

*SÃO TOMÉ AND PRÍNCIPE*

Update of National Poverty Reduction Strategy

January 2005

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## 1. PREVIOUS CONSIDERATIONS

1. Since São Tomé and Príncipe reached the Point of Decision on the HIPC Initiative in December of 2000, it has benefited with financial aid from this Initiative.
2. The amount corresponds to a substantial portion of what the country would have to pay back for its regular debt services, but this amount has been channeled to fund projects considered priority for poverty-reduction.
3. On the other hand, Sao Tomean authorities and Breton Wood institutions, namely the World Bank and the International Monetary Fund, established two conditions in order for the country to reach the Point of Conclusion of the HIPC Initiative in 2006:
  - i. the consolidation of adequate efforts at the macroeconomic level;
  - ii. the establishment of a national strategy for poverty reduction through a participative process with the engagement of all active agents of the country and the satisfactory implementation of these.
4. As a matter of fact, from the analysis of the poverty situation and the identification of its major indicators, the government projected five principal axes in the document entitled National Strategy for Poverty Reduction (NSPR), namely:
  - Reform of public institutions, capacity reinforcement and the promotion of a good governance policy;
  - Accelerated and redistributive growth;
  - Creation of opportunities for growth and diversification of income for the poor;
  - Human resource development and access to basic social services;
  - Adoption of mechanisms for follow-up, evaluation and strategies for updating.
5. Through the development of actions around the strategic axes above mentioned, the government envisions achieving poverty reduction by 2015 through the accomplishment of the following global objectives:
  - To reach an average growth rate of 8% of the gross domestic product (GDP) starting 2005 in order to achieve the millennium goals;

- To reduce by half the percentage of the Sao Tomean population living at the poverty level by 2010, and to less than 1/3 by 2015;
  - To reach by 2015 universal access to all basic social services, and to promote an improvement of the population's quality of life;
  - To considerably reduce differences along social class and gender, among districts and within the Autonomous Region of Príncipe, as well as among rural and urban populations;
  - To promote and reinforce institutional capacities and a good governance policy.
6. The document named National Strategy for Poverty Reduction (Estratégia Nacional de Redução da Pobreza, ENRP), validated in the National Symposium which took place on December 10, 2002, was approved by decree of the advise ministries during an ordinary session on December 19 and was approved by the nation's president on January 23<sup>rd</sup>, 2003.
  7. Since its finalization until now, however, changes have occurred to some of the information and data considered for the creation and elaboration, making an update necessary for a reconsideration of the poverty phenomenon and, consequently, with the purpose of mobilizing resources adjusted for the needs of the financing strategy.
  8. To this end, the present document constitutes an addendum and an integral part of the National Strategy for the Poverty Reduction, in addition to introducing some changes happening to the actions already taken or in the process contemplating the revision of the proposed actions and the readjustment in regards to some of the reconceived goals.

## **2. CHANGES AND UPDATES**

9. During the conceptualization of the National Strategy for Poverty Reduction, taking into consideration the principal determinants of poverty and basing itself on an optimist scenario inspired by national long-term studies, a significant reduction of poverty was projected during a time interval that extended until 2015.
10. In order to fulfill the requirements of this challenge, the government recognizes the need to better take advantage of the human potential and of the natural and material resources of the nation, as well as of the availability of bilateral and multilateral cooperation.
11. However, considering that the possibilities for mobilization of susceptible resources must be utilized for the implementation of the strategy which requires a more updated knowledge of the poverty situation, it became necessary to proceed

with the changes and updates as a consequence of more recent institutional, political, social and economic developments.

12. As such, we present the following information that is currently updated in relation to:

- Public Debt;
- Rural and urban unemployment;
- Fluctuations in the price of cocoa;
- Tourism growth;
- The development of telecommunications;
- Oil resources management;
- Education and health expenditure;
- Macroeconomic context
- National roadmap for the implementation of the ENRP;
- Plan of action;
- Result indicators for the short and medium term;
- Budget prevision.

**2.1. The foreign public debt and the effects on the resources from the HIPC fund**

13. Confronted with structural and socio-economic difficulties, the subsequent governments of Sao Tome and Principe will engage in making efforts to impose the plan of fulfilling the inherent conditions of the HIPC initiative, or that will permit them to obtain debt relief for the country whose deficit evolved from 2001 to 2004 in the following manner:

**Table 1: Foreign public debt (in millions of U.S. dollars)**

<b>Period under consideration</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Until November of 2004 (estimate)</b>
Amount of Foreign Debt	302	305.1	309.88	306.5	317.5
Multilateral	175.4	179	181.05		

Period under consideration	2000	2001	2002	2003	Until November of 2004 (estimate)
Bilateral	126.6	126.1	128.83		

Source: Statistical Bulletins of the Central Bank and the Cabinet of Treasury

14. One of the conditions was to fulfill the goal of the government program, in particular the macroeconomic control. In the course of negotiations with the IMF throughout 1999, accords were concluded that would lead to a signing of a Poverty Reduction and Economic Growth program. Planned for 3 years and with visible effects starting in 1998, this program should allow Sao Tome and Principe to satisfy the conditions for renegotiation of its foreign debt in the plans of the HIPC initiative.
15. The successful achievement of this program allowed Sao Tome and Principe to reach the point of decision of the HIPC initiative in December of 2000 and, starting in January of 2001, to benefit from the upcoming aid of this initiative.
16. However, as one can deduce, in light of the plan presented above, the accumulated foreign debt continues to grow from year to year increasing from \$302.00 million (USD) in the year 2000 to \$306.5 million (USD) in 2003.
17. In the year 2004, the government, pressured by the financial need to facilitate pressing problems of the state's functioning, celebrated two new loan contracts of \$10,000,000 (USD) and \$1,000,000 (USD) with the countries of Nigeria and Angola, respectively, thus provoking an increase in the mounting foreign debt the ended up reaching \$317.5 million (USD) in November of 2004.

## 2.2. Urban and Rural Unemployment

18. The district of Água Grande, considered to be the only urban zone<sup>1</sup> in the country and where the highest concentration of unemployed population is registered, corresponds to 48.5% of the total unemployed population registered in the country.
19. As far as men are concerned, 55.8% of all unemployed men in the country are concentrated in of this large region of the country in comparison of 44.3% of the total women.
20. However, the largest level of unemployment affects women in all the districts with the exception of the district of Lembá.

<sup>1</sup> Because of a lack of statistical data about the urban and rural areas, this study utilized as criteria the following definition of urban area: an area where all peripheral activities and most of the secondary activities concentrate. From this perspective, the district of Água Grande abides to this defined criteria, in that the remaining part was considered a rural zone, including the capitals of the other districts.

21. Also concerning women, it is in the urban zone where we find one of the largest levels of unemployment in the country being surpassed only by the female rural population of the Mé-Zóchi district by only 0.3 percentage points.

**Table 2: Unemployed Population by Gender and District (2003)**

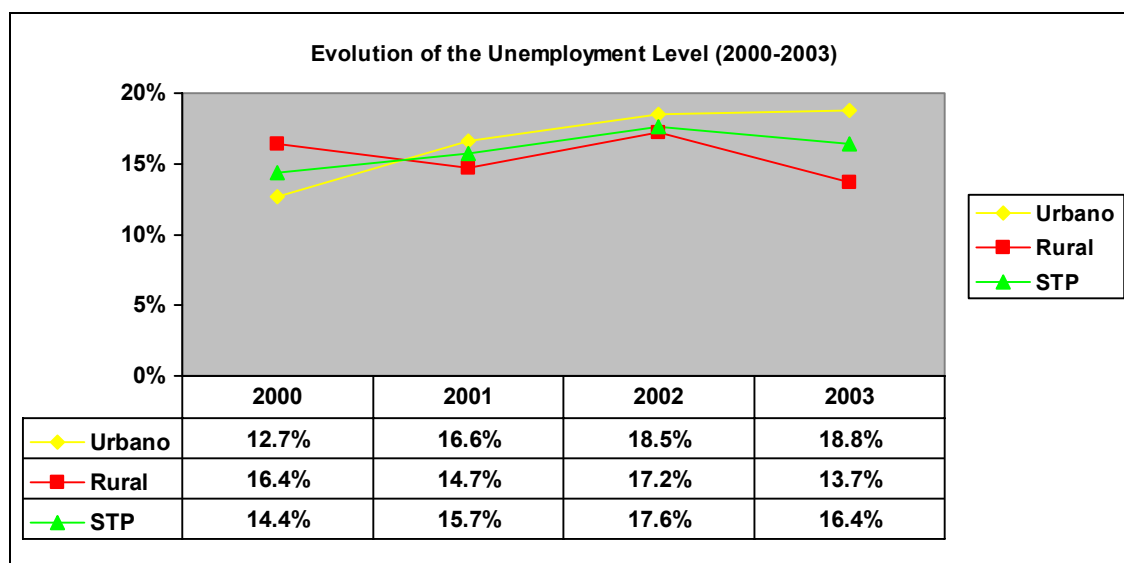
Designation	Água Grande	%	Mé-Zóchi	%	Cantagalo	%	Caué	%	Lembá	%	Lobata	%	Paguê	%	Valor Total	% Total
<b>Men &amp; Women</b>	4350	48,5	2517	28,1	475	5,3	399	4,4	276	3,1	776	8,7	175	2	<b>8968</b>	<b>100</b>
<b>Men</b>	1815	55,8	479	14,7	202	6,2	126	3,9	176	5,4	403	12,4	50	1,6	<b>3251</b>	<b>100</b>
<b>Women</b>	2535	44,3	2038	35,7	273	4,8	273	4,8	99	1,7	373	6,5	124	2,2	<b>5715</b>	<b>100</b>

Source: INE, Survey of Active Employed and Unemployed Population – 2003

22. A tendency toward continual growth of the unemployment levels was verified in the urban region between 2000 and 2003 while during the same period a tendency of continual decrease in the rural zone was detected, with a few variations.

23. The variation rate<sup>2</sup> of the unemployment in the urban zone during the period between 2000 and 2003 was 48% while the variation rate of unemployment in the rural region was 16.5%; this means that there was a decrease of that same level in the order of 16.5%.

**Graph 1: Evolution of the Unemployment Level (2000-2003)**



Source: INE, IPAED-2003

<sup>2</sup> Level of variation = (Level of unemployment in the year 2003 – Level of Unemployment in the year 2000) / Level of Unemployment in the year 2000 x 100.

24. It is relevant to underscore the fact that the unemployment levels in the urban region registered from 2000 to 2003 evolved almost three-fold of the average observed in the entire country (48% in comparison to 14%, respectively.) It should also be noted that the decrease in the unemployment level observed in the country during 2003 in regards to the same period is due to the fact that it had decreased in the rural regions by a proportion that is 13 times greater than the unemployment growth registered in the urban region during the same period of time (- 20.3% in comparison to 1.6%, respectively.)

### 2.3. Fluctuations in the price of cocoa

25. According to the table presented below, one part of the cocoa for export of the national economy surpassed 2,603,050 kilograms in 2001 and reached 3,274,590 kilograms and 3,356,056 kilograms in 2002 and 2003, respectively.

**Table 3: Volume and Price of Exported Cocoa (2001-2003)**

Year	Total kilograms	Price per kilogram in dobras	Total dobras	Price in kilograms in USD	Total in USD
2001	2,603,050	7,407.1	19,280,981,659	0.837	2,180,586
2002	3,274,590	12,778.8	41,845,207,707	1.4	4,603,828.2
2003	3,356,056	17,203.9	57,737,417,170	1.84	6,176,723.5

Source: INE, 2004

26. The increase in kilograms was 25.8% between 2001 and 2002 while between 2002 and 2003 was only 2.5%.

27. It should be noted that, notwithstanding, the increase of the prices recorded in the table above, referring to the export of dry cocoa in the international market, the internal price of fresh cocoa did not surpass 2,000.00 dobras. This reveals that the differential in prices between the cocoa that the growers sell for export and that it is sold dry for the international market was respectively 5,407.1, 10,778.8, 15,203.9 between the years 2001 and 2003.

28. This situation does not stimulate cocoa producers to sell fresh cocoa which is more anachronistic when we know that the growers who produce cocoa and sell for export because of the lack of knowledge and access to the international market, are confronted with an increase in the price of **insumos** for the treatment of cocoa.

29. The studies that were carried out reveal that in one area of a hectare with 1111 cocoa plants, the grower needs the following in order to fight against illnesses and plagues during one year:



Sulfate.....	224.000,00
Limestone.....	120.000,00
Tenax.....	140.000.00
Total.....	480.000,00

30. Such costs imply that the grower would have to produce 240 kilograms of cocoa to support the cost of the fertilizers. Since we need to add to these costs the expense of man labor for cleaning, grass-cutting, rat poison and work tools, cocoa sold at less than 2,000.00 does not pose a benefit for the growers.

31. Because of this and other reasons, we witness the abandonment of lands that were given by the State through a process of privatization. Activities are then transposed to other types of products that are more advantageous such as the extraction of palm wine, the production of sugar cane for spirits, among others.

#### 2.4. Tourism Growth

32. According to the data in Table 3, the influx of tourism grew by an annual average rate of 36.5% between the years 1999 and 2003. The year 2003, for diverse reasons, yielded the highest entry of tourists to the country reaching a variation of 46.3% in relation to the same period.

**Table 4 – Entry of passengers into national territory according to country of origin**

Continents	1999	2000	2001	2002	2003	2004*
Europe	3,763	4,060	3,586	5,429	6,709	3,625
America	-	-	-	260	638	280
Africa	526	1,143	1,683	1,851	4,747	2,687
Others	-	-	-	1,790	1,556	823
Total	4,289	5,203	5,269	9,330	13,650	7,415

Source: Tourism and Hotel Directory/Migration and Frontier Service \*1<sup>st</sup> semester of 2004

33. From 1998 to 2003, based on the data from Table 4, we can observe that there was no investment in hotel infrastructure (hotels, motels, inns) which is a basic condition for attracting tourists.

**Table 5 – Major indicators of Tourism**

Designation	1998	1999	2000	2001	2002	2003
Hotels						
Establishments	6	7	7	7	7	7
Room	184	198	198	198	214	228
Capacity for lodging	325	353	353	353	397	425
Motels						
Establishments	6	7	7	7	7	7
Rooms	38	42	42	42	42	42
Capacity for lodging	69	73	73	73	73	73
Residences						
Establishments	4	4	4	4	4	4
Rooms	37	37	37	37	37	37
Capacity for lodging	69	69	69	69	69	69

Source: Tourism and Hotel Directory/Migration and Frontier Service

34. As one of the envisioned goals in the Strategy for the Promotion of Tourism and the increase of tourist influx to 7.5% per year, it is necessary that the competent entities do more in the area of tourism, namely creating incentives and competition.
35. The government already possesses a Strategic Plan for the Development of Tourism (Plano Estratégico de Desenvolvimento do Turismo, PEDT) that contemplates the study of the market as one of the guiding factors to make the sector become a major engine of increase and diversification of the national income from now until the year 2008/2010.
36. These objectives/strategies envision the following: increase in a significant way the contribution of the sector for the PIB (excluding the oil sector) from 5% to 7%, starting 2005, toward the promotion of tourism as one of the principal engines of increase for the medium term; develop direct employment in the sector and maximize its revolving effect; value the natural, architectural and socio-

cultural patrimonies; develop ecotourism and resort tourism; ensure for private enterprises the necessary conditions for development in its sector.

