Sao Tome and Principe

Integrated Financing Strategy for Development

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Abbreviations and Acronyms

AFAP	Project Management Trust Agency
AfDB	African Development Fund
AGA	General Customs Authority
AGER	General Regulatory Authority of São Tomé and Príncipe
AN	National Assembly
APCI	Trade and Investment Promotion Agency
AfDB	African Development Bank
BADEA	Arab Bank for Economic Development in Africa
BCSTP	Central Bank of Sao Tome and Principe
BISTP	International Bank of Sao Tome and Principe
BM	World Bank
CCRT	Disaster Containment and Relief Fund
CDP	United Nations Development Policy Committee
CE	Business Concessions
CEN	National Elections Commission
CMF	Medium-Term Fiscal Scenario
CND	Nationally Determined Contributions
DA	Directorate of Customs
DFA	Development Finance Assessment
DI	Directorate of Taxes
DNT	National Directorate of the Treasury
EU	European Union
DP	National Directorate of Planning
ECF	Extended Credit Facility
EMAE	Water and Electricity Company
ENAC	National Anti-Corruption Strategy
ENAPORT	National Port Administration Company
ENASA	National Airport and Air Safety Company
ENCO	National Fuel and Oil Company
ENDS	National Sustainable Development Strategy 2026-2040
EP	Public Companies
FDI	Foreign Direct Investment
GAVI	Global Alliance for Vaccines and Immunizations
GHG	Greenhouse Gases
GEF	Global Environment Facility
GEP	Study and Planning Office
GNI	Gross National Income
GPM	Prime Minister's Office
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
INE	National Institute of Statistics
INFF	Integrated National Financing Framework
IRC	Corporate Income Tax
IRS	Personal Income Tax
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Lower Middle-income Country
MEF	Ministry of Economy and Finance

MIRN	Ministry of Infrastructure and Natural Resources
MNECC	Ministry of Foreign Affairs, Cooperation and Communities
MSMEs	Micro, Small and Medium Enterprises
NDC	Nationally Determined Contribution
OECD	Organization for Economic Co-operation and Development
OGE	General State Budget
OF	National Budget Directorate
PRIESTS	Action Plan for the Decarbonization and Resilience of the Energy Sector
PANEE	National Energy Efficiency Action Plan
PANER	National Renewable Energy Action Plan
PARFIP	Action Plan for Public Financial Management Reform
PFM	Public Financial Management
GDP	Gross Domestic Product
ODA	Official Development Assistance
PEFA	Public Expenditure and Financial Accountability
PIP	Public Investment Program
PNA	National Adaptation Plan
PNIEA-STP	National Blue Economy Investment Plan for Sao Tome and Principe
PPPs	Public-Private Partnerships
QEMP	Medium-Term Debt Framework
QDMP	Medium-Term Expenditure Framework
QMFMP	Medium-Term Macro-Fiscal Framework
QOMP	Medium-term fiscal framework
SDGs	Sustainable Development Goals
SDR	Special Drawing Rights
SNIP	National Public Investment System
STP	Sao Tome and Principe
TdC	Court of Auditors
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
VAT	Value Added Tax
WTO	World Trade Organization

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Special thanks are due to the United Nations Development Program (UNDP) for its rigorous technical guidance, excellent institutional cooperation and continued support, which proved decisive throughout all phases of this process. The analytical and technical work underpinning this strategy was carried out by a consulting team contracted by UNDP and led by Inflection Finance.

We also thank the United Nations System, multilateral and bilateral development partners, and international financial institutions, whose knowledge-sharing and commitment to national priorities were essential to the initiatives and objectives presented in this document.

To all those who contributed directly or indirectly to this undertaking, we express our public recognition and reaffirm our commitment to maintaining this approach of transparency, cooperation and shared responsibility in the service of collective interest.

Foreword

This Government has undertaken an ambitious mandate: to look beyond electoral cycles and short-term pressures to confront a more fundamental question—what kind of nation do we intend São Tomé and Príncipe to become by 2040? The answer is articulated in the National Strategy for Sustainable Development (ENDS) 2026-2040. This roadmap is firmly anchored in the aspirations and priorities of our citizens, while it is also aligned with our international partnerships and commitments.

This vision, however, must be advanced within an increasingly complex global landscape. Official Development Assistance (ODA) has plateaued, geopolitical instability is intensifying, and volatile energy and food markets continue to strain household and national economies. Compounding these pressures is a fragile debt trajectory. As a Small Island Developing State (SIDS), São Tomé and Príncipe bears minimal responsibility for the systemic climate and global political crises that most severely threaten our development and resilience.

Yet our nation possesses a distinctive strategic advantage: it is the only country in the world whose entire territory is designated as a UNESCO Biosphere Reserve. Our forests, marine ecosystems, and rich biodiversity are not merely environmental assets; they constitute the foundational capital for climate adaptation, sustainable economic diversification, and long-term national prosperity. Safeguarding and sustainably leveraging these ecosystems is therefore integral to the successful implementation of ENDS 2026–2040.

We could respond to this reality with dependency, waiting for the world to correct its course, or for the next wave of aid to arrive. We have chosen a different path. With the approval of its Integrated Financing Strategy, São Tomé and Príncipe becomes one of the first countries in the world that fully consolidates our national development ambitions with our commitments under the Nationally Determined Contributions (NDCs) 3.0 submitted in 2025.

This Strategy outlines a set of prioritized policy interventions, strategically sequenced to maximize synergies across sectors. It demonstrates how enhanced domestic revenue mobilization reduces reliance on external financing, while disciplined fiscal consolidation and structural reforms establish the macroeconomic stability necessary to catalyze private investment. These are not abstract aspirations but a coherent, evidence-based policy framework—one that reflects a development pathway fully owned and driven by our nation.

The Integrated National Financing Framework (INFF) serves as the operational instrument that translates the ENDS vision into a fully resourced implementation agenda. By aligning financial flows with strategic priorities, the INFF transforms declarations of intent into actionable, funded programmes. Through this framework, São Tomé and Príncipe aligns itself with global best practices and joins the growing cohort of nations that have institutionalized comprehensive financing architectures to drive sustainable development.

The successful development of this framework reflects sustained collaborative leadership. I wish to extend my deepest appreciation to His Excellency, the Minister of State for Economy and Finance, for championing this initiative, and to the National Director of Planning for their steadfast technical guidance. I also gratefully acknowledge the contributions of national institutions, international financial institutions, and bilateral and multilateral development partners. Special recognition is due to the United Nations Development Programme (UNDP) for its strategic advisory support and effective convening role throughout this process.

History will not be shaped by the nations that draft the most sophisticated strategies, but by those that execute them with discipline and resolve. São Tomé and Príncipe is firmly committed to joining the ranks of countries that translate ambitious planning into measurable, lasting impact.

Américo D´Oliveira Ramos

Prime Minister and Head of Government of São Tomé and Príncipe

Executive Summary

São Tomé and Príncipe is at a decisive moment in redefining how it finances its development. Its graduation from Least Developed Country (LDC) status in December 2024 is a historic milestone, but it also requires an orderly transition towards a financing model that is less dependent on traditional Official Development Assistance (ODA) and more strongly based on strategic resource mobilization. This transition is particularly urgent in the context of fiscal fragility, high climate vulnerability, limited economic diversification and strong dependence on essential imports, particularly fuel and food.

This Integrated Financing Strategy is the main instrument of São Tomé and Príncipe's Integrated National Financing Framework (INFF). Its objective is to make the implementation of the National Sustainable Development Strategy 2026–2040 (ENDS) economically viable. The strategy does not replace existing sectoral plans. Its added value lies in integrating them into a common financing logic, making explicit the interdependencies between reforms, identifying synergies and defining a set of priority actions for the first phase of ENDS implementation, covering the period 2026–2030.

Vision

To facilitate the ***integrated management of financing by combining public and private sources*** *with actions designed to make São Tomé and Príncipe's sustainable development objectives economically viable by 2040.*

Objectives

The specific objectives of the Integrated Financing Strategy are the following:

- ***Objective 1.*** *Define the direction for the integrated management of multiple financing flows, in order to increase their scale, align them with national priorities and improve their performance over the medium and long term.*
- ***Objective 2.*** *Implement a prioritized action framework to achieve the short-term objectives for mobilizing financing and investment.*

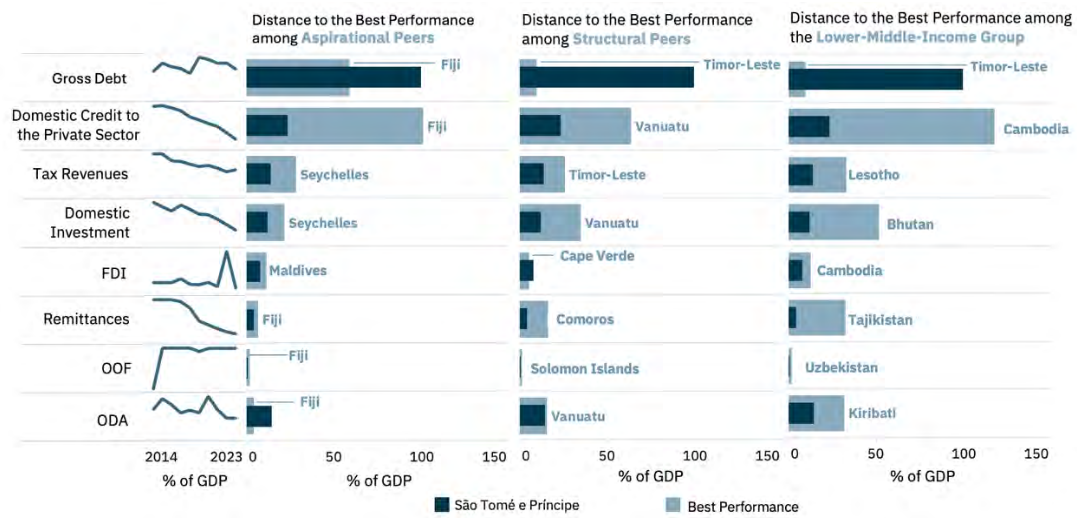
Pillars of the Strategy

1. **Improve Public Financial Management.** Strengthen public expenditure management to maximize development outcomes in critical areas of the Sustainable Development Goals (SDGs). Expand fiscal space and align expenditure with national priorities. Improve the efficiency and effectiveness of public finance by eliminating inefficient spending and introducing new interventions, especially in the environmental and climate sectors.
2. **Remove structural constraints that are binding on the development of the economy.** Introduce new financing interventions to overcome obstacles to private sector development by addressing infrastructure barriers and the absence of adequate regulatory frameworks.
3. **Accelerate Inclusive Private Sector Development.** Improve access to adequate finance to support more equitable sector development. Promote private impact investment and align it with national priorities. Accelerate the use of digital finance to promote financial inclusion and improve access to

credit for individuals and micro, small and medium-sized enterprises (MSMEs) on competitive terms.

The formulation of this strategy is based on a comprehensive analysis of the Development Finance Assessment (DFA), integrating several assessments already available. The figure above presents a concise overview of the main financing variables analyzed, highlighting their dynamic evolution, different situations and distinct trajectories over the last decade.

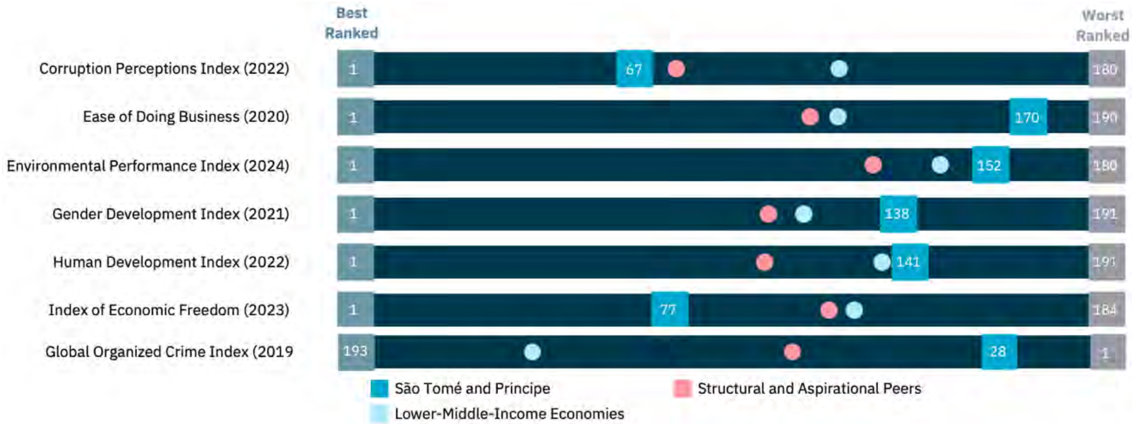
Comparison of STP with the best performers in the three reference groups



International comparisons indicate that São Tomé and Príncipe underperforms the average of all comparable reference groups in the management of development finance. The gap between the country and the best performers in the three comparison groups highlights significant financing gaps. For example, domestic credit to the private sector stood at 8.2% of gross domestic product (GDP), while Vanuatu reached 63.4% in the structural peer group, Fiji reached 100.6% in the aspirational peer group and Cambodia reached 117.9% among lower-middle-income countries. These comparisons highlight significant opportunities for improvement across all categories and help guide the development objectives for the financing flows analyzed in this strategy.

Challenges to finance Sustainable Development in São Tomé and Príncipe

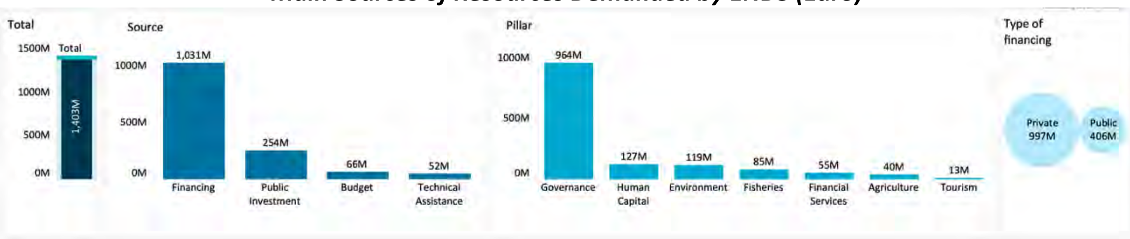
Main Development Gaps in São Tomé and Príncipe



The diagnosis shows that the current financing model is insufficient to achieve national development priorities. In 2023, total measured development finance flows reached USD 850.5 million, but more than 90% of this total corresponded to the public sector. This composition reveals the structural weakness of the formal private sector and the limited capacity of the national financial system to support productive investment. At the same time, the country faces high levels of poverty, informality and financial exclusion: around 66% of the population lives in monetary poverty, the informal sector accounts for more than 70% of GDP, and more than 60% of adults remain excluded from the financial system. Only 15% of women have a bank account.

The financing gaps identified by the ENDS are also significant. The additional resources needed to achieve only five core SDGs — education, health, roads, electricity, and water and sanitation — amount to around 15% of GDP per year. The ENDS identifies total financing needs of approximately EUR 1.44 billion, of which around EUR 1.03 billion corresponds to financing, that is, investments with potential economic returns, and around EUR 406 million corresponds to funding, that is, non-reimbursable or budgetary resources needed to finance public goods, social services, technical assistance and institutional reforms.

Main Sources of Resources Demanded by ENDS (Euro)



The Proposed Approach to Financing National Development Priorities

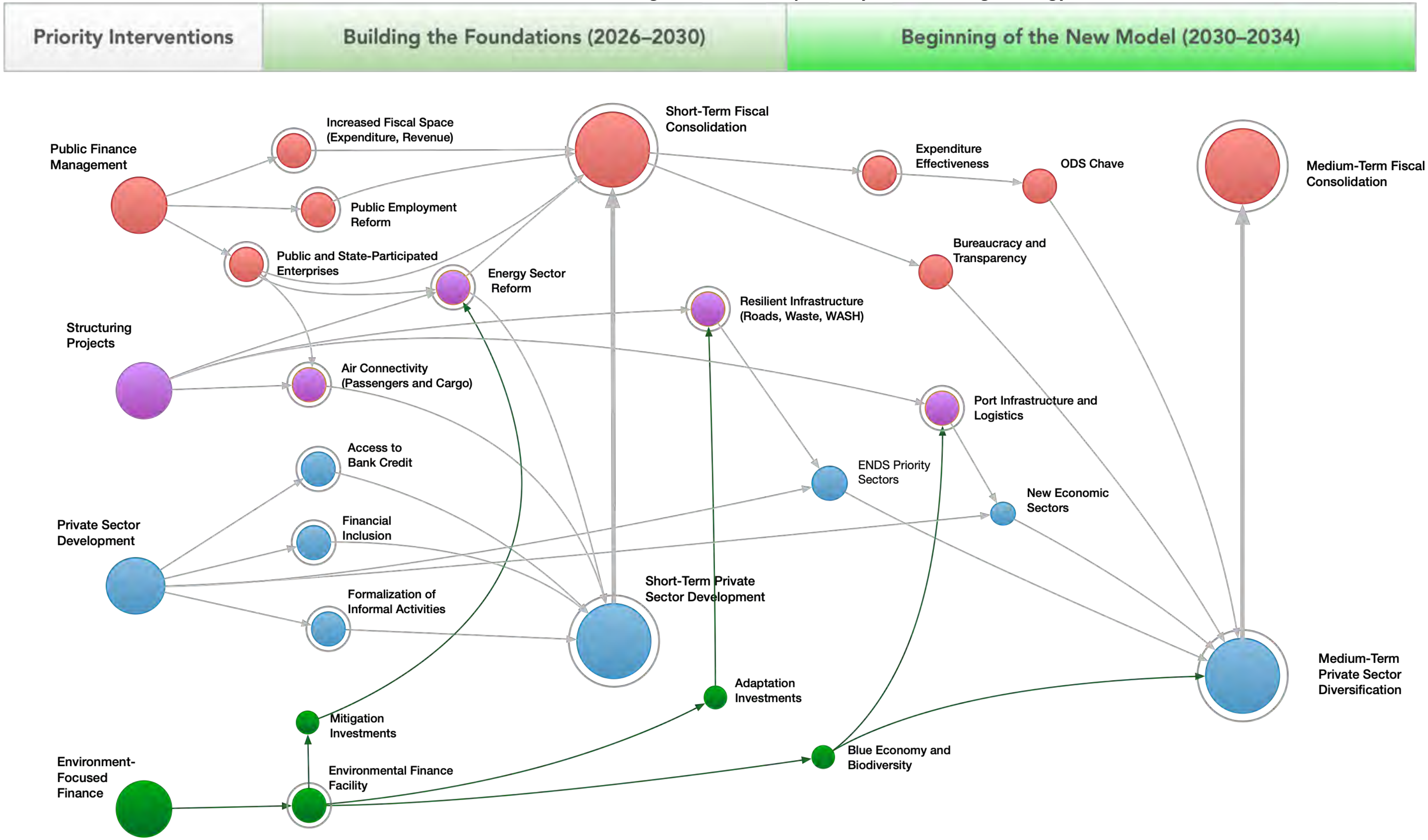
The strategy is based on a central conclusion: the country will only be able to finance the ENDS if it succeeds in advancing four interdependent transformations in parallel. First, it must consolidate public finances, improve the quality of expenditure and increase domestic revenue mobilization. Second, it must remove the main structural constraints that prevent the growth of the formal private sector. Third, it must mobilize climate, environmental and biodiversity finance at a scale commensurate with its vulnerability and its contribution to global public goods. Fourth, it must accelerate financial inclusion and economic formalization to gradually expand the country's productive and fiscal base.

The proposed theory of change recognizes that fiscal consolidation cannot be sustained solely through spending cuts or tax increases on a narrow economic base. Medium-term fiscal resilience depends on the expansion of the formal private sector, which in turn requires access to reliable and competitive energy, better air and maritime connectivity, a simpler regulatory framework, greater legal certainty, stronger human capital and more adequate access to finance. Climate and biodiversity finance can accelerate this process by financing investments that the country would need to make in any case to protect its infrastructure, reduce fiscal risks and strengthen the sustainability of the ENDS.

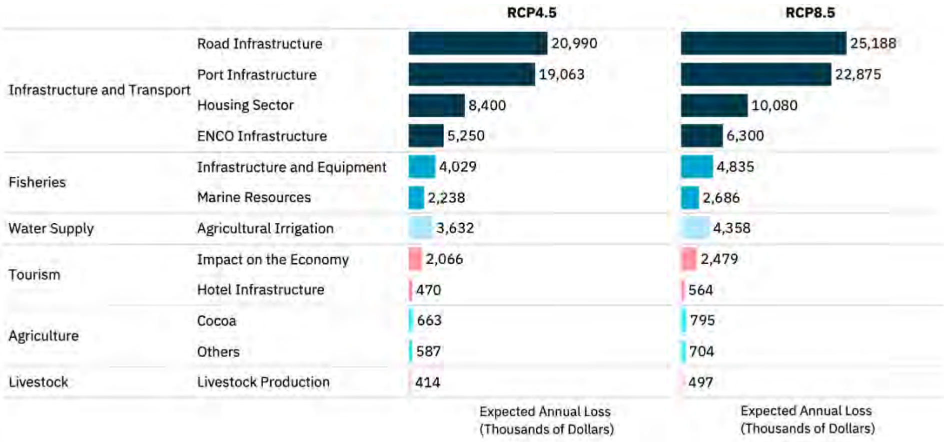
The climate chapter significantly strengthens the economic rationale of the strategy. Expected annual losses associated with climate change are estimated at USD 67.7 million under the moderate scenario, equivalent to around 10% of 2023 GDP and close to total State tax revenues. Under a high-emissions scenario, these losses could reach USD 86 million per year. These figures represent the cost of inaction and show that adaptation should be treated as a macroeconomic priority, not only as an environmental agenda.

The adaptation measures included in the Nationally Determined Contribution (NDC) require around USD 325 million by 2035, while the energy transition requires around USD 170 million over the same period. The economic rationale for investing in adaptation is clear: the total cost of the measures, estimated at USD 325 million by 2035, represents around half of the potential losses accumulated over a decade, estimated at approximately USD 677 million.

Main Interactions among the Actions Proposed by the Financing Strategy



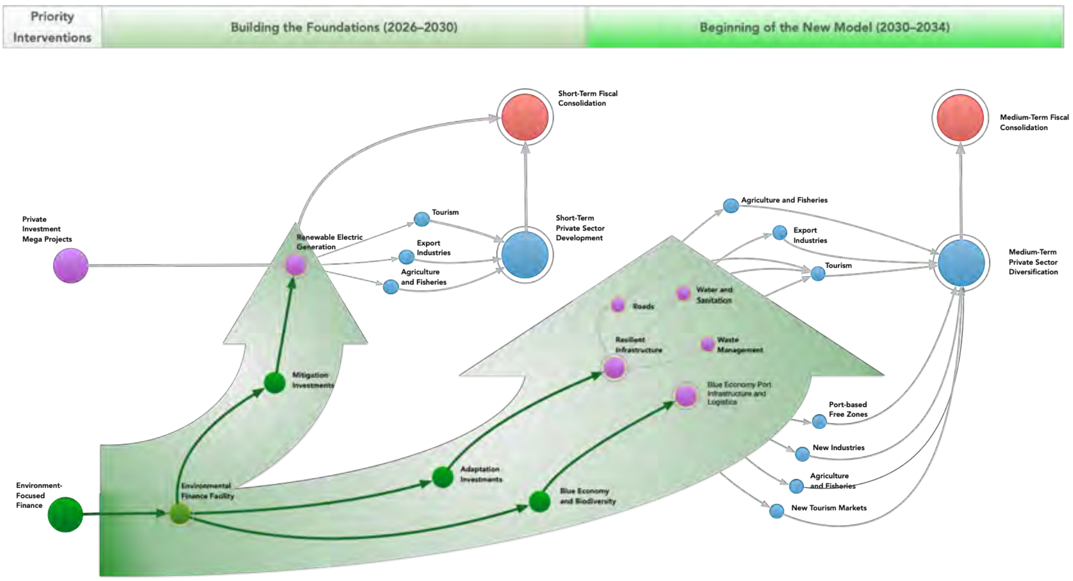
Estimates of expected annual losses due to climate change



The energy transition is a priority with direct fiscal implications that go beyond its climate dimension. The proposed financing to expand renewable generation capacity — USD 170 million by 2035, of which USD 51.1 million during 2026–2030 — is not only a climate intervention. It is also a condition for balance-of-payments stability and for reducing the electricity sector subsidy that weighs on public finances.

For 2026–2030, the strategy sets a resource mobilization target of USD 156.5 million, comprising USD 105 million for adaptation measures and USD 51.1 million to promote renewable energy. This mobilization would make it possible to finance a significant share of the ENDS' short-term needs, reducing pressure on the State budget and expanding fiscal space. NDC financing, therefore does not represent an additional cost for the ENDS over the 2026–2030 horizon. It represents an alternative source of financing for investments that the country would need to undertake in any case.

Expected impact of environmental finance on the financing strategy



Climate and biodiversity finance is a key instrument for scaling up this financing strategy over the medium term. The magnitude of the costs associated with the NDC, the State's limited fiscal capacity and the strong alignment with ENDS priorities create a structural opportunity that the country has not yet systematically exploited. São Tomé and Príncipe has significant capacity gaps in effectively mobilizing this type of finance. The Climate and Biodiversity Finance Facility proposed in Chapter 3 will be the main institutional instrument to operationalize this agenda.

Pillars and Areas of Intervention of the Financing Strategy

The strategy is organized around three pillars and seven areas of intervention.

The first pillar aims to increase the availability and impact of public finance. It includes the accelerated improvement of public financial management, the restructuring of sectors and public enterprises, the strengthening of governance and transparency, and the adoption of a strategic approach to ODA management. The short-term priority is to support fiscal consolidation until 2029, in line with the program agreed with the International Monetary Fund (IMF). The medium-term priority is broader: to prepare the State to spend better, orient expenditure towards results and use ODA more strategically to finance reforms, capacities and investments that unlock new sources of financing.

The second pillar seeks to remove the main infrastructure constraints to economic development. Energy, air connectivity, port infrastructure, roads, water, sanitation and waste management are binding constraints on the growth of tourism, agriculture, fisheries, the blue economy and light industry. The strategy proposes an integrated approach to mobilize private investment and concessional finance, combining regulatory reforms, risk mitigation, concessions, public-private partnerships (PPPs) and climate finance instruments. Resolving the crisis of the Water and Electricity Company (EMAE) and transitioning to renewable energy are treated not only as environmental priorities, but also as indispensable conditions for fiscal consolidation and macroeconomic stability.

The third pillar aims to accelerate inclusive private sector development. The country needs a more dynamic formal private sector, capable of generating employment, exports, tax revenues and opportunities for young people, women and MSMEs. To this end, the strategy proposes integrated actions on the business environment, the financial system, financial inclusion, formalization of the informal sector, digital finance and the creation of instruments to support domestic private investment. Financial inclusion is treated as a condition for productive and fiscal development, not only as a social policy.

The Short-Term Action Plan for 2026–2030 translates this strategy into operational targets. In public finance, the targets include achieving a domestic primary balance surplus of 2% of GDP in 2029, reducing public debt to 42% of GDP in 2030, and containing the public wage bill below 8.4% of GDP in 2029. In the energy sector, the strategy proposes reducing dependence on oil for electricity generation to 50% by 2029 and reaching 70% of generation from renewable sources by 2030. In infrastructure, it proposes resolving air connectivity for passengers and cargo by 2028, mobilizing priority investments in electricity distribution and preparing more than USD 300 million in port investments by 2034. In the private sector, the targets include increasing bank credit to the private sector to 33% of GDP by 2034, reducing financial exclusion from 61% to 30%, and reducing the informal sector from 73% to 37% of GDP.

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Main short-term results expected from the proposed interventions

Area of Intervention	Main Expected Results
AI 1. Accelerated Improvement of Public Financial Management	Domestic Primary Balance Surplus of 2% of GDP in 2029
	Public debt falls to 42% of GDP in 2035 and becomes sustainable
	Public wage bill remains below 8.4% of GDP in 2030
AI 2. Restructuring of Sectors and Introduction of a New Regime for Public and State-Participated Enterprises	Dependence on oil for electricity generation is reduced to 50% by 2030
	Renewable generation reaches 17 MW in 2030 and 27 MW in 2034
	Electricity distribution concessioned to private operators, mobilizing USD 31 million
	ENAPORT market reform accelerates private investment in ports
AI 3. Improving Governance to Reduce Vulnerabilities to Corruption	A new agency oversees the National Anti-Corruption Strategy
	New Public Procurement Law adopted
	A new public concessions regime is introduced with clear and transparent rules
AI 4. Adopting a Long-Term Strategic Approach to ODA Management	USD 156 million in grants mobilized for climate change adaptation and energy reform by 2030, and USD 495 million by 2034
	Access to concessional finance made available for private investors in priority projects in STP
	ODA used to reduce the risks of private investment in STP
	New financing instruments for the private sector developed with ODA support
AI 5. Integrated Policy to Address Infrastructure Constraints through Private Investment	Air connectivity constraints — for both passengers and cargo — resolved by 2028
	Port investments exceed USD 450 million by 2034
	Concessions in the solid waste sector awarded by 2034
AI 6. Integrated Policy to accelerate Private Sector Development	The country's ranking in international indicators surpasses those of the selected comparison groups by 2034
	Bank credit to the private sector returns to its 2014 level (33% of GDP) by 2034
	Interest rates on bank loans to priority sectors (tourism, agriculture and fisheries) fall below 14% by 2028
	A financial platform/facility is established to support the acceleration of domestic private finance
	Barriers created by SPAUT to tourism and the export of services removed by 2030
	Workforce skills programs, organized by sectors and territories with high growth potential, are operational with sufficient capacity
AI 7. Financial Inclusion and Formalization of the Informal Sector	Financial exclusion among the population over 18 years of age is reduced by half by 2034
	The informal sector is reduced by half, from 73% of GDP to 37% of GDP by 2034
	A new tax regime is introduced for formalizing MSMEs, with simplified administrative procedures and a single tax regime
	A credit access fund is established for women in the informal sector
	Fintechs offer financial products adapted to accelerate the growth of micro and small enterprises

This strategy proposes a set of innovations required to enable São Tomé and Príncipe to finance its long-term development objectives. The approach presented distinguishes between two types of innovation in modes of intervention that have not yet been explored**.**

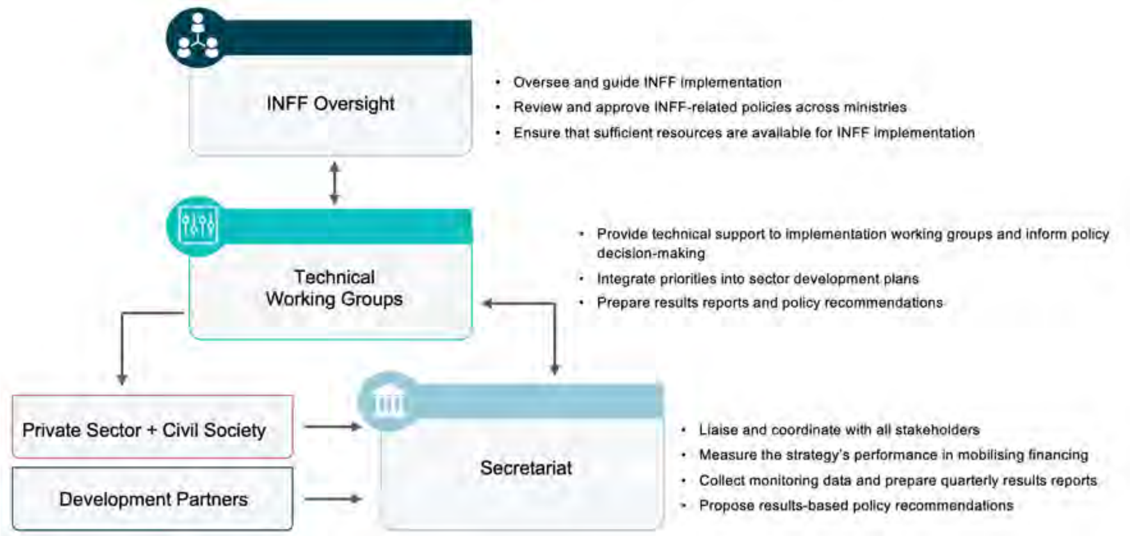
Main innovations introduced by the Proposed Interventions

Innovation	Description	Area of Intervention
Process Innovations		
Integrated Strategic Management of Public Finance	For the first time, the short-term fiscal consolidation agenda and medium-term reforms to improve the quality of expenditure are planned as a single, continuous process, aligned with the long-term needs of the ENDS.	AI 1
Strategic management of ODA and Climate Finance	Integration, within formal planning led by the MEF, of current access to ODA and future access to climate and environmental finance — sources for which the country may become eligible, but which require capacities and processes that do not currently exist	AI 4
Integrated Planning to Remove Infrastructure Constraints	Energy, air, port and road connectivity constraints are treated for the first time as an integrated program, with explicit sequencing of their transformative effects on public and private finance.	AI 5
Integrated planning for Formal Private Sector Development	Fragmented private sector promotion initiatives are consolidated into a systematic plan that creates synergies with fiscal and infrastructure reforms, while incorporating mechanisms to support the formalization of the informal sector.	AI 6 and 7
Innovative Financing Instruments		
Integrated Information System for ODA Management	A digital platform enabling the Government to view, in real time, the support received by the ENDS priority area, monitor its execution and track environmental and climate expenditure — a condition increasingly required to access new sources of external finance.	AI 4
Private Mega-Investment Infrastructure Financing Platform	A mechanism that concentrates development partner support to reduce pre-investment costs, mitigate country risk and transfer the country's access to concessional finance to private investors — unlocking structuring projects valued at EUR 789 million	AI 5
Financial Platform / Facility to Accelerate Domestic Private Finance	A structured mechanism to mobilize and channel concessional resources, guarantees, technical assistance and private capital to ENDS priority sectors. The platform would improve the preparation of bankable projects to finance productive investment in priority areas.	AI 6
Credit Access Fund for Women in the Informal Sector	A proof-of-concept instrument combining public resources and partner grants to bank women entrepreneurs without collateral requirements, with potential for expansion to other financially excluded segments.	AI 7

Governance and Coordination of Strategy Implementation

An appropriate framework to oversee the implementation of this strategy will require exploring innovative management and institutional approaches. The strategy proposes three levels of coordination: i) high-level political coordination, chaired by His Excellency the Prime Minister and Head of Government, with His Excellency the Minister of State for Economy and Finance as Vice-Chair; ii) operational coordination, led by the MEF through an interministerial working group; and iii) technical coordination, supported by an implementation secretariat with the capacity to integrate data, produce reports and support decisions on adjustments. The proposed governance structure should be directly integrated into the structure that the Government defines to ensure ENDS implementation.

