507	839	849	0	0	0	0
Oil signature bonuses	562	0	413	0	0	0	0	467	0	0
Total expenditure, of which:	528	783	783	841	2009	1268	1665	1667	1702	1757
Domestic primary expenditure	472	532	532	633	727	744	798	835	905	994
Current expenditure	314	441	506	569	616	635	698	744	808	891
Of which: personnel costs	103	133	174	219	274	274	308	327	352	384
interest on external debt due	32	52	26	23	17	18	24	30	35	40
goods and services	66	91	112	164	123	163	168	182	201	220
transfers, of which:	83	108	140	124	182	149	164	170	181	203
JDA	33	38	42	1	16	16	17	18	19	19
other	28	54	54	39	19	31	34	34	38	42
Capital expenditure	186	307	226	219	1355	607	940	894	863	836
Financed by the Treasury	21	51	22	34	91	101	97	92	102	113
Financed by external sources	165	256	203	185	1264	506	843	801	761	723
HIPC Initiative-related social expenditure	28	35	51	53	38	26	27	29	30	31
Domestic primary balance⁴	-132	-166	-166	-188	-143	-180	-166	-148	-140	-132
Overall fiscal balance (commitment basis)	445	-213	2361	374	251	541	-388	106	-344	-328
Net change in arrears (reduction = -)	-134	21	5	21	0	0	0	0	0	0
External arrears ⁵	-52	21	0	0	0	0	0	0	0	0
Domestic arrears	-82	0	5	21	0	0	0	0	0	0
Overall fiscal balance (cash basis)	311	-192	2367	390	230	520	-388	106	-344	-328
Financing	-311	192	-2367	-386	-230	-520	388	-106	344	328
Net external	-37	31	-2336	-465	-376	-690	265	252	237	225
Disbursements (projects)	14	99	39	20	454	153	252	239	227	216
Program financing (loans)	0	24	28	29	35	32	41	43	38	38
Net short-term loans ⁶	0	0	-202	0	0	0	0	0	0	0
Scheduled amortization	-93	-92	-2203	-520	-853	-863	-15	-16	-15	-16
Change in arrears (principal) ⁷	-102	0	-137	0	0	0	0	0	0	0
Bilateral rescheduling ^{8,9}	144	0	140	7	2	2	3	3	4	4
HIPC flow savings				0	-14	-14	-15	-16	-16	-17
Net domestic	-274	162	-31	79	146	171	123	-358	107	103
Net bank credit to the government	-277	162	-31	-233	125	150	123	-358	107	103
Banking system credit (excluding National Oil Account)	-14	-23	41	-277	86	114	90	38	26	22
of which Privatisation account ¹⁰		0	0	-307	62	90	77	38	26	22
National Oil Account	-263	184	-72	44	39	36	33	-396	81	82
Nonbank financing ¹¹	3	0	0	312	21	21	0	0	0	0
Financing gap	0	0	5	0	0	0	0	0	0	0
Memorandum items:										
Overall balance (commitment basis, incl. grants, excl. oil bonuses)	-117	-213	1948	374	251	541	-388	-361	-344	-328
Domestic primary spending	329	472	553	633	727	744	798	835	905	994
MDRI debt relief (flow in US\$ million)	0	0	2	1.8	0.0	0	0.0	0.0	0.0	0.0
Privatisation account balance (US\$ million)	0	0	0	21	17	15	11	7	6	5
National Oil Account balance (US\$ million, excl. transfers to budget)	23.5	9	15	12	10	10	8	30	27	25

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

¹ For 2009 includes one-off revenues in the order of 1.1 percent of GDP.

² Includes revenue from Nigeria's oil program - Arcadia.

³ For 2007, includes IDA and AfDB MDRI debt relief as a stock of debt reduction.

⁴ A new definition is adopted from 2008, retroactively, to exclude oil revenue, grants, interest earned, scheduled interest payments, and foreign-financed capital outlay.

⁵ For 2006, refers to a temporary accumulation of technical arrears with bilateral creditors, which was pending reconciliation of debt records.

⁶ For 2007, includes the repayment of three \$5 million loans disbursed by Nigeria in 2002-04 upon receipt of oil signature bonuses for Blocks 2-4 in the Joint

⁷ For 2005, reflects impact of Paris Club rescheduling in the last quarter of 2005.