## 2.5. The Liberalization of Telecommunications

37. The Directive Plan of Telecommunications was elaborated in 1989 and has since been readapted to take into consideration the numerous changes in the realm of technology, of international regulations and of internal institutional evolutions.
38. The process of creation in 1990 of the Companhia Santomense de Telecomunicações (CST) (Sao Tomean Company of Telecommunications), an entity of mixed economy, the development of the sector is narrowly linked to the concession contract signed December 1<sup>st</sup>, 1989 between the government and the Campanhia Portuguesa Radio Marconi where an agreement of exclusivity was reached for 20 years.
39. However, although the society created is allowed to reach relatively satisfactory results in terms of the development of networks and of the quality of borrowed services, taking into consideration the global evolution of telecommunications and the opportunities afforded by the opening of the market to new operators, and in the process of more recent negotiations established that this status of exclusivity would prevail only until December 31<sup>st</sup> of 2005.
40. In the meantime, Law 3/04 was approved which defines the applicable rules for the establishment, the management and the exploration of national telecommunication networks and of telecommunication services and established that the regulation of the telecommunications sector would be realized by a

### Box 1

**Law that defines the applicable rules  
for the establishment, the management and the exploration  
of national telecommunication networks  
and telecommunication services**

Law 3/04, published in Diário da República no. 6 of July 2, 2004, recognizes that telecommunications constitute a key sector for the economic development of the country because of its geographic isolation as well as because it is indispensable for the implementation of industry and services.

This law also recognizes that telecommunications also constitute a monopoly of the State and that it is necessary to take measures to promote new services and to rationally manage the tariffs.

As a consequence, this law seeks to constitute the base of a regulation adequate to the modernization of nets and of telecommunication services and to the progressive opening of the telecommunications market to the competition.

By the same token, this law seeks to clarify the responsibilities of the State and of the net operators and of the telecommunications service providers, limiting them to new guidelines (licenses for public networks, authorizations for independent networks or simple declarations for the establishment of services utilized as independent networks or simple declarations for the establishment of services utilizing complete or partial third-party networks.)

In order to assure the regulation of the telecommunications sector, with the purpose of favoring the emergence of an open market, this law establishes the creation of a Regulation Authority in charge also of providing advice to the government in matters of telecommunications whose orientations and priorities seek to guarantee the extension of the coverage area for telephone services, namely favoring the implantation of public posts.

Regulation Authority with the purpose of favoring the emergence of an open market that favors competition with new partners.

## **2.6. Oil resources management**

41. The mindful management of oil resources is at the center of the citizens' concerns considering the possibilities that could emerge for the improvement of their life conditions.
42. It is not known with certainty the potential of the existing hydro carbonates and of their commercial viability, but negotiations culminating in the delimitation of marine borders with neighboring countries, namely Gabon and Equatorial Guinea, will be carried out at the right time.
43. In the meantime, there are plans to register a progress for both conducive procedures toward oil prospects and for future production and exploration from the perspective of rules that should define the forms of use as well as the utilization of oil revenues.
44. In July of 2004 Sao Tome and Principe and Nigeria signed the Declaration of Abuja, outlining the transparency and good governance in the Zone of Joint Development that will need to be upheld in all the shared contracts of oil business production between the two countries.
45. In October of 2003, the first bidding of blocs in the Zone of Joint Development was organized in S. Tome, and, as a consequence, it was projected that in January of 2005 the signing of the first joint contract of production related to one of the blocs (bloc 1) will take place.
46. The process for the second bidding to take place in Abuja, during the last trimester of 2004 (December of 2004), expects to see the signing of new joint contracts of production encompassing five blocs which will enable the collection of revenues that could contribute to the maintenance of economic development.
47. In the meantime, the Law of Oil Revenues (see Box 1) was approved in December of 2004, after its elaboration and approval by the National Assembly on November 26, 2004, having previously had a broad discussion around this matter such as the involvement of civil society.

### Box 2

#### Law on Oil Revenues

On December 29, 2004 the president of the Republic ratified the oil revenues law approved by the National Assembly plenary that regulates payment and utilization of oil revenues related with operations of oil exploration both in the joint development zone (JDZ) of Sao Tome and Principe with Nigeria in the Exclusive Economic Zone of Sao Tome and Principe.

The law utilizes the principal lessons learned from international experiences whereby the Sao Tomean people become major beneficiaries of this mineral richness.

To that effect, the law created an account – The National Oil Account – where all oil revenues should be directly deposited and there were also defined mechanisms to assure that the revenues be utilized to the benefit of national development. Thus, it foresees mechanisms to prevent the revenues from being channeled to other accounts. The revenues can only be deposited in a State National Treasury Account or in opened accounts created for that purpose, with an authorization of the national Assembly on behalf of the State.

Quantitative and qualitative limits will be introduced to oil revenues that could be channeled to annual budget expenditures. The first will define with certain amplitude the maximum amount of annual financial expenditures related to oil. The second set of limits will establish the basic principles that define the calculation of those expenditures within the maximum fixed limits. Despite these limits, the guiding principle applied to oil revenue utilization should be a prudent fiscal policy. The No. 5 of article 8., foresees that an annual figure should always be in conformity with inflation goals. This amount will be determined by the minister of Planning and Finance, in consultation with the Central Bank, and taking in consideration the capacity of economy for absorption. The law also prohibits the santomean State from making loans utilizing current or future oil revenues as the guaranty for the same.

The transparency of the annual figure in the National Oil Account for the National Treasury should be approved by the National Assembly within the parameters of the State General Budget approval, and will be utilized mainly to finance objectives and programs defined in the National Strategy for Poverty Reduction.

The finite nature of oil resources was also considered as well as the need to introduce mechanisms that allow Sao Tome and Principe to face the era after the oil boom with a minimum of economic repercussions. Because of this, a sub-account of reserve was created– the permanent Fund of Sao Tome and Principe – where part of the oil revenues should be deposited and whose utilization is strongly limited only to revenues generated by its applications. When the oil resources are depleted, the intention is that the Sao Tomean people can still continue benefiting from the revenues generated by applications of this sub-account.

The management and investment of oil revenues are assigned to a committee for management and investments, which is an institution with competence and accredited by law for said purpose. It should act as a prudent investor, based on principles established in the same law and in the policy of management and investment.

Another aspect that the law centralize on is transparency. The law also defined the mechanisms of auditing, advertising and fiscalization of oil resources management.

Two annual audits are planned for the oil accounts where the revenues will be deposited. One audit will be conducted by the National Accounting Court (Tribunal de Contas) and the other will be carried out by an audit firm with international reputation.

Clear rules about transparency and advertising are established in connection to all acts and documents related to exercises of oil activity. On the other hand, this law introduces mechanisms that limit the confidentiality of contracts that have oil resources or revenues as their goals, and includes registry and mandatory advertising of all documents and information related to the sector. Conversely, everyone has ample access to the information.

A commission for Oil Fiscalization is also created with characteristics of independence and with administrative and financial autonomy, which permits an efficient exercise of power to audit, investigate and sanction.

Lastly, the law establishes a set of incompatibilities to the exercise of responsibilities in the organisms created by the law and aggravates by at least one third, the sanctions normally stipulated in the law to punish conduct that violates dispositions of the present law.

## 2.7. Education and health expenditure

48. According to Table 6, the study carried out for the National Strategy for Poverty Reduction (ENRP) in Sao Tome and Principe allocated a mounting total of \$26,517 millions (USD) for the sectors of health and education for the period between 2005 and 2007.
49. Of the amount allocated for the above-mentioned period, the distribution of monies for the health and education sectors will be \$14,050 million (USD) and \$12,458 million (USD) corresponding to the 53% and 47% levels, respectively.

**Table 6: ENRP Programming for the 2005-2007 period**

Ministries	2005	2006	2007	Total 2005-2007 (USD)
Education	3,752,880	4,176,245	4,529,765	12,458,890
Health	4,686,170	4,686,170	4,686,170	14,058,510
<b>Total (USD)</b>	<b>8,439,050</b>	<b>8,862,415</b>	<b>9,215,935</b>	<b>26,517,400</b>

Source: ENRP, PIP-2005

50. According to that data in the table above, there is a somewhat similar distribution between these two sectors which shows the importance that these two areas have for the nation's development strategy. The expenditures allocated for the education sector represent a trend of growth within three years whereas the projection for those three years in the health sector demonstrates an equal distribution. This is due to the fact that the PIP of 2005 was utilized as a reference base assuming that the revenues during the next two years (2006 and 2007) would revolve around more or less around what was budgeted for this sector in the PIP of 2005, depending on the circumstances and on the country's needs.
51. According to Table 7, in comparative terms to the level of accomplishment in both sectors, it is stated that the education sector achieved a positive level of growth in the amount of 80.2% while the growth for the health sector was negative (-65.95%) during the same period of analysis.
52. Of the total accomplishments, it is indicated here that both the education and the health sectors reveal a level of growth in the amount of 5.14% during the years 2003 and 2004 (1<sup>st</sup> semester.)

**Table 7: PIP for the Health and Education Sectors from 2003 to 2004**

<b>Accomplishments</b>		
<b>Sectors</b>	<b>2003</b>	<b>2004 (1<sup>st</sup> Semester)</b>
<b>Education</b>	3,795,599	6,839,845
<b>Health</b>	4,006,939	1,364,299
<b>Total (USD)</b>	<b>7,802,538</b>	<b>8,204,144</b>

Source: Planning Directive – PIP, 2003 and 2004

## **2.8. Macroeconomic context**

53. Between 2000 and 2003, significant progress was achieved in raising investment and growth while containing inflation. Growth in real GDP accelerated during that period, reaching 4.5 percent by 2003, while inflation was remained stable at around 9 percent. Investment averaged 36 percent of GDP.
54. The strong growth performance was achieved against the backdrop of continued diversification of the economy and expansion of private sector activity. In a reflection of the success of the new sectoral strategies for tourism and agriculture the economy has become primarily service-oriented, with tourism now the principal foreign exchange earner, from an economy that until the end of the 1990s was predominantly reliant on cocoa. The agricultural sector itself has also witnessed significant diversification, with the cultivation of pepper and vanilla having taken off and plans are currently under way for the commercialization and export of these activities. To support the diversification process and create the necessary conditions that would be conducive to further expansion of the private sector, a broad-based privatization program has been prepared and a new investment code will shortly be presented to the National Assembly for approval.
55. Success in implementing structural reforms has also played a key role in supporting growth. With assistance from the World Bank and the IMF, Sao Tome and Principe has implemented a series of structural reforms including privatization of public enterprises, adoption of a semi-automatic pricing

mechanism for petroleum products, that better reflect production cost while protecting the most vulnerable groups. Moreover, in 2001 a civil service reform was implemented, which involved downsizing of the civil service by 320 public and 158 utility employees, and the establishment of a single computerized system of civil service and payroll management.

56. To minimize the degree of external vulnerability, maximum efforts have been made to meet the conditions that would enable Sao Tome and Principe to reach the completion point under the HIPC Initiative. Most of the HIPC completion point triggers have been satisfied, including: (i) the preparation and approval by the National Assembly of transparent legislation for management of petroleum resources; (ii) the establishment of a technical petroleum unit dealing with the sectoral issues such as re-negotiations of old contracts since 2002; the establishment of a National Committee on Petroleum (NCP); and (iii) the creation of the National Petroleum Agency (NPA) (in charge of designing the necessary legal framework and institutions to supervise and regulate the sector). Other completion point triggers including in the social areas and the creation of the Fiscal Tribunal (Tribunal de Contas) that has been functional since mid-June 2003, have also been met.
57. Important reform in the area of fiscal administration has also been implemented during 2000-03. The governments' accounting and budgeting systems have been updated to bring them more in line with international standards; the tax code is being modernized, customs rates have been simplified; the information system has been modernized, including adoption of the SYDONIA information system; human capacity has been reinforced; and the services of the Ministry of Planning and Finance has been decentralized from a single Directorate of Finance to individual directorates (Treasury; Budget; Tax, Planning etc). Moreover, a revised tax code and package of tax reform that includes the recommendations of the 2001 FIAS report will shortly be submitted to the National Assembly for approval.



58. Despite the significant progress in boosting growth and implementing structural reform, policy implementation suffered a setback in 2001 because of fiscal and structural reform slippages. The fiscal situation worsened in 2003 as the government, reestablished after the July 2003 military coup, increased expenditure as it sought to address social and political pressures brought about by extreme poverty. The fiscal imbalances widened further in 2004 as a result of expenditure pressures in anticipation of very large oil signature bonuses that had been expected for this year. In the event, the bonuses did not arrive, resulting in a larger than expected fiscal deficit. Provisional data show a primary fiscal deficit of 22 percent of GDP, from 12 percent of GDP in 2003, mainly reflecting rapid growth in government expenditure, including increases in the government wage bill, spending on goods and services, and transfers. Meanwhile, external debt arrears had continued to accumulate. As a result, the economy remains fragile and important internal and external remain.
59. Recognizing that the large imbalances caused by the high expenditure are unsustainable and could undermine the prospects for growth and poverty reduction the São Toméan government has decided to implement a package of measures over the period 2005-2007 that would aim at correcting the widening macroeconomic imbalances. The program, for which the authorities are seeking the support of the Bretton Woods institutions, will aim at fiscal consolidation, monetary stabilization, implementation structural reform and improvement the sustainability of the country's external debt.
60. While GDP growth is expected to slow down in 2005 in response to tight financial policies, the program aims at realizing real GDP growth of 5.5 percent by 2007, in anticipation of increased activity in the services sector. Inflation is projected to return to single digits by end-2007. The program also envisages maintaining gross international reserves at around 3 ½ months of imports, while the current account deficit will be contained in response to the expected improvement in the fiscal sector.

61. Structural reform will remain an important element of the medium-term strategy to achieve macroeconomic stability. These will include reform of public enterprises to improve the financial position of these enterprises, notably the utility enterprise, EMAE for which a strategy will shortly be implemented. In the communication sector, following the renegotiation of the exclusivity agreement the telecom parastatal CST, will now only continue until January 2006, after which the market will be open for competition. A commission to address land tenure reform will shortly be established.
62. Satisfactory performance under the program would also allow São Tomé and Príncipe to reach the completion point under the HIPC initiative in the second half of 2006. São Tomé and Príncipe's will nevertheless, continue to be donor-dependent over the medium term. The main features of macro-economic scenario are summarized in the attached tables. The government is of the view that the macro-economic objectives would be achievable under the following conditions:
- Peace and political stability
  - Prudent macroeconomic and financial management
  - Transparency in oil sector activity
  - Strong investment in social spending and toward poverty-reduction
  - Further diversification of the economy
  - Expansion of trade through regional integration and renegotiation of new trade agreements
  - Improved communication and transportation
  - Reform of public enterprise to improve efficiency and make these enterprises more commercially oriented
  - Implementation of further structural reforms

## 2.9. Implementation structure

63. The National Strategy for Poverty Reduction (ENRP) defined the creation of an implementation, follow-up procedure and evaluation mechanism as one of two fundamental axes of this strategy. This mechanism would not be subject to institutional changes but would, instead, correspond to the needs of the performance evaluation.
64. As a consequence of the considerations made and taking into account the institutional reality of the country, the government projects the creation of an implementation structure, part of the National Strategy for Poverty Reduction, with the following characteristics:
- A Ministerial Council;
  - A Consulting Council;
  - A Poverty Reduction Observatory;
  - Focal Points (Antennas)
65. The Ministerial Council will carry out the orientation and supervision of the activities related to the achievement of the ENRP's Plan of Action.
66. The Ministerial Council will convene at least twice a year under the chairmanship of the Prime Minister and the chief of government. In his or her absence or inability to attend, the minister of planning should chair.
67. The members of the Ministerial Council will be the ministers responsible for the areas of planning, cooperation, education, youth, health, labor, solidarity, social communication, agriculture and rural development.
68. Other members of government who have programs or projects enrolled the ENRP's Plan of Action can also be invited to participate in the Ministerial Council.
69. After listening to non-governmental organizations, such as civil society organizations and representatives of the private sector, the Consulting Council will need to emit recommendations about the periodic reports associated with the achievement of the National Strategy of Poverty Reduction, before being submitted to the Ministerial Council.