Building Blocks of the Proposed Governance and Coordination System



This system should be complemented by a monitoring mechanism capable of providing the Government with a "dashboard" to track the results of financing strategy implementation. The new system should address several challenges identified during the formulation of this strategy, requiring significant improvements in the quality of existing data and information systems. INFF monitoring should incorporate existing monitoring systems and be integrated into the ENDS monitoring system. To ensure the successful implementation of these monitoring systems, it will be necessary to strengthen the Government's technical capacities**.**

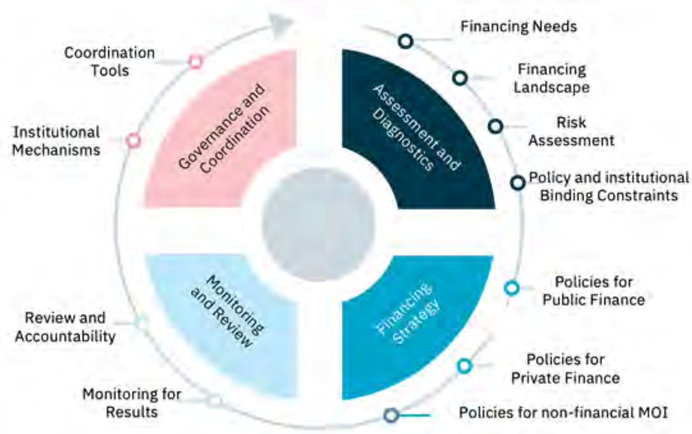
Building Blocks of the Proposed Monitoring System

Introduction

São Tomé and Príncipe has taken the strategic decision to adopt an Integrated National Financing Framework (INFF) as a central instrument to finance its sustainable development. The INFF is a planning and implementation mechanism designed to overcome the constraints that limit the financing of the Sustainable Development Goals (SDGs) in the national context, and to strengthen coherence between policymaking, planning and resource mobilization.

This Integrated Financing Strategy constitutes the second building block of the INFF in São Tomé and Príncipe. The process is iterative, as illustrated in Figure 1. Its first phase — the Development Finance Assessment (DFA) — was completed in December 2024. The strategy presented here is directly based on the conclusions and recommendations of that assessment, adopting direct and action-oriented language. Readers who wish to examine the underlying analysis in greater depth will find detailed data and diagnostics in the DFA. The next steps in the process include the development of a Monitoring and Review system and the definition of a Governance Mechanism to support the effective implementation of this strategy.

Figure 1. **Building blocks of an Integrated National Financing Framework (INFF)**



The central objective of this strategy is to mobilize the financing required to ensure the implementation of the National Sustainable Development Strategy 2026–2040 (ENDS). It defines the structural transformations that the country must be able to finance, establishes the sequencing logic for these transformations and presents an Action Plan with concrete actions, deadlines and responsibilities for the first phase of implementation (2026–2030), aligned with the mandate of the next Government. This document also lays the foundations for defining other key components of the INFF, namely a Monitoring and Foresight building block, as well as the functions of a governance mechanism to support the effective implementation of the Financing Strategy.

The logic proposed by this strategy is based on integrated sequencing that maximizes financing opportunities, regardless of political cycles or changes in government. The strategy starts from a fundamental principle: the reforms required to finance the development of São Tomé and Príncipe generate much stronger effects when implemented in an integrated manner than when treated as separate agendas, as has been the practice to date. Several "virtuous circles" can be activated through effective policy synchronization: fiscal consolidation depends, over the medium term, on the expansion of the formal private sector; this expansion depends on the removal of infrastructure constraints; and the mobilization of external finance, including climate finance, depends on the quality and coherence of public finance. This logic of interdependence defines the critical path of the strategy, analyzed in detail in Chapter 4, and remains valid regardless of the political orientation of each government.

This document articulates two instruments with different natures and functions, as summarized in Table 1: the INFF Strategy, with a long-term horizon to 2040, which defines direction and priorities; and the Strategy Action Plan, with a medium-term horizon from 2026 to 2030, which specifies how, when and by whom the actions will be implemented. Rather than duplicating existing initiatives, the plan builds on the broad set of national strategies and reforms already underway, adding two essential elements: making explicit the interlinkages between these initiatives to generate synergies; and recalibrating their level of ambition to align them with the long-term objectives of the ENDS to 2040.

Table 1 **Clarifying the Role of the INFF Strategy and the Strategy Action Plan**

	INFF Strategy	Strategy Action Plan
Purpose	Define direction and priorities	Detail actions and timelines
Time horizon	Long-term (10–20 years)	Short/medium term (3–5 years)
Focus	What and why	How, When, and by Whom
Flexibility	High	More limited
Content type	Conceptual and analytical	Operational and practical
Usage	Definition of vision and positioning	Implementation and coordination

The strategy explicitly recognizes the limits of what is directly controllable. Factors such as economic growth, productive diversification and the behavior of international markets decisively influence expected results but lie beyond the Government's direct control. For this reason, the strategy incorporates informed assumptions about how the proposed interventions may influence these results over time, while recognizing an unavoidable degree of uncertainty. If, during implementation, some of these assumptions are not confirmed, the strategy should be adjusted. This is why it is designed as **a living document**, subject to periodic review.

The short-term Action Plan should be validated and prioritized by the next Government, in coordination with development partners. The integrated logic of the strategy makes it possible to estimate the relative impact of partial implementation, including the isolated execution of specific measures. This is an analytical capacity that the country currently lacks and that will become a valuable tool to guide prioritization decisions over time.

To be effective, this strategy should reflect high-level consensus and be subject to political validation. It is intended to serve as a shared reference framework among the different stakeholders — Government, development partners, the private sector and civil society — aligning efforts and harmonizing external support around common priorities, for more coherent and results-oriented financing mobilization.

PART I

Overview of Development Finance and Policy Directions to Guide Strategy Design

1 Challenges to Financing Sustainable Development in São Tomé and Príncipe

1.1 Taking Stock of the Last Decade: Growth, Inclusion and Sustainability

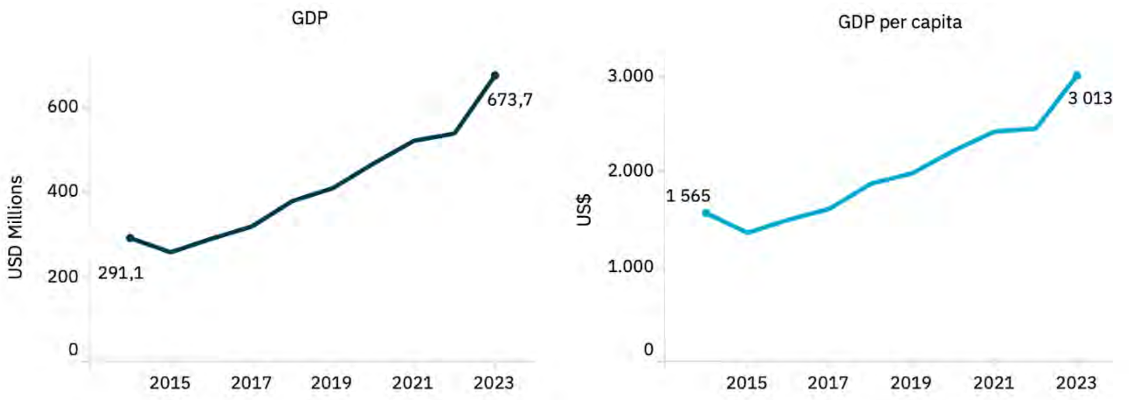
São Tomé and Príncipe is a small island developing state (SIDS) with vast potential for sustainable development. Although its land area is limited to 1,001 km², its Exclusive Economic Zone, covering around 160,000 km², represents a strategic opportunity to leverage marine resources and promote activities such as fisheries, aquaculture, coastal tourism, biotechnology and renewable energy. Its unique biodiversity and internationally recognized natural landscapes reinforce the country's potential as a promising destination for green investment and nature-based innovation.

The country's population, mostly young and urban, is a central asset for development. With around 73% of the population living in urban areas, there is growing dynamism that can boost domestic consumption, stimulate the service sector and create opportunities for productive inclusion. The country's cultural heritage, combined with its ecological and architectural wealth, offers significant opportunities for sustainable tourism, if infrastructure and climate resilience challenges are addressed.

São Tomé and Príncipe has a concrete opportunity to transform its "demographic dividend" into an engine of growth. To this end, it is essential to strengthen investment in education and technical training, foster youth entrepreneurship and improve the economic integration prospects of the working-age population. Although significant progress has been made in access to basic education, around 75% of working-age adults still have fewer than nine years of schooling, limiting opportunities for skilled employment. This reality has encouraged migration, with around 20% of the population living abroad and 78% of young people expressing interest in temporary migration. It is therefore essential to create conditions that make staying in, and returning to, the country both viable and attractive for young people.

The country must also continue to value its natural wealth. The designation of São Tomé and Príncipe as a UNESCO Biosphere Reserve reinforces the international recognition of its biodiversity and its potential for regional leadership in green growth. With a clear strategy to modernize productive sectors, promote an enabling business environment and protect natural resources, the country has the conditions to build an inclusive and resilient growth model.

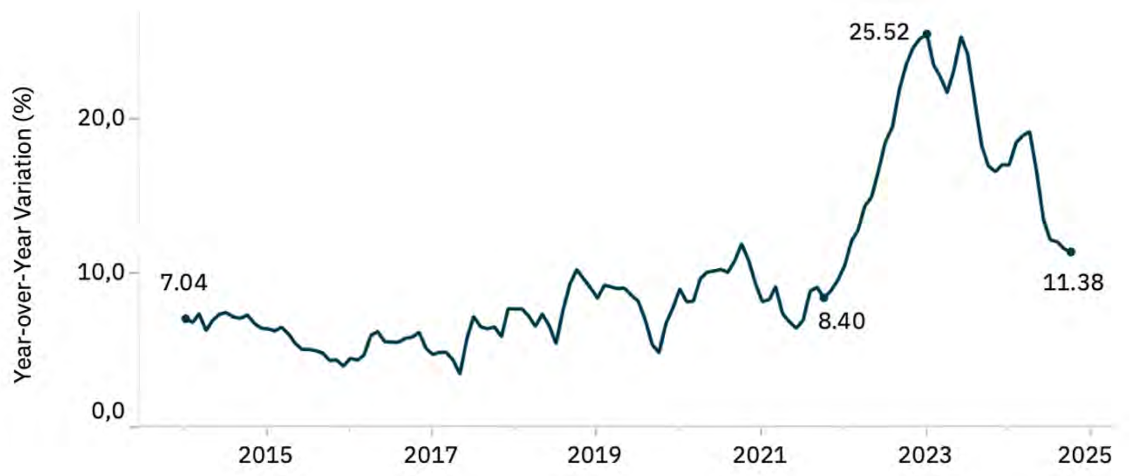
Figure 2. **Recent evolution of GDP and GDP per Capita in STP**



Source: Inflection Finance team based on BCSTP data

Over the past decade, economic performance has been marked by external vulnerabilities and domestic constraints. Between 2010 and 2014, the country recorded average growth of 5.1%, which declined to 3.4% between 2015 and 2019. The COVID-19 pandemic and the effects of the war in Ukraine exacerbated existing fragilities, leading to a real GDP contraction of -0.47% in 2023. The country's multiple vulnerabilities have constrained its ability to sustain robust and stable growth over time[1].

Figure 3. **Recent evolution of inflation in STP**



Source: Inflection Finance team based on BCSTP data

GDP per capita has shown moderate progress, marked by persistent structural challenges. It increased from USD 1,874 in 2014 to around USD 2,835 in 2023, reflecting limited progress in the face of continued dependence on external financing, insufficient economic diversification, private sector fragility and infrastructure deficits. Inflation levels — between 6% and 9% per year — reflect the effects of volatility in international food and energy prices, with negative impacts on household purchasing power. Climate instability and limited institutional capacity also continue to constrain the country's ability to sustain robust and stable growth over time**.**

Although progress has been made in reducing poverty, poverty remains a central challenge. According to World Bank estimates, around 13% of the population lived in extreme poverty in

[1] African Development Bank (2023) Country Diagnostic Note

2025, measured at USD 3 per day[2]. Poverty is concentrated mainly in rural areas and in female-headed households. Persistent inequalities continue to limit development opportunities, compounded by limited access to basic services such as health, education and safe water. These conditions require a comprehensive strategy to address the structural causes of poverty.

São Tomé and Príncipe is at a decisive moment and needs a new paradigm for economic and social growth. The current model, centered on the public sector and dependent on ODA, has not generated sufficient opportunities. Inclusive diversification requires the removal of barriers to private sector development. The country's graduation from LDC status, confirmed by the United Nations in December 2024, represents a historic milestone. However, this recognition also brings new challenges that require strategic management to ensure the sustainability of the progress achieved.

Economic diversification can be driven by the modernization of agriculture and tourism, as well as by the development of emerging sectors such as the digital economy and creative industries. Reforms in education, renewable energy, infrastructure and environmental sustainability will be essential to attract investment and increase competitiveness. Despite the limited availability of fertile land, productivity can be increased through sustainable practices and high-value crops. Strengthening agribusiness can reduce imports and generate employment. Supporting micro and small enterprises will be crucial for inclusive growth.

Despite structural obstacles, São Tomé and Príncipe has significant opportunities. Limitations in finance, technology and infrastructure create space for innovation. Agriculture can meet domestic demand and generate surpluses, while tourism can expand through improvements in infrastructure and human capital. The country also has the potential to attract foreign direct investment (FDI): between 2014 and 2023, FDI averaged 5.7% of GDP, comparable to countries such as Mauritius and the Maldives. To consolidate its position as an attractive destination, it will need to improve infrastructure, reduce energy costs, and strengthen human capital and digital connectivity.

Climate change poses an additional challenge, given the country's vulnerability to natural disasters and environmental impacts. Agriculture and tourism are among the most exposed sectors, with increased risks of food insecurity, coastal erosion and impacts on health and social cohesion. Climate adaptation strategies — including resilient infrastructure, sustainable agricultural practices and early warning systems — will be essential, as will access to climate finance through international cooperation.

1.2 Development Finance Overview

The formulation of this strategy is based on a comprehensive analysis of the national development finance landscape, as set out in the Development Finance Assessment (DFA). This exercise, carried out in 2024, served as the starting point for identifying the potential and limits of the resources that São Tomé and Príncipe can mobilize in support of its strategic priorities. The DFA was complemented by other relevant analyses and provided key recommendations for mobilizing public and private, domestic and external resources. Figure 4 presents a summary of the main financing variables analyzed, highlighting their evolution over the last decade, the differences between categories and the trends that marked the period.

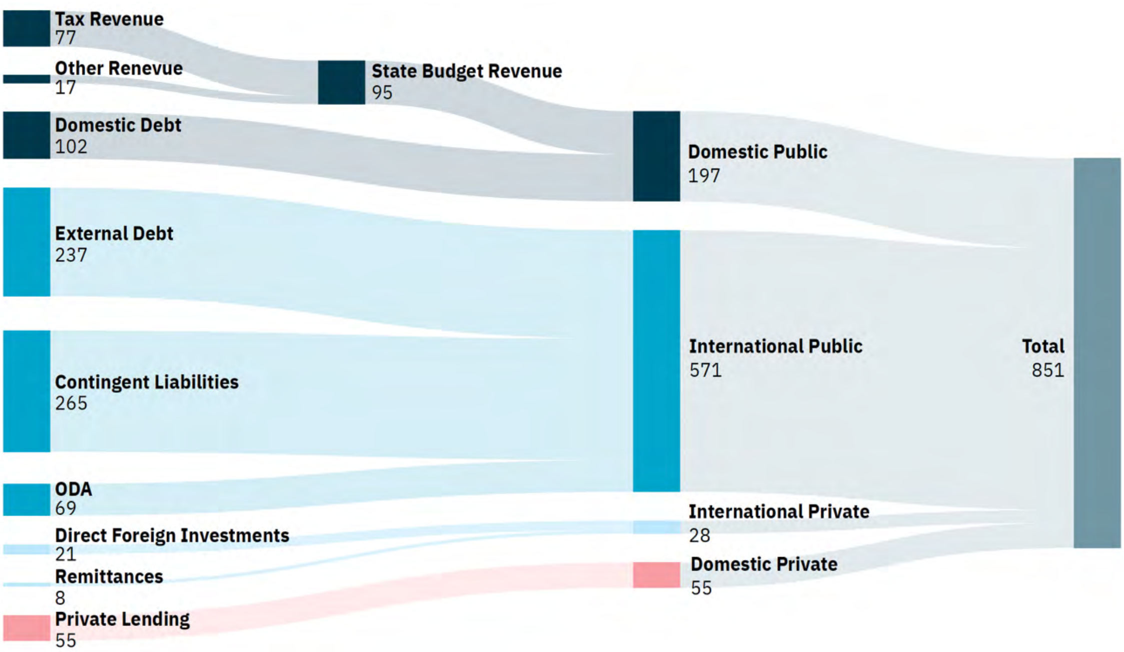
[2] World Bank. Macro-Poverty Outlook, April 2026. Note: value in purchasing power parity of 2021. Immediate forecast (nowcast) based on the 2017 IPF.

Figure 4. **Main Sources of Financing Analyzed by the DFA**

		First value - 2014 (USD millions)	Trend (USD millions)	Last value - 2023 (USD millions)	% of GDP - 2023
Domestic Public	State Budget Revenue	59,5		94,6	14,0%
	Tax revenue	51,8		77,4	11,5%
	Other revenue	7,7		17,3	2,6%
	Domestic Debt	13,7		102,1	15,2%
International Public	External Debt	230,6		236,7	35,1%
	Contingent Liabilities	0,0		264,7	39,3%
	OOF	-2,0		0,0	0,0%
	ODA	41,4		69,2	10,3%
International Private	Direct Foreign Investments	18,2		20,6	3,1%
	Remittances	18,5		7,6	1,1%
Domestic Private	Private Lending	96,8		55,0	8,2%
			2014 2023		

Source: Inflection Finance team, based on several national and international sources

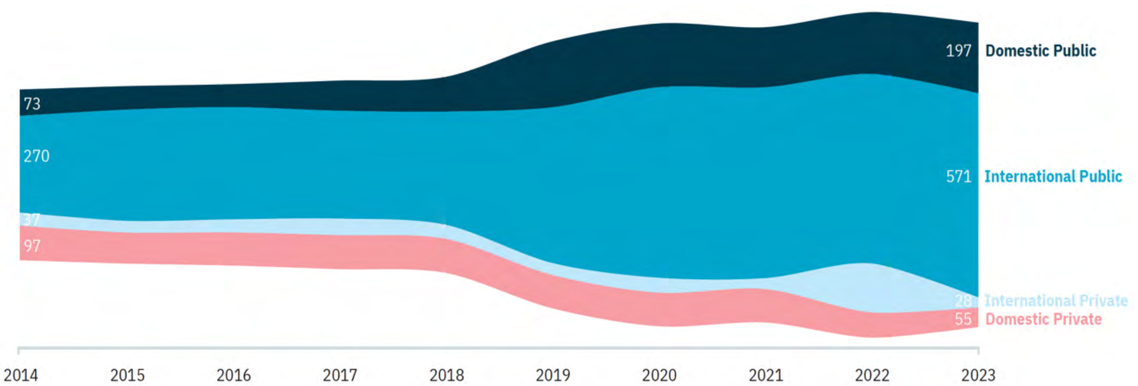
Figure 5. **Structure of Financial Variables Measured in 2023 (USD million)**



Source: Inflection Finance team, based on several national and international sources

The overall development finance landscape in São Tomé and Príncipe presents significant opportunities, alongside the need to address specific challenges. To navigate this integrated financing landscape, Figure 5 presents an analysis of the main variables assessed. This visualization highlights the benchmarks commonly used to manage specific financing variables[3]. In the initial development finance overview, the total value of the variables measured in 2023 reached USD 850.5 million. This structure presents several noteworthy features, particularly the fact that public finance accounts for more than 90% of the total, evidencing the limited participation of the private sector in the economy.

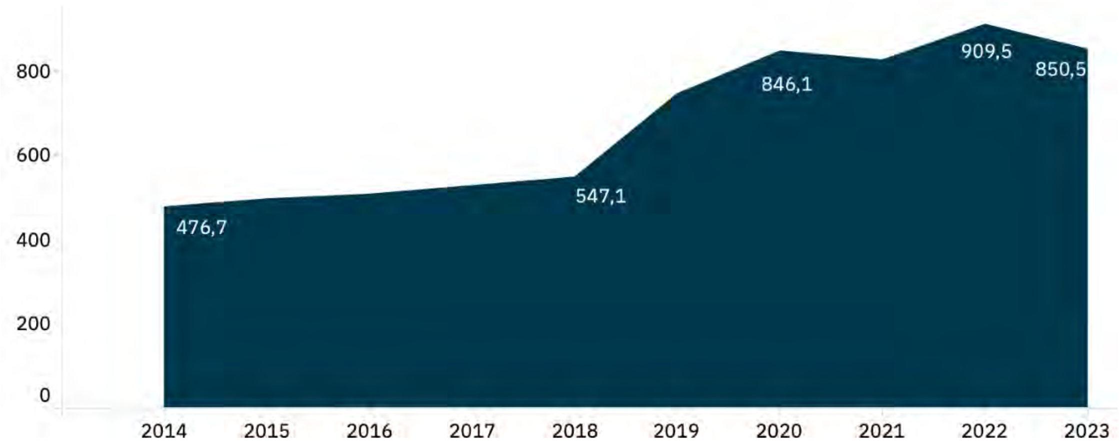
Figure 6. **Overall Trajectory of Development Finance Resources (in USD million)**



Source: Inflection Finance team, based on several national and international sources

Changes in the composition of development finance over the past decade show significant negative shifts. As shown in Figure 6, total measured development finance increased from USD 477 million in 2014 to USD 851 million in 2023. During this period, the composition changed substantially, with public finance accounting for an increasing share of the total. In 2014, public flows represented 72% of the total, equivalent to USD 343 million, already pointing to a significant lack of development in the private economy. By 2023, this proportion had increased to 90.2% of the total, equivalent to USD 767 million.

Figure 7. **Evolution of Total Measured Development Finance (USD million)**



Source: Inflection Finance team, based on several national and international sources

At the current pace of progress, development finance is projected to be insufficient to meet the financing needs required to achieve the SDGs and national development objectives. Figure 7 presents a visual representation of the cumulative growth of all variables measured during the period analyzed. In nominal terms, the measured volume almost doubled over the last decade.

[3] The Figure shows the different funding streams measured by the evaluation. It also includes the stock of public debt, considering its greater relevance as an indicator for management purposes compared to the annual flow of debt. Although the evaluated values are interrelated, presenting them as separate sources allows us to focus on their relative relevance, compare them with other countries, and explore improved management approaches.

However, when all measured financing flows are considered as a percentage of GDP, the total measured volume contracted by 37.5 percentage points of GDP over the period. This makes clear the need for a more substantial and targeted approach to mobilizing the financial resources required to accelerate economic progress and make São Tomé and Príncipe's development objectives viable.

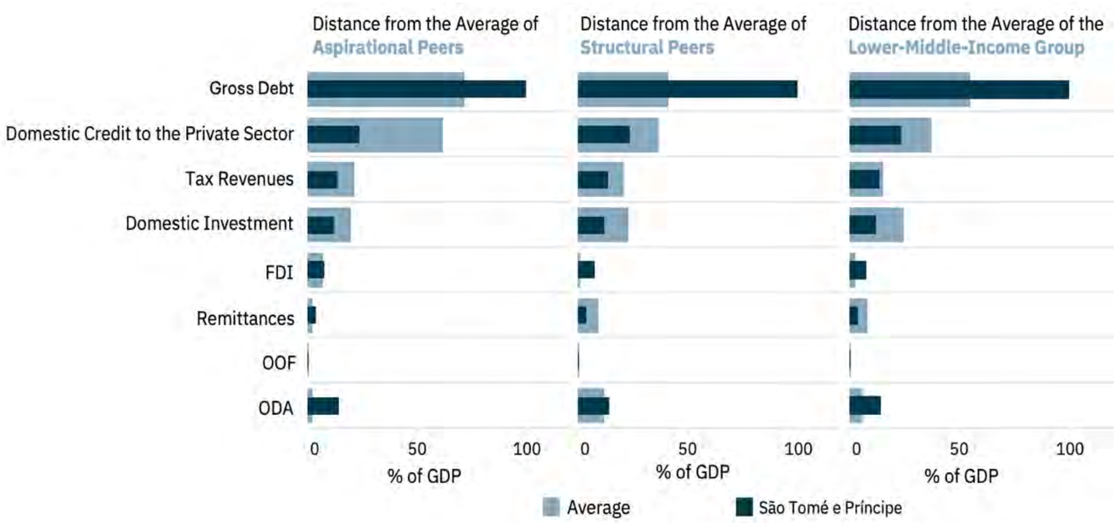
1.3 Comparisons of Measured Financing with Reference Countries

The comparisons presented here provide reference points for analyzing the country's performance in managing the financing flows studied and their growth potential. The performance comparisons presented below are indicative only. The figures show the relative weight of the analyzed flows within the financing packages of economies with similar characteristics. However, countries have different socioeconomic conditions, which makes linear comparisons inappropriate. Within these limitations, the comparisons are useful for identifying margins and opportunities for improvement in the management of the individual flows compared.

Three distinct reference groups were analyzed for these comparisons. These groups of countries were defined using the criteria applied by the World Bank for São Tomé and Príncipe, while reviewing the consistency of selected comparison indicators:

- **Countries at the Same Income Level:** The first, more generic group consists of the 51 countries with the same lower-middle-income status as STP, measured by Gross National Income (GNI) per capita.
- **Structural Pairs:** Reference countries with characteristics like those of São Tomé and Príncipe, including population, income and gross national income, during the period 2000–2018. This list includes Cabo Verde, Comoros, Timor-Leste, Solomon Islands and Vanuatu.
- **Aspirational Pairs:** Similar countries with a higher level of development that could be considered useful development benchmarks for São Tomé and Príncipe. In this case, Fiji, the Maldives, Mauritius, Saint Lucia and Seychelles were considered

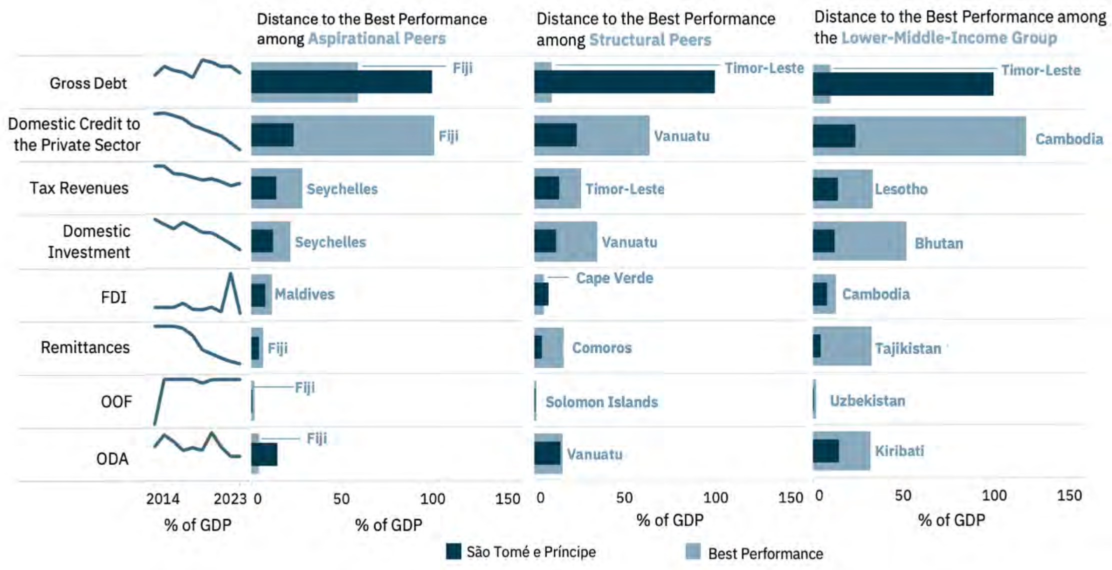
Figure 8. **Comparative Position of the Measured Development Finance Variables**



Source: Inflection Finance team with several national and international sources

A first comparison shows that São Tomé and Príncipe's management of development finance is below the average of all comparable reference groups. Figure 8 presents the measurements of the main variables, using average values over the full period, compared with average values for countries at the same income level, as well as structural and aspirational peers. The country shows greater dependence on gross debt and ODA than all peer groups analyzed.

Figure 9. **Comparison of STP with the Best Performers in the Three Reference Groups**[4]



Source: Inflection Finance team, based on World Bank World Development Indicators data

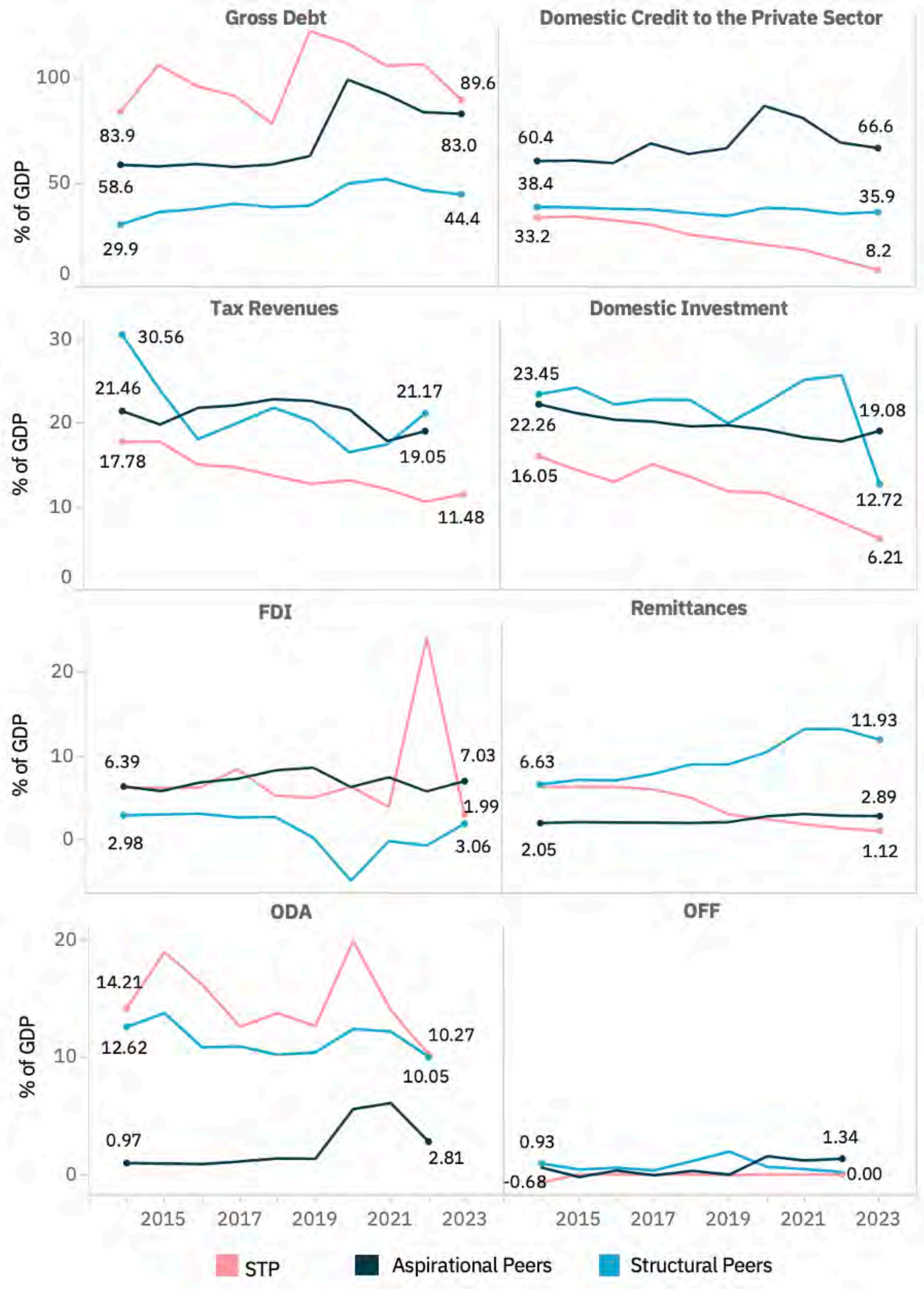
A more detailed analysis of the best-performing countries in each selected comparison group provides indicative benchmarks for the future development of financing flows. The gap between STP and the best performers in the three comparison groups highlights significant shortfalls. Domestic credit to the private sector in STP stood at 23.6% of GDP, while Vanuatu reached 63.4% in the structural peer group, Fiji reached 100.6% in the aspirational peer group, and Cambodia reached 117.9% among lower-middle-income countries. Similarly, São Tomé and Príncipe's dependence on public debt averaged 99.82%, compared with 9.6% in Timor-Leste and 58.5% in Fiji. These comparisons highlight significant opportunities for improvement across all categories and help guide the development objectives for the financing flows analyzed in this strategy.