⁸ For 2007, assumes rescheduling agreement with non-Paris Club bilateral creditors for current maturities and stock of arrears.

Development Zone.

⁹ For 2007, includes IMF MDRI debt relief as a stock of debt reduction.

¹⁰ For 2008, includes the proceeds from the privatization of the government's share in the fuel distribution company (ENCO) of \$32 million. Of this, \$10 million were used to pay back some of ENCO's debt to Sonangol, \$0.96 million were used to audit the transaction and \$21.4 million were put in the central bank to boost reserves.

Key Macroeconomic Indicators

Table 5. São Tomé and Príncipe: Balance of Payments, 2006–13
(Millions of U.S. dollars)

	2006	2007	2008	2009		2010	2011	2012	2013
				Proj.	Proj.				
Trade balance	-51.5	-60.1	-82.0	-103.2	-69.9	-88.7	-90.5	-95.8	-103.1
Exports, f.o.b.	7.7	6.8	10.2	8.7	9.7	12.2	12.6	13.4	14.6
<i>Of which</i> : cocoa	2.5	3.5	4.9	3.7	4.9	5.4	5.0	4.9	5.3
re-export	3.9	2.9	4.6	4.5	4.3	6.1	6.8	7.5	8.2
Imports, f.o.b.	-59.2	-66.9	-92.2	-111.9	-79.6	-100.8	-103.1	-109.2	-117.7
<i>Of which</i> : food	-17.0	-17.6	-24.2	-18.2	-79.7	-27.9	-29.7	-31.8	-34.2
petroleum products	-15.0	-14.6	-22.1	-15.1	-79.8	-20.2	-22.7	-25.1	-27.5
Services and income (net)	-17.2	-12.1	-9.6	-40.8	-79.9	-21.6	-20.0	-18.4	-18.7
Exports of nonfactor services	9.5	6.6	9.6	11.1	-79.10	12.5	13.8	15.2	16.9
<i>Of which</i> : travel and tourism ¹	1 6.7	4.9	7.5	8.8	-79.11	10.0	11.2	12.6	14.2
Imports of nonfactor services	-29.0	-24.9	-23.1	-56.7	-79.12	-37.2	-36.7	-37.6	-39.2
Factor services (net)	2.4	6.1	3.9	4.8	-79.13	3.0	2.9	4.0	3.7
Interest due	-3.8	-0.7	-0.2	-0.2	-79.14	-0.5	-0.8	-1.0	-1.2
National Oil Account (NOA) interest earnings	0.6	3.0	0.3	0.1	-79.15	0.1	0.3	1.5	1.3
Private transfers (net)	1.6	2.0	3.0	3.9	-79.16	3.8	4.9	6.2	7.9
Official transfers (net)	31.0	14.8	22.4	53.7	-79.17	40.9	33.0	30.7	28.4
<i>Of which</i> : project grants	25.5	11.4	11.3	50.9	-79.18	35.3	31.3	28.9	26.7
HIPC Initiative-related grants	3.8	0.0	0.0	0.0	-79.19	0.0	0.0	0.0	0.0
Current account balance	-36.1	-55.4	-66.2	-86.4	-48.8	-65.5	-72.6	-77.4	-85.5
Including official transfers	-36.1	-55.4	-66.2	-86.4	-48.8	-65.5	-72.6	-77.4	-85.5
Excluding official transfers	-67.1	-70.2	-88.6	-140.1	-76.7	-106.5	-105.6	-108.1	-113.9
Capital and financial account balance	36.1	59.3	85.4	74.3	53.4	58.8	107.2	75.2	89.4
Capital transfer ²	0.0	162.7	34.8	52.8	52.8	0.0	0.0	0.0	0.0
Financial account	36.1	-74.8	50.6	21.5	0.6	58.8	107.2	75.2	89.4
Public sector (net)	-7.3	-148.4	-32.4	-38.9	-41.4	2.3	0.3	-0.5	-0.5
Project loans	4.4	1.4	1.9	14.9	3.9	3.0	0.9	-0.2	-1.2
Program loans	0.0	2.1	2.0	2.0	2.0	2.4	2.4	2.0	2.0
Amortization	-7.4	-178.2	-35.7	-53.7	-53.7	-0.9	-0.9	-0.8	-0.8
Other Investment	-4.3	-2.3	-0.6	-2.1	6.3	-2.1	-2.1	-1.6	-0.4
<i>Of which</i> : transfers to JDA	-3.1	-3.1	0.1	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Private sector (net)	43.4	73.6	82.9	60.5	42.0	56.4	106.9	75.7	89.8
Direct foreign investment ³	27.0	52.6	54.2	27.9	18.6	15.0	43.8	21.5	27.9
<i>Of which</i> : Oil signature bonuses	0.0	28.6	0.0	0.0	0.0	0.0	26.0	0.0	0.0
Commercial banks	0.8	-2.3	-10.2	8.7	10.5	13.9	13.9	13.8	13.8
Short-term private capital	15.7	23.2	38.9	23.9	12.9	27.6	49.2	40.4	48.2
Errors and omissions	-6.1	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-6.1	11.9	19.2	-12.0	4.6	-6.8	34.6	-2.2	3.9
Financing	6.1	-11.9	-19.2	12.0	-4.6	6.8	-34.6	2.2	-3.9
Change in official reserves, excl. NOA (increase = -)	-11.7	-4.7	-22.6	8.3	-8.1	3.8	-13.4	-1.2	-6.2
Use of Fund resources (net)	1.2	-0.8	0.7	1.1	1.1	1.1	1.1	0.6	-0.6
Purchases	1.2	1.2	0.7	1.1	1.1	1.1	1.1	0.6	0.0
Repurchases (incl. MDRI repayment)	0.0	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
National Oil Account (increase = -)	14.9	-6.3	2.7	2.3	2.3	1.8	-22.3	2.9	3.0
Change in arrears (net; decrease = -)	1.7	-10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reschedulable arrears (bilateral creditors)	0.0	10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Current account balance (percent of GDP)									
Before official transfers	-53.5	-48.3	-50.6	-69.7	-40.5	-51.2	-48.0	-45.5	-44.3
After official transfers	-28.8	-38.1	-37.8	-43.0	-25.8	-31.5	-33.0	-32.6	-33.3
Debt service ratio (percent of exports) ⁴	33.8	24.5	5.6	5.5	5.2	5.7	6.5	6.4	8.5
Usable Gross reserves ^{5,6}									
Millions of U.S. dollars	24.7	26.3	46.6	38.6	46.2	42.1	69.8	71.1	77.3
Months of imports of goods and nonfactor services	4.8	4.2	7.9	5.0	6.3	5.4	6.5	6.0	6.0