63. The Consulting Council will meet at least twice a year with the request of the presiding minister responsible for planning.
64. Public individuals or representatives of collective entities - namely the local officials, the Federation of NGOs, the Sao Tome Women's Forum, youth organizations, labor unions, the private sector, professional associations, churches and civil society in general – will participate in the Consulting Council.<sup>3</sup>
65. The Observatory of Poverty Reduction (Observatório da Redução da Pobreza, ORP) will be created in direct consultation with the minister in charge of planning and will have the following capabilities:
- a. to ensure the implementation the ENRP's Plan of Action and the accomplishment of the defined goals;
  - b. to update and adjust the ENRP;
  - c. the make compatible the goals of strategic poverty reduction with the goals of the development of the millennium;
  - d. to analyze all the debt reduction initiatives in the country and promote the coordination of these;
  - e. to promote surveys and inquiries that will allow the collection of data and information about the evolution of poverty;
  - f. to establish a reliable database envisioning a periodic update of the country's poverty profile and to develop studies about its different dimensions;
  - g. to elaborate periodic reports about the process of implementation, follow-up procedure and evaluation of the government;
  - h. to carry out any other functions determined by a superior power.

66. The organization and functioning of the Observatory of Poverty Reduction will be subject to self-regulation to be approved by the consulting minister who will contemplate the following:

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<sup>3</sup> As proof of consultation between the state of Sao Tome and its donors, it will be permissible to create a supplementing council that will meet by request and under the chairmanship of the Minister of Foreign Affairs, Cooperatives and Communities, with the presence of the Minister of Planning and Financing, the Executive Secretary of the Observatory of Poverty Reduction, as well as the Focal Points (Antenna) of the Ministry of of Foreign Affairs, Cooperatives and Communities.

- The Multi-Sector Technical Commission;
  - The Coordinator.
67. The Multi-Sector Technical Commission will generally meet with the presiding consulting minister to analyze matters that relate to the functioning of the Observatory of Poverty Reduction and the accomplishment of the respective plan of activities.
68. Besides, the specialists or technicians of the Observatory will integrate to the Technical Commission the focal points of the ministries and the remaining institutions responsible for the sectorial actions of the ENRP, as well as the representatives of the National Institute of Statistics and of the institutions responsible for planning together with the Ministry of Planning and Finance.
69. The Coordinator will be named by the consulting minister and will represent the Observatory of Poverty Reduction before public or private entities and will coordinate all its activities.
70. It will be the Coordinator's responsibility to present the plans and reports of activities and to organize the different meetings of the Ministerial and Consulting Councils as well as those of the Multi-Sector Technical Commission.
71. The technical staff of the Observatory of Poverty Reduction will be subject of the approval by the consulting minister taking into consideration the availability of the Economic Planning Directive.
72. With the purpose of coordination and follow-up procedures, the ministries and remaining institutions responsible for the actions integrated into the ENRP's Plan of Action will need to indicate the respective Focal Points (Antennas) of the Observatory of Poverty Reduction.
73. The activities of the Observatory of Poverty Reduction will be carried out as often as necessary in close collaboration with the assigned institution for economic and social planning together with the ministry responsible for planning and with the National Institute of Statistics, all of whom will be obligated to cooperate.
74. It will be the responsibility of those institutions to organize themselves in a way that will allow them to effectively respond to the requests made by that institutional collaboration.

#### **2.10. Expected Consciousness-Raising Meetings**

75. During the period that will follow the approval of the ENRP, the country will experience episodes of significant social tension and changes in officials or representatives of institutions responsible for the implementation of the programmed actions.

76. This fact will make the renewal of contact with the officers necessary for its implementation. On the other hand, once the mechanism is created, the consequential and sustainable success of the process will not be guaranteed while there is still a risk of quantitatively superior resources being used outside of the defined strategy.
77. On the other hand, the creation of Focal Points (Antennas) in ministries and other institutions that are directly compromised or involved in strategic projects of poverty reduction will determine the urgency of a preparation envisioning the exchange of information about the progress of the respective projects to be able to offer a systematic appreciation and evaluation of the accomplishments made.
78. In what follows, the subsequent consciousness-raising meetings are anticipated:
- A symposium on the role that the military and paramilitary forces will play in poverty reduction;
  - A symposium about the contribution social communication organisms to inform, raise consciousness and mobilize the public on the issue of poverty reduction;
  - Meetings among leaders and/or representatives of institutions directly involved in the creation of information about the need for Focal Points (Antennas);
  - A seminar for the preparation of Focal Points (Antennas) about the importance of their participation in the methodology of the procedure manual to be elaborated.

#### **2.11. Plan of action and current situation relative to its implementation**

79. Changes and updates made will be necessary in order to proceed with the revision of the Plan of Action taking into fundamental account the new periods considered for the implementation priority actions. That process also allowed the recording of an actual situation associated with some of the programs and projects whose completion was projected for 2003 and 2004.
80. For the purpose of evaluation of the progress reached, during the process of the ENRP implementation there was the inclusion of indicators associated with priorities or measures susceptible of being periodically verified.
81. The Plan of Action thus reviewed, includes synthesized information of the current situation, as well as a list of indicators, contained in appendix.

## 2.12. Budget

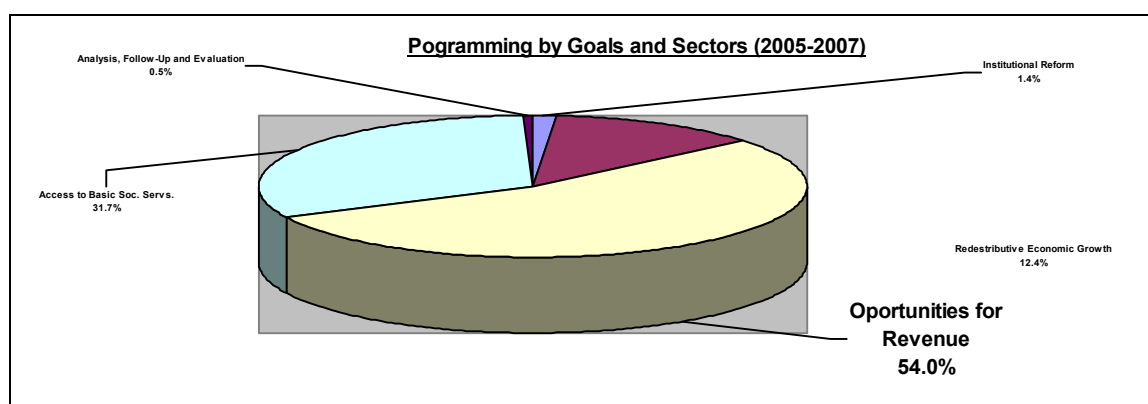
82. Considering that education, health, infrastructure, agriculture and rural development, good governance and economic and financial policies were defined as priorities, the projected budget deserves to be discussed in greater detail.

**Table 8: Programming Organized by Goals and Priorities**

(values are indicated in thousands of U.S. dollars)

Axes / Sectors	2003-2010 Totals	%	Period from 2005-2007	%
<b>1-Institutional Reform and Rehabilitation and Good Governance</b>	<b>2109.4</b>	<b>1.0</b>	<b>1160.8</b>	<b>1.4</b>
Justice	919.4	0.4	525.4	0.6
<b>2-Economic and Redistributive Growth</b>	<b>45165.4</b>	<b>21.5</b>	<b>10368.1</b>	<b>12.4</b>
Energy	29252	13.9	3865	4.6
Water and sanitation	11226.8	5.3	4676.2	5.6
<b>3-Opportunities for Revenue</b>	<b>106999.4</b>	<b>50.9</b>	<b>45259</b>	<b>54.0</b>
Agriculture, livestock, fishing, forestry	52921.2	25.2	21349.5	25.5
Infrastructures	54078.2	25.7	22699.5	27.1
<b>4-Access to Basic Social Services</b>	<b>54068.8</b>	<b>25.7</b>	<b>26523.2</b>	<b>31.7</b>
Education	22836.7	10.9	12458.9	14.9
Health, Nutrition and Population	27639.1	13.1	14058.5	16.8
Employment, Training and Solidarity	3593	1.7	1086.8	1.3
<b>5-Analysis, Follow-Up Procedures and Evaluation</b>	<b>2035.6</b>	<b>1.0</b>	<b>456.5</b>	<b>0.5</b>
<b>Total</b>	<b>210378.6</b>	<b>100.0</b>	<b>83767.6</b>	<b>100.0</b>

Graph 2: Percentage of the Expenditure of Strategic Axes



83. On the short term (2005-2007), the actions leading to the creation of revenue, centered in basic infrastructures and in the activities of the primary sector (which includes energy, water and sanitation, agriculture, livestock, fishing, forestry and infrastructures), will absorb 66.4% of the resources.

84. The activities related to the Access to Basic Social Services represent 31.7% of the total resources during the period between 2005 and 2007. It is important and necessary to understand that the levels of expenditure by sectors are adjusted according to the circumstances and economic needs of the country.

85. It should be noted that only 39.8% of the total programmed actions are concentrated during the 2005-2007 period which creates difficulties in formulating medium/long-term provisions due to the fact that production varies too much from year to year, besides, most of the production factors are imported in foreign currency that has subjacent monetary policies that often don't go in line with our objectives.

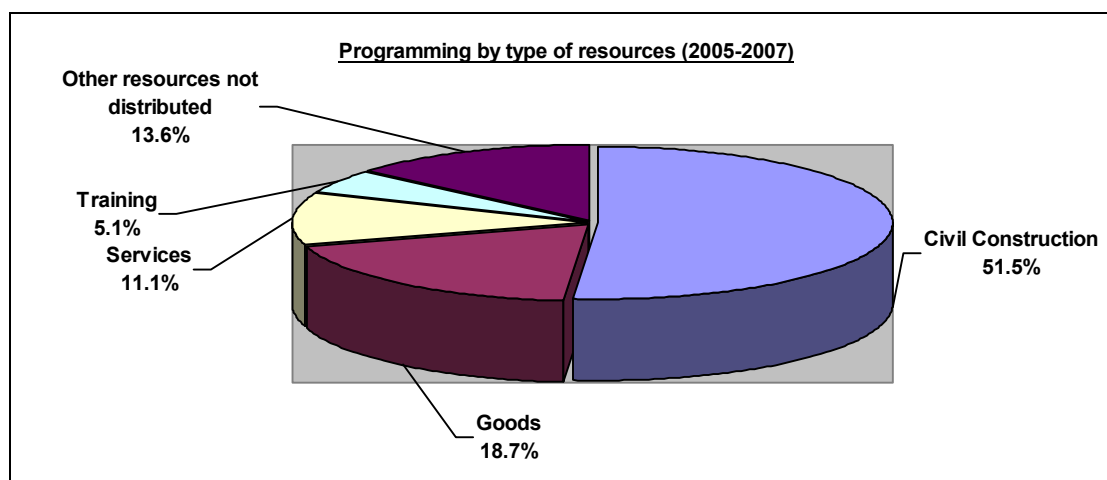
**Table 9: Programming by type of resources**  
(values are presented in thousands of U.S. dollars)

Expenditure Categories	2003-2010 Totals	%	2005-2007 Period	%
<b>1-Civil Constructions</b>	<b>110900.25</b>	<b>52.7</b>	<b>43191.35</b>	<b>51.5</b>
Classrooms	12056.2	5.7	7150	8.5
Health Infrastructures	7714.35	3.7	5029.35	6.0
Various Infrastructures	49308.7	23.4	20826.5	24.9
Water and Sanitation	12673.4	6.0	4753.2	5.7
<b>2-Goods</b>	<b>39686.365</b>	<b>18.9</b>	<b>15644.0</b>	<b>18.7</b>
Vegetable Materials	13353	6.3	5395	6.4
Nutritional Goods	1159.7	0.6	643.9	0.8
Manuals and Equipment for Education	1030.5	0.5	579.5	0.7
Medicines, Equipment and health materials	8194.865	3.9	4636.7	5.5



Expenditure Categories	2003-2010 Totals	%	2005-2007 Period	%
<b>3-Services</b>	<b>26323.8</b>	<b>12.5</b>	<b>9296.4</b>	<b>11.1</b>
National Technical Assistance	15318	7.3	5090.9	6.1
International Technical Assistance	7026.7	3.3	2343.4	2.8
Studies	1539.6	0.7	391.5	0.5
Legislation	705.3	0.3	202.5	0.2
Information Systems	1734.1	0.8	1088	1.3
<b>4-Training</b>	<b>9136.985</b>	<b>4.3</b>	<b>4268.585</b>	<b>5.1</b>
Teacher Training	2022.7	1.0	839.1	1.0
Professional Training	6872.0	3.3	2182.3	2.6
<b>5-Other resources not distributed by category</b>	<b>24331.2</b>	<b>11.6</b>	<b>11367.3</b>	<b>13.6</b>
<b>Total</b>	<b>210378.6</b>	<b>100</b>	<b>83767.6</b>	<b>100</b>

Graph 3: Programming by type of resources



86. Regarding the expenditure category, most of the resources will be channeled toward Civil Construction (51.5%), not giving more priority to this sector, but due to the fact that this sector has subjacent raw materials in large part imported in currency that is strongly valued in relation to the national currency (like the Euro, for example.)

Table 9: Financing Sources for the PIP – 2005

Sources of Financing	Values (000 US\$)	Percentage
State Treasury	2,909.1	9.54%
HIPC funds	3,363.6	11.03%

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<b>Sources of Financing</b>	<b>Values (000 US\$)</b>	<b>Percentage</b>
Secured Foreign Credits	5,486	18%
Secured Donations	18,725	61.43%
Total	30483.7	100%

87. The completion of the programmed activities for 2005 (Table 9) requires the mobilization of \$30,483,700 USD with a distribution of the financing sources above illustrated.