The comparative analysis of the evolution of the main financing flows against the three reference groups shows a progressive worsening of São Tomé and Príncipe's position. As illustrated in Figure 10, the main financing flows — including credit to the private sector, tax revenues and domestic investment — underperform those of the comparator countries, with gaps that tend to widen over time. The impact of COVID-19 and the war in Ukraine was also more pronounced in São Tomé and Príncipe, where the negative trend continued and even worsened, unlike in other countries that began to recover after 2021. This evolution reflects the structural fragility of the national economy, which is heavily dependent on imports of essential goods such as food and fuel. However, it is important to highlight that this downward trajectory is not limited to the most recent period; it was already evident throughout the decade, with systematically weaker performance than the peer countries analyzed

.

[4] Note: As in Figure 7, these graphs analyze the average values of the variables measured for São Tomé and Príncipe in the analyzed period (2014-2023) and then compare them with the average values measured for the reference countries. In this case, the data of the country with the best performance in each of the three groups is considered, while in Figure 7 the comparison was made with the average value of each of the three comparison categories used.

Figure 10. **Comparative Evolution of the Measured Variables across the Three Reference Groups**



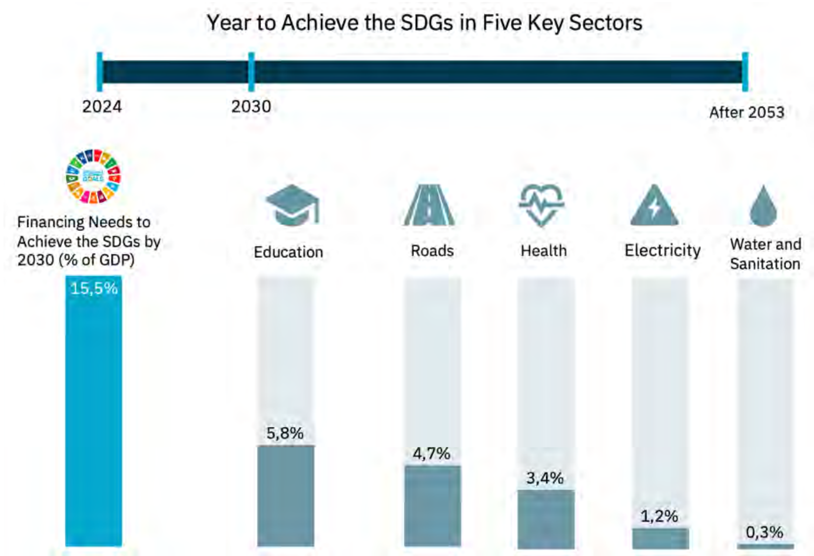
Source: Inflection Finance team with data from the World Bank's World Development Indicators

2 Overcoming the Challenges to Financing Sustainable Development in São Tomé and Príncipe

2.1 Sustainable Development Priorities and Financing Gaps

The country is at a crucial juncture, requiring a strategic and ambitious paradigm for financing sustainable development. Despite the progress made in recent years, it has become clear that the current model, on which the country has relied for a long time, requires a thorough review. The current financing paradigm, marked by strong dependence on international aid and concessional finance, has proven unsustainable and will need to undergo significant changes.

Figure 11. **Projected Financing Gaps to Achieve the SDGs in Sao Tome and Principe**

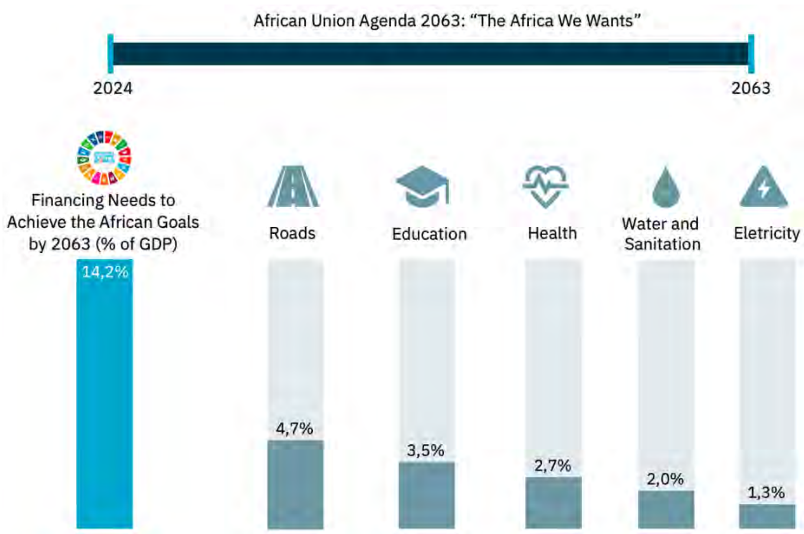


Source: Inflection Finance team based on IMF data

The urgency of a new economic development paradigm becomes evident considering the country's limited capacity to finance global and regional commitments. Preliminary estimates, based on IMF data, indicate that the additional financing needs required to achieve five key SDGs — education, health, roads, electricity, and water and sanitation — amount to around 15% of GDP per year. As shown in Figure 11, at the current pace, these goals would only be achieved in

2053. The same applies to the financing gaps for the African Union's Agenda 2063, as illustrated in Figure 12.

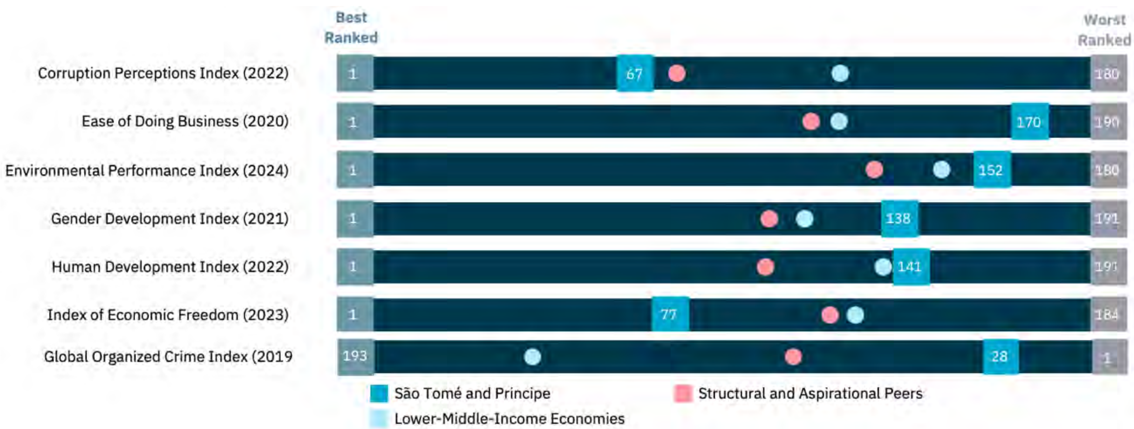
Figure 12. **Projected Financing Gaps to Achieve the Goals of Agenda 2063**



Source: Inflection Finance team based on AfDB data

Building this new development paradigm will represent a major challenge in terms of investment in public policies and the capacity to achieve results. To reach a level of performance comparable to that of lower-middle-income countries or the peer countries analyzed, São Tomé and Príncipe will need to improve significantly across several social and environmental indicators, as illustrated in Figure 13. The country ranks among the 20 lowest-performing countries in the world in the Ease of Doing Business index and occupies very low positions in areas such as environmental performance, logistics performance and control of organized crime. Significant progress is also needed in areas such as human development and gender development. These results highlight the need to improve the effectiveness of public policies across multiple areas.

Figure 13. **Main Development Gaps in São Tomé and Príncipe**



Source: Inflection Finance team based on data from various international sources.

A central element of the new development paradigm is strengthening the State's capacity to achieve concrete results in key SDG areas. The data in Figure 13 reveal the distance separating São Tomé and Príncipe from its peer countries across multiple social and environmental indicators. The central challenge is not only one of resources, but also of results: the country needs to improve outcomes significantly in the areas that condition private sector expansion and social cohesion. The ENDS identifies four main priority areas of intervention to close these gaps:

- **Human capital and social inclusion** covering education, vocational training, health, social protection and gender equality. With 75% of the labor force having fewer than nine years of schooling, low labor productivity is a structural barrier to growth, compounded by health and social protection systems that remain insufficient.
- **Poverty reduction and informality:** with 13.0% of the population living in extreme monetary poverty and an informal sector representing 73% of GDP, the current model perpetuates cycles of exclusion with strong fiscal implications and consequences for the development of the formal private sector.
- **Environmental sustainability and climate resilience**: aligning investments with international environmental standards is essential to protect foundational sectors such as tourism, agriculture and fisheries, and to access climate finance sources that are increasingly relevant for the country.
- **Business environment and private sector development:** the country ranks among the 20 lowest-performing countries in the world in the Ease of Doing Business index, while its indicators on logistics performance, control of organized crime and governance highlight the need for cross-cutting reforms to enable economic diversification

A detailed description of the sectoral gaps in each of these areas, as well as the associated specific development objectives, can be found in ENDS 2026–2040.

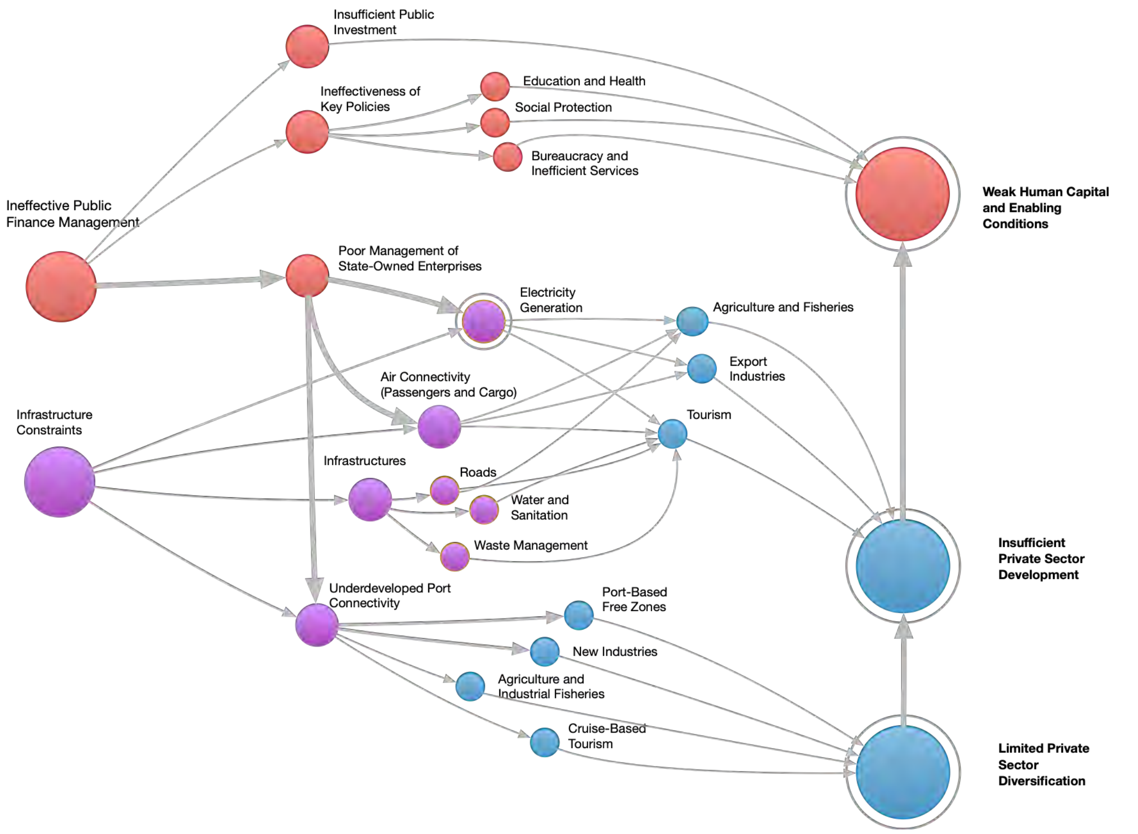
This strategy should therefore prioritize the expansion of fiscal space for the implementation of these policies and, above all, the improvement of the quality of public expenditure. The proposed actions require a significant expansion of fiscal resources to finance the identified priorities. However, the focus should be on accelerating the results of reforms already underway and improving expenditure efficiency. The strategy recognizes that increased public spending is needed to achieve development objectives but warns that doing so without addressing structural expenditure inefficiencies will not be sustainable. Spending more is necessary, but spending better has become imperative.

2.2 Analysis of the Main Binding Constraints to Sustainable Development in São Tomé and Príncipe

The sustainable development of São Tomé and Príncipe faces challenges typical of small island developing states (SIDS). These countries share structural obstacles related to geography and small population size. A limited labor force hinders the development of labor-intensive sectors, restricts economic diversification and accentuates dependence on imports. Scarcity of arable land reduces agricultural productivity, while geographical isolation raises trade costs, compounding the challenges of a small domestic market. In addition, the high unit costs of providing public goods, such as State administration, combined with a narrow tax base, contribute to fiscal imbalances. These factors are often interrelated, amplifying their impact on economic development.

In São Tomé and Príncipe, several critical factors constrain the country’s ability to accelerate sustainable development. Private sector development is a crucial factor for the country’s long-term economic and fiscal stability. Figure 14 presents the main structural constraints that block this development and limit the possibilities for diversifying the country’s economic base. A significant share of these constraints originates in the quality of public policies and in the State’s management capacity. Eliminating many of them does not require large-scale investment, but rather sustained institutional and administrative improvements that have not yet been successfully achieved. The second category covers physical infrastructure constraints, whose resolution requires investments for which the public sector does not have sufficient resources, making a new approach necessary.

Figure 14. **Main Binding Constraints in São Tomé and Príncipe and Their Direct Impacts**



2.2.1 Binding Infrastructure Constraints

i) Energy Sustainability. Dependence on electricity generation based on petroleum products is not only an environmental problem or a matter of insufficient supply; it has also become the country's main source of fiscal risk, destabilizing the economy in recent years. Electricity supply is one of the main obstacles faced by companies in São Tomé and Príncipe, due to weak energy infrastructure and the high costs associated with EMAE. In addition, electricity is also a restriction to poverty reduction, compromising the provision of essential public services.

This problem requires a short-term solution, as it continues to destabilize the country's fiscal balance. The Government needs to take urgent action to address the situation of EMAE, whose mismanagement affects economic development, increases operating costs and reduces competitiveness. EMAE is not only a significant constraint on São Tomé and Príncipe's progress; it is also the country's main source of fiscal vulnerability. Reforms should be comprehensive, covering all structural, regulatory and operational aspects of the sector.

ii) Air Connectivity for Trade and Tourism. Air connectivity limitations restrict trade opportunities, increase costs and make exports of high-value perishable products unviable. The country needs to enable direct air cargo shipments to Europe, eliminating transshipment through Angola. It is also essential to provide adequate storage and cold-chain facilities to support exports of perishable and high-value products such as chocolate, fresh fish, fruit and flowers.

The concession of São Tomé airport is only the beginning of a series of actions needed to resolve the main problems constraining tourism. The new airport should address safety and operational issues, while also enabling the arrival of more airlines. However, full air connectivity for tourism will also depend on renewing the capacity of Príncipe Island airport. Other barriers, such as difficulties in processing e-visas and other administrative procedures, continue to limit the sector and could be resolved through simple measures that do not require major investment.

iii) Maritime Trade Connectivity. The creation of a deep-water transshipment port was identified as a priority in the 2015 Transformation Agenda 2030. This type of investment would have the potential to transform São Tomé and Príncipe's economy, generating numerous employment opportunities, both directly in the port and indirectly across the export sector, which would be rapidly strengthened. In addition, a modern port would enable the development of adjacent investments, such as industrial free zones, where complementary activities such as ship repair and container storage could be promoted. Complementary elements — including storage infrastructure, cold-chain facilities, administrative reforms, access to energy and clear guarantees for investors — will also be indispensable to make the project viable.

However, efforts to attract private investment in this sector have not been successful. A viable solution will probably require the design of an integrated package, including a review of ENAPORT's monopolistic role, analysis of the port's territorial location, risk-reduction measures for foreign investors and the updating of legislation for the development of productive free zones as proposed in IA5.

iv) Road Connectivity and Other Infrastructure. The country faces serious challenges in improving road transport infrastructure. The road network, covering 320 km, of which 218 km are paved, is currently inadequate and obsolete. On Príncipe Island, the situation is even more critical, with roads in impassable or highly precarious condition. Budget constraints have resulted in insufficient maintenance, compounding problems such as the high rate of fatal accidents, which exceeds that of comparable countries. Since not all roads can be financed through private investment or public-private partnerships, it will be essential to prioritize public resources in strategic locations, such as development hubs for export agriculture or tourism.

Other investments, such as solid waste management, address a serious environmental problem that directly affects the potential for tourism growth. Lack of access to drinking water is another critical problem and a further demonstration of EMAE's inefficiency, as the company acknowledges that at least 45% of the water currently produced is lost. A significant share of these investments should be financed by private capital, which requires market liberalization to attract these resources. For areas that require public funding, concessional resources will need to be mobilized.

2.2.2 Other Binding Constraints

v) Human Capital Development. Despite universal access to basic education and progress in pre-primary and secondary education, most of the workforce still has low levels of educational attainment. This limits the adoption of new technologies, innovation and even the training of new professionals. São Tomé and Príncipe has the lowest level of labor productivity among the countries analyzed. Indicators show severe human capital constraints. A gradual skills development agenda is needed, aligned with private sector priorities, improvements in public service delivery and the adoption of results-based financing mechanisms.

vi) Institutional Capacities of the State. Low implementation capacity and weak service delivery undermine public sector effectiveness and limit the impact of ODA. Despite the existence of many strategic plans, the country lacks the capacity to implement them simultaneously. Priority reforms include: i) strengthening public financial management, with a focus on budget quality, public investment management and PPPs; ii) building capacity in environmental policy and finance; and iii) improving key services such as health, education, technical training and social protection. These improvements are essential to unlock development potential in the short and medium term.

vii) Bureaucracy and Inadequate Regulatory Frameworks. Excessive bureaucracy and high administrative costs hinder private sector development. Complex regulatory frameworks negatively affect investment, trade, customs procedures and tourism. In some cases, targeted adjustments are sufficient; in others, deeper reforms are required. Legal uncertainty also limits private finance flows. It is essential to improve the agility and efficiency of the judicial system, especially in contract enforcement and the resolution of commercial disputes. Other measures include: i) facilitating the use of fixed assets as collateral; ii) creating a land system with unique parcel identification; iii) revising property laws to expand access to housing and agricultural credit; and iv) strengthening the regulatory framework for fintech-enabled financial inclusion. These improvements would reduce risks and costs for banks and expand access to credit.

***vii) Availability of Private Financing*.** International comparisons show that credit to the private sector in São Tomé and Príncipe performs significantly below comparator peers. Despite market liberalization in 2000, the banking sector remains small, relatively concentrated and poorly diversified. Analysis of the loan portfolio by economic sector reveals a misalignment between bank credit and national development priorities. Interest rates are substantially higher than in comparable countries, constituting a significant barrier to access to finance.

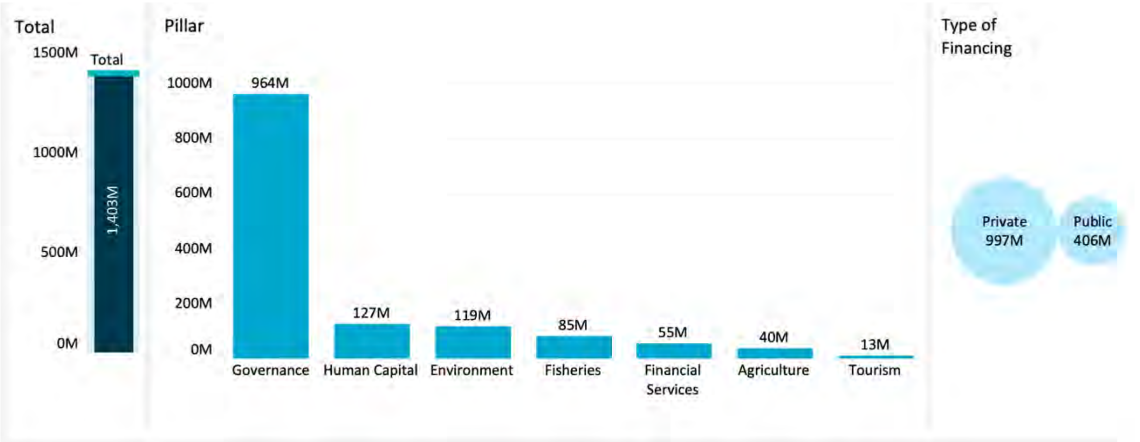
Significant challenges also persist in financial inclusion. Around 61% of the population of São Tomé and Príncipe over 18 years of age is excluded from the financial system, and only 38% of respondents have a bank account, according to the Second Survey on Financial Inclusion and Financial Literacy of the Population and Micro and Small Enterprises, 2025. Financial inclusion varies significantly across the country’s regions. The disparity between urban and rural areas is also notable, with 60% of the financially excluded population living in urban centers and 40% in rural areas.

2.3 National Development Priorities and the Challenges of Financing Them

The disconnect between the government's strategic plans and the public financing process has made it difficult to identify the truly priority areas and the real financing needs. Recurring evaluations summarized in the DFA point out that planning and budgeting in the country are generally inadequate, preventing the budget from functioning as a strategic and credible instrument of decision-making and control. Part of this problem lies in the difficulty in defining long-term national priorities. Over the past few decades, and with the support of several development partners, the country has developed many long-term plans and strategies, often with overlapping areas of action and similar objectives. The wide variety of instruments and the lack of coherence between them have made it difficult to clearly understand the real priorities and concrete objectives to be funded**.**

The formulation of the National Sustainable Development Strategy 2026–2040 (ENDS) represents an opportunity to consolidate and prioritize development initiatives and financing needs. Combining a long-term strategic component (15 years) with a medium-term programmatic component (five years, initially three, aligned with the legislative cycle), ENDS should serve as a unifying platform. This new formulation offers the opportunity to streamline the multiplicity of sectoral strategies and plans, focusing national priorities on a single strategic framework that clearly guides the mobilization of resources needed for their implementation.

Figure 15. Overview of Investments Required by the ENDS (Euro)



Source: Inflection Finance team based on ENDS data

The first step in defining the objectives of this financing strategy is to deepen the analysis of the ENDS financing needs. With the approval of the ENDS, Government estimates are now available for the costs of the implementation plan that could cover the period 2026–2030. The data in Figure 15 illustrates the financing needs of the main ENDS pillars, which comprise a total of 47 programs and an estimated budget of EUR 1,403 million, distributed across the following:

- **Governance (EUR 964 million):** Within this pillar, six programs were formulated for State Reform (EUR 29 million), strengthening public policies, ODA management, improving public services, strengthening the judicial system and e-governance. This pillar also incorporates a program to finance Priority Infrastructure for Economic Sustainability, with a total amount of EUR 935 million.
- **Human Capital Development (EUR 127 million):** This pillar defines 16 programs aimed at improving the general education system, technical and vocational education and training, and higher education. It also includes social support programs, transition from the informal economy, access to drinking water and health services.
- **Inclusive Economic Growth (EUR 193 million):** The ENDS proposes 15 programs with actions in tourism, agriculture, fisheries and the management of financial services for sustainable development. Given its relative importance in the analysis, this pillar will be disaggregated into its main components in the following section.
- **Environmental Sustainability (EUR 119 million):** Six programs were defined in the areas of climate adaptation and resilience, renewable energy, solid waste management and forest resource conservation.

An additional step in defining the financing objectives of this strategy is the integration of the financing needs of the Nationally Determined Contribution (NDC), analyzed in Chapter 3 of this document. The NDC establishes the country's climate change mitigation and adaptation objectives, which are also fundamental to the strategic definition. To date, the National Adaptation Plan has not yet been formulated. This plan should integrate and deepen the definitions of NDC 3.0, including targets for 2030 and 2050. For this reason, this draft strategy incorporates only the main elements currently available.

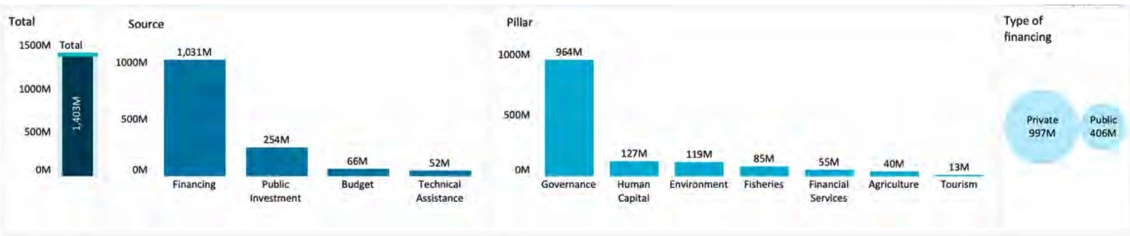
To guide effective responses, this strategy introduces an essential distinction between two types of financing needs — funding and financing. Recognizing this distinction is essential for selecting appropriate instruments, defining institutional responsibilities and correctly sequencing reforms:

- **Funding** refers to non-reimbursable resources mobilized to support national development priorities.

These resources are directed to sectors in which returns are not easily monetizable, such as health, education and social protection, and must be financed through taxes, social contributions and international grants.

- **Financing** involves repayable capital, public or private, invested in activities that generate economic returns. Typical sectors include energy, transport and industry, and should be financed through sources ranging from domestic and international banks and future savings to bonds, private investments, equity, PPPs, infrastructure funds, pension funds and international institutional investors.

Figure 16. Main Sources of Resources Required by the ENDS (Euro)



Source: Inflection Finance team with data from ENDS

This strategy analyzed the needs of the ENDS, considering different types of funding and financing that must be mobilized from domestic and external, public and private sources. To identify and program the interventions proposed in this strategy, all ENDS programs and subprograms were reviewed, identifying possible financing and investment needs based on more precise definitions of the main source of financing associated with each programme, using the following typology:

- **Public Investment:** Public investments that do not generate direct monetizable returns and must be financed through grants, new taxes, fees or other sources.
- **Budget:** Areas that are not investments, but rather elements of current expenditure that must be incorporated into the General State Budget.
- **Financing:** Investments made by the public or private sector that generate an economic return capable of repaying them directly.
- **Technical Assistance:** Areas in which the State has limited capacity to implement activities without external technical assistance and which, most likely, should be financed through grants**.**

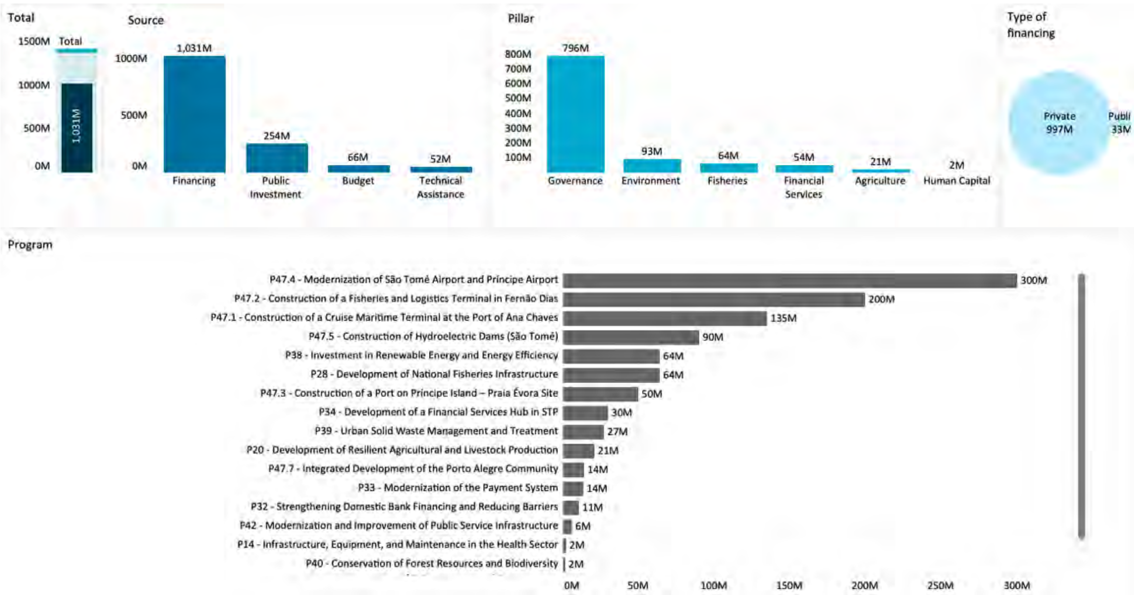
A first conclusion from the analysis of ENDS needs using this approach is the major importance of solutions to mobilize financing, in order to respond to the expected public and private investment needs. The data in Figure 17 shows that, with an estimated total of EUR 1,031 million, financing is the main source of resources that must be made available. Also relevant are the financing needs for additional public investment, amounting to EUR 254 million. The need to increase the national budget and technical assistance presents additional challenges that are also analyzed.

This strategy analyzed the needs of ENDS, considering different types of funding and financing that must be mobilized, both from domestic and external sources, public and private. To identify and program the interventions of this strategy, all ENDS programs and subprograms were examined, identifying possible financing and investment needs based on more precise definitions of the main source of funding associated with each program, using the following typology:

- ***Public Investment**: Public investments that do not generate direct monetizable returns and that must be financed with grants, new taxes, fees, or other sources.*
- ***Budget:*** Areas that are not investments, but elements of current expenditure that must be aggregated in the General State Budget.

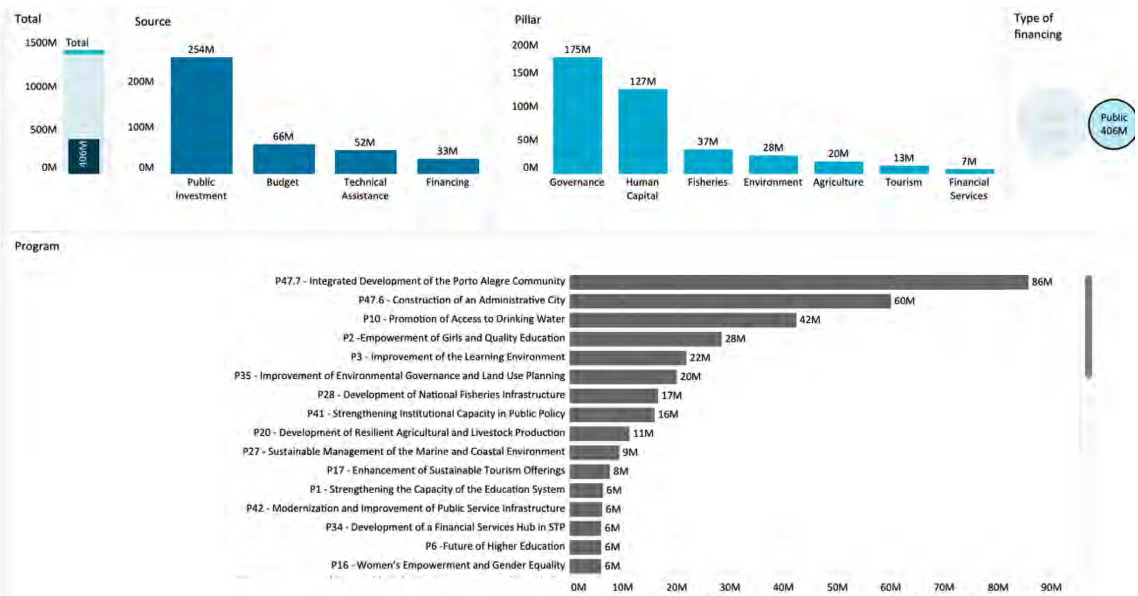
- ***Financing***: Investments made by the public or private sector that generate an economic return capable of repaying them directly.
- ***Technical Assistance****:* Areas that the State has limited capacity to implement without external technical assistance support and that, most likely, should be financed through donations.