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

¹ Following the closure of the national airline, tourism receipts fell in 2006 and 2007. The airline was privatized in 2007.

² Include HIPC and MDRI debt relief delivered at the completion point in 2007.

³ For 2009, includes an additional allocation of 5.5 million SDR.

⁴ From 2006, FDI in the hotel sector increases.

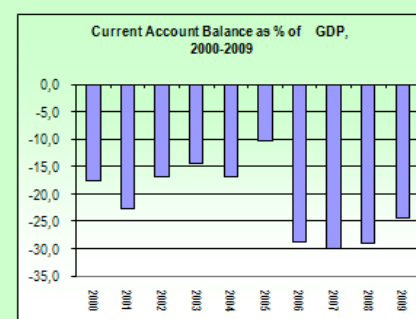
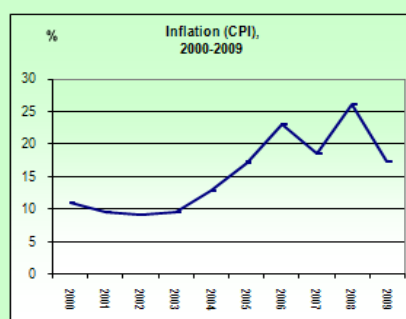
⁵ In percent of exports of goods and nonfactor services.

⁶ For 2008, includes the proceeds from the privatization of the government's share in the fuel distribution company (ENCO) of \$32 million. Of this, \$10 million were used to pay back some of ENCO's debt to Sonangol, \$0.96 million were used to audit the transaction and \$21.4 million were put in the central bank to boost reserves.