### **3. APPENDIX**

Table 11. São Tomé and Príncipe: Financial Operations of the Central Government, 2001-07 (Concluded)

	2001		2002		2003		2004		2005			2006		2007
	Est.		Est.		Est.		Est.		Progr.			Progr.		
	Jan.-Mar.	Jan.-Jun.	Jan.-Mar.	Jan.-Jun.	Jan.-Mar.	Jan.-Jun.	Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.	2006	2007		
<b>Total revenue and grants</b>	<b>248.8</b>	<b>245.6</b>	<b>321.0</b>	<b>358.9</b>	<b>622.3</b>	<b>729.8</b>	<b>832.0</b>	<b>937.3</b>	<b>483.9</b>	<b>560.5</b>				
Oil revenue 1/	0.0	0.0	1.1	13.7	3.6	7.4	15.3	16.7	17.8					
Non-oil revenue	89.2	113.4	140.4	156.5	42.6	90.5	141.4	196.4	229.7					
Tax revenue	77.2	95.0	114.2	138.2	38.0	79.0	125.3	176.8	206.3					
Nontax revenue	12.0	18.4	26.2	18.2	4.6	11.4	16.1	19.6	23.4					
Grants	159.5	132.2	179.4	188.8	38.5	94.4	141.8	188.1	223.1					
Project grants	120.9	110.0	142.1	137.7	27.3	76.9	115.4	153.9	185.8					
Nonproject grants	17.3	0.5	2.4	20.4	0.0	0.0	0.0	0.0	0.0					
HIPC Initiative-related grants 2/	21.4	21.8	35.0	30.6	11.2	17.5	26.4	34.2	37.3					
Oil signature bonuses	...	...	...	...	537.6	537.6	537.6	537.6	...					
Unidentified revenue measures	...	...	...	...	...	...	...	...	...					
<b>Total expenditure and net lending</b>	<b>334.9</b>	<b>329.2</b>	<b>414.8</b>	<b>524.5</b>	<b>124.6</b>	<b>259.9</b>	<b>399.6</b>	<b>552.4</b>	<b>610.7</b>	<b>662.1</b>				
Current expenditure	121.5	160.4	183.3	280.2	71.9	132.1	208.0	296.9	313.4	324.4				
Personnel costs	40.5	43.6	55.0	74.5	22.2	44.5	66.7	89.0	93.8	98.7				
Goods and services	18.8	26.7	43.9	86.9	11.8	19.9	34.5	54.1	56.7	59.2				
Interest on external debt due	23.2	29.5	26.1	30.1	8.3	17.3	25.6	34.5	39.0	39.3				
Interest on internal debt due	1.1	0.0	0.0	0.0	0.6	1.3	1.9	2.5	2.5	2.5				
Transfers	13.1	40.7	35.9	63.4	21.9	37.4	60.0	89.1	91.8	93.4				
<i>Of which:</i> Regular transfers	13.1	9.4	13.4	37.3	13.1	26.3	39.4	52.6	54.0	55.1				
Foreign-funded scholarship program	...	...	1.1	13.7	3.8	7.6	11.5	15.3	16.7	17.8				
Domestically-funded scholarship program	...	...	...	...	...	...	...	...	...	...				
Joint Development Agency 3/	...	...	...	...	...	...	...	...	...	...				
Other	...	...	...	...	...	...	...	...	...	...				
Capital expenditure	24.8	20.0	22.4	25.3	8.8	11.1	20.6	36.5	37.9	38.4				
Financed by the treasury	194.3	140.0	197.9	214.7	44.1	110.6	166.0	221.3	260.0	297.8				
Financed by external sources	29.4	12.3	38.0	40.2	6.6	13.2	19.7	26.3	29.4	32.8				
HIPC Initiative-related social expenditure	164.9	127.7	160.0	174.5	37.6	97.5	146.2	194.9	230.6	265.0				
Public service restructuring 4/	17.2	22.5	33.6	35.0	8.6	17.1	25.7	34.2	37.3	39.8				
Net lending	1.9	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
	0.0	0.0	0.0	-5.5	0.0	0.0	0.0	0.0	0.0	0.0				
<b>Overall fiscal balance (commitment basis)</b>	<b>-86.1</b>	<b>-83.6</b>	<b>-93.8</b>	<b>-165.6</b>	<b>497.7</b>	<b>469.9</b>	<b>432.4</b>	<b>384.9</b>	<b>-126.7</b>	<b>-101.6</b>				
Change in arrears (net; reduction -)	3.8	48.8	28.3	39.8	-97.7	-174.7	-174.7	-176.6	0.0	0.0				
External arrears 5/	3.8	14.8	9.4	13.8	4.0	-73.0	-73.0	-74.8	0.0	0.0				
Domestic arrears	0.0	34.0	18.8	26.0	-101.7	-101.7	-101.7	-101.7	0.0	0.0				
<i>Of which:</i> Joint Development Agency 3/	...	31.3	22.6	26.0	-101.7	-101.7	-101.7	-101.7	0.0	0.0				
<b>Overall fiscal balance (cash basis)</b>	<b>-82.3</b>	<b>-34.8</b>	<b>-65.5</b>	<b>-125.7</b>	<b>400.0</b>	<b>295.2</b>	<b>257.6</b>	<b>208.3</b>	<b>-126.7</b>	<b>-101.6</b>				
<b>Financing</b>	<b>82.3</b>	<b>34.8</b>	<b>65.5</b>	<b>125.7</b>	<b>-400.0</b>	<b>-295.2</b>	<b>-257.6</b>	<b>-208.3</b>	<b>126.7</b>	<b>101.6</b>				
External (net)	46.9	32.9	49.8	107.5	-10.8	-161.7	-176.7	-174.8	-41.6	-50.2				
Disbursements (projects)	42.9	17.7	17.9	36.8	10.3	20.5	30.8	41.1	44.8	47.8				
Program financing (loans)	25.8	0.0	30.8	50.3	0.0	12.9	12.9	26.7	28.6	30.5				
Short-term loans (Nigeria and Angola) (net) 6/	...	45.0	46.7	58.7	0.0	-10.7	-10.7	-10.7	0.0	0.0				
Disbursement	...	45.0	46.7	58.7	51.5	51.5	51.5	51.5	0.0	0.0				
Amortization	...	...	...	0.0	-206.2	-216.9	-216.9	-216.9	0.0	0.0				
Rescheduling of Nigeria loan	...	...	...	0.0	154.6	154.6	154.6	154.6	0.0	0.0				
Long-term loans amortization (net)	-21.7	-29.8	-45.7	-38.2	-21.0	-184.4	-209.6	-231.9	-115.0	-128.5				
Scheduled	-36.7	-59.1	-70.8	-73.2	-31.9	-49.5	-74.7	-97.0	-115.0	-128.5				
Net change in arrears (reduction -)	15.0	29.3	25.1	34.9	10.8	-134.9	-134.9	-134.9	0.0	0.0				
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Domestic (net)	35.4	1.9	15.7	18.3	-103.5	-60.6	-25.2	3.8	0.0	0.0				
Bank credit (net)	17.3	-0.3	29.7	18.3	-103.5	-60.6	-25.2	3.8	0.0	0.0				
<i>Of which:</i> HIPC Initiative account	-4.3	0.7	-4.1	4.4	-2.7	-0.4	-0.7	0.0	0.0	0.0				
Nonbank financing	18.1	2.2	-14.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Oil reserve fund flows (net)	0.0	0.0	0.0	0.0	-285.7	-285.7	-285.7	-285.7	55.0	58.6				
Reschedulable arrears (Paris Club) 8/	0.0	0.0	0.0	0.0	0.0	0.0	230.0	248.4	70.0	76.3				
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.3	16.8				
<b>Memorandum items:</b>														
Capital expenditure (in millions of U.S. dollars)	...	15.4	21.2	22.0	4.3	10.5	15.5	20.2	21.8	23.4				
(Annual percentage changes)	...	...	...	3.7	...	...	...	0.3	7.7	7.4				
<b>Domestic primary balance (commitment basis) 9/ 10/</b>	<b>-54.5</b>	<b>-21.1</b>	<b>-65.7</b>	<b>-142.8</b>	<b>-31.6</b>	<b>-45.8</b>	<b>-73.1</b>	<b>-108.8</b>	<b>-75.1</b>	<b>-48.9</b>				
<b>Overall balance (commitment basis, excluding Oil Signature Bonuses) 9/ 10/</b>	<b>-86.1</b>	<b>-83.6</b>	<b>-93.8</b>	<b>-165.6</b>	<b>-39.8</b>	<b>-67.6</b>	<b>-105.2</b>	<b>-152.6</b>	<b>-126.7</b>	<b>-101.6</b>				
External debt service paid	41.2	44.5	62.4	54.6	...	...	...	92.9	...	...				

Table 12. São Tomé and Príncipe: Financial Operations of the Central Government, 2001-07 (Concluded)

	2001	2002	2003	2004	2005				2006	2007	
					Est.		Prog.				Proj.
					Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan-Dec			
(In percent of GDP, unless otherwise indicated)											
<b>Total revenue and grants</b>	<b>59.0</b>	<b>50.5</b>	<b>58.1</b>	<b>56.7</b>	<b>82.7</b>	<b>97.0</b>	<b>110.6</b>	<b>124.6</b>	<b>54.2</b>	<b>53.7</b>	
Oil revenue 1/	0.0	0.0	0.2	2.2	0.5	1.0	1.5	2.0	1.9	1.7	
Non-oil revenue	21.1	23.3	25.4	24.7	5.7	12.0	18.8	26.1	25.7	25.2	
Tax revenue	18.3	19.5	20.7	21.8	5.1	10.5	16.7	23.5	23.1	22.8	
Nontax revenue	2.9	3.8	4.7	2.9	0.6	1.5	2.1	2.6	2.6	2.5	
Grants	37.8	27.2	32.5	29.8	5.1	12.5	18.8	25.0	25.0	24.6	
Project grants	28.6	22.6	25.7	21.8	3.6	10.2	15.3	20.4	20.8	20.8	
Nonproject grants	4.1	0.1	0.4	3.2	0.0	0.0	0.0	0.0	0.0	0.0	
HIPC Initiative-related grants 2/	5.1	4.5	6.3	4.8	1.5	2.3	3.5	4.5	4.2	3.8	
Oil signature bonuses	...	...	...	...	71.4	71.4	71.4	71.4	...	...	
Unidentified revenue measures	...	...	...	...	...	...	...	...	1.6	2.1	
<b>Total expenditure and net lending</b>	<b>79.4</b>	<b>67.6</b>	<b>75.1</b>	<b>82.9</b>	<b>16.6</b>	<b>34.5</b>	<b>53.1</b>	<b>73.4</b>	<b>68.4</b>	<b>63.4</b>	
Current expenditure	28.8	33.0	33.2	44.3	9.6	17.6	27.6	39.5	35.1	31.1	
Personnel costs	9.6	9.0	9.9	11.8	3.0	5.9	8.9	11.8	10.5	9.5	
Goods and services	4.5	5.5	7.9	13.7	1.6	2.6	4.6	7.2	6.3	5.7	
Interest on external debt due	5.5	6.1	4.7	4.8	1.1	2.3	3.4	4.6	4.4	3.8	
Interest on internal debt due	0.3	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.2	
Transfers	3.1	8.4	6.5	10.0	2.9	5.0	8.0	11.8	10.3	8.9	
Of which: Regular transfers	3.1	1.9	2.4	5.9	1.7	3.5	5.2	7.0	6.0	5.3	
Foreign-funded scholarship program	...	...	0.2	2.2	0.5	1.0	1.5	2.0	1.9	1.7	
Domestically-funded scholarship program	...	...	...	1.7	0.7	1.5	2.2	2.9	2.5	2.1	
Joint Development Agency 3/	...	6.4	4.1	4.1	1.2	1.5	2.7	4.9	4.2	3.7	
Other	5.9	4.1	4.0	4.0	0.9	1.6	2.6	3.7	3.3	3.0	
Capital expenditure	46.0	28.8	35.8	33.9	5.9	14.7	22.1	29.4	29.1	28.5	
Financed by the treasury	7.0	2.5	6.9	6.4	0.9	1.7	2.6	3.5	3.3	3.1	
Financed by external sources	39.1	26.2	28.9	27.6	5.0	13.0	19.4	25.9	25.8	25.4	
HIPC Initiative-related social expenditure	4.1	4.6	6.1	5.5	1.1	2.3	3.4	4.5	4.2	3.8	
Public service restructuring 4/	0.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net lending	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Overall fiscal balance (commitment basis)</b>	<b>-20.4</b>	<b>-17.2</b>	<b>-17.0</b>	<b>-26.2</b>	<b>66.1</b>	<b>62.5</b>	<b>57.5</b>	<b>51.2</b>	<b>-14.2</b>	<b>-9.7</b>	
Change in arrears (net; reduction -)	0.9	10.0	5.1	6.3	-13.0	-23.2	-23.2	-23.5	0.0	0.0	
External arrears 5/	0.9	3.0	1.7	2.2	0.5	-9.7	-9.7	-9.9	0.0	0.0	
Domestic arrears	0.0	7.0	3.4	4.1	-13.5	-13.5	-13.5	-13.5	0.0	0.0	
Of which: Joint Development Agency 3/	...	6.4	4.1	4.1	-13.5	-13.5	-13.5	-13.5	0.0	0.0	
<b>Overall fiscal balance (cash basis)</b>	<b>-19.5</b>	<b>-7.2</b>	<b>-11.9</b>	<b>-19.9</b>	<b>53.2</b>	<b>39.2</b>	<b>34.2</b>	<b>27.7</b>	<b>-14.2</b>	<b>-9.7</b>	
<b>Financing</b>	<b>19.5</b>	<b>7.2</b>	<b>11.9</b>	<b>19.9</b>	<b>-53.2</b>	<b>-39.2</b>	<b>-34.2</b>	<b>-27.7</b>	<b>14.2</b>	<b>9.7</b>	
External (net)	11.1	6.8	9.0	17.0	-1.4	-21.5	-23.5	-23.2	-4.7	-4.8	
Disbursements (projects)	10.2	3.6	3.2	5.8	1.4	2.7	4.1	5.5	5.0	4.6	
Program financing (loans)	6.1	0.0	5.6	7.9	0.0	1.7	1.7	3.6	3.2	2.9	
Short-term loans (Nigeria and Angola) (net) 6/	...	9.2	8.5	9.3	0.0	-1.4	-1.4	-1.4	0.0	0.0	
Disbursement	...	9.2	8.5	9.3	6.9	6.9	6.9	6.9	0.0	0.0	
Amortization	...	...	...	0.0	-27.4	-28.8	-28.8	-28.8	0.0	0.0	
Rescheduling of Nigeria loan	...	...	...	0.0	20.6	20.6	20.6	20.6	0.0	0.0	
Long-term loans amortization (net)	-5.2	-6.1	-8.3	-6.0	-2.8	-24.5	-27.9	-30.8	-12.9	-12.3	
Scheduled	-8.7	-12.1	-12.8	-11.6	-4.2	-6.6	-9.9	-12.9	-12.9	-12.3	
Net change in arrears (reduction -)	3.6	6.0	4.5	5.5	1.4	-17.9	-17.9	-17.9	0.0	0.0	
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Domestic (net)	8.4	0.4	2.8	2.9	-13.8	-8.0	-3.4	0.5	0.0	0.0	
Bank credit (net)	4.1	-0.1	5.4	2.9	-13.8	-8.0	-3.4	0.5	0.0	0.0	
Of which: HIPC Initiative account	-1.0	0.1	-0.7	0.7	-0.4	0.0	-0.1	0.0	0.0	0.0	
Nonbank financing	4.3	0.5	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Oil reserve fund flows (net)	0.0	0.0	0.0	0.0	-38.0	-38.0	-38.0	-38.0	6.2	5.6	
Reschedulable arrears (Paris Club) 8/	0.0	0.0	0.0	0.0	0.0	28.3	30.6	33.0	7.8	7.3	
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.9	1.6	
<b>Memorandum items:</b>											
Pro-poor expenditure (in millions of U.S. dollars)	11.9	10.4	15.8	14.3	...	...	...	19.3	...	...	
Pro-poor expenditure (in percent of GDP)	25.0	19.4	26.7	22.1	...	...	...	28.0	...	...	
Education	8.6	2.7	6.2	6.1	...	...	...	4.6	...	...	
Health	11.4	9.0	10.3	7.8	...	...	...	8.6	...	...	
Others	5.0	7.6	10.2	8.2	...	...	...	12.2	...	...	
Capital expenditure (in millions of U.S. dollars)	...	3.2	3.8	3.5	0.6	1.4	2.1	2.7	2.4	2.2	
(Annual percentage changes)	...	...	...	0.6	...	...	...	0.0	0.9	0.7	
<b>Domestic primary balance (commitment basis) 9/ 10/</b>	<b>-12.9</b>	<b>-4.3</b>	<b>-11.9</b>	<b>-22.6</b>	<b>-4.2</b>	<b>-6.1</b>	<b>-9.7</b>	<b>-14.5</b>	<b>-8.4</b>	<b>-4.7</b>	
<b>Overall balance (commitment basis, excluding Oil Signature Bonuses) 9/ 10/</b>	<b>-20.4</b>	<b>-17.2</b>	<b>-17.0</b>	<b>-26.2</b>	<b>-5.3</b>	<b>-9.0</b>	<b>-14.0</b>	<b>-20.3</b>	<b>-14.2</b>	<b>-9.7</b>	
External debt service paid	9.8	9.1	11.3	8.6	...	...	...	...	...	...	