Figure 17. **Main ENDS Pillars and Programs Requiring Financing (Euro)**



Source: Inflection Finance team based on ENDS data

Figure 18. Main ENDS Pillars and Programs Requiring Funding (Euro)



Source: Inflection Finance team based on ENDS data

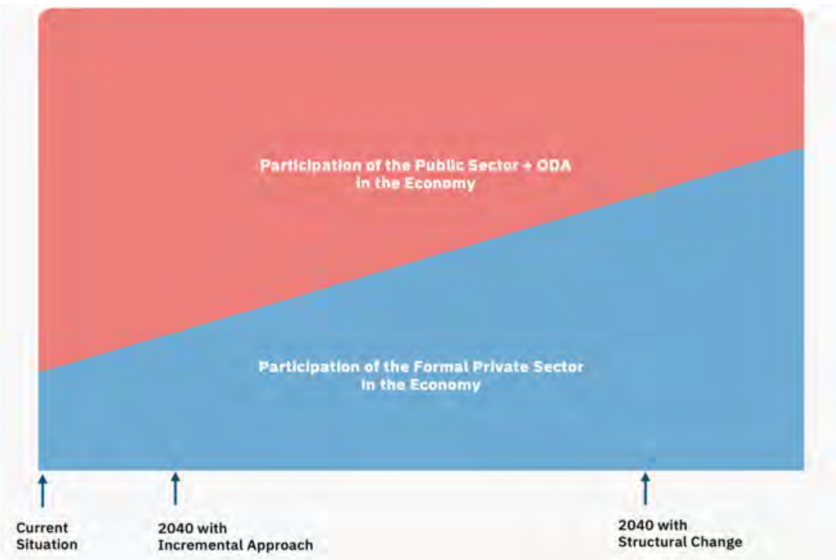
Financing needs, in turn, reflect opportunities to accelerate private sector development through investments that may be public or private. A more detailed analysis of the destination of the EUR 1,031 million in required financing shows that a significant share, EUR 997 million, is intended to finance private investment projects, while EUR 33 million corresponds to public investment. The data in Figure 17 also show that most of these resources are concentrated in the structuring projects of the Governance pillar, which are essential to remove the binding infrastructure constraints analyzed in the previous section. However, there are also relevant projects in the areas of environment, fisheries, financial services and agriculture. This will require other types of solutions, which are discussed below.

Funding needs reflect the ENDS' dependence on the ability to generate new domestic public resources and on the strategic support of international cooperation. Figure 18 presents the needs for different types of funding, national and international, by type of resource and destination. Major challenges are identified here: the main programs requiring funding — Governance (EUR 175 million), Human Capital (EUR 172 million) and Inclusive Economic Growth (EUR 105 million) — are essential to removing binding constraints and consolidating the proposed new development model, but depend heavily on support from international cooperation. For example, public investment is an area that has so far been financed more than 90% by donors and development partners. A significant part of the budget also follows this logic and, unfortunately, technical assistance needs may limit the implementation of essential reforms.

2.4 The Proposed Approach to Financing National Development Priorities

Although the ENDS financing estimates are not yet finalized, they already highlight central opportunities and challenges that this strategy needs to consider. The estimates presented above indicate financing needs that, at first sight, appear incompatible with the country's current capacity. As illustrated in Figure 15, implementation of the ENDS opens opportunities to mobilize private investments totaling EUR 997 million. This could initiate a process — as illustrated in Figure 19 — characterized by a gradual shift in which the relative weight of the public sector and ODA in the economy progressively decreases in favor of a more robust formal private sector.

Figure 19. **Structural Changes Needed to Achieve the ENDS Objectives**



To achieve the desired results, a structural transformation of the economy will be necessary, based on accelerated growth of the formal private sector. Strengthening this sector is essential to mobilize the additional EUR 406 million in public funding required to finance the ENDS. Growth of the formal private sector should be accompanied by policies that encourage the formalization of the informal sector. With an informal sector accounting for around 73% of GDP, the formal private sector — which sustains the tax base — currently bears a disproportionate burden. Increasing tax pressure on this limited base would undermine long-term competitiveness and sustainability.

This Financing Strategy therefore focuses on enabling actions that allow the accelerated growth of the formal private sector. However, as already discussed, this growth depends not only on the availability of adequate financial instruments, but also on the effectiveness of non-financial policies capable of generating concrete results. The focus will be on promoting policy alignment to accelerate economic diversification and private sector growth by overcoming the main binding constraints, including infrastructure gaps, strengthening human capital, and introducing targeted incentives and appropriate financial instruments.

Box 1. The Opportunity to Rethink State Participation in the Economy

Throughout the preparation of this Strategy, several opportunities were identified to increase the relative weight of the domestic and foreign private sector in the economy. This includes, for example, investments that could be made to:

- Develop structuring infrastructure projects (AI5)
- Implement several ENDS programs (AI6)

In all cases, this work assumed that these investments "could be made" by the private sector, without determining categorically that this should necessarily be the option adopted. Based on the hypothesis that the Government could choose this path, the financing instruments presented in AI5 and AI6 were designed.

A separate case concerns the elements analyzed in Intervention Area 2, which proposes the reform of the markets in which public enterprises operate. The Strategy does not propose the need to reduce the size of the State through privatization, although this may become a political decision for the country. What is proposed is to review the role of the State, redefine public monopolies, analyze market liberalization and reconsider State participation in companies operating in competitive markets where the private sector could take greater initiative. This is a decision that should be made by the next Government when deciding how to implement this Strategy.

The core of this strategy lies in the deliberate integration of four agendas that, when treated separately, lose much of their potential impact: improving public finance, removing structural infrastructure constraints, developing the formal private sector, and mobilizing environmental and climate finance. The ENDS itself identifies interventions with the potential to accelerate private investment, both domestic and foreign, which in turn create the conditions to mobilize more domestic public revenues and improve the quality of expenditure.

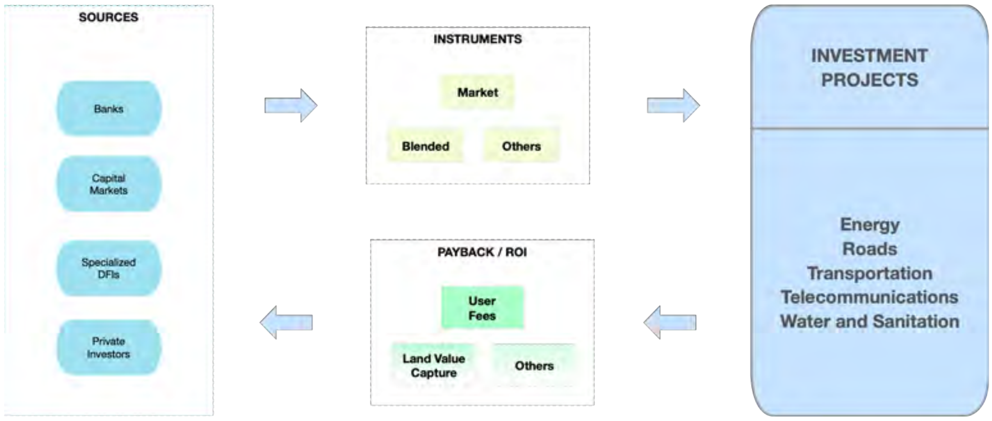
This logic of interdependence — in which each agenda reinforces the others — forms the basis of the measures proposed in this strategy and explains why their integrated and simultaneous implementation produces significantly better results than any sequential approach.

In sectors that require financing, the strategy will seek to avoid temporary solutions, prioritizing the design of structural and sustainable mechanisms. Addressing the infrastructure gaps identified is, in itself, an opportunity to formulate structuring responses. Figure 20 illustrates the main factors involved in this process and highlights opportunities for the design of specific actions, namely:

- **Risks for investors:** One of the main obstacles to attracting long-term investment — such as in ports or airports — is the high perception of country risk. The instability of recent years reinforces the need to create instruments that provide guarantees against nationalization or abrupt changes in rules, ensuring predictability and protection for invested capital.
- **Sources of financing:** The country has access to concessional finance for both the public sector and private investors operating locally. Mobilizing concessional finance for private investments can generate relevant additional incentives by reducing the operating costs of the services provided. Considering that many of these investments will ultimately be supported by user tariffs, it is essential to ensure their long-term sustainability and competitiveness.

- **Financing instruments:** The strategy also considers the need to develop instruments that facilitate access to credit on favorable terms for all investments considered strategic. These mechanisms should enable a more agile and systemic response.

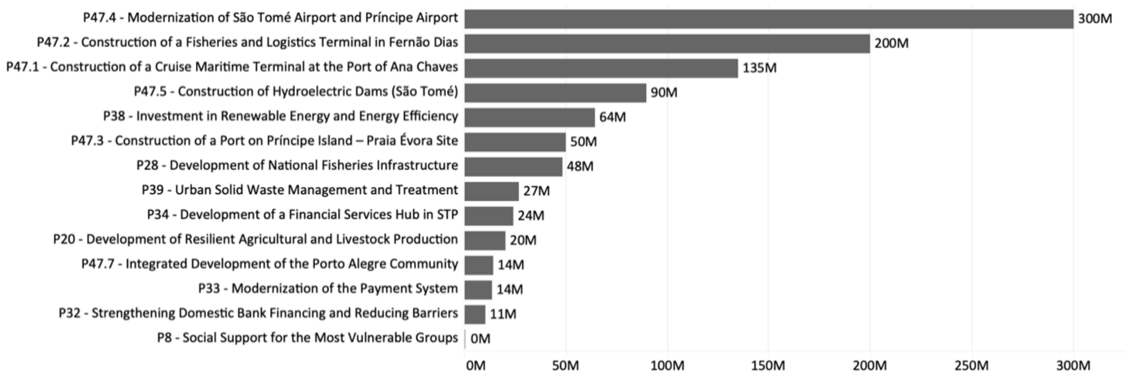
Figure 20. **Focus for Mobilizing Financing for Investment Projects**



Source: Inflection Finance Team.

This strategy explores opportunities to accelerate private sector development through investments that may be public or private. A detailed analysis of the destination of the EUR 1,031 million in required financing shows that a significant share, EUR 997 million, is intended to finance private investment projects, while EUR 33 million corresponds to public investment. Figure 21 presents the main ENDS programs that require financing for investments that could be private. The total volume of this component — EUR 997 million — is sufficient to justify the creation of specific financing vehicles and platforms to respond to this need, taking into account the factors mentioned above. This is one of the high-impact interventions of this strategy, analyzed in Intervention Area 5.

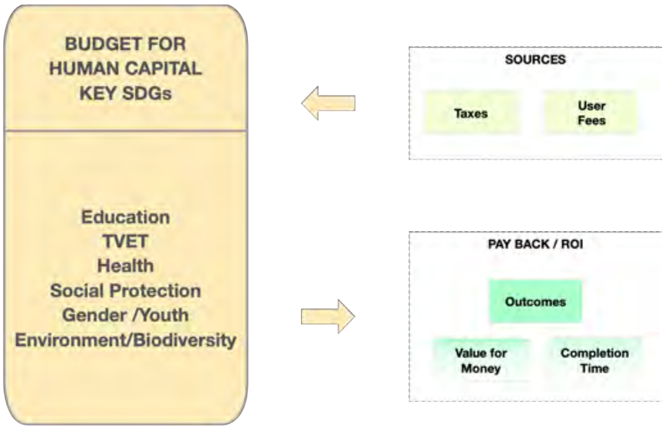
Figure 21. **ENDS Programs Requiring Financing for Private Investments (Euro)**



Source: Inflection Finance Team.

In sectors that require additional funding, such as human capital, this strategy proposes adopting an approach focused on public policy results. This implies treating these expenditures as strategic investments for structural transformation. The availability of funding resources depends on the expansion of the private sector, which in turn requires the results of key public investments, such as health, education and social protection, that demand long-term commitments. The main proposed change is the introduction of a return-on-investment logic for all public expenditure, with a focus on achieving measurable results, such as improvements in learning, health and employability, within predetermined and reasonable timeframes, adopting the most efficient service delivery model, whether through direct public provision or partnerships with the private sector and NGOs.

Figure 22. **Focus for Planning the Mobilization of Public Funding**



Source: Inflection Finance Team.

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This strategy therefore prioritizes the allocation of resources to interventions that improve the quality of public expenditure, particularly in sectors essential to equitable private sector development. It proposes accelerating this improvement in the areas of education, health, environment and agriculture, which are pillars of inclusive development. This is based on the understanding that fully closing the gaps through public expenditure alone, without efficiency gains, would imply unsustainable increases in spending and risks to fiscal stability. Since the results of these policies will be financed through tariffs or taxes, cost-benefit analysis in public service delivery becomes decisive.

Successful implementation of the ENDS will depend on strategic and coordinated action by development partners. This financing strategy proposes a set of actions to enable a new development model, while mitigating short-term financing limitations. However, its implementation requires effective partner coordination, as analyzed in Intervention Area 4, in order to maximize the impact of their contribution and expand access to new sources of ODA.

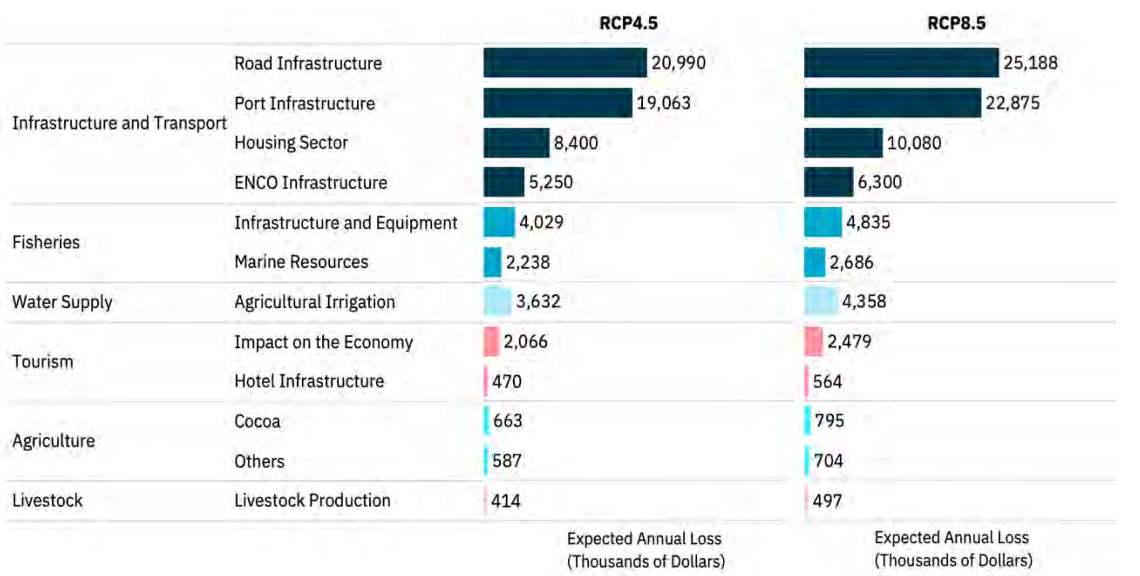
In many cases, it will be necessary to strengthen the institutional capacities of the MEF, other relevant ministries and the Office of the Prime Minister to ensure the effective implementation of the proposed policies. These needs were analyzed in a Capacity Development Plan prepared in parallel with this strategy, which identifies the institutional competencies required to support its operationalization. The principles outlined in this section — including the integration of public finance, infrastructure, private sector development and environmental finance; the distinction between funding and financing; and the need for institutional reforms as a precondition for mobilizing resources — are developed in detail in the three pillars and seven areas of intervention proposed in Chapter 4.

3 Climate Risks, NDC Costs, and Mobilizing Environmental Finance

3.1 The Cost of Inaction: Estimates of the Economic Impacts of Climate Change

São Tomé and Príncipe is one of the African countries most vulnerable to the effects of climate change, and the economic dimension of this risk is quantified in this document for the first time. São Tomé and Príncipe is the second smallest African State and has a structurally fragile economy, highly exposed to external shocks. Its status as a small island developing state (SIDS), its strong dependence on climate-sensitive sectors — agriculture, fisheries and tourism — and the high concentration of population and economic assets in coastal areas make the country structurally vulnerable to events that are increasing in frequency and magnitude. A study carried out as part of this strategy provided the first integrated estimate of climate costs and risks for the São Toméan economy.

Figure 23. **Estimates of Expected Annual Losses Due to Climate Change (USD thousand)**



Source: Inflection Finance team, based on NDC calculation data

Expected annual losses due to the combined effects of climate change could reach USD 67.7 million under the moderate scenario (RCP 4.5), corresponding to 10% of 2023 GDP — a value close to the State's total tax revenues in that year (USD 77.4 million). Under a high-emissions scenario (RCP 8.5), estimated annual losses rise to USD 86 million, equivalent to 12.8% of GDP. In the absence of adaptation measures, losses could more than double by 2080, reaching USD

152.2 million per year. Figure 23 presents the sectoral distribution of these losses under the moderate scenario (RCP 4.5) and the high-emissions scenario (RCP 8.5).

The infrastructure and transport sector accounts for around 80% of total estimated damages (USD 53.6 million per year), with critical impacts on roads and port networks. The housing sector represents USD 8.4 million in annual coastal relocation costs, directly related to the concentration of the population in risk areas. These values reflect the critical exposure of the country's main economic assets to flooding, extreme rainfall and sea-level rise. They are also directly linked to the high concentration of the population in coastal areas and areas close to rivers, which increases exposure to floods, coastal erosion and extreme weather events. The sectoral breakdown of impacts also highlights the following critical elements:

- **Fisheries:** Estimated damage to infrastructure and equipment (USD 4.23 million) results from the combined impacts on vessels and landing infrastructure caused by storms, swell and sea-level rise, as well as the reduction of fishery resources associated with ocean warming, with implications for food security and the incomes of coastal communities.
- **Water supply:** Damage to agricultural irrigation stems mainly from agricultural drought (USD 2.3 million per year) and persistent heatwaves (USD 1.4 million per year). At this stage, it was not possible to estimate the impacts on drinking water supply and hydropower generation.
- **Agriculture:** The highest economic losses are associated with cocoa and pepper, both export crops, while crops such as bananas, maize and taro show significant losses in volume. Despite their lower value in USD terms, these crops are critical for food security. The main risks include droughts, extreme rainfall and heatwaves.
- **Tourism:** The high coastal exposure of hotel infrastructure increases vulnerability to flooding, storms and erosion, while extreme events reduce demand. Direct damages of USD 470,000 per year generate total economic impacts estimated at USD 2.54 million per year.
- **Livestock:** Heatwaves and extreme rainfall favor pests and degrade pastures and water sources, reducing productivity. Estimated damages of USD 414,000 per year are relatively low in monetary terms, but relevant for food security.

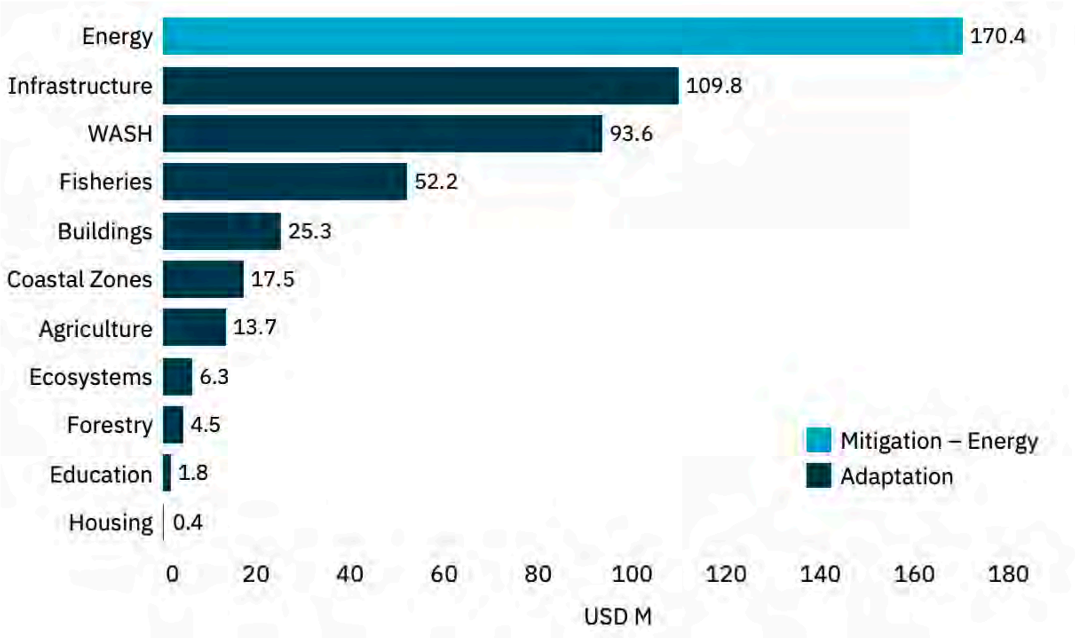
These estimates represent the cost of inaction: recurring losses that the country will bear annually in the absence of investment in adaptation. Their magnitude — comparable to the State's total tax revenues — shows that the central question is no longer whether the country should invest in climate resilience, but how to finance, sustainably and at the necessary scale, the measures required to reduce these risks. Investment in adaptation should be understood, first and foremost, as an instrument of macroeconomic stability and protection of the national productive base.

The estimates presented are conservative. They do not include impacts on drinking water supply or hydropower generation, for which the available baseline data did not allow a robust estimate. The effects of climate change are already visible across the territory, including coastal degradation, salinization, flash floods and increasing climate variability. The actual value of losses is therefore likely to be higher than estimated.

3.2 Costs of NDC Measures: Adaptation and Energy Transition to 2035

The Nationally Determined Contribution (NDC) recently approved defines the framework for the country's commitments to the international community on climate adaptation and mitigation. It includes 19 adaptation measures and more than 40 mitigation measures. It should be noted that the NDC establishes that all these measures are conditional, depending on access to international finance, technical assistance and cooperation mechanisms. A study carried out as part of this strategy estimated the costs of implementing these measures up to 2035, as detailed in Figure 24. The full list of costs is presented in Annex 2.

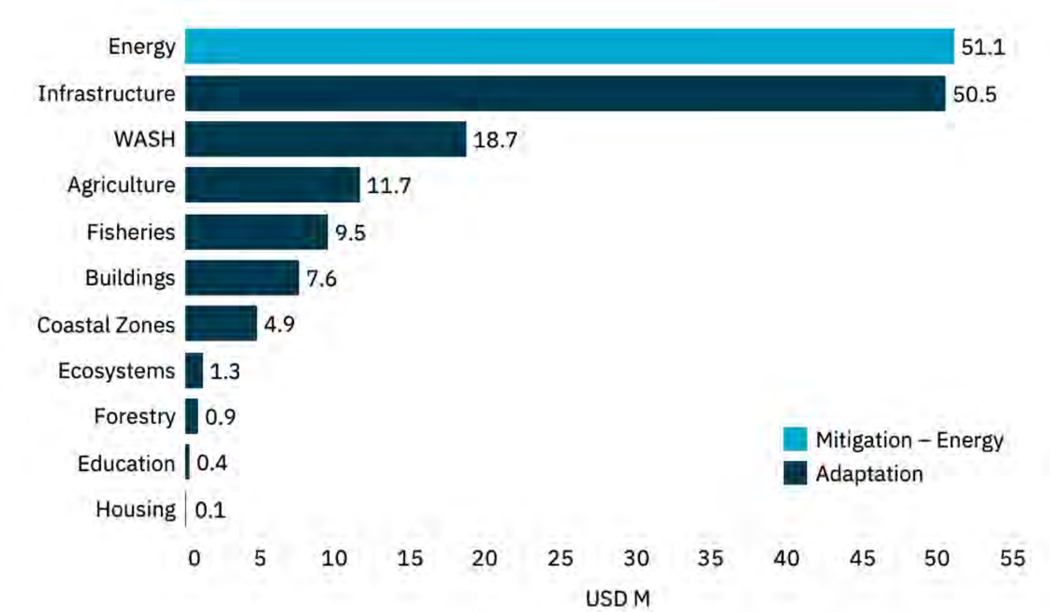
Figure 24. **NDC Adaptation and Renewable Energy Costs to 2035 (USD million)**



Source: Inflection Finance Team: NDC Cost Study

The total cost of adaptation measures up to 2035 is estimated at around USD 325 million. The most significant measures relate to resilient infrastructure, particularly the adaptation of roads and road networks, followed by river basin management, the rehabilitation of water distribution networks, and the construction of reservoirs, with a focus on water security. In the fisheries sector, the measures include the conversion of the small-scale fleet, with the aim of reducing accident risks and improving safety conditions for fishers.

Figure 25. **DC Investment Needs by Component, 2026–2030 (USD million)**



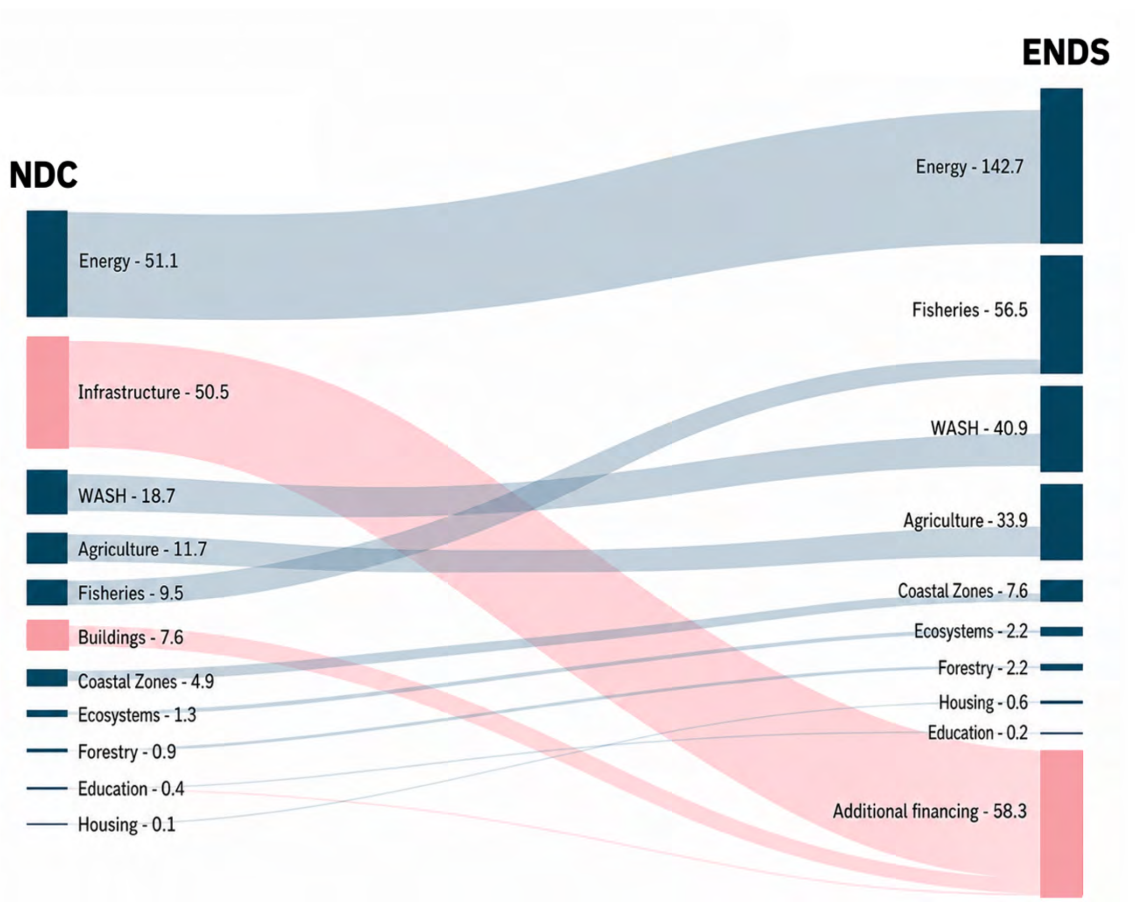
Source: Inflection Finance Team: NDC Cost Study

Adaptation investment needs for the period 2026–2030 are estimated at approximately USD 105 million, which this strategy sets as a short-term mobilization objective. The distribution of these needs over the short-term horizon is presented in Figure 25, showing the need to mobilize around USD 50.5 million for infrastructure and USD 18.7 million for water security. The sectoral cost structure remains unchanged.

The economic rationale for investment in adaptation is clear: the total cost of the measures, estimated at USD 325 million by 2035, represents around half of the potential losses accumulated over a decade, estimated at approximately USD 677 million, based on annual losses of USD 67.7 million. This cost-benefit relationship shows that investment in adaptation is an economically sound option, reducing significant future losses and protecting the country's economic assets. In this context, these measures should be framed as productive investment, rather than environmental expenditure, strengthening the dialogue with international partners and financiers.

The energy transition is a priority with direct fiscal implications that go beyond its climate dimension. Dependence on imported fossil fuels for electricity production is one of the country's main sources of macroeconomic volatility and one of the biggest obstacles to fiscal consolidation. Financing the expansion of renewable energy generation capacity — USD 170 million by 2035, of which USD 51.1 million during 2026–2030 — is not only a climate intervention. It is also a condition for balance-of-payments stability and for reducing the electricity sector subsidy that weighs on public finances.

Figure 26. **Alignment of NDC Costs with ENDS Programs, 2026–2030**



Source: Inflection Finance team, based on ENDS data and the NDC Costing Study

Achieving the adaptation and energy transition financing targets would cover a significant share of the costs of implementing the ENDS during 2026–2030. A key strategic element is the strong alignment between NDC measures, and the investments already envisaged in the ENDS. As shown in Figure 26, a significant share of the measures — particularly those related to energy, water systems, fisheries and agriculture — correspond to investment needs already identified in the national development plan. The main additional environmental costs not covered by the ENDS are concentrated primarily in water infrastructure, reflecting the need to strengthen the resilience of these systems in the face of the growing impacts of climate change.

NDC financing therefore does not represent an additional cost for the ENDS over the 2026–2030 horizon. It represents an alternative source of financing for investments that the country would need to undertake in any case. Mobilizing these resources would significantly reduce the overall funding needs of the ENDS for this period.

3.3 São Tomé and Príncipe as a Legitimate Beneficiary of International Climate Finance

São Tomé and Príncipe's high vulnerability to climate change contrasts with its virtually negligible responsibility for its causes. Until recently, the country functioned as a net carbon sink, contributing to the global removal of carbon dioxide, and became the first country in the world to be fully recognized by UNESCO as a World Biosphere Reserve. In this context, the country plays a disproportionate role in the provision of global public goods — including biodiversity conservation, ecosystem protection and climate change mitigation — despite facing significant fiscal and institutional constraints. This asymmetry reinforces the need for access to international finance, particularly in the form of concessional and non-reimbursable resources, to support the implementation of its climate priorities.

This asymmetry between vulnerability and responsibility provides the basis for mobilizing international climate finance in the form of grants and concessional resources. The argument is not only political, but also economic.