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

Key Macroeconomic Indicators

Indicators	Unit	2000	2004	2005	2006	2007	2008	2009
National Accounts								
GNI at Current Prices	Million US \$	...	...	117	130	145	164	...
GNI per Capita	US\$	...	...	760	840	920	1 020	...
GDP at Current Prices	Million US \$	76,7	107,7	114,8	125,4	145,4	175,2	213,9
GDP at 2000 Constant prices	Million US \$	76,7	99,1	104,8	111,8	118,5	125,3	130,5
Real GDP Growth Rate	%	70,6	6,6	5,7	6,7	6,0	5,8	4,1
Real per Capita GDP Growth Rate	%	67,6	4,8	4,0	5,0	4,3	4,1	2,5
Gross Domestic Investment	% GDP	26,1	43,7	40,1	40,6	32,5	30,1	26,1
Public Investment	% GDP	15,5	32,1	25,9	21,9	13,8	9,0	11,0
Private Investment	% GDP	10,6	11,6	14,2	18,7	18,7	21,1	15,1
Gross National Savings	% GDP	...	...	...	...	...	...	...
Prices and Money								
Inflation (CPI)	%	11,0	12,8	17,2	23,1	18,5	26,1	17,3
Exchange Rate (Annual Average)	local currency/US\$	7 978,2	9 813,4	10 469,3	12 364,9	13 498,1	14 573,6	16 499,1
Monetary Growth (M2)	%	24,9	1,0	45,4	72,0	3,0	28,4	-5,2
Money and Quasi Money as % of GDP	%	18,3	28,2	36,1	48,1	39,1	38,6	26,5
Government Finance								
Total Revenue and Grants	% GDP	...	34,0	80,9	37,2	159,2	48,7	66,8
Total Expenditure and Net Lending	% GDP	...	51,9	43,7	50,3	39,7	31,2	30,6
Overall Deficit (-) / Surplus (+)	% GDP	...	-17,9	37,2	-13,2	119,5	17,5	36,2
External Sector								
Exports Volume Growth (Goods)	%	-63,7	-11,6	9,3	4,9	-3,4	11,2	-1,7
Imports Volume Growth (Goods)	%	12,9	4,1	8,4	20,4	5,0	13,7	-1,4
Terms of Trade Growth	%	86,0	-25,3	5,1	-8,1	-15,2	10,9	41,4
Current Account Balance	Million US \$	-13,4	-18,1	-11,8	-36,1	-43,5	-50,8	-52,3
Current Account Balance	% GDP	-17,5	-16,8	-10,3	-28,8	-29,9	-29,0	-24,4
External Reserves	months of imports	2,4	2,7	3,7	3,1	3,1	...	...
Debt and Financial Flows								
Debt Service	% exports	21,8	69,7	75,6	65,8	1336,6	182,2	275,9
External Debt	% GDP	400,7	303,0	282,8	258,8	105,8	70,0	35,6
Net Total Financial Flows	Million US \$	36,2	32,1	31,9	26,6	12,6	41,7	...
Net Official Development Assistance	Million US \$	34,9	33,6	32,5	22,9	36,0	47,0	...
Net Foreign Direct Investment	Million US \$	3,8	3,5	15,7	37,5	35,3	32,5	...



Source : ADB Statistics Department; IMF: World Economic Outlook, September 2009 and International Financial Statistics, February 2010; ADB Statistics Department: Development Data Platform Database, March 2010. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available

Last Update: May 2010

Sao Tome's 2007-2009 CPIA Ranking

Year	A. Economic Management			B. Structural Policies			C. Policies for Social Inclusion / Equity				
	1	2	3	4	5	6	7	8	9	10	11
	Macro Economic Management	Fiscal Policy	Debt Policy	Regional Integration and trade	Financial Sector	Business Regulatory Environment	Gender Equality	Equity of Public Resource	Building Human Resources	Social Protection and Labor	Environmental Policy & Regulations
2009	3.5	3.5	3.5	4.0	3.5	3.0	3.5	3.5	3.5	3.0	3.0
2008	3.5	3.5	3.5	4.0	3.0	3.0	3.5	3.5	3.5	3.0	3.0
2007	3.5	3.0	3.0	4.0	3.0	3.0	3.5	3.5	3.0	2.5	3.0

Year	D. Public Sector Management and Institutions					Overall Rating
	12	13	14	15	16	
	Property Rights & Rule Based	Quality of Budgetary & Financial	Efficiency of Revenue Mobilization	Quality of Public Administrati	Transparency, Accountability & Corruption	
2009	3.0	3.5	3.0	3.0	3.5	3,43
2008	3.0	3.5	3.0	3.0	3.0	3,38
2007	3.0	3.0	3.5	3.0	3.0	3,18