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

1/ During 2004-07, includes US\$1.4 million in re-exports of oil arising from aid in kind from Nigeria.

2/ Savings from assistance under the HIPC Initiative.

3/ Under the arrangement with Nigeria, São Tomé and Príncipe could defer payments on its 2002-04 contributions to the Joint Development Agency until after receipt of the first oil signature bonus.

4/ Severance packages totaling Db 8,000 million were financed by a Structural Adjustment Facility grant from the European Union in 2001-02.

5/ Interest arrears on Paris Club debt.

6/ For 2002-04, includes three US\$5 million loans from Nigeria to be repaid in 2005. Repayment of these loans have been rescheduled to 2008. In 2004, it also includes a US\$1 million loan from Angola. A further US\$ 1 million is expected to be borrowed from Nigeria in 2005 but to be repaid within the same year.

7/ For 2006-10, drawings from the oil fund are equivalent to 20 percent of the fund at end-2004 (in line with the draft oil legislation). Interest income is not included here.

8/ For 2004, reflects arrears on external debt service payments to the Paris Club. For 2005, reflects impact of prospective Paris Club rescheduling.

9/ Includes HIPC Initiative-related social expenditure.

10/ Excluding oil revenue, grants, interest earned and scheduled interest payments, foreign-financed capital outlays. For 2002-04, it also excludes arrears to the JDA to be repaid with proceeds from the oil signature bonus.

## ACTION PLAN

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>Poverty reduction program</b>	Reduce the percentage of the poor population (below the poverty line) from 53.8 percent to less than 1/3 by 2015	Conduct national surveys to determine and periodically assess the poverty situation in São Tomé and Príncipe	Every three years	Achievement prevision of the first national inquiry in 2005 on the poverty profile update	National inquiry carried out on the poverty profile update
		Study the relationship between family size and structure and poverty	2005	Elaboration prevision of the report based on the results of the national inquiry	Report elaborated on the poverty profile
		Conduct a study on the urban and suburban poverty situation	2005	Achievement prevision on the study of urban and suburban poverty	Study carried out on urban and suburban poverty
	Reduce all forms of poverty	Implement priority actions under the National Poverty Reduction Strategy (NPRS)	2005/2006	In process	Percentage of actions carried out Report elaborated on the implementation of the ENRP
<b>PILLAR 1: REFORM OF PUBLIC INSTITUTIONS, CAPACITY BUILDING, AND PROMOTION OF A POLICY OF GOOD GOVERNANCE</b>					
<b>Regulatory and constitutional</b>	Consolidate the state subject to the democratic rule of law	Revise the Constitution, aiming in particular at adjusting the size, jurisdiction, and structure of the organs of sovereignty		In process. Constitutional examination took place in 2003.	The revised Constitution takes effect in 2006
		Establish the Council of State	2005/2006	In process	State Council created and in full function
		Establish the Constitutional Council	2005/2006	In process	Constitutional Council created and in full

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>National Assembly</b>	Capacity building in the legislative branch	Revise the composition of the legislative branch to reflect the new political and administrative divisions and the need to represent regional and local governments	From 2006	Elaboration prevision on the study of representativity in regional and local collectivities in 2006	Study carried out on National Assembly reform
		Redefine the role of parliamentary commissions (Bylaws)	From 2006	Revision prevision of the Regiment in 2006	Regiment reviewed
		Strengthen procedures for control of public assets, accounts, and budget	2005	In process. With technical support from the IMF and the World Bank.	Report on the budgetary control procedures adopted
		Organize training programs and study visits	2004-2005	In Process.	Number of fiscal initiatives completed
		Provide the library with an adequate documentary base to meet the research requirements of members of parliament, civil servants, and technical experts	2005	To be included in the budget for 2005/2006	Number of training actions and study visits made
		Reactivate information services covering parliamentary activities	2005	Prevision of constructions for the creation of space; residency of personnel	The library was equipped The document fund was organized and inventoried
<b>Government</b>	Streamline the structure of central government	Establish the size, composition, responsibilities, and scope, reflecting the key sectors	2005/2006		Number of communiqués and periodic publications on parliamentary activities
		Establish organic relations (vertical and horizontal) between the Prime	2005/2006		Adapted structure takes effect Cf. previous

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		Minister and each agency of the government and between the ministers and the relevant departments			
		Restore the authority of the government and maintain democratic public order— establish clear rules for the functioning of the institutions and the discharge of their respective duties, strengthen police and enforcement institutions, and respect for the hierarchies involved	2005/2006	In progress. Creation of radiohonic programs of moral and civic education. Education provision for the population in the government program. Training for agents of the national police and the provision of materials and equipment	Campaigns and actions carried out on consciousness-raising. Rules of operation for the adopted institutions.
		Conduct a seminar on the role of the military and paramilitary forces in the context of poverty reduction	2005	Organization by the Ministries of Defense, Planning and Finance	Symposium carried out on the participation of the defense and security forces in the process of poverty reduction
<b>Justice</b>	Strengthen the organization and operation of the courts	Revise the Basic Law on the Judicial System, including the establishment of specialized courts	2005	In progress. With portuguese cooperation	Revision program elaborated on legal instruments
		Update obsolete laws and other outdated instruments originating in the colonial era	2005/2006	In progress. With Portuguese cooperation..	Penal Code and of penal process revised
		Establish and apply a program of training and specialization for magistrates and justice system staff, including training instructors	2005/2006	In progress. Financed by the OGE.	Program of training elaborated
		Adapt remuneration policies for magistrates and justice system	2005		Remuneration policy revised



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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<p>personnel to reflect their job specifications</p> <p>Update and strengthen the Justice Inspectorate</p> <p>Promote mechanisms to provide access to information and to give citizens access to the justice system (legal aid, etc.)</p>	<p>2005</p> <p>2005</p>	<p>In progress. Inspector named since 2001. Lack of human resources and material goods</p> <p>Mechanisms of access and information created</p>	<p>Inspection reinforced with human resources and material goods</p> <p>Mechanisms of access and information created</p>
		<p>Support the National Electoral Commission and the relevant technical office</p>	<p>From 2005</p>	<p>In progress. Local and regional elections expected in 2005</p>	<p>Local and regional elections carried out</p>
<b>Management of public assets</b>	<p>Promote responsible, effective, and transparent management of public assets</p>	<p>Promote implementation of the National Chart of Accounts</p> <p>Complete as soon as possible the process of implementing the Court of Auditors</p> <p>Strengthen oversight and control institutions</p> <p>Establish anticorruption legislation</p>	<p>2005</p> <p>2005</p> <p>2005</p> <p>2005/2006</p> <p>2005/2008</p>	<p>In progress.</p> <p>Accounting Tribunal was established in 2003. Reinforcement of institutional capacity in progress.</p> <p>In progress. Legislation on the financing of political parties approved. Electoral legislation revised</p> <p>Tax update. Inventory update for urban property</p>	<p>General accounting manuals elaborated, disseminated and applied</p> <p>Accounting Tribunal installed and in operation</p> <p>Tributary reform carried out.</p> <p>Framework organized and habilitated for inspection and audit personnel</p> <p>Investment code updated</p> <p>Exemption policy revised</p>
		<p>Improve conformity of revenue and expenditure with existing regulatory</p>			<p>Management accounts</p>

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<p>texts</p> <p>Redefine mechanisms to manage external aid</p> <p>Process and disseminate statistical information on the status of external aid for development</p> <p>Conduct an annual inventory of public assets, appoint revenue collectors and require regular reporting</p> <p>Promote a broad information campaign on the need for transparency, efficacy, and accountability regarding public assets</p>	<p>2005</p> <p>2005</p> <p>2005</p> <p>2005</p>	<p>in progress.</p> <p>In progress. MNECC Initiatives for the activation of the Foreign Aid Coordinating Committee and the agreement with the development partners</p> <p>Cf. previous</p> <p>In progress. In 2004 there were seminars carried out by the Accounting Tribunal and the National Assembly.</p>	<p>elaborated and published</p> <p>Aid coordinating committee reformulated</p> <p>Reports elaborated on the agreement with the partners.</p> <p>Report elaborated on the status of foreign aid</p> <p>Number of tax collectors named.</p> <p>Annual inventory carried out.</p> <p>Report on the campaign carried out</p>
<b>Decentralization</b>	Adapt the process of decentralization and adjust local governments accordingly	<p>Revise the law in respect of political and administrative divisions</p> <p>Revise the framework laws and supplementary laws on the process of decentralization and autonomous management for regional and local government units</p>	<p>2005/2006</p> <p>2005/2006</p>	<p>In progress</p>	<p>Legislation revised on the political-administrative division</p> <p>Framework legislation on autarquies revised</p> <p>Legislation on local finances revised</p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<p>Define forms of oversight and management of relations between the central, regional, and local authorities</p> <p>Organize and hold regional and local government elections as provided by law</p> <p>Establish mechanisms to support consolidation of regional and local powers</p> <p>Build the human, material, and organizational capacity of the decentralized units of government to manage infrastructure and services</p> <p>Promote a framework of permanent, continuous training for elected officials and civil servants of regional and local governments</p>	<p>2005/2006</p> <p>2005</p> <p>2005</p> <p>2005/2007</p> <p>2005/2007</p>	<p>Initiatives in progress including a new law on regional finances</p> <p>Cf. Previous</p> <p>In progress. Training actions with the support of Portuguese cooperation.</p>	<p>Cf. Previous</p> <p>Elections carried out</p> <p>Structure and technical framework of support and decentralization created</p> <p>Institutional capacity reinforced</p> <p>Material means and equipment acquired</p> <p>Number of frameworks formed.</p>

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<p><b>Public Administration</b></p>	<p>Redesign and modernize public administration</p>	<p>Tailor public administration to its mission in a context of economic liberalization</p>	<p>2005-2006</p>	<p>In progress. Compatibilization with the macroeconomic framework for 2005-2007</p>	<p>Adapted organigram created</p>
		<p>Streamline staffing and strengthen capacities as required for efficient government action</p>	<p>2005/2006</p>	<p>Cf. previous</p>	<p>Adequate training carried out</p>
		<p>Initiate a new revision of the current Civil Service Statutes to adapt them to the government's new situation</p>	<p>2005</p>		<p>Effective percentage rationalized</p>
		<p>Apply the Civil Service Statutes accordingly</p>	<p>2005-2006</p>		<p>Number of personnel put together</p>
		<p>Provide the staff with computer equipment and other resources required for them to properly discharge their respective duties</p>	<p>2005/2007</p>	<p>In compatibility with programming organized by goals and priority sectors included in the ENRP</p>	<p>Intervention appraisal of the private sector carried out in the local and regional economy</p>
		<p>Introduce instruments for systematic assessment of civil servants</p>	<p>2005</p>		<p>Revised by-laws of the state's function</p>
		<p>Revise the wage scale for appropriate remuneration of civil servants, and to meet requirements for efficiency and to combat corruption</p>	<p>2005</p>	<p>Made compatible with the economic framework for 2005-2007</p>	<p>Report revised on the application of the by-laws</p>
					<p>Report on the equipping procedures carried out</p>
					<p>Evaluation instruments in use</p>
			<p>Salary table revised</p>		

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>Civil society</b>		Establish a framework to provide service, promotion, and support for organizing in association with the Office of the Head of Government	2005	In progress. The temporary installation is inadequate. In the preparation of the headquarter rehabilitation. Budgetary limitations. Training carried out and Equipment acquired with the support of BIT	Response framework created
	Promote civil society and its active involvement in the process of poverty reduction	Restore to proper functioning the Council on Social Consensus	2005	In progress.	Annual report made on the functioning of the institutions.
		Organize training campaigns for active involvement in the fight against poverty	2005	In progress.	Number of training campaigns carried out
		Enhance the quality of management and professionalism in nongovernmental organizations (NGOs)	2005	In progress.	Evaluation made on the intervention capacity of NGOs
<b>Communication and information</b>	Develop the mechanisms for access to information and communication and promote a culture of participation	Extend radio and television coverage to the entire national territory	2005	In progress. Equipment and training with support of Portuguese cooperation.	Evaluation of the degree of radio and television coverage in the national territory
		Prepare informational and educational radio and television programming in support of the fight against poverty	2005/2007	In progress. Program initiatives introduced. Need for coordination.	Number of programs carried out. Report on the impact of the programs together with the target population
		Install public telephone booths in	2005	In progress	Number of functioning

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		the most remote localities	2005		telephone poles placed Seminar carried out on the contribution of Social Communication for poverty reduction
<b>PILLAR 2: ACCELERATED AND REDISTRIBUTIVE GROWTH</b>					
<b>Growth</b>	Accelerate growth and achieve a GDP growth rate of over 5 percent	Promote the private sector and diversify production	2005/2007	In progress	Report on the private sector's promotion
		Promote the productive sectors: agriculture, livestock, fishing, forestry, tourism, services, trade, industry, and production	2005/2007	In progress. The revision expected of investment and dissemination codes. Diffusion of micro-credit boxes.	Number of micro-credit boxes established. Balance of the support given to associations and producers
		Revise the legal and regulatory framework to stimulate access to productive services and promote foreign investment	2005	In progress. New investment code elaborated, waiting for approval.	Investment code approved and in application.
		Develop economic infrastructures (energy, roads, transportation, telecommunications, water, and sanitation)	2005/2007	In progress. Made compatible with the programming organized by goals and priority sectors.	Model report made of each sector.
		Improve the supply and efficiency of services	2005/2007	Cf. previous	Cf. previous
Increase the rate of production and export capacity	2005/2007	Cf. previous	Cf. previous		
	Diversify production	2005/2007	In progress. Pepper and vanilla projects. Promotion of agricultural and livestock production cooperatives.	Implementation report of each of the projects	

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
Macroeconomic framework for growth		Give priority to credit to the economy	2005/2007	In progress	Report on credits granted
		Feasibility study on integration into a monetary area	2006/2007		Study carried out on the integration of the monetary zone
		Monetary policy: stringent control of currency issues	2005/2007	In progress	Report to the Central Bank on the situation
		Foreign exchange: stabilize exchange rates and replenish the exchange reserves	2005/2007	In progress. Made compatible with the macroeconomic framework for 2005-2007	Cf. previous
		Strengthen the capacity of the central bank	2005	In progress. With technical assistance from the IMF and the World Bank.	Cf. previous
		Budget and fiscal affairs: increase revenue, streamline public capital and current expenditure; control wage bill expenditure while permitting changes to reflect the cost of living, production, and productivity; redirect public expenditure to basic social services; maintain a current external deficit/GDP ratio of less than 3.6 percent, and a primary deficit/GDP ratio, including the HIPC Initiative, of 7 percent of GDP	2005/2007	In progress.	Cf. previous
		Public debt: monitor the work of the unit of the central bank and institutions responsible for monitoring debt with a view to its	2005/2007	In progress. Made compatible with the macroeconomic framework for 2005-	Report to the Central Bank on the situation.
		Guarantee debt sustainability			