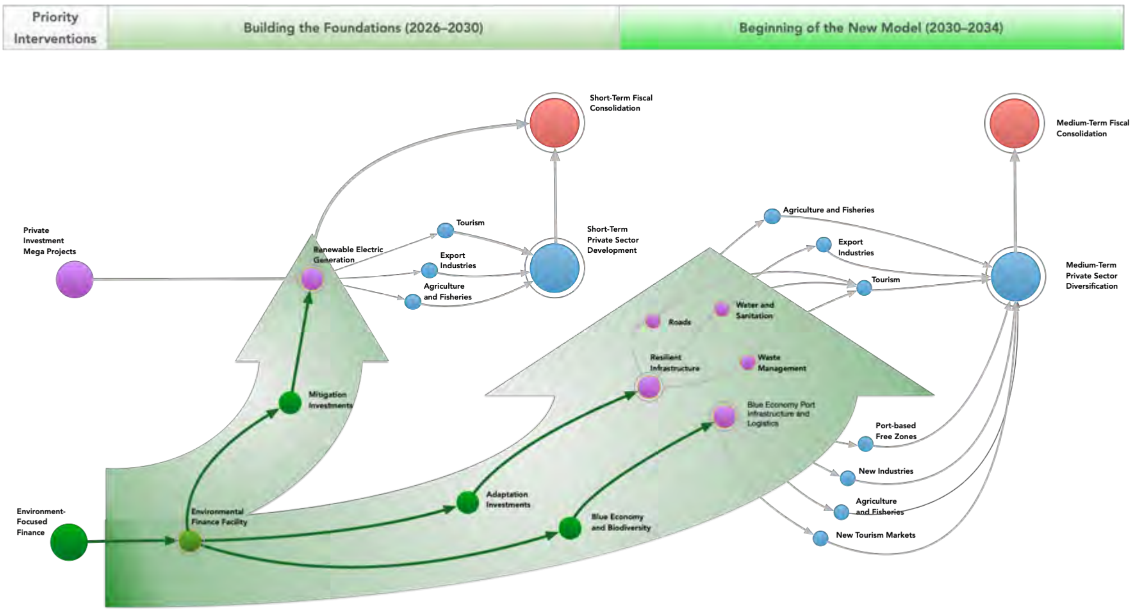
- The country's current fiscal situation significantly limits its capacity to expand the fiscal space needed to support public expenditure associated with most adaptation interventions;
- The country is very close to be in debt distress
- The private sector has limited capacity to assume adaptation investments, which generally do not generate direct financial flows
- The recent economic crisis, aggravated by high dependence on fossil fuels for electricity production, has further reduced available fiscal space.

The consequence is clear: in the absence of non-reimbursable external finance, a significant share of the adaptation measures identified in the NDC is unlikely to be implemented, increasing the risk of recurrent materialization of the costs of inaction, estimated at USD 67.7 million per year, with direct impacts on the development trajectory defined in the ENDS. A just transition requires recognition that countries with the structural vulnerability of São Tomé and Príncipe — which, despite their limitations, make ambitious mitigation and adaptation commitments — should benefit from priority and simplified access to international climate finance mechanisms. This premise underpins the proposal to create the National Climate and Biodiversity Finance Facility, described in the following section.

3.4 Climate Finance as a Vector for Expanding the Strategy

Climate and biodiversity finance is a key instrument for scaling up this financing strategy over the medium term. The magnitude of the costs associated with the NDC, the State's limited fiscal capacity and the strong alignment with ENDS priorities create a structural opportunity that the country has not yet systematically exploited. In this context, climate finance should not be treated as an additional or parallel component, but rather integrated as a central element of the country's financing architecture, as illustrated in Figure 27. This includes, among other areas, financing the transition to renewable energy, developing resilient infrastructure, including road networks, water, sanitation and waste management, strengthening the blue economy, including commercial and fishing ports, and supporting other priority areas identified in the ENDS. The actions defined in this section are developed in greater detail in Intervention Area 4 of this document**.**

Figure 27. **Expected Impact of Environmental Finance on the Financing Strategy**



The effective mobilization of this type of finance requires a change in institutional posture: from passive recipient to active strategic manager of this source of resources. International evidence shows that the existence of adaptation plans and strategies alone does not guarantee the mobilization of external finance. The ability to prepare bankable projects, comply with the technical and administrative requirements of international mechanisms, and demonstrate credibility in implementation is crucial for access to these sources. São Tomé and Príncipe has significant gaps in these capacities, which this strategy proposes to address in a structured manner through the National Climate and Biodiversity Finance Facility.

3.4.1 The National Climate and Biodiversity Finance Facility

The creation of a National Climate and Biodiversity Finance Facility is proposed under the leadership of the Ministry of Economy and Finance. The Facility will function as an integrated platform for mobilizing climate and environmental resources, linking national priorities with available international sources of finance. Its creation and operationalization are analyzed in detail in Intervention Area 4 of this document. The central functions of the Facility are:

- Identification and prioritization of projects aligned with the NDC and the ENDS, based on a systematic assessment of the climate investment pipeline;
- Systematic preparation of proposals for international climate and biodiversity financing mechanisms, including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund, Least Developed Countries Fund (LDCF), among others;
- Structuring blended finance operations, mobilizing concessional and private resources around adaptation and energy transition projects;
- Climate traceability and reporting, through the Integrated Information System for ODA Management proposed in AI 4 — an increasingly required condition for accessing new sources of finance;
- Institutional coordination between the MEF, the Ministry of the Environment and the Ministry of Foreign Affairs, ensuring coherence between the technical, financial and diplomatic dimensions of resource mobilization.

The institutional articulation is clear: the MEF leads as the entity responsible for integrated financing management; the Ministry of the Environment provides technical support in preparing proposals and validating projects; and the Ministry of Foreign Affairs ensures engagement with international partners and global platforms. This structure is consistent with the governance model proposed in AI 4.

3.4.2 Climate Finance Mobilization Targets

The Facility's mobilization targets are structured in two phases, recognizing that implementation capacity will increase progressively as institutional capacities are consolidated. The total volume of finance to be mobilized is estimated at USD 495.5 million by 2035, according to the following sequence**:**

- **Short term (until 2030):** mobilization of USD 156.5 million to finance priority adaptation measures (USD 105 million) and the energy transition package (USD 51.1 million).
- **Medium term (until 2040):** mobilization of an additional USD 339 million to expand and consolidate implementation, ensuring full financing of NDC adaptation measures (USD 220 million) and renewable energy (USD 119 million).

Throughout the period, it will also be necessary to develop national capacity for the systematic sourcing of climate finance. Table 2 presents the details of these targets by component, including their physical indicators and estimated economic impact.

The economic case for the energy transition is exceptionally strong and goes far beyond the climate dimension[5]. In 2022, São Tomé and Príncipe imported USD 42 million in diesel, mostly for EMAE operations, representing one of the country's largest import items and a source of structural macroeconomic vulnerability. Each USD 10 increase in the price of a barrel of oil automatically increases the State's energy bill and puts pressure on the balance of payments.

- The additional 17 MW of renewable energy planned in Phase 1 could replace around 72% of diesel-based generation, generating estimated annual savings of approximately USD 30 million — equivalent to 39% of total tax revenues in 2023. The USD 51.1 million investment would pay for itself in less than two years.

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[5] Methodological note: The savings estimates use the 2022 diesel imports (USD 42M) as a proxy for steady-state consumption, applying the current price of diesel (Brent ~USD 100/barrel + USD 20 refining premium). The 80% replacement factor in Phase 1 reflects the maintenance of thermal capacity as a backup and to cover peak demand. The figures are conservative: they do not incorporate growth in energy demand or any further increases in the price of oil, both of which would increase actual savings

- With Phase 2, dependence on diesel for electricity production would be virtually eliminated, with diesel used only to cover additional demand. Savings over the 2026–2035 decade could reach around USD 275 million, exceeding the total cost of renewable energy investment projected in the NDC (USD 170 million).
- Growth in energy demand could be supplied through diesel generation. However, under the agreement with the IMF, EMAE will no longer be able to subsidize electricity tariffs, meaning that the cost of fuel imports would be passed on to consumers and would therefore not represent a direct fiscal burden.
- It is therefore both the most cost-effective climate investment and one of the most powerful levers for medium-term fiscal consolidation.

The Facility's short-term resource mobilization target is ambitious but achievable, provided that the country consistently invests in strengthening the necessary institutional capacities. Achieving it would not only reduce the costs of climate inaction but also cover a significant share of the ENDS investment needs for 2026–2030, creating additional fiscal space. This dual function — climate and development — is the main reason why climate finance is treated in this strategy as a vector for expansion, rather than as a parallel environmental agenda.

3.5 Implications for the Financing Strategy

The analyzes presented in this chapter have three direct implications for the architecture of the strategy.

First, the cost of climate inaction — USD 67.7 million per year — justifies treating adaptation investment as a macroeconomic priority, with the same urgency as fiscal and infrastructure reforms. Non-implementation of the NDC measures is not a neutral option: it implies the recurrent materialization of losses that would directly compromise the development trajectory envisaged in the ENDS.

Second, the strong alignment between NDC measures and ENDS investments turns climate finance into a partial substitute for development finance, reducing rather than increasing the country's total external resource needs. This logic should be central to the dialogue with development partners and international financiers.

Third, mobilizing climate finance at the necessary scale requires dedicated institutional capacities, which do not currently exist in the country. The National Climate and Biodiversity Finance Facility is expected to develop expertise in structuring and using complex financial instruments, including debt swaps, blended finance, project finance and PPPs, as well as in mobilizing grants and technical assistance financing from multiple sources. This Facility is the structural response to this gap, and its operationalization — described in detail in AI 4 — is a critical condition for the success of the strategy.

Table 2 Key Investments and Expected Outcomes of Selected NDC Interventions

Component	2026–2030 Target	2031–2040 Target	Main physical indicators	Strategic impact
Energy transition/renewables	USD 51.1 million	USD 119 million	**Phase I: +17 MW by 2030** → 72% of diesel generation replaced **Phase II: +27 MW by 2035 (Phases 1+2)** → ~95% of the dependency eliminated	• Reduces diesel imports (~USD 42 million/year in 2022) • Eliminates exposure to oil volatility • Free up fiscal space. • Annual savings of ~USD 30M = ~39% of 2023 tax revenues.
Resilient road infrastructure	USD 50.5 million	USD 59.3 million	**Phase 1: +61 km (100% high risk)** → Bridges, drainage, retaining walls **Phase 2: +132 km total (high and medium risk)**	• Reduces recurring post-weather maintenance costs, • Reduces losses due to mobility interruptions • It improves fiscal predictability by reducing fiscal shocks associated with extreme events.
Water and sanitation (WASH)	USD 18.7 million	USD 74.8 million	**Phase 1:** → Rehabilitation of the Neves network; beginning of the São Tomé network (17%) → 4 river basin management plans **Phase 2:** → 3 rehabilitated networks (Neves, Angolares, São Tomé) → 7 basin plans; 2 pilot projects implemented	• Reduces waterborne diseases and productivity losses. • It reinforces resilience to droughts and floods, reducing emergency costs. • Updated Master Plan improves efficiency in the allocation of public resources.
Fisheries	USD 9.5 million	USD 42.7 million	**Phase 1:** → 1 resilient fleet rehabilitated (São Tomé) → +500 wooden boats replaced by fiber → +80 aquaculture units; +40 biodegradable DCPs → +200 trained fishermen **Phase 2:** → 1 new fleet (Príncipe); +2,000 boats converted → 450 aquaculture units; 88 DCPs; 2,493 trained fishermen	• Increases productivity and reduces post-capture losses. • Modernization of the fleet and infrastructure reduces operating costs. • Expansion of aquaculture diversifies production and reduces dependence on food imports.
Agriculture	USD 11.7 million	USD 2.0 million	**Phase 1 (fast-track):** → +2,000 hectares with solar and drip irrigation → +6,800 households trained in conservation agriculture	• Stabilizes food production throughout the year, • It reduces dependence on imports and mitigates impacts of climate variability.
Institutional capacity	Operational ease by 2027	Consolidated systematic origin	No. of proposals submitted and approved by mechanism (GCF, GEF, Adaptation Fund, LDCF)	• Critical condition for mobilization in all other components

PART II

Objectives and Structure of the Integrated National Financing Strategy

4 Strategy Objectives and Orientation

4.1 Vision, Objectives and Pillars of the Funding Strategy

Vision

*To facilitate the **integrated management of financing by combining public and private sources** with actions designed to make São Tomé and Príncipe's sustainable development objectives economically viable by 2040.*

Objectives

The specific objectives of the Integrated Financing Strategy are the following:

- ***Objective 1.*** *Define the direction for the integrated management of multiple financing flows, in order to increase their scale, align them with national priorities and improve their performance over the medium and long term.*
- ***Objective 2.*** *Implement a prioritized action framework to achieve the short-term objectives for mobilizing financing and investment.*

Pillars of the Strategy

- **Improve Public Financial Management.** Strengthen public expenditure management to maximize development outcomes in critical areas of the Sustainable Development Goals (SDGs). Expand fiscal space and align expenditure with national priorities. Improve the efficiency and effectiveness of public finance by eliminating inefficient spending and introducing new interventions, especially in the environmental and climate sectors.
- **Remove structural constraints that are binding on the development of the economy.** Introduce new financing interventions to overcome obstacles to private sector development by addressing infrastructure barriers and the absence of adequate regulatory frameworks.
- **Accelerate Inclusive Private Sector Development**. Improve access to adequate finance to support more equitable sector development. Promote private impact investment and align it with national priorities. Accelerate the use of digital finance to promote financial inclusion and improve access to credit for individuals and micro, small and medium-sized enterprises (MSMEs) on competitive terms.

4.2 Guiding Principles of Strategy

The design of this strategy is based on a set of shared and comprehensive guiding principles. All proposed actions are aligned with four fundamental principles: promoting a dynamic private sector, strengthening the enabling role of the State, investing in inclusive human development and committing to sustainability. Together, these principles aim to guide São Tomé and Príncipe towards a more prosperous, resilient and sustainable future.

Figure 28. **Guiding Principles of the National Integrated Financing Strategy**

Strong Expansion of the Formal Private Sector	• Expand the formal private sector through accelerated growth and concrete targets for 2028 and 2033. • Remove the main constraints to private sector development – infrastructure, access to finance and regulation – by 2033. • Ensure the effective implementation of currently disconnected policies by aligning them around convergent objectives. • Attract SDG-aligned capital and impact investment, to generate additional value for national development.
An Efficient, Agile and Enabling State	• Improve efficiency and results orientation of public finance, promoting significant changes in public management policies. • Remove constraints to the economy and other barriers associated with the mismanagement of public enterprises. • Use domestic and international public finance as a catalyst for additional private finance. • Develop new instruments to attract large-scale private investment in strategic infrastructure
Focus on Human Capital Development	• Plan human capital development aligning skills with priority areas of private sector growth, by region and sector. • Promote effective inclusion policies to ensure that no one is left behind in the process of private sector expansion. • Modernise the social protection system based on key priorities and criteria of efficiency and impact. • Develop the formal labour market and strengthen labour protection mechanisms
Sustainable and Resilient Growth	• Prioritise public policies that align national development with sustainable growth objectives. • Create new markets through policies that support green technologies, sustainable agriculture, water and energy. • Promote structural transformations to generate new private sector opportunities and create jobs. • Develop incentives to stimulate green, blue and biodiversity-related investment and financing.

i) Strong Expansion of the Formal Private Sector. Accelerating the growth of a dynamic private sector is essential to achieve the country's medium-term fiscal resilience and meet the economic and employment objectives set out in the ENDS 2040. To achieve these targets, the private sector must become the main driver of economic growth. This requires structural transformations to remove the main obstacles — energy, connectivity and other infrastructure constraints — that currently limit the development of tourism, agriculture and fisheries. It is also necessary to align currently disconnected policies to address other key constraints, such as weaknesses in the regulatory framework, the judicial system and excessive bureaucracy, which undermine private sector expansion***.***

ii) An Efficient, Agile and Enabling State. A capable and accountable public sector is essential for inclusive, competitive and market-driven growth. Delivering the transformations proposed in the ENDS will require more strategic use of public resources, better aligned with development needs and clearly oriented towards results. Structural reform will also be needed to address inefficiencies and lack of transparency in the management of public enterprises, especially EMAE, which seriously undermines private sector investment and growth. A more efficient and productive State will help reduce business costs and support job creation. In addition, the active participation of citizens and civil society is vital to shape more responsive and effective economic policies.

iii) Human Capital Development. The country's long-term prosperity depends on developing its human capital and ensuring inclusive growth. Significant disparities persist in access to social opportunities and services. Strengthening the social protection system, including social security and social assistance, will be key to integrating various policy areas. These include pensions, health, education, vocational training, gender equality, unemployment services and safety nets. Equally important are reforms to strengthen labor markets and skills development to support more inclusive growth.

iv) Ensuring Sustainable and Resilient Growth. The country's economic potential depends on the sustainable use of its natural resources. Protecting biodiversity and efficiently managing water, energy and land are essential to safeguard livelihoods and ensure sustainable growth. A blue economy-based approach can generate new opportunities for skilled employment while supporting the country's environmental objectives. Structural reforms should incorporate a clear sustainability and resilience focus, supported by greater private sector involvement and investment in climate-adapted technologies. These factors are crucial to reducing resource intensity and enabling the transition to a sustainable long-term growth model.

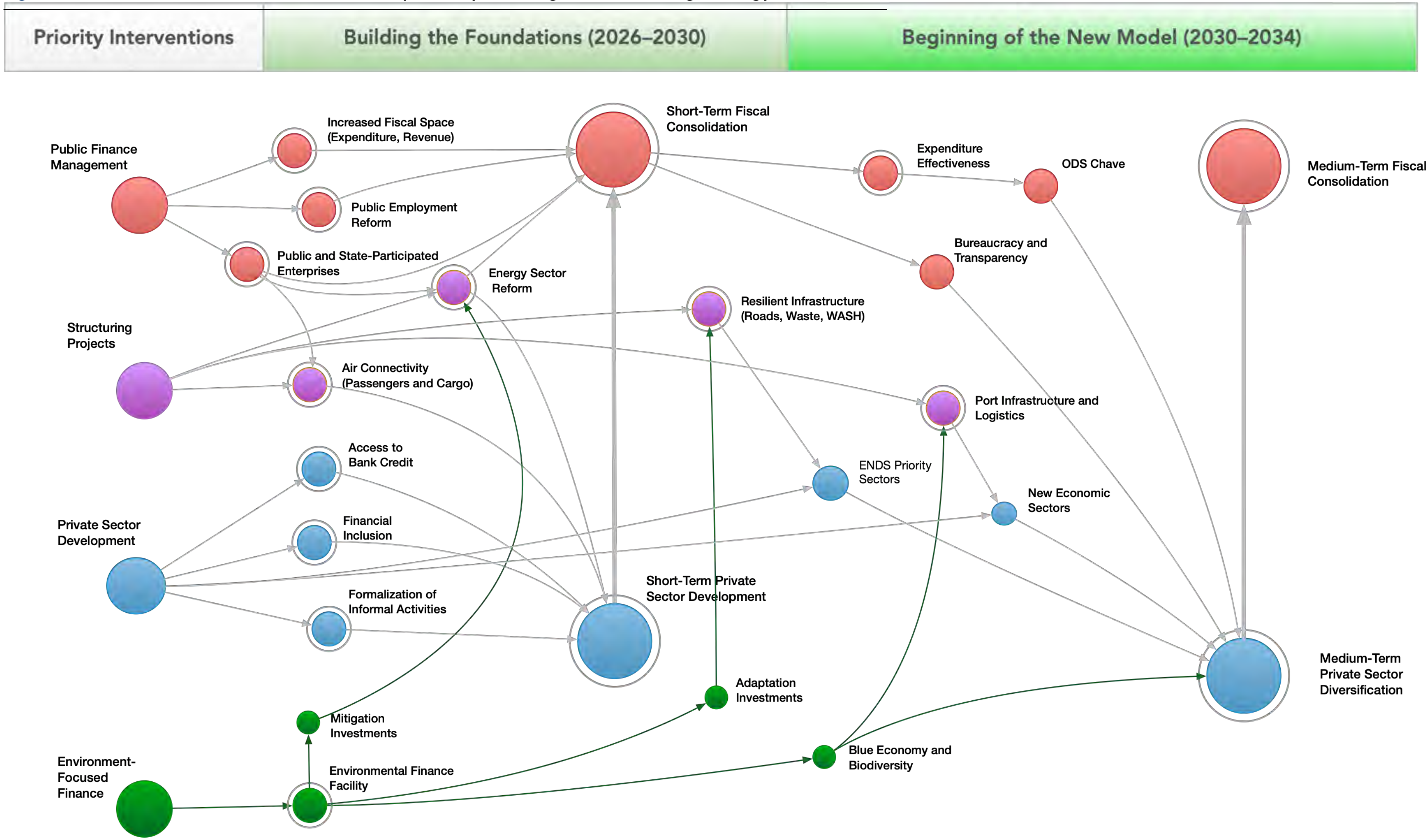
4.3 Short- and Medium-Term Strategic Framework

The theory of change proposed by this strategy integrates the main interactions among several interventions that are often implemented in a disconnected manner. The strategy analyzes issues related to the availability and quality of public finance management, as well as the conditions required to promote private sector development. It also links these objectives to the need to address infrastructure constraints — partly resulting from the weak management capacity of public enterprises — and to the opportunities for developing environmental finance, especially to address critical problems and infrastructure limitations. The strategy proposes a sequencing of reforms designed to maximize results with the same level of effort. Figure 29 illustrates the main expected synergies among the proposed interventions.

The proposed approach combines the need to increase the ambition of some improvement processes already underway with the introduction of innovations to accelerate structural transformation. The proposed actions are designed to generate synergistic and mutually reinforcing effects. Although the main reforms are presented as separate program areas, they are strongly interlinked and share important complementarities, justifying their simultaneous implementation. No isolated intervention is likely to meet all financing needs on its own. However, the combined effort is expected to produce high-impact results and raise the level of ambition of some processes already underway.

Despite its overall long-term orientation, this strategy proposes concrete actions for the short and medium term. The strategy aims to enable a new model of sustainable growth, in which the weight of the formal private sector in the economy increases significantly, providing greater sustainability and fiscal resilience over the medium and long term. However, the current macroeconomic situation requires priority attention to short-term fiscal consolidation, to be achieved by the end of the IMF-supported Extended Credit Facility (ECF) arrangement, expected in early 2029.

Figure 29. **Main Interactions of the Actions Proposed by the Long-Term Financing Strategy**



i) Public Financing. The strategic objective in this area is to achieve medium-term fiscal resilience by 2034, accompanied by significant improvements in the quality and results orientation of public expenditure.

- **Short-Term Goal.** The priority is to ensure fiscal consolidation by 2029, through the full implementation of the reforms prioritized under the agreement with the IMF. These reforms, to be incorporated into the forthcoming Action Plan for Public Financial Management Reform (PARFIP III), will enable the Government to manage expenditure and revenue more effectively and address key public finance management challenges in the short term.
- **Medium-Term Objective.** In the medium term, the focus should be on improving the performance of public policies that are fundamental to private sector development, particularly those related to human capital formation and the achievement of the SDGs in gender equality, education, health and social protection. Since these are slow-maturing processes, their implementation and piloting should begin now and be integrated into the short-term agenda.

The actions proposed under this pillar also require the expansion of fiscal space to finance the ENDS priorities discussed in the previous chapter. Even so, the emphasis is on accelerating reforms to improve the quality of public expenditure. The strategy recognizes a key principle: increasing public spending without addressing existing structural inefficiencies will not be sustainable. Before increasing investment in essential SDG areas, it is therefore imperative to prepare the State to spend better.

ii) Financing of Structuring Infrastructure Projects. The country needs to move forward in a coordinated manner to resolve the main structural obstacles that limit its development. It is a priority to overcome the crisis in the energy sector, address the constraints resulting from the absence of adequate port and airport infrastructure for cargo and passenger flows, and promote systematic improvements in urban roads, water supply, basic sanitation and solid waste management.

- **Short-Term Goal (2030).** The immediate priority is to resolve the crisis in the energy sector by ensuring electricity supply at competitive costs and eliminating, as far as possible, dependence on oil for electricity generation. This dependence is not only an environmental challenge; it is also the main risk the country must address to achieve short-term fiscal consolidation. Resolving air connectivity constraints for passengers and cargo is also a top short-term priority.
- **Medium-Term Goal (2034). I**n the medium term, the country should fully explore the possibility of attracting private investment to improve port connectivity, both for passengers and for the fisheries sector. It should also design a realistic plan to mobilize the resources required for the rehabilitation of urban roads and other critical infrastructure. Since many of these interventions may be eligible for climate or environmental finance, and because they are slow-maturing processes, it is essential to begin designing them now and integrate them into the short-term agenda.

This development will require strong coordination with improvements in the quality of public finance, as it depends on accelerating regulatory reforms and redefining the roles and capacities of the main public enterprises. Given the country's high vulnerability to climate change, the possibility of financing some infrastructure works through adaptation funds and instruments should be explored. The positioning of São Tomé and Príncipe as a hub for blue economy development and biodiversity protection should be considered a priority axis to attract high-quality private investment in these areas. The design and implementation of these policies must therefore be given the same priority as the results to be achieved.

iii) Financing for Private Sector Development. The strategic orientation proposed under this pillar focuses on advancing the structural transformation of the financial sector, aligning its development with the private sector growth objectives defined in the ENDS. The proposed transformations are largely aligned with existing strategies but introduce significant improvements to increase their overall impact by integrating the expected results of the previous pillar.

- **Short-Term Goal (2030).** The short-term priority is to address the main barriers to bank financing for priority private sector activities and facilitate the use of digital finance to expand inclusive access for MSMEs. An essential part of this process is the initiation of policies to encourage the formalization of the informal sector, which, although urgent, should be developed with a medium-term vision.
- **Medium-Term Goal (2034).** In the medium term, the focus should be on consolidating basic sectors such as tourism and expanding export-sector clusters, such as agro-industrial cooperatives, which can use new air connectivity facilities to export products such as flowers, chocolate, seafood, pepper, coffee and others in which the country has comparative advantages in quality production. Despite current infrastructure limitations, these initiatives can begin implementation and piloting now and be integrated into the short-term agenda.

This pillar also introduces a set of innovations aimed at gradually expanding the supply of financial products and services to support private sector growth. These include project finance, venture capital for the development of new enterprises, financing for MSME expansion and digital finance solutions targeted at micro, small and medium-sized enterprises.

***iv) Financing for Development with an Environmental Focus*.** São Tomé and Príncipe can be considered a priority country for ODA, given its economic and environmental vulnerability and its rich biodiversity. With high exposure to climate change and limited resilience, the country needs substantial investments that should not overburden its constrained budget. Its natural environment and strategic location can attract additional support, especially if growth is driven by the blue economy, high-quality ecotourism and sustainable practices in agriculture and fisheries. These activities are highly sensitive to climate shocks and poor management, making it urgent to adopt adaptation measures to reduce risks and attract investors.

- **Short-Term Goal (2030).** To mobilize these resources, it is essential to align environmental policies and targets with national strategic objectives. The ENDS should serve as the overarching strategic framework under which these dispersed initiatives are aligned, rationalized and prioritized. Several existing plans and initiatives — including the National Strategy and Action Plan for Biodiversity and the Blue Economy, and the National Spatial Plan (PNOT)— many of which have not yet been implemented) should therefore be reviewed and integrated under the ENDS framework. The immediate priority is to consolidate the strategic orientation in these areas
- **Medium-Term Goal (2034).** The formulation of the NDC is a first step to define key aspects of the resource mobilization strategy. Other definitions, such as the National Adaptation Plan (NAP) will be important to attract financing for ENDS priority areas, such as infrastructure, tourism, agriculture and fisheries. The climate risk and adaptation cost analysis presented in Chapter 3 provides the core technical and economic justification for accessing climate finance. Equally important is the definition of the national approach to the blue economy, guiding investments in ports and fisheries. Once the country’s ambitions in this area are confirmed, it will be possible to outline a coherent action plan

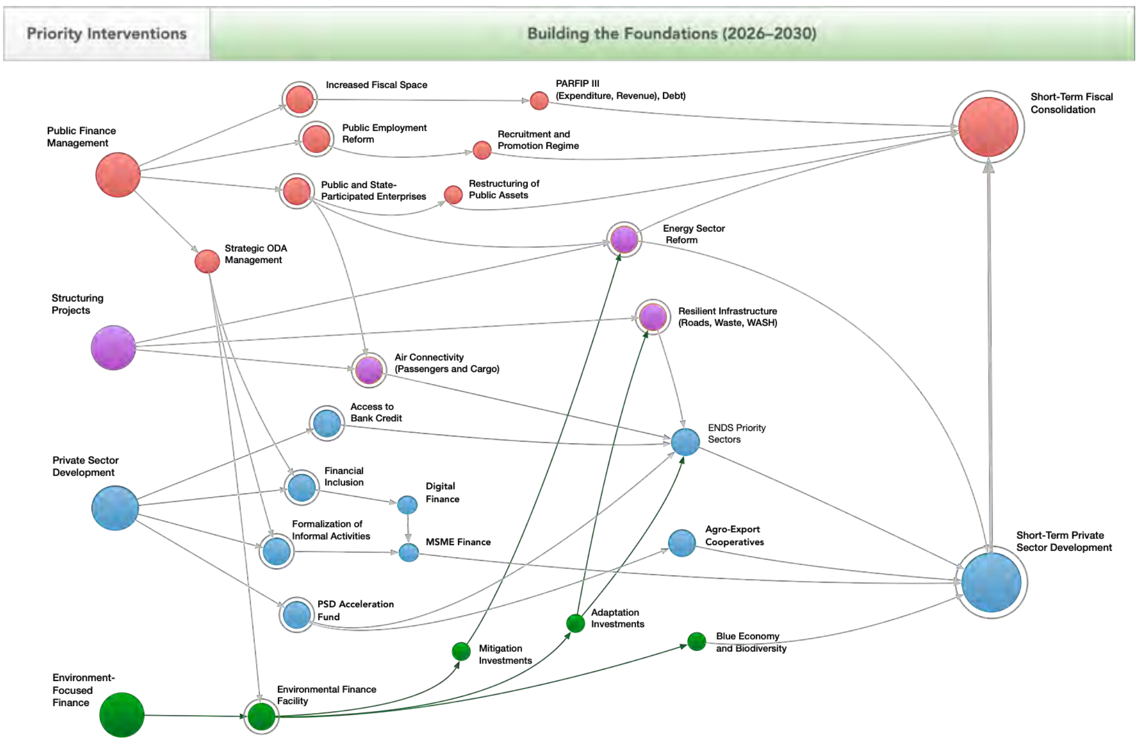
4.4 Pillars, Areas of Intervention and Short-Term Goals

Grouped into three pillars, the areas of intervention of this strategy cover short-, medium- and long-term objectives, as illustrated in Figure 30. In the area of public finance reform, four areas of intervention are proposed: i) improving public financial management; ii) restructuring sectors and introducing a new regime for public and State-participated enterprises; iii) strengthening governance to reduce vulnerabilities to corruption; and iv) adopting a strategic approach to ODA management. Pillar 2 focuses on actions to remove structural constraints to economic development arising from infrastructure gaps. Pillar 3 proposes integrated policies to accelerate private sector growth, including measures to promote financial inclusion and the formalization of the informal sector.

Figure 30. **Pillars and Areas of Intervention of the Financing Strategy**

The short-term goals and action plan of the financing strategy are synchronized with the initial implementation period of the ENDS. The ENDS provides for the preparation of five-year action plans, to align implementation with future government cycles. Similarly, the implementation period and goals proposed in this version of the strategy are aligned with the expected government cycle between late 2026 and 2030, corresponding to the mandate of the administration formed after the 2026 legislative elections.

Figure 31. **Main Interactions among the Actions Proposed by the Short-Term Financing Strategy**



This document proposes short-term interventions already approved by the outgoing Government, allowing the new Government to calibrate the level of ambition to be pursued in the short term. The main interventions proposed by the strategy for the period 2026–2030 are summarized in Figure 31. This figure makes it possible to analyze the interactions required to achieve the short-term objectives in the four areas proposed in the previous section: public finance, financing of structuring infrastructure projects, private sector development, and development finance with an environmental focus.

The short-term goals of the seven areas of intervention identified by the strategy are summarized in Table 3 below. Most of the actions planned in public finance are already associated with concrete targets that the Government has committed to achieving with the IMF by 2029, and these have been fully incorporated into Table 3. The same table also presents additional targets, whose high level of ambition has already been approved by the Government and should be reviewed by the new administration together with development partners, as their implementation will depend heavily on partner support. The environmental adaptation and mitigation financing targets reviewed in Chapter 3 are also included.