Source: AfDB/WB, 2009, CPIA

STP's MDG Progress at a Glance

GOALS/TARGETS	GOAL/TARGET ACHIEVED	WILL	BE	SUPPORT ENVIRONMENT
EXTREME POVERTY AND HUNGER				
Reduce poverty by 2010, proportion of population whose income is below \$1 per day and by 2/3rds by 2015	Probable		Improbable	Weak
			Improbable	Weak
Achieve full-time productive employment, as well as decent employment for all, including women and young people			Improbable	Weak
				Weak
Halve the proportion of people who suffer from hunger				Weak
UNIVERSAL PRIMARY EDUCATION				
Guarantee that by 2015, all children can complete a full course of primary schooling	Probable			Weak
GENDER EQUALITY				
Eliminate gender disparity in primary and secondary education and at all levels of education by 2015			Improbable	Weak
CHILD MORTALITY				
Reduce child mortality by 2/3 between 1990 and 2015	Probable			Weak
MATERNAL HEALTH				
Reduce by 3/4 the maternal mortality rate	probable			Weak
HIV/AIDS, MALARIA AND OTHER DISEASES				
Have halved by 2015 and begun to reverse the HIV/AIDS epidemic	Probable			Weak
Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	Probable			Weak
Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.	Probable			Weak
ENVIRONMENTAL SUSTAINABILITY				
Integrate the principles of sustainable development into country policies and programmes and reverse loss of environmental resources				Weak
Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.				Weak
Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation				Weak
By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers				Weak
GLOBAL PARTNERSHIP FOR DEVELOPMENT				
Develop further an open, rule-based, predictable, non-discriminatory trading and financial system				Weak
Address the special needs of the Least Developed Countries				Weak
Address the special needs of landlocked developing countries and small island developing states				Weak
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term				Weak
In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries				Weak
In cooperation with the private sector, make available to all the benefits of new technologies, especially information and communications				Weak

Extract from Sao Tome's Second National MDG Monitoring Report, October 2008

CORRIGENDUM

EXECUTIVE SUMMARY

1. Paragraph 3 should read:
"... a surplus of USD 19.2 million in 2008";

rather than:

"...a surplus of USD 19.2 billion in 2008".

BODY-

Business Climate and Competitiveness

2. Paragraph 27 should read:

"Thus, the country's business climate score remains far below the average **as well as the highest country score for** Sub-Saharan Africa, as shown in Graph 6 above"

rather than:

"Thus, the country's business climate score remains well below the average for Sub-Saharan Africa, as shown in Graph 6 above".

Social Context and MDGs

3. Paragraph 30 should read:

"In 2009, life expectancy is 65.9 years, compared to an average of 55.7 years for Africa, and the 2007 HDI of 0.651 points - virtually constant over the past ten years - was above the African average of 0.514 **as well as that of the most advanced country** of the continent (Graph 8)."

rather than:

“In 2009, life expectancy is 65.9 years, compared to an average of 55.7 years for Africa. The HDI of 0.651 points in 2007 - virtually constant over the past ten years - was above the African average of 0.514 (Graph 8).”

4. Paragraph 30 should read:

“In contrast, the education index is below the African average and **that of the highest African performer**, as is illustrated by the DRSTP illiteracy rate of 87.9%, compared to an average of 59.4% in Africa for 2007”.

Rather than:

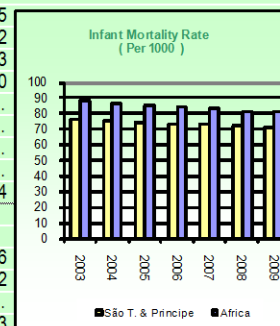
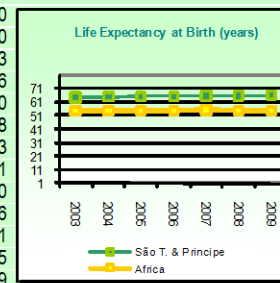
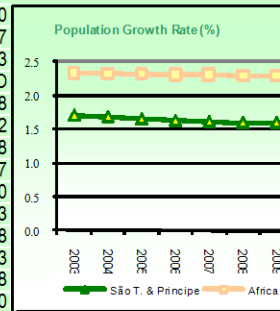
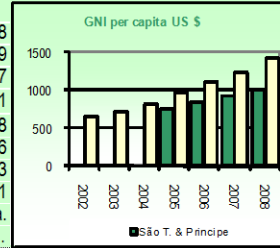
“In contrast, the education index is below the African average and could be illustrated by the illiteracy rate of 87.9% in DRSTP, compared to an average of 59.4% in Africa for 2007”.