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		sustainability; methodology for the treatment of external debt Encourage periodic dissemination of statistics on developments in the external debt	2005/2007	2007.	
		External policy: reduce the external deficit	2005/2007	In progress	Cf. previous
		Open the financial sector to other banks	2005/2007	In progress. Re-opening of Banco Equador. Establishment of Afriland First Bank e National Investment Bank	Cf. previous
		Finalize the study on development of the financial sector	2005/2006	In progress.	Cf. previous
		Provide training in various areas for the banking sector	2005/2007	In progress.	Cf. previous
		Update computer equipment	2005/2007	In progress.	Cf. previous
		Update and apply studies to measure migrants' remittances saving	2005/2006		Cf. previous
		Establish a framework to foster development and diversification of the financial sector	2005/2007	Made compatible with the macroeconomic framework for 2005-2007	Cf. previous
		Provide training in the area of balance of payments	2005/2007	With support of the IMF and the World Bank	Training actions carried out Number of frameworks created
		Arrange support with international technical assistance in the balance of payments area	200	Cf. previous	Report on the actions taken



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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>Promotion of the private sector</b>		Stimulate saving, investment, and productivity	2005/2007	Made compatible with the macroeconomic framework for 2005-2007	Cf. previous
	Maintain adequate tax pressure	Revise the tax system and improve coverage	2005/2007	In progress	Expected taxes and report on the collections carried out
	Improve the purchasing power and productivity of the most vulnerable population groups	Provide support for families intending to develop their factors of production	2005/2007	In progress. Concession of micro-credits.	Number of families who benefited
		Execute public investments with the most vulnerable population groups in mind	2005/2010	In progress.	Report on the investments made.
		Implement local government units and support for the people to enable them to solve their own production problems	2005/2010	In progress. Includes the financial support of PNUD. (Support Project of the Base Initiatives in regards to Local Governance and Poverty Reduction)	Report on the project made.
		Support development of food crops and restore civil engineering activities	2005/2010	In progress.	Report made on the situation.
	Establish a favorable environment for the private sector	Provide training and development for the private sector	2005/2007	In progress.	Cf. previous
		Revise the Private Investment Code	2005		Cf. previous
		Establish enterprises		In progress.	Cf. previous
		Improve mechanisms for granting bank credit	2005/2007	In progress.	Cf. previous
	Diversify production and promote exports	2005/2010	In progress.	Cf. previous	

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>Agriculture</b>	Increase and diversify agricultural production and exports	Implement processing industries and link them to development of the tourism and other sectors	2005/2010	Made compatible with the goals of economic growth	Cf. previous
		Increase the momentum of partial privatization of land	2005/2010	In progress.	Cf. previous
		Organize professional and economic and financial cooperation activities with other countries in the sub region	2005/2010	In progress. Agreement with CEMAC	Cf. previous
		Promote export sectors: free zones, hydrocarbons, tourism, fisheries, and agriculture	2005/2010	In progress	Cf. previous
		Implement a public administration a Unique window to serve the private sector	2005/2006		Unique window created
		Devise a national strategy on promotion and development of the private sector	2005/2007	Orienting document to be approved by the government	Strategy elaborated.
		Continue land reform	2005	In progress.	Report on the situation
		Coordinate and expand extension activities	2005	In progress. Need for greater intervention on the part of the Agricultural Directive	Cf. previous
		Rehabilitate and construct new rural roads	2005/2007	In progress. Made compatible with the General State Budget.	Road extensions rehabilitated and constructed
		Create a sustainable system for maintenance of rural roads and management of other community	2005/2006	In progress. With partial help of the European Community	Road maintenance system created

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		infrastructures in rural areas			
		Study on establishment of an agricultural credit system	2005		Study carried out
		Define an agricultural credit policy (adapt the statutes of savings and loan associations and credit unions, harmonize lending terms and train managers of these institutions)	2005/2006		Policy of Agricultural Credit adopted
	Guarantee food security	Organize participants to improve conditions for the supply of factors of production, harvesting, primary marketing, and processing of agricultural goods	2005/2010		Report on the level of organization achieved Number of pilot projects implemented
	Promote efficient natural resource management	Continue research and development activities and pilot projects aimed at food production and export diversification	2005/2010		Report on the actions carried out by the I&D.
		Reorganize agricultural education—merger between the CATAP (agricultural school) and CENFOPA (training center), and execute priority programs	2005/2007	Partnership projects from friend nations	Agricultural instruction reorganized and training centers in operation
<b>Livestock</b>	See Pillar 3 of the Strategy: create opportunities for the poor		2005/2007		
<b>Forestry</b>	See Pillar 3 of the Strategy: create opportunities for the poor		2005/2007		

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>Industry, crafts, trade, and services</b>	See Pillar 3 of the Strategy: create opportunities for the poor	Execute the occupational training program for the sector	2005/2007	In progress. Made compatible with the Strategic Plan for Tourism Development	Number of individuals trained in the area of tourism (see final training report)
	<b>Tourism</b>	Substantially increase the sector's contribution to GDP (target of 5-7 percent in 2005);	Acquire equipment and rolling stock for the sector	From 2006	
Undertake promotion campaigns with selected countries			2005/2007	In progress.	Report on the campaigns
Track measures dependent on other sectors (protection of areas of interest to the tourism sector, policy on infrastructures, and on public health)			2005/2007	In progress.	Attendance initiatives initiated
Promote tourism (ecological and seaside resorts)			2005/2007	In progress.	Promotion initiatives started.
Strengthen commercial management of the public enterprise EMAE			2005/2006	In progress.	Report on the measures taken.
<b>Energy</b>	Ensure that the population's basic energy requirements are met and contribute to the development of the productive sectors	Rehabilitate the metering center [Central de Contador]	2005	With intervention of the private sector	Completion and Rehabilitation of the Hydro-Electromechanical Center

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>Rehabilitate low and medium tension networks</li> </ul>	2006/2007	Find financing.	Networks rehabilitated
		<ul style="list-style-type: none"> <li>Update the master plan</li> </ul>	2006	Yet to be completed.	Directive Energy Plan updated
		<ul style="list-style-type: none"> <li>Conduct or update feasibility studies on future investments: transfer of plant in the capital</li> </ul>	2005		Studies carried out
		<ul style="list-style-type: none"> <li>Abade III, Yô Grande, and Rio Papagaio hydroelectric project</li> </ul>	2005/2010		Report on the situation
	<ul style="list-style-type: none"> <li>Diversify energy sources for production that minimizes foreign exchange outlays</li> </ul>	<ul style="list-style-type: none"> <li>Build a new electricity plant with financial proceeds from the transfer of the thermal plant</li> </ul>	2007	Prospects of negotiations with interested private investors	Cf. previous
		<ul style="list-style-type: none"> <li>Build microstations in rural areas (1. Bernardo Faro and Olivares Marim; 2. Santa Catarina and neighboring communities; and 3. António Soares /Santa Margarida)</li> </ul>	2008/2010		Cf. previous
	<ul style="list-style-type: none"> <li>Review and gradually increase installed capacity</li> </ul>	<ul style="list-style-type: none"> <li>Build Abade III hydroelectric plant</li> </ul>	From 2006	Prospects of negotiations with interested private investors	Cf. previous
		<ul style="list-style-type: none"> <li>Feasibility study on state divestment and options for development in the sector</li> </ul>	2005	In process (only that which relates to production)	Study carried out
		<ul style="list-style-type: none"> <li>Technical and economic study on fuel substitution or change</li> </ul>	2005/2007		Cf. previous
<b>Transportation</b>	<ul style="list-style-type: none"> <li>Rehabilitate and protect conservation of land resources to reflect</li> </ul>	<ul style="list-style-type: none"> <li>Accelerated implementation of the program to rehabilitate rural roads (see Agriculture)</li> </ul>	2005/2010	Made compatible with the state's General Budget.	Conclusion of the rehabilitation constructions of 88

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
	production requirements (distribution, in particular) and social requirements (servicing isolated areas)	<ul style="list-style-type: none"> <li>Strengthen technical and management capacity of SENAE</li> </ul>	2005/2007	In progress. With support of the European Union	kilometers of rural routes Evaluation, framing and training of staff affected the auditing carried out (see final report)
	– Strengthen São Tomé and Príncipe's maritime network to ensure integrated development of the two islands	<ul style="list-style-type: none"> <li>Strengthen operational capacity at the port of São Tomé (lifting equipment, ship maintenance infrastructure, management capacity building, etc.)</li> <li>Preliminary study on the sectoral transportation strategy (against the backdrop of preparing a master plan for transportation after 2002)</li> </ul>	2005/2006	In progress	Report on the situation
	– Develop international air and sea transportation	<ul style="list-style-type: none"> <li>Prepare and implement standards and regulations</li> <li>Monitor the activity of ferry operators (inter-island and between the archipelago and the continent)</li> </ul>	2005/2007		Study completed on a structure of management for the establishment of a Roads Fund Norms elaborated and in place Report on the situation
	– Develop basic telephone service in rural areas	<ul style="list-style-type: none"> <li>Start updating the inventory of rural roads</li> <li>Develop the public service to lead the sector</li> <li>Diversify existing products on the market</li> <li>Extend rural telephony</li> <li>Clarify the institutional scheme for management of the</li> </ul>	2005/2010	In progress.	Inventory completed of the National Roads Network (see final report) Report on the situation. Cf. previous Extension obtained.
<b>Telecommunications</b>			2005/2010	In progress.	Regulatory authority

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		radioelectric space (control of use of the radioelectric spectrum, control of industrial equipment, licensing, etc.)			created.
		<ul style="list-style-type: none"> <li>Expand and consolidate the telecommunication network</li> </ul>	2005/2007	In progress.	Number of operators in service Technical report on the situation.
		<ul style="list-style-type: none"> <li>Revise tariff policy—contract between the telecommunication company (CST) and the state</li> </ul>	2005		Tariff policy revised
		<ul style="list-style-type: none"> <li>Expand the Internet accessibility</li> </ul>	2005	In progress	Technical report on the situation.
		<ul style="list-style-type: none"> <li>Update the master plan for water</li> </ul>	2006		Directive plan updated.
		<ul style="list-style-type: none"> <li>Rehabilitate drinking water supply systems in urban areas</li> </ul>	2005/2007		Urban network improved Number of families who benefited
		<ul style="list-style-type: none"> <li>Information, education, and communication (IEC) activities for health focusing on water use and conservation</li> </ul>	2005	In progress.	Number of consciousness-raising actions carried out
		<ul style="list-style-type: none"> <li>Regular chemical and bacteriological control of the public water system and microsystems supplying rural areas</li> </ul>	2005	Permanent	Technical report on the situation
		<ul style="list-style-type: none"> <li>Develop infrastructures to remove polluted water and waste in the key urban centers</li> </ul>	2005	Permanent	Cf. previous
		<ul style="list-style-type: none"> <li>IEC activities in the area of</li> </ul>	2005	In progress	Cf previous
<b>Water and sanitation</b>	<ul style="list-style-type: none"> <li>Reduce costs of exploration and tariffs to assist in the development of enterprises</li> </ul>				
	<ul style="list-style-type: none"> <li>Increase the level of access to community water supply systems for the population (AAP), private connections, and drinking fountains</li> </ul>				
	<ul style="list-style-type: none"> <li>Improve the quality of water, and particularly at the level of the water and power distribution company (EMAE) system</li> </ul>				

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		sanitation (latrines and septic tanks)			
		<ul style="list-style-type: none"> <li>Capacity building for the EMAE (quality control, conservation, and repair of infrastructures; and commercial and financial management)</li> </ul>	2005	In progress	Cf. previous
	– Develop infrastructures and verify measures focusing on environmental sanitation	<ul style="list-style-type: none"> <li>Install AAP microsystems in rural areas and pursue activities to rehabilitate supply systems for agricultural communities</li> </ul>	2005/2007	In progress	Cf. previous
		<ul style="list-style-type: none"> <li>Strengthen the capacity to protect water sources quality control</li> </ul>	2006		Cf. previous
<b>Environment</b>		<ul style="list-style-type: none"> <li>Regulate the legal framework for environmental conservation while ensuring that the following texts are enforced:</li> </ul>	2005		Diplomas regularly approved
	– Protect depleted soils	<ul style="list-style-type: none"> <li>Regulation on the Framework Law on the Environment</li> </ul>	2005	Perspective of the Ministry of Natural Resources and Environment	Cf. previous
	– Preserve forests that have undergone substantial degradation as the result of uncontrolled felling of trees	<ul style="list-style-type: none"> <li>Apply the international conventions on biodiversity, climate change, and desertification</li> </ul>	2006		Report on the observation of the Convention
	– Protect coasts damaged by the removal of sand for use in construction	<ul style="list-style-type: none"> <li>Regulation on the Law relating to the Extraction of Inerts</li> </ul>	2006		Diplomas regularly approved
		<ul style="list-style-type: none"> <li>Regulation on the Law on Solid Waste</li> </ul>	2005		Diplomas regularly approved
	Preserve landscapes, wildlife, and the architectural	<ul style="list-style-type: none"> <li>Decree defining protected areas in the national territory</li> </ul>	2005/2006		Decrete approved



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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
	heritage—essential factors in improving the living conditions of the population and for a policy to develop tourism	<ul style="list-style-type: none"> <li>• Ratify international conventions such as the one governing trafficking in wildlife species</li> <li>• Other measures in connection with the national environmental plan for sustainable development</li> </ul>	2005  2005/2010		Conventions ratified  Report on the situation
<b>PILLAR 3: CREATION OF INCOME-EARNING OPPORTUNITIES FOR THE POOR</b>					
<b>Management of land in the public domain</b>	– Improve the framework for legislation on and distribution of government land	• Study a legal statute governing different forms of land use, ownership, and exploration	2005/2006		Study made
		• Revise the current land law	2005/2006		Land Law revised
<b>Agriculture</b>	– Increase income and reduce poverty in rural areas	• Promote community involvement in participatory management of rural areas and the environment	2005/2007		Report on the development of rural communities
		• Implement a rural property register	2006/2007		Rural cadastre made
		• Prepare a land use plan for rural areas with participation of the beneficiaries of government land schemes	2006		Plan of land use made
		• Implement the program on participatory support for family farms and artisanal fishing activity (PAPAFPA)– IFAD financing	2005-2010	In progress	Report on the structural process of the rural areas that considers development according to gender, community, association and regional federation.
		• Support family farms in the development of Robusta and Arabica coffee growing (3,000 ha) and improvement of	2005-2007		Report on family agriculture