Table 3 **Main short-term results expected from the proposed interventions**

Area of Intervention	Main Expected Results
AI 1. Accelerated Improvement of Public Financial Management	Domestic Primary Balance Surplus of 2% of GDP in 2029
	Public debt falls to 42% of GDP in 2035 and becomes sustainable
	Public wage bill remains below 8.4% of GDP in 2030
AI 2. Restructuring of Sectors and Introduction of a New Regime for Public and State-Participated Enterprises	Dependence on oil for electricity generation is reduced to 50% by 2030
	Renewable generation reaches 17 MW in 2030 and 27 MW in 2034
	Electricity distribution concessioned to private operators, mobilizing USD 31 million
	ENAPORT market reform accelerates private investment in ports
AI 3. Improving Governance to Reduce Vulnerabilities to Corruption	A new agency oversees the National Anti-Corruption Strategy
	New Public Procurement Law adopted
	A new public concessions regime introduced with clear and transparent rules
AI 4. Adopting a Long-Term Strategic Approach to ODA Management	USD 156 million in grants mobilized for climate change adaptation and energy reform by 2030, and USD 495 million by 2034
	Access to concessional finance made available for private investors in priority projects in STP
	ODA used to reduce the risks of private investment in STP
	New financing instruments for the private sector developed with ODA support
AI 5. Integrated Policy to Address Infrastructure Constraints through Private Investment	Air connectivity constraints — for both passengers and cargo — resolved by 2028
	Port investments exceed USD 450 million by 2034

Area of Intervention	Main Expected Results
	Concessions in the solid waste sector will be awarded by 2034
AI 6. Integrated Policy to accelerate Private Sector Development	The country's ranking in international indicators surpasses those of the selected comparison groups by 2034
	Bank credit to the private sector returns to its 2014 level (33% of GDP) by 2034
	Interest rates on bank loans to priority sectors (tourism, agriculture and fisheries) fall below 14% by 2028
	A financial platform/facility is established to support the acceleration of domestic private finance
	Barriers created by SPAUT to tourism and the export of services removed by 2030
	Workforce skills programs, organized by sectors and territories with high growth potential, are operational with sufficient capacity
AI 7. Financial Inclusion and Formalization of the Informal Sector	Financial exclusion among the population over 18 years of age is reduced by half by 2034
	The informal sector is reduced by half, from 73% of GDP to 37% of GDP by 2034
	A new tax regime is introduced for formalizing MSMEs, with simplified administrative procedures and a single tax regime
	A credit access fund is established for women in the informal sector
	Fintechs offer financial products adapted to accelerate the growth of micro and small enterprises

4.5 Main Innovations introduced by this strategy

This strategy proposes a set of innovations required to enable São Tomé and Príncipe to finance its long-term development objectives. The approach presented distinguishes between two types of innovation in modes of intervention that have not yet been explored in the country.

- **Process innovations:** result from the integrated nature of the strategy. For the first time, four financing agendas that have been managed in isolation — public finance, infrastructure, private sector development and environmental finance — are planned in a coordinated manner, with an explicit sequencing logic and a medium- and long-term vision. These four processes must be developed in parallel: treating any one of them as secondary would compromise the results of the others
- **Innovative Financing Instruments** are concrete mechanisms, not yet used in the country, that act as accelerators for each of these processes. Their design and operationalization require international technical assistance and are developed in detail in the Intervention Areas referred to in Table 4 below

Table 4 **Main innovations introduced by the proposed interventions**

Innovation	Description	Area of Intervention
Process Innovations		
Integrated Strategic Management of Public Finance	For the first time, the short-term fiscal consolidation agenda and medium-term reforms to improve the quality of expenditure are planned as a single, continuous process, aligned with the long-term needs of the ENDS.	AI 1
Strategic management of ODA and Climate Finance	Integration, within formal planning led by the MEF, of current access to ODA and future access to climate and environmental finance — sources for which the country may become eligible, but which require capacities and processes that do not currently exist	AI 4
Integrated Planning to Remove Infrastructure Constraints	Energy, air, port and road connectivity constraints are treated for the first time as an integrated program, with explicit sequencing of their transformative effects on public and private finance.	AI 5
Integrated planning for Formal Private Sector Development	Fragmented private sector promotion initiatives are consolidated into a systematic plan that creates synergies with fiscal and infrastructure reforms, while incorporating mechanisms to support the formalization of the informal sector.	AI 6 and 7
Innovative Financing Instruments		
Integrated Information System for ODA Management	A digital platform enabling the Government to view, in real time, the support received by the ENDS priority area, monitor its execution and track environmental and climate expenditure — a condition increasingly required to access new sources of external finance.	AI 4
Private Mega-Investment Infrastructure Financing Platform	A mechanism that concentrates development partner support to reduce pre-investment costs, mitigate country risk and transfer the country's access to concessional finance to private investors — unlocking structuring projects valued at EUR 789 million	AI 5
Financial Platform / Facility to Accelerate Domestic Private Finance	A structured mechanism to mobilize and channel concessional resources, guarantees, technical assistance and private capital to ENDS priority sectors. The platform would improve the preparation of bankable projects to finance productive investment in priority areas.	AI 6
Credit Access Fund for Women in the Informal Sector	A proof-of-concept instrument combining public resources and partner grants to bank women entrepreneurs without collateral requirements, with potential for expansion to other financially excluded segments.	AI 7

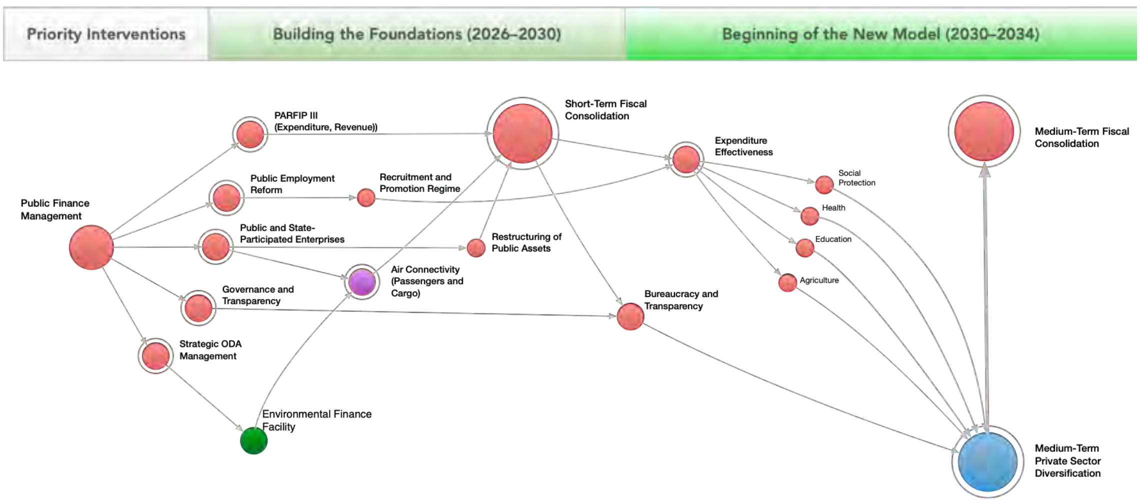
5 Areas of Intervention of the Integrated National Financing Strategy

Pillar 1. A Long-Term Approach to Increasing the Availability and Impact of Public Finance

This pillar aims to align public finance reforms with the country's long-term development objectives, promoting greater coherence and a clearer focus on results. While the current short-term reform agenda — negotiated with the IMF — already addresses key processes, implementation of PARFIP II has progressed unevenly, especially in areas that are now critical to improving the quality of public expenditure. As illustrated in Figure 32, immediate actions should focus on increasing the efficiency of revenue mobilization and expenditure execution.

At the same time, this pillar proposes launching interventions aimed at human capital development and the medium-term delivery of essential SDG outcomes. To this end, it is now necessary to strengthen the effectiveness and impact of expenditure, especially in priority sectors such as education, health, environment and agriculture. These advances are key preconditions for enabling private sector expansion, which will sustain fiscal resilience and consolidation beyond 2034.

Figure 32. **Strategic Orientation of Proposed Public Financing Interventions**



Without these improvements, even with a broader tax base and efficiency gains, it will be difficult to achieve the necessary results in the medium term. The actions foreseen under this pillar also require the expansion of fiscal space to finance ENDS priorities. However, the main focus is to accelerate reforms that improve the quality of public expenditure. Maintaining the current model would imply unsustainable increases in spending, with risks to fiscal stability. The strategy does not propose changing the direction of the Public Financial Management Reform Strategy 2026–2029 but rather ensuring its alignment with the agenda agreed with the IMF and launching, from now, additional actions with the potential to generate significant impacts in the medium term, including the National Domestic Revenue Mobilization Plan 2026–2030. As discussed in Section 3.3, the objectives of this pillar are:

- **Short-Term Goal.** Ensure fiscal consolidation by 2029 through the full implementation of the reforms agreed under the program with the IMF. These reforms, to be incorporated into the next PARFIP III, will allow the Government to manage revenue and expenditure more effectively, addressing the main short-term challenges. The National Domestic Revenue Mobilization Plan 2026–2030 should be included.
- **Medium-Term Objective.** Improve the performance of public policies that are essential to private sector development, with special focus on human capital formation and the achievement of the SDGs in education, health, agriculture and social protection. Significant progress should also be achieved in strengthening transparency and combating corruption in public sector management. Since these processes have gradual effects, it is essential to start implementing them now and integrating them into the short-term agenda

Intervention Area 1: Improving Public Financial Management (PFM)

Objective: Introduce a strategic approach to align public financial management reforms with the long-term needs defined by the ENDS.

Challenges: The proposed interventions seek to address the following critical public financial challenges:

- **Public Revenues.** Despite the progress made in recent years, there is still a need to strengthen tax revenue mobilization from existing taxes and to complete the modernization of the Directorate of Taxes (DI) and the General Customs Authority (AGA). In 2025, the National Domestic Revenue Mobilization Plan 2026–2030 was approved. The country does not yet use taxes and fees for climate finance — such as climate or carbon instruments — that would allow revenue mobilization to be aligned with the objectives of the NDC.
- **Tax Expenditures.** It is necessary to deepen the elimination of unnecessary expenditures, including direct and indirect fuel subsidies, recover tax arrears and prevent their recurrence. It is also essential to review the results of the Transitional Law on Investment Incentives, eliminating ineffective provisions and introducing impact-oriented measures.
- **Efficiency of Public Expenditure.** The country allocates a significant share of its revenues to public sector wages, which exceed levels observed in the private sector. Increased hiring in key sectors such as education has not resulted in measurable performance improvements. Continuing these increases without linking them to performance is fiscally unsustainable.
- **Public Debt.** In addition to the fiscal destabilization caused by EMAE's debt, central government debt management also needs to be strengthened. This implies greater control over contractual commitments, management of contingent liabilities — present and future — generated by public and State-participated enterprises, and integration of recurrent costs associated with debt-financed investments.
- **Fiscal Framework.** Tools and capacities for multiannual fiscal forecasting are very limited and are not based on realistic and coherent macroeconomic scenarios. Difficulties persist in budget execution,

cash management, the identification and monitoring of fiscal risks, and the systematic reconciliation of fiscal data and financing flows. Public investment management requires improvements in commitment control systems and fiscal discipline across all budget units**.**

- **Public Investment.** The country does not have a strategically developed National Public Investment System (SNIP). Although there is a National Spatial Plan (PNOT), it has not yet been approved and therefore does not guide the design of public or private investments. There is no properly prioritized Public Investment Program (PIP) that identifies public investment needs in areas where private participation is not viable. Failures in the selection, management and maintenance of public investment projects are endemic.
- **Budget Alignment.** Significant disconnects between the national budget and development priorities persist. Budget systems remain very limited, and delays in implementing Program Budgeting (PB) make it difficult to orient the budget towards results. Heavy reliance on ODA to complete national budget financing creates additional obstacles to aligning the budget with national priorities.
- **MEF Capacities.** In many of the areas mentioned above, the capacities of the Ministry of Economy and Finance are very limited, with shortages of qualified technical staff to perform critical public financial management and domestic revenue mobilization functions and to operate newly created structures that are essential for the future of the fiscal management system.

Strategic Approach: The proposed interventions consider two clearly differentiated phases with different but complementary focuses and objectives:

Phase I – Launch of Structural Reforms and Fiscal Consolidation (2026–2030). This phase focuses on achieving the country's fiscal consolidation by 2030, with actions focused on finalizing the reform of consumption taxes, improving the collection of import taxes, modernizing IT systems and developing the capacities of the Directorate of Taxes (DI) and the General Customs Authority (AGA). The MEF's capacity to optimize strategic debt management will also be strengthened, which is essential to expand access to concessional finance and grants, making full use of environmental finance mechanisms.

During this phase, major structural reforms will begin and will reach their peak in the next phase, although they will already introduce significant changes in the short term. These include the general reform of public employment, the development of a National Public Investment System (SNIP) with a strategic perspective and the introduction of Program Budgeting (PB), guided by ENDS programs with pilots in sectors such as environment and labor. The introduction of the ENDS offers an opportunity to begin improving the alignment between budget allocations and national priorities.

It is also necessary to define a duly prioritized Public Investment Program (PIP), identifying investment needs in areas where private participation will not be viable. To optimize performance, it will also be necessary to carry out a comprehensive Public Investment Management Assessment (PIMA) to eliminate endemic weaknesses in the selection, management and maintenance of public investment projects.

Phase II – Quality and Impact of Public Finances (2030-2034). During this phase, structural reforms will lead to significant transformations, strengthening the technical management of public finance and preventing the emergence of new gaps. It will be possible to focus efforts on the effectiveness and results orientation of public expenditure management. The State should have greater fiscal space to increase spending sustainably to the desired levels. In addition, it will be possible to begin using climate and environmental finance sources appropriately, at a scale sufficient for the country's needs. Transparency and digital government processes will also be accelerated, improving service quality and facilitating access for citizens.

Proposed Interventions: The main objectives and interventions proposed for the period 2026–2030 are described in Table 5.

Table 5. **Key Interventions in the Short-Term Action Plan (Phase I 2026–2030)**

Policy Objectives	Main Planned Interventions
1.1 A plan for domestic revenue mobilization and fiscal consolidation	Measures to strengthen the collection of import taxes
	Measures to consolidate the adoption of VAT
	Measures to collect tax arrears and deter their recurrence
1.2 A plan to strengthen the capacities of the tax and customs administration to align with the best international practices.	Institutional modernization and capacity development for the Directorate of Taxes (DI) and the General Customs Authority (AGA), including integration of the two entities into a single administration
	Completion of the digitalization of tax and customs operations through the expansion of the SIT-IVA and SYDONIA systems
1.3 Initiate a general reform of public employment to strengthen service delivery and resize the role of the State while containing the wage bill (linked to IA 3.4)	Restrict new hiring and promotions in the public sector
	Develop the general public employment wage framework to improve compensation decisions
	Strengthening the role of the Directorate-General for Public Administration (DGAP)
	Conduct functional reviews in labor-intensive ministries, starting with education
1.4 4 Strategic Plan for Medium and Long-Term Debt Management	Strengthen institutional mechanisms and technical capacity for debt risk management (direct and contingent liabilities of state-owned enterprises)
	Expand access to finance and grants by making full use of environmental, climate and biodiversity finance
1.5 4 Strengthen the macro-fiscal framework and improve the quality of the General State Budget (OGE)	Implement the Medium-Term Macro-Fiscal Framework, the Medium-Term Fiscal Framework and the Medium-Term Expenditure Framework
	Strengthen budget execution, and fiscal risk analysis, and reconciliation of budget execution data with financing
	Implement the commitment control mechanism for all spending units, including capacity building of the Court of Auditors
	Continue improving capacities to adopt gender markers in the State Budget
	Develop a plan to introduce Program Budgeting (PB) guided by ENDS programs over three years
	Initiate PB pilots in sectors such as environment and labor and deepen the already advanced in gender-oriented budgeting
1.6 Development of a National Public Investment System (SNIP) with a strategic perspective	Conduct a Public Investment Management Assessment (PIMA), including the climate change module
	Define a long-term Prioritized Infrastructure Development Plan (PDI) aligned with the PNOT
1.7 A comprehensive strategic plan for FEM capacity development	Conduct a complete institutional diagnosis to map technical and operational gaps in the MEF
	Develop specialized skills and reorganize institutions to strengthen the capacities of newly created units
	Initiate a continuous training program, aligned with good practices recommended by specialized institutions such as the IMF, World Bank and African Development Bank (AfDB)

Expected Benefits: The main innovation of this area of intervention is the creation of a long-term planning horizon for public finance that goes beyond the logic of meeting IMF targets. By starting now reforms to improve the quality of expenditure whose results will only materialize in the medium term — particularly in education, health and social protection — the country creates the indispensable fiscal preconditions to sustain the expansion of the formal private sector after 2029 and to manage the process of graduation from LDC status without losing access to concessional finance.

Leadership and Support: This area of intervention requires leadership from the Ministry of Economy and Finance (MEF). Successful implementation will also depend on substantial and coordinated support from development partners, whose technical input will be essential to implement these initiatives. The short-term agenda is mostly supported by the IMF and the World Bank, but there are still opportunities for improvement that require the integration of other actions and additional support. The agenda and implementation of this strategy should facilitate the implementation of the Public Financial Management Reform Strategy 2026–2029 and the National Domestic Revenue Mobilization Plan 2026–2030.

Intervention Area 2: Restructuring of sectors and introducing a new regime for Public and State-Participated Enterprises

Objective: Introduce a strategic approach to promote structural reforms in the markets where state-owned enterprises operate, fully restructuring their management and institutional framework in line with long-term needs

Challenges: The proposed interventions aim to address the following critical challenges:

- **Energy.** EMAE has been the subject of mismanagement diagnoses for more than 15 years, without effective improvements. Losses in the electricity sector are alarming, estimated at around 43%, resulting from fuel theft, billing errors and customer fraud. These losses not only persist but have increased. In addition, it is estimated that at least 44.5% of the drinking water produced is lost, although no data are available on the cost of this waste. These losses constrain budgetary resources for key areas. The current public debt crisis has been driven by obligations contracted by EMAE for fuel imports, making the company the main risk to the country's fiscal sustainability.
- **Market restructuring.** The State fully controls companies such as EMAE, the National Port Administration Company (ENAPORT), the National Airport and Air Security Company (ENASA) and the Post Office, which operate under monopoly regimes and generate constraints on connectivity, energy supply and port logistics. Other companies with State participation — CST, BISTP, STP Airways, ENCO and SPAUT — operate in competitive sectors, but show uneven performance and, in the case of SPAUT, conflicts of interest. The strong presence of inefficient State-owned enterprises limits private sector participation and dynamism.
- **Institutional restructuring of public enterprises**. The four main public enterprises face challenges related to efficiency, viability and transparency. They are undercapitalized and depend on the State or donors to operate, compromising the delivery of essential services and limiting economic and social growth.
- **Management oversight.** Oversight of State-owned enterprises has traditionally been fragmented across several ministries, making coordination difficult and preventing the definition of joint strategies. Conducting market reforms and strengthening the governance of these companies require technical capacities that the Government does not yet have.
- **Transparency.** Financial and operational visibility over State-owned enterprises is limited: losses and

liabilities are not disclosed or audited, which undermines accountability, reduces public trust and discourages potential investors. This opacity negatively affects the country's international image and limits the attraction of foreign investment.

Strategic Approach: The proposed interventions consider two clearly differentiated phases with different but complementary focuses and objectives.

Phase I – Priority Reforms: Energy and Air Connectivity (2026–2030). Work during this first phase will focus primarily on restructuring the energy market, which has become the main factor of fiscal destabilization in the country. The strategy organizes the short-term reform agenda already negotiated with the IMF and currently being implemented with World Bank support. However, it proposes raising the level of ambition of this agenda, with the aim of maximizing investments in renewable energy and reducing technical and non-technical losses to a minimum, in order to achieve EMAE's financial self-sustainability by 2028. During this period, the reforms needed to unlock the modernization of São Tomé Airport should also be implemented, with the aim of increasing tourist flows and enabling cargo transport, including the direct shipment of perishable products to Europe.

At this stage, the process of market liberalization will begin through the reduction of total or partial State participation in State-participated enterprises, to attract private investment and accelerate modernization. At the same time, feasibility studies and other technical analyses in ports and infrastructure will need to be launched as an essential condition for the success of the second phase of the program.

Phase II – Structural Reforms in Other Priority Markets and the New Regime for State-Owned Enterprises (2030-2034). During this phase, structural reforms are expected to lead to significant transformations. It is also during this period that most reforms involving private investment are expected to be implemented. Tenders are planned for large-scale port concessions, as well as for other essential infrastructure.

To make these operations viable, the structural reforms initiated in the previous phase should deliver their main results, especially those requiring changes to the legal or regulatory framework. In this context, it will be possible to introduce essential changes, reducing State participation as much as possible in companies operating in competitive private markets and, in cases, where clear conflicts of interest exist. If the measures proposed in AI 5 are effectively implemented, this opening to private participation could prove highly attractive for foreign investment.

Proposed Interventions: The main objectives and interventions proposed for the period 2026–2030 are described in Table 6.

Expected Benefits: Solving the EMAE crisis is not only a sectoral reform. It is the most urgent condition for short-term fiscal consolidation and, at the same time, for unlocking the private investment opportunities in energy, air connectivity and port logistics on which the entire strategy relies. Without the results of this policy area, the tax revenue targets of the IMF agreement and the private investment targets of AI 5 and AI 6 lose their structural foundations.

Leadership and Support: This area of intervention requires direct leadership of the Ministry of Economy and Finance (MEF) and the new State Enterprise Sector Monitoring Unit. For the most strategic decisions, direct guidance from the Prime Minister and possibly the Council of Ministers will also be necessary, since decisions on the future of markets and public enterprises go beyond the mandate of the MEF. This is one of the areas of the financing strategy where a broader debate with other stakeholders (political parties, the business sector and civil society) is recommended, to generate lasting consensus to sustain the planned interventions over time.

***Table 6*. Key Interventions in the Short-Term Action Plan (Phase I 2026–2030)**

Policy Objectives	Main Planned Interventions
2.1 A comprehensive reform of the energy sector	Accelerate reforms to achieve a minimum of 17 MW of generation with renewables provided by the private sector
	Concession electricity distribution to private companies (USD 31 million)
	Analyze the feasibility of debt instruments, such as a *debt-for-sustainable-infrastructure swap* with environmental financing criteria
	Develop a time-bound restructuring plan for EMAE, with the objective of achieving financial viability by 2028.
	Implement measures to eliminate inefficiencies in EMAE operations, reduce losses and increase collection rates, including fuel theft controls, installation of new meters and elimination of non-paying institutional customers.
	Adopt measures to increase transparency and strengthen oversight of EMAE management, including publication of contracts, key performance indicators and detailed annual reports.
2.2 Restructuring of sectors and foreign exchange rates in other Public and Investee Companies	Adopt market and regulatory reforms for ENASA to accelerate private investment in airports
	Resolve issues related to the concession of the São Tomé passenger and cargo terminal and the concession of the new Príncipe Airport.
	Adopt market and regulatory reforms for ENAPORT to accelerate private investment in ports.
	Initiate the concession process for the cruise terminal, logistics port and dry port, and fishing port.
	Review State participation in State-participated companies.
	Eliminate State participation or reduce it to a golden share in companies operating in competitive markets, including CST, BISTP, STP Airways, ENCO and SPAUT.

Intervention Area 3: Improving governance to reduce vulnerabilities to corruption.

Objective: Introduce an approach to strengthen administrative and fiscal transparency and improve governance by reducing vulnerabilities to corruption.

Challenges: The proposed interventions aim to address the following challenges:

- ***Institutional Limitations.*** The role and autonomy of control and oversight institutions are very limited, and institutional weaknesses persist that hinder independent governance capable of ensuring the effective implementation of key instruments and public access to information. The actions and capacities of the Court of Auditors (TdC), the justice system and the MEF are insufficient to ensure transparency in concession contracts, power purchase agreements and other instruments. The absence of an Anti-Corruption Strategy and an updated Public Procurement Law prevents progress in promoting transparency.
- ***Public Concessions.*** To date, the negotiation of relevant concessions has taken place in an opaque and direct manner, without competition. The State's institutional capacity to conduct PPPs, business concessions and large-scale projects with transparency and competitiveness is very limited. This situation does not guarantee a level playing field for private investors, reduces confidence in national

processes and limits the country's ability to attract multiple investors and select robust partners aligned with sustainable development.

- ***Fiscal Transparency.*** The tax system is not aligned with international accounting standards, such as IPSAS, which compromises transparency and increases vulnerability to corruption. This lack of transparency also extends to information on public debt and the debt costs of public enterprises. The budget process would benefit from greater openness and participation. The existing framework to link the budget to medium- and long-term strategic goals is weak, does not provide adequate performance indicators and does not promote stakeholder participation in the budget process.

- ***Public Oversight and Citizen Participation.*** Transparent access to information on public management, including the General State Budget (OGE), is very limited, weakening social accountability mechanisms. There are no digital channels that allow civil society to play an active role in preventing and combating corruption. In addition, no system facilitates citizens' access to official documents and public services, hindering a more accessible, efficient and transparent administration.

Strategic Approach: The proposed interventions consider two well-differentiated phases with different and complementary focuses and objectives:

Phase I – Laying the Foundations for a Medium-Term Solution (2026–2030). During this phase, a plan will be designed to strengthen anti-corruption governance in an integrated manner, including an assessment of the feasibility of developing a National Anti-Corruption Strategy (ENAC) based on technical diagnostics and good international practices. It may also be necessary to establish a new anti-corruption coordination body, such as an Anti-Corruption Agency, with a specific mandate to monitor ENAC implementation. In parallel, the role and autonomy of control and oversight institutions should be strengthened through the allocation of the technical and financial resources required for them to act independently and effectively.

While these strategic definitions are being developed, a set of short-term measures can be implemented to accelerate the promotion of transparency, such as approval of the new Public Procurement Law, development of a new public concessions system and publication by the Court of Auditors of information on public contracts, audits and award notices. During this phase, it will be essential to initiate a structured dialogue with key stakeholders, including representatives of Government, civil society, the private sector and development partners, to ensure the collective development of medium- and long-term solutions.

Phase II – Consolidation of structural reforms (2030–2034). In this phase, the structural reforms defined earlier will be consolidated, enabling significant institutional transformations. Capacity development programs for the Court of Auditors and the Directorate-General for Public Administration (DGAP) will be implemented, accompanied by the approval of a new Code of Conduct for civil servants.

A new Anti-Corruption Agency will likely be needed to oversee the implementation of the main ENAC programs, with adequate technical and financial support from development partners. Reform of the judicial system will improve the Penal, Criminal Procedure, Civil and Civil Procedure Codes, contributing to an increase in the number of cases tried and resolved by the courts. Two-way communication channels with citizens will also be established, ensuring transparent access to public information and facilitating the digital submission of complaints.

Proposed Interventions: The main objectives and interventions proposed for the period 2026–2030 are described in Table 7.

Table 7. **Key Interventions in the Short-Term Action Plan (Phase I 2026–2030)**

Policy Objectives	Main Planned Interventions
3.1 Improve anti-corruption governance	Develop and approve a National Anti-Corruption Strategy (ENAC)
	Create an anti-corruption coordination body with a mandate to monitor the implementation of ENAC
	Strengthen public social oversight and collaborative auditing between oversight bodies and civil society
3.2 Strengthen the role and autonomy of control and oversight institutions by ensuring the allocation of technical and financial resources for the independent and effective exercise of their functions	Strengthen the Court of Auditors, addressing needs related to its institutional mandate, capacities and financing
	The Court of Auditors publishes public procurement notices, signed contracts and audits on the MEF website
	Complete the strengthening of the judicial system by updating and reforming the Penal, Criminal Procedure, Civil and Civil Procedure Codes
3.3 Eliminate future vulnerabilities to corruption in public procurement:	Enact the new Public Procurement Act presented to parliament in December 2023
	Initiate transparent procedures to regulate future tenders for participation in public concessions and PPPs.
	Adopt measures to increase transparency and strengthen control capacity in concession management, including publication of contracts and annual reports of concessions (publication of contracts, and annual reports)
3.4 Initiate a deep reform to restructure the civil service by eliminating factors that create corruption risks in public administration, linked to AI 1.3	Develop and publish a code of conduct for the public service
	Initiate a new remuneration scheme based on skills and job performance
	Improve staff recruitment through objective and competitive criteria, and establish effective processes for professional performance evaluation, see Program 1.3
	Strengthen the role of the Directorate-General for Public Administration (DGAP)
3.5 Increase fiscal and budgetary transparency	Align the tax system with international standards for public financial management, including accounting, budgeting, public debt and public concessions
	Digitalize administrative processes to increase transparency and reduce tax evasion
	Implement a more robust framework that links the budget to medium- and long-term strategic goals, with performance indicators

Expected Benefits: The strategic value of this intervention goes beyond the ethical dimension. A credible National Anti-Corruption Strategy, a new transparent public concessions regime and a Court of Auditors with effective operational capacity are conditions increasingly required by international private investors before making long-term commitments. This agenda is therefore a direct factor in attracting international investors for the mega-investments in infrastructure envisaged under AI 5

Leadership and Support: This area of intervention is highly cross-cutting and requires both technical and policy solutions. For this reason, it requires leadership at the highest level of Government — the Prime Minister, the President of the Republic and the Council of Ministers — and must be formally assumed and analyzed by the Executive itself. Responsibilities for implementing the agenda and executing this area of intervention must be clear and objective, in order to facilitate operationalization and ensure effective coordination among the different institutional actors involved

Intervention Area 4: **Adopt a Long-Term Strategic Approach to Official Development**

Assistance Management

Objective: Enable the Government to use Official Development Assistance (ODA) strategically to support the implementation of the priority areas defined in this strategy and finance the main areas envisaged in the ENDS.

Challenges: The proposed interventions aim to address the following challenges in ODA management:

- **Concentration of Supply:** São Tomé and Príncipe has received assistance from several development partners. However, this support is highly concentrated in a few multilateral donors — such as the World Bank, the African Development Bank, the European Union and several United Nations agencies and a few bilateral partners, such as Portugal and Brazil. This high concentration limits the country's strategic options and shows that, so far, there has been no consistent effort to diversify ODA sources. The country has also not fully used its economic and climate vulnerability as a legitimate argument to access new instruments and sources of finance.
- ***Environmental Finance***. The low prioritization of climate finance in national strategies, combined with the lack of proactive initiatives, has limited São Tomé and Príncipe's access to this type of resource. This is particularly critical given the scale of public and private investment needed for climate adaptation. The country is also not yet harnessing the potential of ODA to support its blue economy-based sustainable growth strategy.
- ***Support Modalities:*** To date, the ODA received has been channeled mainly through traditional modalities: technical assistance, project financing and budget support. STP has not yet advanced with more innovative modalities, such as *blended finance*, *Aid for Trade*, triangular cooperation or *results-based aid*.
- ***Strategic Planning.*** Until now, the country has adopted a relatively passive posture in ODA management, without exercising strategic leadership over its allocation and use. Duplication of efforts among partners is evident, as is the proliferation of plans, strategies and initiatives proposed by different entities that subsequently require implementation. The absence of an integrating framework of national priorities has hindered strategic ODA planning and its alignment with the country's real needs.

Strategic Approach: The proposed interventions consider two well-differentiated phases with different and complementary focuses and objectives:

Phase I – Strategic Orientation and Positioning of Environmental ODA (2026–2030). Actions in this phase aim to centralize strategic ODA programming in the Ministry of Economy and Finance, which is expected to assess the grant financing needs required to support ENDS priority programs. These programs require grant support to enable the key structural reforms planned for this period. The recent formulation of the ENDS and NDCs represents an important opportunity for the Government to take ownership of the process, better structure existing aid programming and open space for access to new sources of financing in priority areas not yet covered.

In parallel, the MEF should lead negotiations with development partners to ensure that the financing needs of the key priorities of this strategy are fully covered. These actions will, in turn, make it possible to mobilize new resources for the State. In this context, the creation of a National Climate and Biodiversity Finance Facility is proposed, under the leadership of the MEF. The Facility will function as an integrated platform for mobilizing climate and environmental finance, aligning national priorities with available international sources. In line with Chapter 3, the Facility is expected to mobilize USD 156.5 million during this period.

Phase II – Diversification of ODA Sources and Introduction of New Modalities (2030–2034). At this stage, the Government should expand its portfolio of development partners, ensuring access to ODA grants targeted to environmental areas — namely adaptation, mitigation and biodiversity protection — as well as other climate and environmental financing opportunities, such as the IMO Fund for SIDS. The objective will be to mobilize an additional USD 339 million to complete the implementation of the adaptation and energy measures analyzed in Chapter 3.

At the same time, actions should be launched to attract new forms of support, such as blended finance, venture philanthropy, Aid for Trade and results-based aid. These innovative forms of cooperation could have a high impact on priority social sectors.

Proposed Interventions: The main objectives and interventions proposed for the period 2026–2030 are described in Table 8.