ANNEX

São T. & Príncipe

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	São T. & Príncipe	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)		1	30 323	80 976	54 658
Total Population (millions)	2009	0.2	1,008	5,629	1,069
Urban Population (% of Total)	2009	61.4	39.6	44.8	77.7
Population Density (per Km²)	2009	168.8	3.3	66.6	23.1
GNI per Capita (US \$)	2008	1 020	1 428	2 780	39 688
Labor Force Participation - Total (%)	2009	33.8	41.2	45.6	54.6
Labor Force Participation - Female (%)	2009	40.0	41.2	39.8	43.3
Gender -Related Development Index Value	2005	0.637	0.525	0.694	0.911
Human Develop. Index (Rank among 182 countries)	2007	131	0.514	n.a	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2006	...	50.8	25.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2009	1.6	2.3	1.3	0.7
Population Growth Rate - Urban (%)	2009	2.9	3.4	2.4	1.0
Population < 15 years (%)	2009	40.7	56.0	29.2	17.7
Population ≥ 65 years (%)	2009	4.0	4.5	6.0	15.3
Dependency Ratio (%)	2009	80.6	78.0	52.8	49.0
Sex Ratio (per 100 female)	2009	98.1	100.7	93.5	94.8
Female Population 15-49 years (% of total populati	2009	24.7	48.5	53.3	47.2
Life Expectancy at Birth - Total (years)	2009	65.9	55.7	66.9	79.8
Life Expectancy at Birth - Female (years)	2009	67.7	56.8	68.9	82.7
Crude Birth Rate (per 1,000)	2009	31.5	35.4	21.5	12.0
Crude Death Rate (per 1,000)	2009	7.3	12.2	8.2	8.3
Infant Mortality Rate (per 1,000)	2009	71.0	80.0	49.9	5.8
Child Mortality Rate (per 1,000)	2009	92.5	83.9	51.4	6.3
Total Fertility Rate (per woman)	2009	3.7	4.5	2.7	1.8
Maternal Mortality Rate (per 100,000)	2006	...	683.0	440.0	10.0
Women Using Contraception (%)	2006	...	...	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004	54.0	42.9	78.0	287.0
Nurses (per 100,000 people)*	2004	170.5	120.4	98.0	782.0
Births attended by Trained Health Personnel (%)	2006	80.7	50.5	63.4	99.3
Access to Safe Water (% of Population)	2008	89.0	64.0	84.0	99.6
Access to Health Services (% of Population)	2005	86.1	61.7	80.0	100.0
Access to Sanitation (% of Population)	2008	26.0	38.5	54.6	99.8
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2006	...	4.5	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2007	101.0	313.7	161.9	14.1
Child Immunization Against Tuberculosis (%)	2007	98.0	83.0	89.0	99.0
Child Immunization Against Measles (%)	2007	86.0	74.0	81.7	92.6
Underweight Children (% of children under 5 years)	2006	9.0	25.6	27.0	0.1
Daily Calorie Supply per Capita	2005	2 615	2 324	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	5.4	5.5	4.0	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2008	130.2	100.2	106.8	101.5
Primary School - Female	2008	129.0	91.7	104.6	101.2
Secondary School - Total	2008	46.3	35.1	62.3	100.3
Secondary School - Female	2008	47.9	30.5	60.7	100.0
Primary School Female Teaching Staff (% of Total)	2006	55.4	47.5	...	...
Adult Illiteracy Rate - Total (%)	2007	12.1	59.4	19.0	...
Adult Illiteracy Rate - Male (%)	2007	6.6	69.8	13.4	...
Adult Illiteracy Rate - Female (%)	2007	17.3	57.4	24.4	...
Percentage of GDP Spent on Education	2006	...	4.5	...	5.4
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2007	9.4	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2006	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2006	...	10.9	...	...
Per Capita CO2 Emissions (metric tons)	2008	0.7	1.1	1.9	12.3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update : September 2010

UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.

Note : n.a. : Not Applicable; ... : Data Not Available.