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<p>the relevant processing technology</p> <ul style="list-style-type: none"> <li>Study the “coconut chain” with a view to the reviving plantations and development of production</li> <li>Support coconut palm plantation restoration (5,000 ha)</li> <li>Support small farmers in production and marketing of peppers</li> <li>Feasibility study on production of odoriferous plants on family farms</li> <li>Study the “cocoa chain” with a view to organizing and developing inter-professional linkages</li> <li>Implement the program to replant shade trees on cocoa and coffee plantations (5,000 ha)</li> <li>Implement the cocoa replanting program on small farms (2,000 ha)</li> <li>Implement the replanting program for cocoa plantations (4,000 ha)</li> <li>Program to support production and technology for biological cocoa processing (1,600 ha)</li> </ul>	<p>2006-2007</p> <p>2005-2010</p> <p>2005-2010</p> <p>2005</p> <p>2005</p> <p>2005/2010</p> <p>2005/2010</p> <p>2005/2008</p> <p>2005/2010</p>	<p>In progress. With partial help of the Spanish Cooperation.</p>	<p>Study made</p> <p>Report on the situation</p> <p>Report on the production and commercialization of pepper.</p> <p>Study made</p> <p>Study made</p> <p>Report on the re-planting of shade trees</p> <p>Report on the planting of cocoa</p> <p>Cf. previous</p> <p>Report on the production of biological cocoa</p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>Livestock</b>	<ul style="list-style-type: none"> <li>- Guarantee food security</li> <li>- Develop potential for livestock production</li> <li>- Infrastructure to support increased marketing of animal production</li> </ul>	<ul style="list-style-type: none"> <li>• Develop rice and horticultural production</li> </ul>	2005/2008		Conclusion of the planting and technical assistance in the harvest fields
		<ul style="list-style-type: none"> <li>• Project to support and develop family farm horticultural production and marketing</li> </ul>	2005/2008		Report on the development of the project
		<ul style="list-style-type: none"> <li>• Project to support and develop fruit production</li> </ul>	2005-2006	In progress. With partial support of friendly nations	Cf. previous
		<ul style="list-style-type: none"> <li>• Project to support agricultural diversification and development of roots and tubers</li> </ul>		Concluded	Cf. previous
		<ul style="list-style-type: none"> <li>• Support for development of tubers (cassava) and roots</li> </ul>	2005		Cf. previous
		<ul style="list-style-type: none"> <li>• Project to support development of livestock farming</li> </ul>		Concluded	Report on the development of the project
		<ul style="list-style-type: none"> <li>• Project to support the development of livestock farming (Phase II)</li> </ul>	2005/2008	Yet to begin	Cf. previous
		<ul style="list-style-type: none"> <li>• Poultry farming project</li> </ul>	2005	In progress.	Cf. previous
		<ul style="list-style-type: none"> <li>• Establishment of small abattoirs in the district capitals</li> </ul>	2005/2007		Number of slaughter houses constructed and in operation
		<ul style="list-style-type: none"> <li>• Study on technical and economic feasibility of privatizing veterinary medicine</li> </ul>	2005/2006		Study made
<ul style="list-style-type: none"> <li>• Study on expansion of exports of small ruminants to Gabon</li> </ul>	2005		Cf. previous		
<ul style="list-style-type: none"> <li>• Project to use draft animals in</li> </ul>	2005		Project elaborated		

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		rural communities			
		<ul style="list-style-type: none"> <li>Program for genetic improvement and selection of traditional short cycle breeds</li> <li>Revision of the livestock health and sanitary code to enhance the role of health and sanitary inspectors</li> </ul>	2005-2007  2006	In progress	Report on the development of the program  Code revised of livestock sanitation
<b>Forestry</b>	– Proceed with the improvement of forest management and protection	• Implement a replanting program for export quality forest species	2005-2008		Report on the development of the program
		• Improve sawing and waste recycling technologies	2005/2007		Report on the techniques used
		• National forest inventory	2007-2008		Forrest inventory carried out
		• Prepare and implement hunting regulations	2006		Regulations made and approved on the use of forest resources
		• Strengthen the corps of forest rangers	2005-2007		Recruitment and training of 12 forest rangers
		• Enhance the technical and financial capacity of the Forestry Directorate for preparation and monitoring of programs	2005/2007		Report on the function and efficiency of the sector
<b>Fisheries</b>	– Increase catch levels to ensure food security	• Implement the Neves Fisheries Complex		Concluded. With support of Spanish cooperation.	Wharf construction 50% concluded (See Annual Report of Activities)
		• Import fishing equipment		Permanent	Inventory of imported fittings

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Extend credit to private artisanal fishermen</li> <li>• Construct and permanently use fish concentration devices (FCDs)</li> <li>• Extend use of new types of canoe</li> <li>• Establish a database for the fisheries sector</li> <li>• Improve fish preservation and marketing (purchase of freezing facilities)</li> <li>• Institutional support for the Fisheries Directorate</li> <li>• Support for GIEPPA, the umbrella group for fishermen and fishmongers' associations</li> </ul>	<p>2005/2010</p> <p>2005/2007</p> <p>2005</p> <p>2005</p> <p>2005/2007</p> <p>2005/2006</p> <p>2005/2008</p>	<p>In progress.</p> <p>In progress</p> <p>In progress</p> <p>In progress by the Fishing Directive</p> <p>In progress</p> <p>In progress. Financed by the State General Budget.</p> <p>In progress</p>	<p>Balance of credits granted</p> <p>Operational DCPS in beaches where fishermen participated in the initiative</p> <p>Report on the use of new types of canoes</p> <p>Database installed for the collection of statistical data on fishing in the pilot beaches (Santa Catarina and Neves, Angolares, Porto Alegre and Malanza, Gamboa Beach and Ponte Velha, Messias Alves Beach and Príncipe)</p> <p>Conclusion and presentation on the Annual Statistical Report on Fishing</p> <p>Report on the situation</p> <p>Report on the functioning and efficiency of the sector.</p> <p>C. previous</p>

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Study tours</li> </ul>	2005/2008	In progress	Number of visits carried out
<b>Rural infrastructure</b>	<ul style="list-style-type: none"> <li>– Upgrade rural infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Study on establishing more concentrated settlements in line with the new land rehabilitation plan (social and economic infrastructure, water, street planning, environmental sanitation, and electrification of rural areas)</li> <li>• Enhance management capacity (SENAE)</li> <li>• Program to build and/or rehabilitate roads for production in rural communities and areas (85 Km): Phase I</li> <li>• Program to build and/or rehabilitate roads for production in rural communities and areas</li> <li>• Program to build and/or rehabilitate asphalt roads</li> <li>• Build and/or rehabilitate water supply systems in rural localities and communities</li> <li>• Build and/or rehabilitate environmental sanitation systems</li> <li>• Program to build housing in rural communities</li> </ul>	2005/2007	<p>In progress</p> <p>Only for coordination and follow-up activities</p> <p>In progress. With the support of the government of France and the European Union.</p> <p>Depending on financing.</p> <p>With partial financing from the European Union.</p> <p>In progress</p> <p>In progress</p>	<p>Study elaborated</p> <p>Report on the functioning and efficiency of the sector</p> <p>Report on the development of the program</p> <p>Cf. previous</p> <p>Cf. previous</p> <p>Report on the situation.</p> <p>Cf. previous</p> <p>Number of lodgings constructed</p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
Program in support of the primary sector		<ul style="list-style-type: none"> <li>• Study on the use of alternative construction materials to wood</li> </ul>	2005		Study made
		<ul style="list-style-type: none"> <li>• Support for the Agronomy and Technological Research Center (CIAT)</li> </ul>	2005/2007	Made compatible with the State's General Budget	Report on the functioning and efficiency of the sector
	– Research in applied agronomy	<ul style="list-style-type: none"> <li>• Prepare a long term national plan for agrarian research</li> <li>• Program on conservation and restoration of soil fertility</li> </ul>	2005		Plan made
		<ul style="list-style-type: none"> <li>• Program on basic training in agriculture for youth and adults in rural areas</li> </ul>	2005/2007		Report on the development of the program
	– Training	<ul style="list-style-type: none"> <li>• Literacy in rural areas</li> </ul>	2005/2007	In progress. With partial support from the government of Brazil	Cf. previous
		<ul style="list-style-type: none"> <li>• Rehabilitate the center for quarantine and entry control for chemicals and products of animal origin</li> </ul>	2005	In progress	Number of people who were taught how to read
	– Plant and animal protection	<ul style="list-style-type: none"> <li>• Study on potential for production, marketing, exploiting the value, and exporting domestic food products</li> </ul>	2005	In coordination with the "Integrated Framework for Trade-Related Technical Assistance" of the World Bank	Center rehabilitated
	– Marketing and processing of food products	<ul style="list-style-type: none"> <li>• Project in support of women for processing and marketing of agricultural, livestock, and fisheries products</li> </ul>	2005		Study made
		<ul style="list-style-type: none"> <li>• Support the development and consolidation of decentralized local savings and loan associations</li> </ul>	2005		Report on the development of the project
	– Rural credit		2005/2010		Number of saving accounts in operation

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>Develop pilot projects and activities to provide incentives for youth and adolescents to settle in rural areas</li> <li>Support associations and cooperatives for small farmers in the implementation of economic, social, and cultural activities and initiatives</li> <li>Promote and support the strengthening of participatory agricultural, livestock, and fisheries extension work in partnership with movements and associations in the sectors</li> </ul>	<p>2005/2010</p> <p>2005/2010</p> <p>2005</p>		<p>Report on the actions taken</p> <p>Balance of initiatives developed</p> <p>Report on the actions developed</p>
<b>PILLAR 4: HUMAN RESOURCE DEVELOPMENT AND ENHANCED ACCESS TO BASIC SOCIAL SERVICES</b>					
<b>Education</b>	<ul style="list-style-type: none"> <li>Expand and improve the quality of six-year basic education</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that all those of school age enroll, regularly attend and stay in school</li> <li>Prevent students from dropping out of school</li> </ul>	2005	<p>In progress</p> <p>In progress</p> <p>In progress. Reactivation of the Global Nutritional Program (Reativação do projecto do Programa Alimentar Mundial – PAM); bread and milk for the schools; school manuals; school stipends</p>	<p>Gross rate of primary schooling (by region, district, age and gender)</p> <p>Approval rate in the 4th grade</p> <p>Reapproval rate</p> <p>Rate of school dropouts.</p>



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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Build and equip classrooms and kindergartens to eliminate the three-shift system</li> <li>• Produce schoolbooks</li> <li>• Establish closer relations between schools and communities</li> <li>• Implement a management information system (establish a database)</li> <li>• Promote participation, by the national and education authorities, in management of education</li> <li>• Train six-year basic education instructors</li> <li>• Organize retraining for basic education instructors</li> <li>• Train trainers</li> <li>• Enhance the system of school assessment and inspection</li> </ul>	<p>2005/2010</p> <p>2005</p> <p>2005</p> <p>2005</p> <p>2005</p> <p>2005</p> <p>From 2006</p> <p>2005</p> <p>2005</p> <p>2005</p>	<p>with the support of Brazil)</p> <p>In progress.</p> <p>In progress.</p> <p>In progress.</p> <p>In progress.</p> <p>In progress.</p> <p><b>1.</b></p> <p>In progress.</p> <p><b>3. In progress.</b></p> <p><b>5. In progress.</b></p> <p>In progress.</p>	<p>Number of classrooms constructed and equipped by region and district</p> <p>Number of school manuals produced and distributed</p> <p>Number of initiatives made to bring schools and communities together</p> <p><u>Database created</u></p> <p><u>Report on the actions of promotion taken</u></p> <p><u>2. Number of teachers trained</u></p> <p>Number of training organized</p> <p><u>4. Number of trainers trained</u></p> <p><u>6. Report on evaluation and inspection</u></p> <p>Criteria defined for tuition payment, enrollment and fees.</p>
	<ul style="list-style-type: none"> <li>- Improve the quality of the secondary system and its linkages with occupational education</li> </ul>	<ul style="list-style-type: none"> <li>• Establish criteria for payment of registration, enrollment, and fees</li> </ul>	2005	In progress.	Criteria defined for tuition payment, enrollment and fees.

Gross rate of schooling at

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
					<p>the high school level.</p> <p>Number of professional training programs with the support of disadvantaged students</p> <p>Number of students who benefited from the support program.</p> <p>Number of access to student dormitories</p>
	<ul style="list-style-type: none"> <li>• Assist the underprivileged with materials and exempt them from fees (scholarships, travel grants, and housing for students)</li> <li>• Construct and equip classrooms</li> <li>• Implement the twelfth year of education</li> <li>• Revise the legislative framework to include explicit provisions on the functions of the various units involved</li> <li>• Revise the Law on the Foundations of the Education System</li> <li>• Institutionalize teaching careers</li> <li>• Institutionalize São Tomé and Príncipe associations responsible for education</li> <li>• Train technical experts in statistical techniques for data analysis</li> </ul>	<p>2005</p> <p>2005-2010</p> <p>From 2006</p> <p>2005</p> <p>2005</p> <p>2005/2006</p> <p>2005</p> <p>2005/2007</p>	<p>In progress.</p> <p><b>7. Seeking funding</b></p> <p><b>9. In preparation with the support of friendly nations</b></p> <p>In progress.</p> <p><b>11. Seeking funding</b></p> <p><b>13. In preparation</b></p> <p>In preparation</p> <p><b>15. Seeking funding</b></p>	<p>8. <u>Report on the situation</u></p> <p>10. <u>Cf. previous situation</u></p> <p>Legislative framework revised</p> <p>12. <u>Base Legislation on the Educational System revised</u></p> <p>14. Teacher training institutionalized</p> <p><u>Report on the situation</u></p> <p>16. Number of experts trained</p>	

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Complete school mapping</li> <li>• Train personnel in programming public expenditure on education</li> <li>• Reformulate the school curriculum</li> <li>• Improve the school assessment system</li> </ul>	2005	In progress.	<u>School diploma completed</u>
		<ul style="list-style-type: none"> <li>• Train personnel in programming public expenditure on education</li> <li>• Reformulate the school curriculum</li> <li>• Improve the school assessment system</li> </ul>	2005	<b>17. Seeking funding</b>	18. Number of personell trained
		<ul style="list-style-type: none"> <li>• Improve the school assessment system</li> </ul>	2005	Seeking technical support and funding	School curriculum reformulated
		<ul style="list-style-type: none"> <li>• Improve the school assessment system</li> </ul>	2005		School evaluation system in the process of reformulation
<b>Literacy</b>	- Eradicate illiteracy	<ul style="list-style-type: none"> <li>• Conduct a study on the illiteracy situation with a view to implementing a national literacy program</li> <li>• Train teachers to eradicate illiteracy</li> </ul>	2005	<b>19. In preparation</b>	20. Study on illiteracy carried out
					Number of training actions carried out
					Number of teachers trained
			2005-2007		Literacy rate (global, by gender, professional category)
					Number of adults who were taught to read
					Report on the situation
		<ul style="list-style-type: none"> <li>• Produce literacy manuals: workbooks and other</li> </ul>	2005		Number of manuals produced and distributed

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		educational support materials, audiovisual aids, magazines, etc. <ul style="list-style-type: none"> <li>• Broadcast radio programs to combat illiteracy</li> </ul>	2005		Number of programs elaborated and distributed
<b>Training</b>	<ul style="list-style-type: none"> <li>- Train human resources to meet São Tomé and Príncipe's development requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt a training program for trainers</li> </ul>	2005	<b>21.</b>	22. Program adopted for training trainers
		<ul style="list-style-type: none"> <li>• Promote socioprofessional training initiatives for youth</li> </ul>	2005	Seeking funding	Number of initiatives carried out for professional training
		<ul style="list-style-type: none"> <li>• Establish partnerships in the framework of occupational training</li> </ul>	2005	Seeking funding	Partnership agreements established
		<ul style="list-style-type: none"> <li>• Coordinate all existing incentives</li> </ul>	2005	<b>23.</b>	Coordination level verified
		<ul style="list-style-type: none"> <li>• Rehabilitate and restore existing training centers</li> </ul>	2005-2007	Seeking funding	Number of professional training centers rehabilitated
		<ul style="list-style-type: none"> <li>• Implement specialized training activities in the areas of crafts, trade, industry, agriculture, and tourism</li> </ul>	2005/2007		Number of specialized training actions in progress
<b>Health, nutrition, and population</b>	<ul style="list-style-type: none"> <li>- Establish conditions for the population to become autonomous and adopt attitudes, behaviors, and</li> </ul>	<ul style="list-style-type: none"> <li>• Implement IEC activities in schools, health services, and communities, using a wider variety of channels and services</li> </ul>	2005/2007	Seeking funding	Number of IEC actions developed