Table 8. **Key Interventions in the Short-Term Action Plan (Phase I 2026–2030)**

Policy Objectives	Main Planned Interventions
4.1 Initiate strategic ODA management under MEF leadership, with the objective of ensuring financing for the actions programmed in this strategy and in the ENDS	Establish a new unit in the Ministry of Economy and Finance (MEF) and approve new procedures for the management of ODA at the national level, coordinating functions with the Ministry of Foreign Affairs
	Consolidate support from international partners to develop these new capabilities in the MEF
	Analyze the financing needs for ODA for all the areas of intervention foreseen in this Financing Strategy and in the ENDS
	Prepare a medium-term ODA action plan, with estimated costs, and negotiate it with development partners.
4.2 Establish a National Climate and Biodiversity Finance Facility under MEF leadership	Analyze the climate finance sources available to STP, the administrative procedures and the timelines for access
	Program environmental ODA support for the implementation of the key areas discussed in this chapter
	Strengthen the institutional capacities of the MEF and the Ministry of Infrastructure and Natural Resources to manage processes for systematic access to climate finance
4.3 Develop an Integrated Information System to facilitate ODA Management	Design an information system fully integrated with the new Public Financial Management system (SAFE)
	Develop a coordination system that automates reporting on the use of international cooperation.
	Establish mechanisms to ensure the traceability and complementarity of ODA in the budget process.
4.4 Integrate new ODA approaches	Explore the application of new ODA modalities, such as blended finance, Aid for Trade, triangular cooperation and results-based aid
	Establish a formal dialogue with development partners to support the introduction of these new approaches.
	Mobilize ODA support for the actions programmed in IA 5 and IA 7

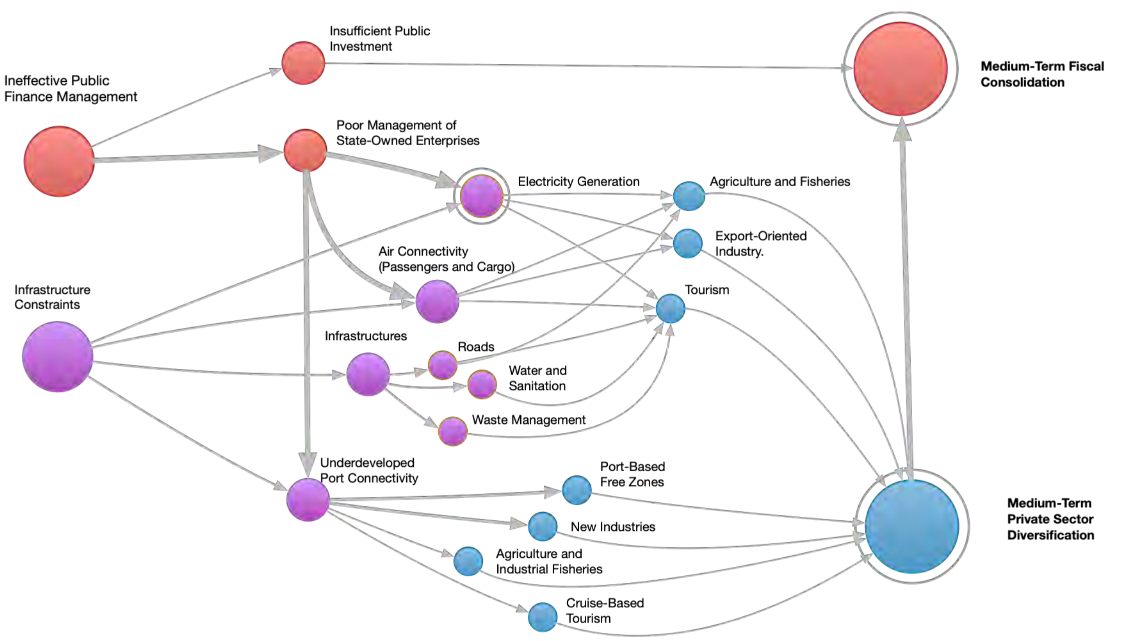
Expected Benefits: The central innovation of this area of intervention is the transformation of the country's posture toward international cooperation: from passive recipient to active strategic manager, capable of programming, negotiating and diversifying its ODA flows. This includes systematic access to climate and environmental finance, which, estimated at between USD 450 million and USD 510 million by 2030, represents a major opportunity to scale up financing over the medium term and remains largely untapped.

Leadership and Support: This area of intervention requires targeted leadership from the Ministry of Economy and Finance (MEF), which is responsible for programming the financing of ENDS implementation, adjusting fiscal systems and strengthening public expenditure management controls — essential requirements for accessing climate-related ODA sources. The participation and leadership of the Ministry of Foreign Affairs, Cooperation and Communities will be key to consolidating negotiations with current partners and diversifying ODA sources. The involvement of the Ministry of Infrastructure, Natural Resources and Environment is also crucial, as it should contribute its technical expertise and ability to broker international negotiations, maximizing access to environmental finance. The Project Management Trust Agency (AFAP) can be strengthened to improve the coordination of existing programs and develop forward-looking work.

Pillar 2. A Policy to Remove Key Binding Constraints to Sustainable Private Infrastructure Investment

This pillar aims to remove critical constraints that limit the country's ability to accelerate sustainable development. As discussed in Section 2.3, private sector development is a key factor in ensuring the country's long-term economic and fiscal stability. A significant share of these constraints originates in the quality of public policies. In most cases, removing them does not require large public investments, but rather sustained institutional and administrative improvements that have not yet been effectively implemented. Addressing physical infrastructure constraints requires larger investments for which the public sector does not have sufficient resources, making a new strategic approach necessary.

Figure 33. **Targeting Proposed Interventions to Eliminate Infrastructure Constraints**



Most of the proposals included in this pillar depend on the proper implementation of sector restructuring and the introduction of a new regime for public and State-participated

enterprises, as proposed in Intervention Area 2. As illustrated in Figure 33, immediate actions should focus on energy, air connectivity and port connectivity — central challenges that the country needs to address in the short term, as they directly affect the priority areas for private sector development identified by the ENDS: tourism, agriculture, fisheries and other export industries. At the same time, this pillar proposes the design of solutions to reduce risk and make large-scale private investment in the country more attractive. These solutions may later serve as a basis for enabling the expansion of other strategic private investments in priority sectors.

Intervention Area 5: An Integrated Approach to Removing Infrastructure Constraints through Sustainable Private Investment

Objective: Adopt a long-term approach to remove binding infrastructure constraints, using private investment and a sustainable development perspective

Challenges: The proposed interventions aim to address the following challenges.

- **Market size.** A common challenge for São Tomé and Príncipe and other small island states is the small size of the domestic market, which makes it difficult to achieve economies of scale in several operations, especially those based on market principles. This factor limits, for example, market liberalization and the feasibility of public-private partnerships (PPPs) to finance roads and other infrastructure works. It is therefore necessary to identify specific and appropriate formats that can catalyze this type of investment.
- **Management of public enterprises.** Public enterprises hold monopolistic positions in markets that could accommodate private investment and face significant challenges related to efficiency, viability and transparency. Often undercapitalized and dependent on the State or donors, they undermine the provision of essential services and economic and social growth. Therefore, removing infrastructure constraints requires redefining the role of these companies in their respective markets and restructuring their organization, governance and management orientation, as proposed in AI 2.
- **Country risk and access to finance.** The international perception of high risk makes financing more expensive for private companies interested in investing in São Tomé and Príncipe, disproportionately increasing expected returns and thereby limiting the quantity and quality of potential investors.
- **Strategic planning.** Until now, the country has adopted a relatively passive posture in addressing infrastructure problems, with scattered and ad hoc initiatives that have not generated effective results. With support from the AfDB, a National Spatial Plan (PNOT) was prepared, which could serve as a central axis to ensure coherence in strategic development planning. However, its approval has been repeatedly postponed and remains unresolved.
- **Transparency and international promotion.** The few efforts to negotiate with the private sector on relevant concessions in energy and airports have been marked by high opacity, without the use of public tenders. This practice generates uncertainty and lack of confidence, making it difficult to attract international investors in these and other areas. In addition, the limited capacity of the Trade and Investment Promotion Agency (APCI) has constrained the effectiveness of investment promotion and attraction efforts.

Strategic Approach: The proposed interventions consider two clearly differentiated phases with different but complementary focuses and objectives.

Phase I – Launching a New Policy with Attention to Urgent Priorities (2026–2030). The actions in this phase aim to focus efforts on long-term strategic programming for infrastructure development (Plano Desenvolvimento Infraestruturas, PDI), in line with the Sustainable Development Goals and the guidelines proposed by the National Spatial Plan (PNOT), which has yet to be approved.

Major transformative infrastructure investment projects should be designed from a sustainable territorial development perspective, in order to generate the greatest possible economic and social impact while minimizing potential environmental impacts. This approach will also make it possible to identify unforeseen opportunities, such as those related to the development of the blue economy, that could increase the attractiveness of projects to strategic investors.

In this phase, emphasis will be placed on preparing pre-feasibility studies for the projects considered most urgent, to accelerate their implementation as quickly as possible. To this end, the strategy proposes designing additional financing mechanisms that reduce country risk and transfer the country's access to concessional finance to private investors willing to invest in the territory, significantly increasing investor interest. This may have been one of the main obstacles to long-term return investments to date. However, the country can design actions to transfer some of the unique benefits of its access to concessional finance to private investors willing to invest in the territory.

Phase II – Consolidation of Infrastructure Investments (2030–2034). At this stage, the Government will be able to consolidate important investments in several areas in which the private sector may participate, such as solid waste management, the drinking water market and other areas that may be open to private investment because of the activities under Intervention Area 2. It will also be possible to fully integrate an institutional platform that allows for a more systematic resolution of the obstacles that have so far hindered project progress.

This platform, led by the MEF, will be able to consolidate development partner support to respond to multiple needs, such as supporting pre-investment activities and consolidating mechanisms to reduce country risk and facilitate access to concessional finance by private investors. In the future, this platform may also consolidate other private sector project proposals that, even if not focused on infrastructure development, are considered national priorities.

Proposed Interventions: The main objectives and interventions proposed for the period 2026–2030 are described in Table 9.

Table 9. **Key Interventions in the Short-Term Action Plan (Phase I 2026–2030)**

Policy Objectives	Main Planned Interventions
5.1 Sustainable Planning for Future Investment Needs	Define a long-term Prioritized Infrastructure Development Plan (PDI) aligned with the development objectives of the National Spatial Plan (PNOT)
	Group investment needs by desired financing modality, including land value capture, concessions and foreign direct investment, and sequence their implementation
5.2 A New Platform to Integrate Financing Instruments and Enable Large-Scale Structuring of Private Investment Projects	Carry out pre-feasibility studies for large-scale structuring investment projects
	Design a platform to integrate generic financing instruments that mitigate risks and increase the attractiveness of projects for foreign investors, possibly through an investment bank or similar vehicle
	Strengthen the capacities of the Trade and Investment Promotion Agency (APCI), in collaboration with DPs, to identify potential sources of investment and define the agenda for international promotion events
5.3 A Campaign to Mobilize Resources to Cover Public Infrastructure Needs with Environmental Funds	Use the PDI to define the long-term Priority Public Investment Program (PIP), which may include components financed by environmental funds
	Align the studies carried out under the National Adaptation Plan (NAP) with the investment needs of the PIP, and identify infrastructure eligible for adaptation finance
	Implement comprehensive resource mobilization actions, based on the preparatory studies defined in Action 4.2.

Expected Benefits: This policy area represents the largest paradigm shift in the strategy. By proposing mechanisms that transfer the country's access to concessional finance to private investors and reduce country risk in a structural manner, it offers a concrete pathway to mobilize the EUR 789 million in infrastructure investment that the country has been unable to attract over the last decade. These investments are the main lever to unlock the growth of tourism, export agriculture and fisheries envisaged in the ENDS.

Leadership and Support: This area of intervention requires direct leadership of the Ministry of Economy and Finance (MEF) and the new State Enterprise Sector Monitoring Unit. The involvement of the Ministry of Infrastructure, Natural Resources and Environment is also crucial. In addition to its expertise in infrastructure investment, the Ministry could contribute technical expertise and intermediation capacity in international negotiations, maximizing access to environmental finance.

For the most strategic decisions, direct guidance from the Prime Minister and possibly the Council of Ministers will also be necessary, since decisions with significant implications for the future of markets and public enterprises will be at stake — matters that go beyond the mandates of the MEF and MIRN. This is one of the areas of the financing strategy where a broader debate with other stakeholders — political parties, the business sector and civil society — is recommended, intending to generate lasting consensus to sustain the planned interventions over time.

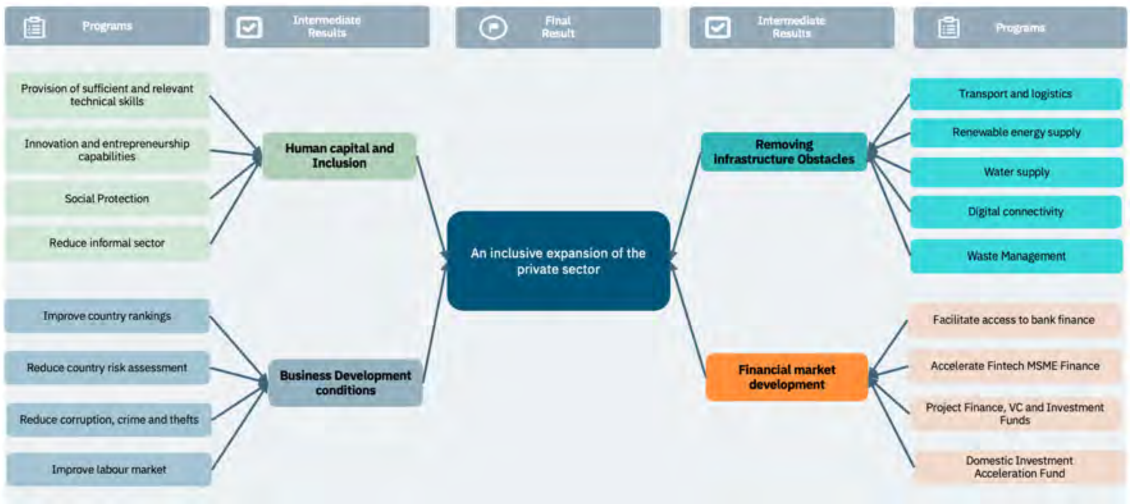
Pillar 3. Accelerating Inclusive Private Sector Development

While access to finance is a key variable, the main success factor for private sector development lies in the ability to integrate policies from different areas around a common objective. As illustrated in Figure 34, accelerating inclusive private sector development requires coordinated results across several policy areas: human capital development and social inclusion, improvement of conditions for business growth, and removal of key infrastructure barriers. The evolution of the financial system is the central variable of this pillar, but the other areas are also treated as priorities in the different areas of intervention proposed by this financing strategy.

The main objective of this pillar is to ensure the long-term coherence and results orientation of several policies that are currently fragmented or implemented in isolation. The interventions under this pillar aim to align private sector development policies with the country's long-term objectives. To boost competitiveness and diversify the economy, it is essential to accelerate improvements in the general conditions for private sector development in the short term. Successful implementation of the private sector development goals will also require coordinated actions to remove barriers and create an enabling environment for entrepreneurship and innovation.

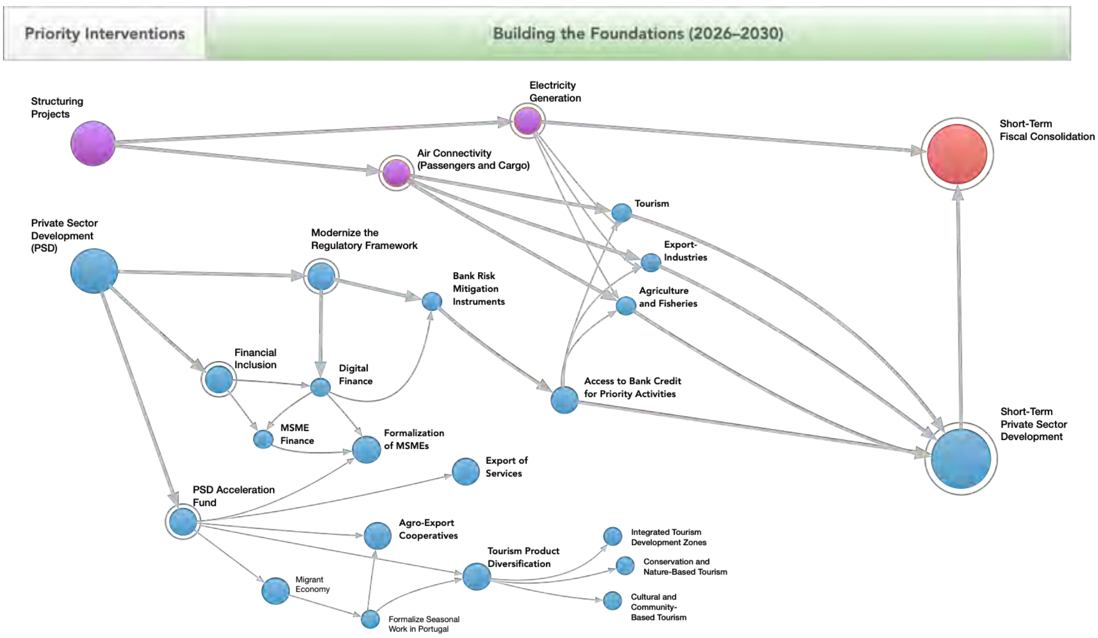
These interventions are even more urgent in the current context of high uncertainty in international trade. São Tomé and Príncipe's graduation from LDC status may have negative impacts on exports, due to changes in customs tariffs and the loss of trade preferences, especially for higher value-added products, reducing the country's competitiveness in international markets. At the same time, the measures recently adopted by the United States may create opportunities for exports originating in São Tomé and Príncipe

Figure 34. **The Interventions Needed to Accelerate Private Sector Development**



The proposed strategic orientation integrates traditional and innovative approaches to accelerate private sector development. Achieving the targets set by the ENDS for 2040 will require private sector growth at levels historically high for the country. The design of the interventions proposed under this pillar considers the best possible sequencing of measures, taking into account the interactions among them and the possibility of generating maximum synergies in their results, as illustrated in Figure 35. Several "virtuous circles" can be created through effective synchronization of these policies, allowing several desired processes to accelerate. A comprehensive policy framework is proposed, capable of generating significant results in the short term, even under current conditions.

Figure 35. **Proposed Pillar 3 Interventions to Accelerate Private Sector Development**



The proposed policies prioritize inclusive private sector development and introduce innovations to promote the gradual formalization of informal activities. To this end, the strategy proposes developing an integrated policy that facilitates the transition of people working in the informal economy to formality, offering pathways that value and expand their development opportunities. This new policy includes several innovative measures, as well as the creation of a new regime specifically designed to facilitate the transition to the formal sector, articulated with other initiatives aimed at MSME development and the strengthening of associations, cooperatives, clusters and value chains.

At the same time, several innovations are proposed, such as accelerating the entry of digital finance companies, including fintechs, and introducing other financing instruments. Fintechs can help improve access to finance and reduce the cost of credit for lower-income people who currently work in the informal economy. This momentum could provide an additional impulse to accelerate the transition process and inclusive economic development. Other innovations include the creation of a financial platform, or facility, to support the export expansion of cooperatives, clusters and companies integrated into value chains, as well as other private sector areas with short-term expansion potential.

Intervention Area 6: An Integrated Approach to Policies that Accelerate Private Sector Development

Objective: Strategically implement reforms in the regulatory and legal framework to facilitate and accelerate the mobilization of private investment.

Challenges: Most of the obstacles that need to be overcome do not involve high costs, as they are related to changes in the regulatory framework. The World Bank's latest Doing Business report ranked São Tomé and Príncipe 140th out of 190 economies assessed. A significant share of these barriers could be overcome by deepening the modernization of the State, one of the priorities set out in the ENDS. The proposed interventions aim to address the following challenges:

- **Land registry (ranked 172 out of 190).** The land registry is a critical bottleneck, requiring six procedures and an average of 23 days to complete the process. The absence of an adequate digitalization system increases uncertainty and costs for companies and investors.
- **Starting a business (ranked 150 out of 190).** The process of starting a business remains complex, requiring eight procedures and an average of nine days. Although the time required is within the global average, excessive bureaucracy and the lack of digitalization make it difficult to establish businesses. Cabo Verde, ranked 121st, has simplified this process through one-stop shops, significantly reducing the time and cost of formalization.
- **Paying taxes (ranked 137 out of 190).** The tax system is complex, with a high tax burden and demanding administrative procedures. Companies are required to make 45 payments per year, consuming time and resources that could otherwise be allocated to productive activity.
- **Getting credit (ranked 135 out of 190).** International indicators show that access to credit for the private sector in São Tomé and Príncipe is among the lowest in comparable countries. In addition, interest rates are significantly higher than in peer countries, creating a major barrier to financing. This problem particularly affects MSMEs and is aggravated by the absence of a sound credit system and a legal framework that adequately protects creditors.
- **Getting electricity (ranked 130 out of 190).** Connection to the electricity grid is one of the main obstacles faced by companies, due to fragile energy infrastructure and high costs. The process requires seven procedures and an average of 153 days, well above the regional average.
- **Trading across borders (ranked 124 out of 190)**. Exports face serious obstacles, mainly related to port

infrastructure and customs processes. The average time required to export goods is 90 hours, considerably higher than the regional average.

- **Obtaining construction permits (ranked 111 out of 190).** Procedures for obtaining construction permits are lengthy and governed by complex regulations, requiring 13 steps and an estimated 250 days. This reflects institutional inefficiency and discourages domestic and foreign investment.

Strategic Approach: The proposed interventions consider two distinct phases, with different but complementary objectives:

Phase I – Rapid and High-Impact Implementation Solutions (2026–2030). The actions in this phase aim to achieve high-impact results through changes in the regulatory framework and the removal of specific obstacles through rapidly implementable solutions. The priority at this stage is to eliminate the main barriers to bank financing for priority private sector activities, through short-term measures that may later be replaced by more complex structural reforms, whose development will also begin during this phase. The strategy also seeks to facilitate the use of digital finance to expand inclusive access to credit for MSMEs at more affordable costs. A key component of this phase is the launch of policies to encourage the formalization of the informal sector, recognizing its urgency while addressing it from a medium-term perspective. Several institutional and technical processes will also be accelerated at this stage to support the development of more robust solutions for improving access to long-term finance.

Phase II – Definitive Solutions to the Main Obstacles and Diversification of the Private Financing System (2030–2034). At this stage, the Government should consolidate a set of definitive solutions that require changes in the legal framework and more complex and time-consuming political negotiation processes. Many of these solutions aim to mitigate the risks faced by banks in using traditional credit mechanisms. However, if the actions aimed at enabling the entry of digital finance companies, as provided for in Intervention Area 7, are successful, it is likely that risk mitigation will occur not through traditional methods, but through the adoption of new technologies, as is already happening in several parts of the world.

In addition, this phase will allow the innovations initiated in the previous phase to be fully developed, progressively expanding the supply of financial products and services in support of private sector growth. If these actions are successful, it will be possible to advance in the consolidation of business acceleration pilot initiatives. The combination of these actions with the interventions foreseen in Intervention Area 5 should generate a structural change in the country's attractiveness for private investment and place São Tomé and Príncipe on an accelerated path of progress.

Proposed Interventions: The main objectives and proposed interventions for the period 2026–2030 are described in Table 10.

Table 10. **Key Interventions in the Short-Term Action Plan (Phase I, 2026–2030)**

Policy Objectives	Main Planned Interventions
6.1 A plan to systematically reduce key obstacles to Private Sector Development (DSP)	Design an agenda to improve the country's position in key DSP indicators in the short term
	Design a workforce skills development plan by sectors and territories with high growth potential
	Align long-term reform progress in strategic sectors —education, health, environment and agriculture — with short-term private sector development needs

Policy Objectives	Main Planned Interventions
6.2 Accelerate access to bank credit for companies established in priority sectors	Lead a policy dialogue on structural reforms to reduce bank credit risk
	Accelerate the depth and quality of business training programs
	Strengthening the government's institutional capacities to manage the processes for systematic access to climate finance
	Introducing short-term mechanisms to accelerate access to bank credit in priority sectors
6.3 A facility to support the acceleration of domestic private finance	Use ODA funds to launch a platform to accelerate the implementation of new innovative instruments co-financed by international cooperation, see examples below
	Initiate training programs and challenge funds for start-ups in innovative areas of the digital economy and other sectors
	Establish flexible credit lines with light collateral requirements to support the export expansion of cooperatives and clusters, and the financing of companies within value chains
	Establish guarantee funds and other mechanisms to accelerate access to bank credit for companies established in ENDS priority sectors, including tourism, agriculture and fisheries
	Train financial institutions to develop products targeted to women and other underserved groups
	Launch financial support lines for women entrepreneurs, as well as training programs and access to technical assistance
	Provide financing and enable banking institutions to design Project Finance credit lines.
	Establish funds to encourage the use of the diaspora’s potential in Portugal to support the expansion of national businesses into the Portuguese market

Expected Benefits: The innovation in this area does not lie in any single measure, but in the systematic coordination of regulatory reforms, financing instruments and capacity-building programs that, individually, have produced limited results in the country. By articulating them in a plan with explicit sequencing and measurable targets — and by linking them directly to the results of AI 2 and AI 5 — the strategy creates, for the first time, the possibility of generating virtuous circles among investment, formalization and tax revenue that will sustain the country’s fiscal resilience over the medium term.

Leadership and Support: This area of intervention requires clear leadership from the Ministry of Economy and Finance (MEF), which is responsible for most private sector promotion policies, and the Trade and Investment Promotion Agency (APCI). The participation and leadership of the Central Bank of São Tomé and Príncipe are also fundamental, as it is the regulatory body for many of the policies that define the functioning of the banking system.

Coordinated support from development partners is very important, as the interventions to be programmed are aligned with their priorities for the country. However, it is crucial that this support be delivered through new instruments and programs, avoiding situations in which these interventions are limited to one-off and isolated action.

Intervention Area 7: An Integrated Policy to Promote Financial Inclusion and Formalization of the Informal Sector

Objective: Develop an integrated policy that facilitates the transition of people working in the informal economy to formality, offering pathways that expand their development opportunities.

Challenges: The proposed interventions aim to address the exclusion challenges identified in the survey conducted by the Central Bank of São Tomé and Príncipe (BCSTP), as well as other structural limitations:

- **Exclusion of individuals**. Around 61% of the population of São Tomé and Príncipe over 18 years of age is excluded from the financial system, and only 39% of respondents have a bank account. This low level of banking reflects both structural socioeconomic problems and the scarcity of affordable financial services. Among those who used loans, the main reasons were non-medical emergencies (32%), starting or expanding a business (26%), building or improving housing (19%) and financing current expenses (15%).
- **Exclusion of MSMEs.** Credit to enterprises is highly concentrated, as banks impose criteria that MSMEs rarely meet. A study by the BCSTP shows that more than 82% of MSMEs do not have a bank account, and few are able to access credit due to the difficulty of meeting the required conditions. Only 10% of MSMEs that applied for bank financing were approved.
- **Gender exclusion.** Among financially excluded individuals in São Tomé and Príncipe, 57% are women and 43% are men. The proportion of men with a bank account is higher than that of women. Only 15% of women hold a bank account.
- **Geographic exclusion.** Financial inclusion varies significantly across regions. The Autonomous Region of Príncipe performs best, with 79% of the population financially included, followed by the district of Água Grande, with 52%. By contrast, districts such as Lembá and Caué have the lowest levels of inclusion, with only 19% and 21%, respectively. There is also a disparity between urban and rural areas: 60% of excluded individuals live in urban areas and 40% in rural areas.
- **Exclusion by income.** Despite the absence of specific data, most of the excluded population likely belongs to lower-income groups. It would be useful to analyze the percentage of the higher-income population with access to bank accounts to assess the scope of financial inclusion across different socioeconomic strata.
- **Digital finance.** One of the most relevant aspects identified by the survey is the weak penetration of digital finance systems, which could play a key role in expanding access to financial services. The use of digital tools for financial operations remains extremely limited. Although the country has mobile network coverage of around 90%, it has not yet explored the potential of digital finance solutions, including fintechs, to expand access efficiently.
- **Lack of data.** Assessing financial inclusion requires combining information on access, use and quality of financial services. Until very recently, the BCSTP was able to report only a small set of indicators. The first national survey on financial inclusion and literacy, conducted in 2017, was an important milestone, allowing the assessment of the three dimensions of financial inclusion. However, continuous access to relevant data remains limited, and the value of collected information decreases over time. It is therefore necessary to strengthen systems for collecting, processing and analyzing data, in order to eliminate current limitations and enable the design of evidence-based public policies.

Strategic Approach: The proposed interventions consider two clearly differentiated phases, with distinct but complementary focuses and objectives.

Phase I – Laying the Foundations for a Medium-Term Solution (2026–2030). During this phase, it will be necessary to design and approve a new integrated policy, starting with institutional coordination between the MEF, the BCSTP and other institutions that should participate actively. It will also be essential to lay the groundwork for developing adequate information systems on social inclusion, the informal sector and MSMEs, areas that have so far had relatively limited coverage.

During this period, measures can be initiated to accelerate the entry of digital finance, with a focus on successful African companies that may be interested in expanding their business in São Tomé and Príncipe. To this end, it will be necessary to review the adequacy of legal and regulatory frameworks and remove unnecessary obstacles. It will also be possible to design and test a pilot program to encourage the transition to the formal economy of people and companies that currently generate income in the informal economy. This program will incorporate several important innovations, including a new tax regime and special and simplified registration systems, to be introduced gradually.

***Phase II – Consolidating the Medium-Term Solution (2030–2034*).** During this phase, it will be possible to maximize the impact of new policies and programs, allowing the Government to expand business training programs and other financial literacy support initiatives to the maximum. This will also be the time to consolidate the new tax regime, develop all promotion instruments and begin integrating these policies with MSME promotion and development policies.

This will allow companies that have transitioned to formality to access new opportunities and development prospects, including integration into programs to strengthen associations and cooperatives, develop clusters and value chains, promote local economic development and support female entrepreneurship, among other initiatives. These continuous business improvement processes will also contribute to a sustained improvement in the quality of life of families that currently generate their income in the informal sector. The entry of digital finance will provide these families with new opportunities for economic growth and financial inclusion.

Proposed Interventions: The main objectives and interventions proposed for the period 2026–2030 are described in Table 11.

Table 11. **Key Interventions in the Short-Term Action Plan (Phase I, 2026–2030)**

Policy Objectives	Main Planned Interventions
7.1 Improving the quality of evidence-based decision-making	Conduct regular surveys to better understand demand-side constraints and aggregate better data on usage patterns.
	Strengthen capacities to assess and monitor financial inclusion
	Analyze and respond to institutional capacity development needs for the implementation of this area of intervention.
7.2 Harness the social benefits of digital finance for individuals and MSMEs	Develop a plan to accelerate the entry of fintechs in the short term.
	Promote the use of Fintechs to make remittances more transparent and support the formalization of informal activities
	Remove barriers to tourism and the export of services
7.3 A comprehensive program to accelerate the integration of the informal sector into the formal economy	Introduce a new tax regime for formalizing MSMEs, with simplified administrative procedures and a single tax
	Create incentives for formalization, including access to promotional credit, social security formalization and public procurement opportunities.
	Increase oversight in selected sectors.

Policy Objectives	Main Planned Interventions
	Develop productivity and management support programs.
	Integrate these measures with MSME development policies and the strengthening of associations, cooperatives, clusters and value chains.
7.4 Credit Access Fund for Women in the Informal Sector	Obtain support from ODA and private foundations to structure a national project to support women entrepreneurs in the informal sector.
	Structure a blended syndicated credit line to provide promotional bank financing to women entrepreneurs in the informal sector, without requiring guarantees, credit history or collateral.
	Integrate the program with other MSME development policies and initiatives to strengthen associations, cooperatives, clusters and value chains
7.5 Financial literacy and promotion of the rights of vulnerable groups	Develop and implement a plan to promote financial inclusion and access to finance for underserved populations.
	Create legal and regulatory systems to mitigate potential adverse effects of digital financial development.
	Implement comprehensive financial literacy campaigns and measures to protect the most vulnerable consumers from predatory lenders and abusive practices.

Expected Benefits: With 73% of GDP generated in the informal economy and 61% of the adult population excluded from the financial system, this area of intervention has the greatest potential for short-term redistributive impact within the strategy. The combination of a new simplified tax regime, digital credit instruments for women entrepreneurs and the entry of fintechs can, within a 3- to 5-year horizon, significantly expand the country's tax base and offset part of the social effects of the ongoing fiscal adjustment. This also provides a direct argument to development partners for additional financing.

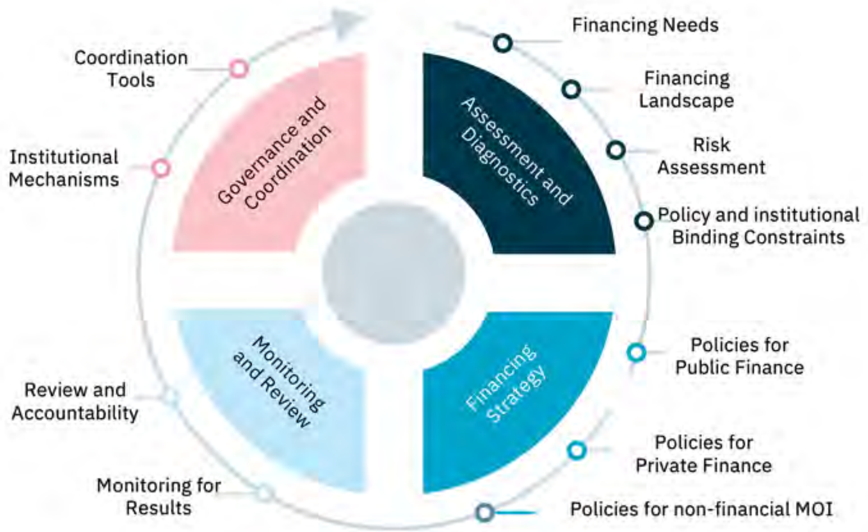
Leadership and Support: his area of intervention requires clear leadership from the MEF, which is responsible for most private sector promotion policies, and the Trade and Investment Promotion Agency (APCI). The participation and leadership of the BCSTP are also fundamental, given that it is the regulatory body for many of the policies that define the functioning of the banking system, in addition to being responsible for developing the regulatory framework required for the entry of fintechs. In most countries, the central bank also leads financial inclusion and informal sector formalization processes, making its active involvement indispensable for the success of this intervention.