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
	practices that help improve and preserve their health through enhanced social mobilization and information and education for health	<ul style="list-style-type: none"> <li>• Broadcast and promote educational messages targeting adolescents, men, and women on issues related to health protection, including the fight against disease; nutrition; sexuality; reproductive health; and gender</li> <li>• Conduct regular community information and education campaigns on health promotion and protection using a variety of media</li> <li>• Involve the communities in health issues</li> </ul>	2005/2007  2005  2005/2007	In progress; seeking new partners	<p>Number of educational messages produced and divulged</p> <p>Number of target communities for the information and education campaigns</p> <p>Report on the situation</p>
-	Restructure and organize basic health services through an enhanced institutional framework and intervention capacities at different levels of care to more effectively meet the demand created and to guarantee citizens equal access to health care	<ul style="list-style-type: none"> <li>• Revise the Organic Law on Health</li> <li>• Prepare and implement the Basic Law on Health</li> <li>• Revise legislation on pharmaceuticals and health financing mechanisms</li> <li>• Gradually implement health infrastructure in the districts according to the health map</li> <li>• Gradually provide the various health units with the required staff and equipment</li> </ul>	2005  2005/2006  2005  2005/2007  2005/2007	24.  In progress.	<p>25. Cf. previous</p> <p>Basic health legislation in place</p> <p>26. Pharmaceutical legislation revised and adopted</p> <p>Number of infrastructures constructed and revised</p> <p>Number of technical staff trained</p> <p>Health centers equipped</p> <p>Manuals and forms available in all health units</p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Gradually provide health units with low-cost essential medicines</li> <li>• Provide the National Health Service with cost recovery mechanisms</li> <li>• Promote the establishment of health insurance systems as well as social insurance and mutual systems</li> <li>• Put the health information system into operation</li> <li>• Establish incentives for private medical practice and value and enhance access to traditional medicine</li> <li>• Establish health oversight and inspection services</li> </ul>	<p>2005/2007</p> <p>2005/2007</p> <p>2005/2007</p> <p>2005/2007</p> <p>2005</p> <p>2005/2007</p>	<p>In progress.</p> <p><b>27. In progress.</b></p> <p><b>28.</b></p> <p><b>30. In progress.</b></p>	<p>Hospitals and Regional Health Centers equipped with essential medicines</p> <p>Accessibility of medicines at a low cost</p> <p>Cost recovery mechanisms in place</p> <p>29. <u>Report on developed actions</u></p> <p>Cf. previous</p> <p>31. <u>Actions of promotion developed</u></p> <p>Auditing and inspection services created</p>
<p>- Integrated implementation of activities in support of the fight against diseases that are the greatest factors contributing to the morbidity and mortality rate in São Tomé and Príncipe, including HIV/AIDS</p>		<p><b>FIGHT AGAINST MALARIA</b></p> <ul style="list-style-type: none"> <li>• Adequately manage cases of malaria at all levels (public and private)</li> <li>• Epidemiological supervision of chemoprophylaxis for pregnant women and non-immune persons</li> </ul>	<p>2005-2010</p> <p>2005-2007</p>	<p><b>32. In progress</b></p>	<p>Strategic plan adopted for the reduction of malaria</p> <p>Number of malaria cases registered/treated</p> <p>Mortality rate / malaria</p> <p>Report on the available study</p> <p>Malaria prevention in progress</p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Combat vectors through environmental sanitation and hygiene, destruction of larvae, and widespread use of impregnated mosquito nets</li> </ul> <p style="text-align: right;">FIGHT AGAINST STDs and</p>	2005/2007	<p style="text-align: center;"><b>33. In progress.</b></p>	<p>Report on the study of the available vector</p> <p>Number of sanitary brigades in operation</p> <p>Number of early-childhood teachers and educators trained</p> <p>Pest extermination of insect incubation grounds carried out</p> <p>Cartography and characterization of existing incubation grounds</p> <p>Number of agents created</p> <p>Quantity of equipments and materials acquired</p> <p>Distribution of mosquito nets</p> <p>Number of distribution posts available</p> <p>Number of impregnated (chemically-treated) mosquito nets distributed</p> <p>Number of spraying campaigns</p> <p>Report on the study of popular acceptance</p> <p>Number of actions</p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		HIV/AIDS	2005-2007		against the DSTs developed
		<ul style="list-style-type: none"> <li>Integrate activities against STDs with various types of services and at all levels using the syndromic approach</li> <li>Prepare the strategic plan to fight HIV/AIDS</li> <li>Conduct information and awareness campaigns through the media, NGOs, health workers, educators, etc.</li> <li>Increase condom use among youth, particularly in high-risk groups</li> <li>Acquire and distribute condoms</li> <li>Purchase and distribute anti-retrovirals and increase their accessibility to HIV- positive pregnant women to reduce vertical transmission</li> <li>Provide counseling for carriers and patients with STDs and HIV/AIDS</li> </ul>	2005	Concluded. (Awaiting approval and implementation) – seeking funding	<p>Policy document and strategic plan elaborated / adopted</p> <p>Number of radio and television programs produced / divulged</p> <p>Number of communities made aware of the issue</p> <p>Number of consciousness-raising campaigns made</p> <p><u>Report on the situation.</u></p> <p>Number of condoms distributed.</p> <p>Number of HIV-positive pregnant women who are part of the project/strategy</p> <p>Number of carriers who will avail themselves counseling services</p>
			2005/2010	In progress.	
			2005	In progress. Seeking for new partners.	
			2005/2007	Seeking funding.	
			2005	In progress.	

Number of people who pass on the disease



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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<p><b>FIGHT AGAINST TUBERCULOSIS</b></p> <ul style="list-style-type: none"> <li>• Redefine the strategy to fight tuberculosis</li> <li>• Adequately manage tuberculosis cases at the community level</li> <li>• Strengthen epidemiological capacity and monitoring</li> <li>• Prevention through BCG immunization (included in child health programs)</li> </ul>	<p>2005</p> <p>2005/2007</p> <p>2005/2007</p> <p>2005/2007</p>	<p><b>35. In progress.</b></p> <p>In progress.</p> <p>In progress.</p>	<p>unaware that they're HIV positive</p> <p>Policy and strategic plan document elaborated</p> <p>Number of detected / treated cases.</p> <p>Reports carried out on the counseling actions</p> <p>36. Quantity of medicines, equipments and consumable products acquired</p> <p>37. Number of technical staff trained</p> <p>Rate of vaccination coverage</p>
	<p>- Develop and implement promotional, preventive, and protective activities aimed at target groups of the population, and particularly children, adolescents, youth, women of child-bearing age, workers, and the elderly</p>	<p><b>CHILDHOOD SURVIVAL</b></p> <ul style="list-style-type: none"> <li>• Implement the Integrated Management of Childhood Illness (IMCI) strategy in all health units, including activities to fight malaria</li> <li>• Provide health units with essential medicines and oral rehydration serum in connection with the IMCI strategy</li> <li>• Provide infrastructure with <b>equipment and materials for</b> immunization and treatment of</li> </ul>	<p>2005</p> <p>2005</p> <p>2005/2007</p>	<p>Seeking new partners</p> <p>Seeking financing</p>	<p>Actions of the AIDI (Integrated Attention to Childhood Illnesses) strategy in progress</p> <p><u>Report on the development of actions</u></p> <p>Childhood mortality rate (of children under 5 years)</p>

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<p>common childhood diseases</p> <ul style="list-style-type: none"> <li>• Prevention through immunization against the major childhood diseases</li> <li>• Integrated activities to develop school health in partnership with the MEJC [<i>Maternidade Escola Januário Cicco</i>]</li> </ul> <p><b>INTEGRATED CARE FOR ADOLESCENTS AND WOMEN</b></p> <ul style="list-style-type: none"> <li>• Provide integrated reproductive health care in health units (prenatal, postnatal, contraception, STD/AIDS, nutrition, counseling, etc.)</li> <li>• Strengthen basic obstetric care in the districts and improve the supply of emergency obstetric care</li> <li>• Implement the strategy of double protection to reduce the incidence of unwanted pregnancy and STD/AIDS</li> <li>• Promote consumption of foods rich in iron, folic acid, and vitamin A, as well as periodic supplements for the high-risk population with vitamin A and other micronutrients</li> </ul>	<p>2005</p> <p>2005</p> <p>2005-2007</p> <p>2005</p> <p>2005/2007</p> <p>2005/2007</p>	<p>In progress.</p> <p>In preparation.</p> <p>Partial support by the United Nations – seeking new partners</p> <p>Seeking funding</p> <p>In progress.</p> <p>In progress.</p>	<p>of age)</p> <p>Number of babies delivered assisted by qualified health personnel</p> <p>Number of actions developed.</p> <p>Mortality rate of mothers</p> <p>Number of pregnant women who use medical facilities</p> <p>Number of baby deliveries assisted in medical facilities</p> <p>Fertility rates by region and district</p> <p>38. <u>Report on the situation</u></p> <p>Report on the development of the strategy.</p> <p>Rate of childhood mortality due to malnutrition (of children under the age of 5)</p>
	<p>- Help improve the nutritional status of the population, particularly the target groups</p>				

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		<ul style="list-style-type: none"> <li>• Epidemiological and nutritional monitoring in all health units and in the communities</li> <li>• Promote breast feeding exclusively to six months of age, specifically in the communities</li> <li>• Multi-sectorial integration for food and nutrition security issues</li> </ul>	2005/2007  2005  2005/2007		<p>Number of children who benefited from the support of the nutritional recuperation program</p> <p>Number of children who benefited from the vitamin A supplements</p> <p><u>Report on the integration actions developed</u></p>
<ul style="list-style-type: none"> <li>- Guarantee access for citizens to specialized (tertiary) care by improving the quality of services at the Dr. Ayres de Menezes Hospital</li> </ul>		<ul style="list-style-type: none"> <li>• Strengthen the intervention capacity of the central hospital</li> <li>• Equip the national health service with a reference and cross reference system</li> <li>• Prepare standards and mechanisms to monitor drinking water supply and environmental conservation efforts</li> </ul>	2005  2005	<p>Seeking financing</p> <p>Made compatible with the framework of the State's General Budget of 2005</p>	<p>Number of infrastructures rehabilitated</p> <p>Quantity of medicines, consumable products and reactive agents acquired and available</p> <p>Number of enabling actions carried out</p> <p>Number of enabled frameworks</p> <p>Reference and counter-reference system in use</p>
<ul style="list-style-type: none"> <li>- Contribute to the national effort to eliminate environmental conditions that lead to a poor quality of life for the population and hobble development</li> </ul>			2005/2007		<p>Accompanying norms to the sanitary actions in use.</p>

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
<b>PILLAR 5: ANALYSIS, MONITORING, AND EVALUATION OF POVERTY</b>					
<p><b>Mechanisms for monitoring and evaluation of the NPRS</b></p>	<ul style="list-style-type: none"> <li>- Promote a framework for monitoring, evaluation, and periodic updating of the NPRS</li> </ul>	<ul style="list-style-type: none"> <li>• Establish an NPRS coordination unit</li> <li>• Establish a network of cooperation with national technical experts to conduct specific consultations in the framework of the NPRS</li> <li>• Establish and periodically update a database on poverty in São Tomé and Príncipe</li> <li>• Promote coordination of initiatives and activities under the NPRS</li> </ul>	<p>2005</p> <p>2005</p> <p>2005</p> <p>2005</p>	<p>Proposal elaborated for the creation of an implementation structure; Dispatch proposal submitted to be approved.</p> <p>After the creation of the implementation structure.</p> <p>With support of the PNUD Expectations of DEVINFO use.</p>	<p>Legal diploma of the institutional framework for the implementation of the strategy (ENRP) approved by the Council of Ministers</p> <p><u>Report on the situation</u></p> <p>Matrix elaborated of the measures and indicators (Execution Matrix) to evaluate the ENRP's implementation</p> <p>Indication and/or designation carried out of antennas in the relevant ministries and institutions as to guarantee the implementation process of the ENRP</p>
<p><b>Poverty reduction program—living conditions</b></p>	<ul style="list-style-type: none"> <li>- Gradually improve living conditions for the poor populations in urban and rural areas in the next 15</li> </ul>	<p>Use the results of the general population and housing census (RGPH/2001) to define and assess the status of São Tomé and Príncipe's housing regime</p>	<p>2005</p>		<p><u>Report elaborated on the housing situation</u></p>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
	years	Conduct a three-year assessment of changes in São Tomé and Príncipe's housing situation <ul style="list-style-type: none"> <li>Update the weights used in the consumer price index (CPI)</li> <li>Survey on household living conditions (ICVF)</li> </ul>	Every three years 2005 2005		<u>Cf. previous</u> <u>Update made</u> <u>Survey carried out</u>
	– Improve health conditions of the poor through the promotion of basic health coverage for all	<ul style="list-style-type: none"> <li>Implement a system of indicators to measure changes in the country's health situation</li> </ul>	2005/2006	Seeking funding	<u>System of indicators established</u>
	– Improve transportation and road access conditions for poor populations	<ul style="list-style-type: none"> <li>Conduct studies on the impact of transportation expenditure on household budget expenditure of the poor</li> </ul>	2005/2006	To be prepared by the National Institute of Statistics (Instituto Nacional de Estatística, INE)	<u>Studies made</u>
	– Define and assess the deficit in terms of <u>material potential</u> for the poor	<ul style="list-style-type: none"> <li>Conduct studies on the physical or financial capital deficit that affects material poverty and the effort required to move above the poverty line</li> </ul>	2005/2007	Seeking funding	<u>Cf. previous</u>
<b>Poverty reduction program—potential</b>	– Define and assess the deficit in terms of <u>human potential</u> for the poor	<ul style="list-style-type: none"> <li>Conduct studies on the human capital deficit (level of health and education) that affects material poverty and the effort required to move above the poverty line</li> </ul>	2005/2007	Seeking funding	<u>Cf. previous</u>
	– Define and assess the deficit in terms of <u>social potential</u> for the poor	<ul style="list-style-type: none"> <li>Conduct studies on the social capital deficit (networking, better employment, occupational training, area of information, etc.) that affect</li> </ul>	2005-2007	Seeking funding	<u>Cf. previous</u>

Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		material poverty and the effort required to move above the poverty line			
	<b>Human poverty reduction</b> – Reduce social poverty	<ul style="list-style-type: none"> <li>Conduct studies on weakening or strengthening trends in social ties within the family in São Tomé and Príncipe, the problem(s) of social integration, social exclusion processes, and various forms of abandonment</li> </ul>	2005	Seeking funding.	<u>Cf. previous.</u>
		<ul style="list-style-type: none"> <li>Produce and disseminate social indicators on poverty trends</li> </ul>	2005/2007		<u>Indicators produced and divulged.</u>
		<ul style="list-style-type: none"> <li>Conduct a study on the influence of exogenous factors and current problems in assumption of specific national cultural practices and values (difficulties in practicing specific traditions, refusal to share certain cultural expressions, failure to acknowledge one's identity, etc.)</li> </ul>			
<b>Program to reduce the non-economic dimension of poverty</b>	– Reduce cultural poverty	<ul style="list-style-type: none"> <li>Conduct a study on the level of citizens' involvement in major decisions and in the problems that affect the future of São Tomé and Príncipe (whether or not they can participate in difficult decisions, difficulty or inability to join associations, practice of human rights violations, among many others)</li> </ul>	2006/2007	Seeking funding.	<u>Cf. previous</u>
	– Reduce political poverty		20005/2006	Seeking funding.	<u>Cf. previous.</u>
	– Reduce ethical poverty	<ul style="list-style-type: none"> <li>Conduct a study on the</li> </ul>	2005	Seeking funding.	<u>Cf. previous.</u>

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Area	Objectives/strategies	Priority actions	Period	Current Situation	Indicators
		situation (or deterioration) of moral and ethical values in society (increase in violence, delinquency, and corruption; loss of common values in society; among many others)			