As in the previous case, coordinated support from development partners is very important, since the interventions to be programmed are fully aligned with their priorities for the country. However, it is crucial that this support be delivered through new instruments and programs, avoiding situations in which these interventions are limited to one-off and isolated actions.

6 Support Systems for Strategy Implementation

The construction of the INFF in São Tomé and Príncipe is a process that will require elements that complement this strategy. The development of the Framework is iterative, as shown in Figure 36. It began with the first evaluation and diagnostic phase, which concluded in December 2024 with the approval of the Development Finance Assessment (DFA). The formulation and approval of this financing strategy is an important second step in this process. The next steps include the design of the Monitoring and Review system for strategy implementation and a Governance and Coordination system to ensure the proper implementation of the actions programmed in the financing strategy. This process should be government-led and structured with support from development partners.

Figure 36. **Building blocks of an Integrated National Financing Framework (INFF)**



Source: Adapted from: INFF (2020)

6.1 Monitoring and Review

Importance of monitoring and evaluation

Reviewing and monitoring INFF progress will be essential to guide implementation. The new system should provide the Government with a "dashboard" to monitor the results of financing strategy implementation. The monitoring process facilitates policy redesigning by assessing whether strategies are effective, strengthening cooperation and trust among relevant partners, and improving transparency. The development of this framework will bring the following benefits:

- **Build the evidence base needed** to improve the efficiency and effectiveness of financing policies and reforms, encourage broad participation by all relevant stakeholders in policy processes, and strengthen ownership and understanding of the value of this integrated financing framework.
- **Streamline monitoring efforts and reduce gaps.** The strategy will focus on public and private sector financing and investment gaps. This system will generate economic forecasts of planned reforms and their cost implications. It will also help address redundancies and overlaps.
- **Strengthen alignment with national priorities.** This system should measure and address misalignments between financing flows and national priorities. For example, it should measure the degree of alignment of private bank credit, institutional investors and even public debt with national priorities and/or the SDGs.
- **Monitor the performance of the financing strategy.** This system should regularly review and report on the added value of the financing strategy, including whether it is succeeding in enhancing resource mobilization and increasing the coherence and alignment of financing with national development priorities.
- **Support dynamic public action** by facilitating learning about what works and what does not, and by allowing timely course corrections in response to changing conditions, including the financing and risk environment.
- **Improve transparency and accountability** and strengthen the Government's capacity to generate partnerships, dialogue and trust among stakeholders.

The new system should address several challenges identified during the formulation of this strategy, requiring significant improvements in the quality of existing data and information systems. For several financing flows, there were substantial divergences between data from different national sources and, often, between these and standardized international sources such as the World Bank, the African Development Bank (AfDB) and the International Monetary Fund (IMF). Some critical data — including the financial results and debt levels of state-owned enterprises such as EMAE — are not in public domain and have not been shared. Information gaps also remain that are essential to guide MSME financing policies and understand the situation of people working in the informal sector.

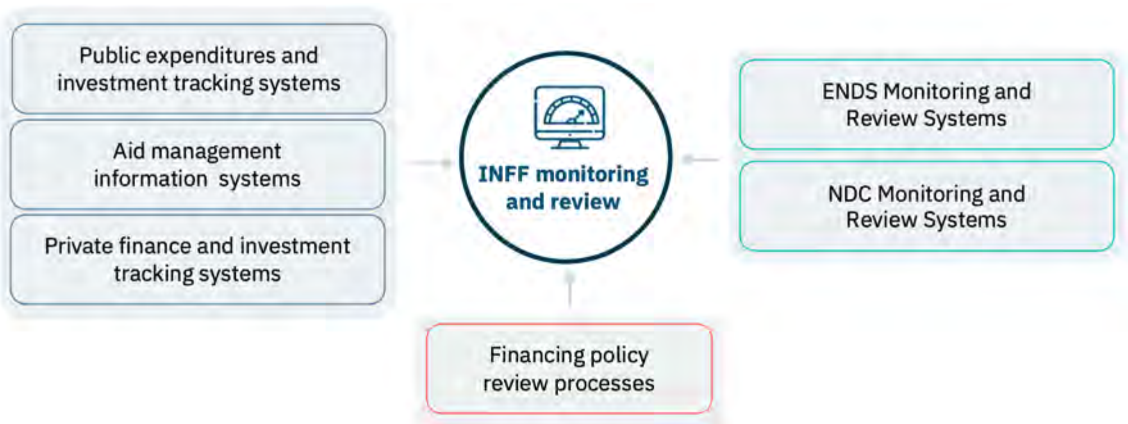
Responding to these data challenges is crucial for the effectiveness of the new monitoring system, ensuring the reliability and accuracy of the information it will provide for strategic decision-making and resource allocation.

Monitoring process

INFF monitoring should incorporate existing monitoring systems and be integrated into the ENDS monitoring system. To effectively measure the degree of implementation and impact of this financing strategy, it is essential to build a monitoring system that integrates existing government monitoring mechanisms. The INFF monitoring system should act as a unifying platform, bringing together the various monitoring systems already in place in the budget cycle, the national development plan, sectoral ministerial strategies, financial market regulators and other relevant sources.

An important feature of this system is its ability to maintain a focus on measuring financing results in pursuit of national development priorities. As illustrated in Figure 37, the system must assess the strategy's ability to increase and align financing flows with those priorities. However, it should also measure whether these efforts are actually achieving the objectives set by the ENDS and the NDC. While financial resources are necessary, their effectiveness is equally crucial. Therefore, the ultimate objective of this system is to help the Government guide and adjust the policies implemented to achieve these national goals.

Figure 37. **Building Blocks of the Proposed Monitoring System**



Source: Adapted from: INFF (2020)

The proposed system monitors implementation performance in the public, private and international cooperation domains and, by tracking the evolution of its impact, can make recommendations to adjust the policies being implemented. Despite its complexity, the construction of this integrated monitoring system is relatively straightforward. The system can be based on several existing mechanisms, adding only a few additional components that will be highly useful for monitoring ENDS and NDC implementation. In general terms, the integrated monitoring system should bring together the following elements:

- **Public finance.** The proposed interventions fully incorporate the agenda agreed between the Government and the IMF. This agenda, which constitutes a significant part of the strategy's action plan, is likely to become the central axis of the new PARFIP, so monitoring should be simultaneous for both. The strategy also adds some additional elements — quality of public expenditure, management of state-owned enterprises, transparency and integrity — which are complementary Government priorities and should be integrated into the same system.
- **Support from international cooperation.** The implementation of this strategy offers an important opportunity to align coordinated support from development partners, which will be key to its success. In addition, the strategy proposes mobilizing resources from additional sources of environmental and climate finance that complement efforts already underway. To this end, it will be necessary to build an ODA monitoring system that integrates all flows entering the country, as provided for in the action plan for Intervention Area 4.
- **Large-scale infrastructure investments and private sector development.** The strategy brings together a set of actions that have largely been aspirational objectives of several governments, but have not achieved the expected results, partly due to the absence of adequate monitoring of implementation quality. The strategy now offers the opportunity to conduct comprehensive monitoring. At the end of this process, it should be possible to have a format like PARFIP, allowing the Government to monitor — in close coordination with development partners — the success or failure of the policies and measures implemented.

Monitoring Implementation Indicator Framework

The development and implementation of this new system should be led by the Ministry of Economy and Finance, in collaboration with several other government entities. The following list, although not exhaustive, presents institutions and monitoring mechanisms already in place in the country that will serve as the basis for the INFF Monitoring and Review Framework:

- **Ministry of Economy and Finance.** The MEF is responsible for managing all public financing variables, including budget revenue and expenditure, debt management and public investment, as well as fiscal issues. It is also responsible for supervising and guiding policies for coordinating the management of public and State-participated enterprises. In addition, the Planning Directorate is responsible for ENDS implementation and for developing its monitoring framework. The Ministry is also responsible for leading private sector development policies and supporting improvements in the enabling legal environment, including investment, PPP, trade and economic policies. Therefore, the MEF will have a central role in monitoring coherence between financing policy and development planning.

- **Central Bank of São Tomé and Príncipe (BCSTP).** BCSTP is responsible for supervising the national banking system, namely through the Directorate for the Supervision of Financial Institutions. The new legislation on the use of digital financial services designates BCSTP as the entity responsible for supervising these services. The Bank also leads financial inclusion policies and has conducted surveys to generate the information available for assessing levels of financial inclusion and literacy in the country.
- **Ministry of the Environment, Youth and Sustainable Tourism.** This Ministry is responsible for producing information related to biodiversity conservation, the management of terrestrial and marine ecosystems, environmental and climate monitoring, and the formulation of adaptation and mitigation strategies. Under the new ODA management system proposed in Intervention Area 4, the Ministry will have technical responsibilities in managing new sources of environmental and climate finance.
- **Ministry of Foreign Affairs, Cooperation and Communities**. This Ministry will have co-responsibility for ODA management and for building the new integrated ODA information management system referred to in Intervention Area 4.
- **National Institute of Statistics (INE).** The INE is responsible for producing official national statistics, serving as a source of demographic, economic and sectoral data needed for evidence-based cost estimation and planning processes.

t will most likely be necessary to create a formal coordination structure to organize monitoring of INFF implementation and strengthen linkages among stakeholders. The MEF should clearly play a central leadership role in supervising and evaluating the implementation of the INFF monitoring system, in direct alignment with its mandate and the role it is expected to assume in implementing most of the actions under this strategy. This coordination structure is an essential element of the governance process for INFF implementation, discussed in the following section. Once the institutional format for the overall management of the system has been defined, the specific monitoring functions will also be established.

This strategy provides sufficient contextual analysis to support the design of the indicator framework for this system. The actions described in the previous sections cover the essential components that should be measurable. Once this strategy has been approved and validated, it will be necessary to establish an indicator framework to monitor implementation procedures on an annual basis. This framework should include indicators corresponding to the actions in each area of intervention, together with measurement methods, periodicity and entities responsible for monitoring.

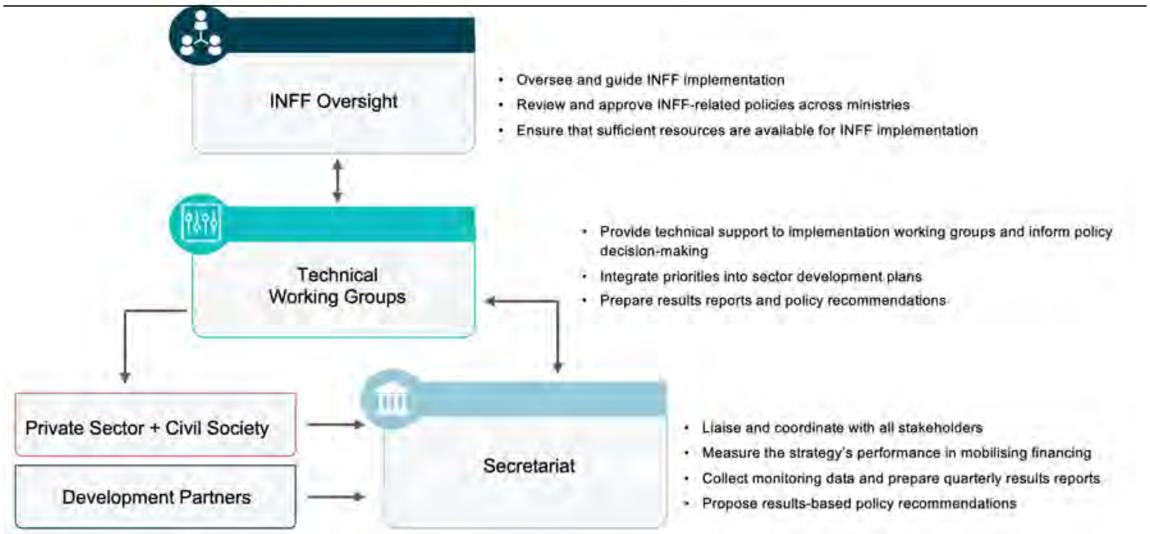
The proposed monitoring framework will facilitate the monitoring of the broad set of actions included in the agreement with the IMF. These actions go beyond traditional public financial management areas and cover improvements in the management of state-owned enterprises, particularly EMAE, as well as transparency and governance measures. All these reforms are included in the draft monitoring framework presented in Annex 1. The actions in the areas of international cooperation and private sector promotion are also added to this set of measures, allowing the Government to offer a comprehensive view of essential variables for decision-making.

To ensure the successful implementation of these monitoring systems, it will be necessary to strengthen the Government's technical capacities. This includes building the capacity to define evidence-based financing mobilization targets and closely monitor their progress. A robust methodology is needed to monitor and evaluate the results of the various policies, action plans and timelines that contribute to sustainable development goals. Adequate resources and capacities should be allocated to carry out these tasks, and support from development partners will be key to facilitating implementation. By strengthening technical capacities and fostering closer collaboration, the Government will be better prepared to make informed decisions, allocate resources more efficiently and adjust policies where necessary, thereby optimizing the use of public resources in pursuit of sustainable development.

6.2 Governance and Implementation Coordination

An appropriate framework to oversee the implementation of this strategy will require exploring innovative management and institutional approaches. Implementing this strategy in São Tomé and Príncipe is a substantial challenge, as it requires coordinated actions beyond the scope of a single government institution and must be carefully managed. Figure 38 presents a possible management structure for this strategy, recognizing the different coordination functions required.

Figure 38. **Building Blocks of the Proposed Governance and Coordination System**



Source: Adapted from: INFF (2020)

The proposed governance structure should be directly integrated into the structure that the Government will define to ensure ENDS implementation. In fact, implementation of the ENDS Financing Strategy should take place in parallel with ENDS implementation, benefiting from its progress and learning from its difficulties. Therefore, instead of creating ad hoc structures that divert the Government's attention, the proposal is to add to the existing ENDS management and monitoring structure a specific chapter dedicated to ensuring the availability of the required financing. To ensure effective governance of this strategy, three distinct levels of coordination should be considered, each with key functions:

i) Political coordination. A high-level policy coordination role needs to be established to provide a comprehensive vision and guidance that promotes coherence. These functions may be led by the Coordination Task Force proposed by the Prime Minister. The Task Force will be responsible for guiding the INFF implementation process and coordinating policies on public and private financing. This level of coordination maximizes synergies, reduces duplication, generates trade-offs and minimizes contradictions or inconsistencies in the formulation and implementation of financing policies across different areas. The main specific tasks envisaged for the Task Force are summarized in Table 12. Depending on the degree of interest and priority assigned by the Government, this Task Force may meet annually, semiannually or quarterly.

The Task Force will be led by the Prime Minister and should include the Minister of Economy and Finance, responsible for the technical coordination of relevant areas; the Governor of the Central Bank of São Tomé and Príncipe, who has direct responsibilities for private sector financing; and the Minister of Foreign Affairs, Cooperation and Communities, who participates directly in ODA management. For specific sessions, the Task Force may also convene other ministries, such as the Ministry of the Environment and the Ministry of Youth and Sustainable Tourism. At this level, high-level representatives of key stakeholders, including development partners, the private sector and civil society, should also be incorporated.

ii) Operational Coordination. The main role of operational coordination is to set concrete annual targets for the strategy and prioritize the policy and management changes needed to achieve them. This coordination should ensure that financing providers are held accountable and actively participate in implementation at the operational level. Coordination among stakeholders is essential to ensure a coherent approach to implementation.

There is a second level of operational coordination aimed at ensuring that the different areas of intervention proposed in this strategy are implemented smoothly. As noted in the Annex 1 action plan, each intervention area was designed as an independent program, with its own targets, institutions involved in implementation and development partners. Each of these programs can operate as an autonomous working group, especially where coordination between different public bodies and partners is required. Again, this model should replicate existing mechanisms, such as PARFIP, which will be fully integrated into the implementation of Intervention Area 1. Thus, the Ministry's main role will be to coordinate integration and monitor the progress of these working groups.

Annex 1 lists only the public sector institutions that must lead or participate for implementation to be possible, but these working groups will certainly also provide an opportunity to integrate stakeholders into the more specific aspects of implementation. The main specific functions envisaged are summarized in Table 12. Depending on the coordination capacities defined by the Government, these Thematic Working Groups may meet every six months or quarterly.

ii) Technical Coordination Secretariat. There is a third level that should be responsible for generating the evidence needed to support decision-making at the operational and strategic levels. This is the level at which substantive issues are discussed and addressed to inform these decisions. In particular, the monitoring and review functions discussed in the previous section are concentrated here. This level should also ensure fluid thematic communication with stakeholders, including the private sector, civil society and development partners, in order to identify opportunities and capacity-building needs in implementing entities and request the necessary support.

The main specific functions envisaged are summarized in Table 12. One of its main tasks is to prepare results reports and policy recommendations, including possible updates to the financing strategy or management mechanisms, where necessary. Depending on the priority assigned by the Government, these functions may be carried out monthly or quarterly.

Table 12. **Main Functions of the Governance and Coordination System**

Level of Coordination	Main Functions	Coordination Solution
INFF Supervision – High-Level Policy Coordination	- Provide the overall vision and guidance of the INFF to achieve the financing goals and objectives - Ensure the commitment of high-level political figures to actively participate in the INFF process - Review and approval of INFF-related policy and strategy changes across ministries - Ensure the availability of sufficient resources for INFF implementation - Formalize the commitment of other stakeholders to maintain momentum across policy cycles	**Responsible institution** High-Level Coordination Task Force, overseen by the Prime Minister **Key members** - Minister for the Economy and Finance - Governor of the Central Bank of São Tomé and Príncipe - Minister for Foreign Affairs, Cooperation and Communities - High-level representatives from Development Partners, Private Sector, Civil Society
INFF Operational Coordination - Working Groups	- Manage implementation of the financing strategy - Set financial targets for the strategy and prioritize the policy and management changes needed to achieve them - Establish an Annual Plan for the implementation of the Strategy's Areas of Intervention - Establish specific partnerships with relevant stakeholders, including development partners, the private sector and civil society, by Area of Intervention - Organize regular dialogue on financing at the programmatic level - Identify capacity-building needs in implementing entities and request the necessary support	**Responsible institution** - Coordination Working Groups by Strategy Area of Intervention **Key members** - One Working Group for each Area of Intervention defined in the strategy - These Working Groups should be led by the relevant ministries identified in each case, with active participation from various stakeholders
Technical Secretariat for INFF Coordination	- Serve as the INFF technical secretariat, where substantive issues are discussed and addressed - Provide technical support to the management of the Working Groups and support policy decision-making - Lead the measurement of the strategy's success in mobilizing investment and financing - Produce results reports and propose policy recommendations, including possible updates to the financing strategy or management mechanisms, where necessary	**Responsible Institution** - Ministry of Economy and Finance **Key members** - Establishment of a Monitoring and Review Unit as part of the overall ENDS monitoring system - Coordination with the National Institute of Statistics (INE) and other institutions producing data and evidence to measure the impact of the ENDS and the Financing Strategy

Institutional Capacity Building for Strategy Implementation

Implementation of this strategy will require a plan to support the strengthening of Government capacities, developed in parallel with this document. As with the ENDS, the São Tomé State will need to strengthen critical capacities to enable effective strategy implementation. The country's main constraint is not only the volume of financing, but the limited capacity of the Government to transform resources into results. In this context, the Capacity Development Plan is an operational tool that translates the requirements of the strategy into concrete institution-building actions. The Plan is not limited to the Ministry of Economy and Finance (MEF): it recognizes that implementation of the strategy is a multi-stakeholder challenge, requiring the active involvement of sector ministries — including environment, infrastructure, agriculture, tourism and education — the Central Bank, and private sector promotion and regulation agencies.

The plan should be built around three types of capacity:

- **Political and institutional capacity:** define mandates, coordinate ministries, approve procedures, negotiate with partners, regulate markets and manage political economy constraints.
- **Technical and transactional capacity:** design projects, prepare financial models, structure PPPs and concessions, prepare submissions to environmental funds, manage debt and contingent liabilities, design blended finance instruments, evaluate bankable projects and perform due diligence.
- **Implementation and monitoring capacity:** operate annual work plans, manage data systems, monitor indicators, prepare implementation reports, adjust policies and maintain accountability mechanisms.

Capacity building for the implementation of this strategy should be directly linked to ENDS implementation. In this sense, the Financing Strategy integrates a broader need: strengthening the Government's capacity to implement its national sustainable development strategy — a persistent challenge for São Tomé and Príncipe, given the structural weaknesses of its economy. The discussion on implementing this strategy can therefore serve as a starting point for a more comprehensive dialogue on how to support the Government in developing and consolidating the capacities needed to implement its policies and development plans.

Anticipating the needs for international cooperation will be crucial to ensure the technical support required for the implementation of the strategy's interventions. Some proposed solutions may require new policies, measures or instruments and involve significant reforms over the medium and long term. These should be supported by external technical resources, including loans from multilateral banks or programs co-financed by several donors. Effective coordination of these resources will allow the Government to ensure the technical support needed to implement the strategy and promote sustainable development. This will be the starting point for dialogue with development partners once the formulation of the strategy is completed.

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ANNEXES

Annex 1: Action Plan and Results Framework of the Funding Strategy (2026-2030)

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
1. Public Financial Management	1.1 National Plan for Domestic Revenue Mobilization 2026-2030 and fiscal consolidation	Measures to strengthen the collection of taxes on imports.	ENCO ensures timely payment of import taxes on fuels and a significant reduction in fuel arrears	MEF	IMF
			Monthly application of the fuel price adjustment mechanism to avoid fuel subsidies	MEF	IMF
		Measures to consolidate the reform of consumption taxes	Enforce VAT invoicing obligations more strictly	MEF	IMF
			Actions to ensure timely VAT declaration and payment using SIT-VAT and e-Factura	MEF	IMF
			Follow-up of taxpayers with overdue obligations using SIT-VAT and e-Factura	MEF	IMF
			Work collaboratively with AGA to control VAT exemptions using SIT-VAT and e-Factura	MEF	IMF
			Conduct reviews and audits focused on taxpayers who have inconsistencies in sales and self-assessed purchases	MEF	IMF
			Introduction of an advance on goods imported for final consumption	MEF	IMF
			A comprehensive reassessment of the fuel tax regime, including VAT exemption on fuel products	MEF	IMF
		Intensify efforts to collect back taxes and deter recurrence.	Source of withholding tax for personal income tax for public institutions receiving government transfers implemented	MEF	IMF
			Memoranda of Understanding signed with public companies and key public institutions to eliminate overdue taxes and prevent recurrence	MEF	IMF
	1.2 A plan to strengthen the capacities of the tax and customs administrations to align with international best practices.	An institutional and capacity modernization program for the Directorate of Taxes (DI)	DI adopts a more risk-based differentiation framework to manage tax compliance and promotes the adoption of digital tools	MEF	IMF
			DI creates a unit dedicated to large taxpayers that will support revenue collection efforts	MEF	IMF
		An institutional and capacity modernization program for the General Customs Authority (AGA)	Acquisition of non-invasive inspection equipment	MEF	AT?
			Additional international cooperation and exchange of information	MEF	AT?
		Complete the computerization of tax and customs	Extend the SIT-VAT system to allow paperless administration of all	MEF	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
		operations by extending the SIT-IVA and SYDONIA systems to improve tax administration	taxes		
			Complete the SYDONIA system with all its functionalities to obtain a better calculation, collection and control of import taxes	MEF	AfDB
	1.3 Initiate a general reform of public employment to strengthen the provision of public services by containing the wage bill	Restricting new hires and promotions in the public sector	Contain the wage bill at 8.4% of GDP	MEF	AT?
		Develop the general public employment wage framework to improve compensation decisions	A new legal framework is approved by the Government and the National Assembly	MEF/ DGAP	AT?
			Implement the legal framework-based measures to attract and retain qualified staff	MEF/ DGAP	AT?
		Conduct functional reviews in high-employment ministries	Functional reviews carried out in the Ministry of Education and key Ministries	MEF DGAP	AT?
		Strengthen the role of the Directorate-General for Public Administration (DGAP)	The DGAP has an adequate mandate		AT?
			DGAP receives sufficient information from ministries in a timely manner		AT?
			DGAP has adequate resources	MEF	AT?
	1.4 A Strategic Plan for Medium and Long-Term Debt Management	Strengthen institutional mechanisms and technical capacity for the management of debt risks, both direct and arising from public guarantees	Establishment of a specialized unit to calculate and monitor the fiscal risks associated with contingent liabilities arising from state-owned enterprises as well as other financial instruments (blended finance).	MEF GD	AT?
			Elaboration of new guidelines and standard operating procedures (SOPs) to strengthen control over the issuance of debt by public companies, establishing the obligation of prior approval by the MEF	MEF	AT?
		Expand access to concessional financing and grants by making full use of environmental, climate and biodiversity financing mechanisms	Improvements in the budgetary traceability of environmental, climate and biodiversity conservation spending	MEF	AT?
			Implement green tagging mechanisms in the budget, allowing the identification and specific monitoring of expenditure items related to the environment, climate and biodiversity, both in budget forecasting and execution	MEF	AT?
			Adopt internationally recognized methodologies (such as the CEPA/CReMA classification or the "Rio Markers") to label expenditures, increasing transparency and alignment with the SDGs	MEF	AT?
			Establish regular processes for evaluating the effectiveness and impact of these expenditures, reporting environmental and climate indicators in public accounts, in line with good green budgeting practices	MEF	MEF
	1.5 Strengthening the macro-	Accelerate the implementation of the medium-term	Adoption of the Medium-Term Macro-Fiscal Framework (MTMFF), the	MEF UMF	IMF

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
	fiscal framework and improving the quality of the public budget	financing instruments provided for in the Macro Fiscal Projections manual	Medium-Term Fiscal Framework (MTFF) and the Medium-Term Expenditure Framework (MTEF)		
			Elimination of the use of obsolete instruments such as the Macroeconomic Projection report	MEF	AT?
		Strengthen budget execution, cash management, and fiscal risk analysis, as well as reconciliation of budget execution data with financing	Strengthening institutional and technical capacities to carry out budget forecasts	MEF	IMF
		Apply the commitment control mechanism for all expenditure units.	All central government spending units will start recording all commitments in IFMIS (SAFE-e) by the end of 2024	MEF	IMF
		Gradual introduction of Program Budgeting (PB) guided by ENDS programs	Complete SAFE-e development and implementation to enable program-based budgeting	MEF	AfDB
			Pilot the use of the budget by programs, in education, health, environment or agriculture	MEF	UNDP
	1.6 Development of a National Public Investment System (SNIP) with a strategic perspective	Conduct a PIMA assessment, including the new module on climate change	Measures to integrate the budgeting of maintenance and operating expenses in the calculation and approval of infrastructure projects	MEF	AT?
			Definition of prioritization and approval procedures for public investment projects	MEF	AT?
		Define a Public Investment Program (PIP) duly prioritized by the government	The PIP is aligned with the long-term Prioritized Infrastructure Development Plan (PDI) defined in 5.1	MEF	AT?
	1.7 A comprehensive strategic plan for MEF capacity development	Conduct a complete institutional diagnosis to map technical and operational gaps in the MEF.	MEF approved diagnostic report and capacity-building proposal	MEF	AT?
		Development of specialized skills, including performance-based budget management, fiscal risk analysis and public debt management.	A continuous training program, aligned with the best international practices recommended by specialized institutions such as the IMF, World Bank and the African Development Bank	MEF	AT?
		Institutional reorganization strengthening the capacities of newly created units and reviewing roles of others that could have greater attributions	Strengthening of the State Business Sector Monitoring Unit, and review of AFAP's roles	MEF	AT?
2. Market Restructuring and Introduction of a New Regime for Public and Investee Companies	2.1 A comprehensive reform of the energy sector	Accelerate reforms to attract private investment, reduce dependence on thermal generation, and concession electricity distribution	Increase electricity generation capacity with renewables with private investment, with the target MW to be defined	MEF	AT?
			Increase private investment in renewables-based small-scale distributed energy systems with the target MW to be defined	MEF	AT?
			Select a utility for the operation and maintenance of the electricity distribution system	MEF	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
			Select a concessionaire for the operation and maintenance of the drinking water production and distribution system	MEF	AT?
		A time-bound restructuring plan for the Water and Electricity Company (EMAE) to achieve financial viability (SB10)	Redefining EMAE's role in the new market for the generation and distribution of energy and drinking water	MIRN / EMAE	WB IMF
			Financial, operational and organizational restructuring of the company is appropriate to the new role envisaged	MIRN / EMAE	WB IMF
			Organizational redesign of the company and review of the workforce with appropriate specialization for the required functions	MIRN / EMAE	WB IMF
			Reform and review of EMAE management and governance	MIRN / EMAE	WB IMF
		Measures to increase the efficiency of EMAE's operations by reducing losses and increasing collection rates	Increase the weighted average electricity tariff (PA7) until December 2026 in line with the recommendations of the Government and the IMF	MIRN / EMAE	WB IMF
			The installation of 19,000 new electricity consumption meters in stages is expected to be completed by October 2026	MIRN / EMAE	WB IMF
			Amend Decree-Law No. 07/2018 to remove elements of discretion for fuel price adjustments (PA3)	MIRN / EMAE	WB IMF
			Law enforcement that electricity theft is a crime to limit non-technical losses	MIRN / EMAE	WB IMF
			Law that prevents EMAE from cutting off service to non-paying institutional clients repealed	MIRN / EMAE	WB IMF
			Implement various fuel control measures, such as installing cameras, weighing and dyeing diesel, and installing fuel gauges.	MIRN / EMAE	WB IMF
		Measures to increase transparency and control capacity of EMAE management	All contracts signed by EMAE - including concessions, public procurement and company debt - are disclosed	MIRN / EMAE	WB IMF
			Start quarterly publication of the company's key performance indicators (KPIs). (SB9)	MIRN / EMAE	WB IMF
			Publication of detailed annual reports, with data on operating and institutional costs, financial and non-financial losses, and other liabilities generated	MIRN / EMAE	WB IMF
	2.2 Restructuring sectors and reviewing State participation in other public and State-participated enterprises	Adopt ENASA market regulatory reforms to accelerate private investment in airports	Renegotiate the current concession contract or structure a new arrangement for the São Tomé Airport terminal, ensuring greater transparency, operational efficiency and alignment with economic development objectives	MEF / UASEE	AT?
			Hold concession for the modernization of Príncipe Airport, driving	MEF / UASEE	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
			infrastructural and operational improvements with public-private concessions		
			The reforms promoted by the airport concessionaires should ensure certification for the export of cargo directly to the European Union, as well as the improvement of safety and security standards (SB11)	MEF / UASEE	AT?
			Grant airport spaces for cargo terminals, with investments aimed at maintaining the cold chain, ensuring adequate logistical conditions for perishable products	MEF / UASEE	AT?
		Adopt ENAPORT's market regulatory reforms to accelerate private investment in ports	Creation of a Port Authority and development of a new regulatory framework for the sector	MEF / UASEE	AT?
			Feasibility studies for strategic concessions in São Tomé's port infrastructures (cruise terminal, logistics port and retroport, fishing port)	MEF / UASEE	AT?
			Feasibility studies for small cabotage ports in São Tomé	MEF / UASEE	AT?
			Privately managed concession for the port of Príncipe	MEF / UASEE	AT?
		Review public participation and performance of investee companies	Review public participation and accelerate the possible privatization of SPAUT	MEF / UASEE	AT?
			Evaluate the State's participation in companies operating in competitive private sectors.	MEF / UASEE	AT?
3. Strengthen fiscal transparency and address governance weaknesses to reduce vulnerabilities to corruption.	3.1 Improve Anti-Corruption Governance, promote articulation between the institutions involved and ensure transparency in the disclosure of the results achieved.	Develop and approve a National Anti-Corruption Strategy (ENAC)	The strategy should establish clear objectives, measurable goals, and a realistic implementation timeline	GPM	AT?
			Strategy designed based on technical diagnosis and participation of representatives of government, civil society, the private sector and development partners	GPM	AT?
		Create an anti-corruption coordination body (Anti-Corruption Agency) with a mandate to monitor the implementation of ENAC	Anti-Corruption Agency created with public validation by the President and Prime Minister, with the support of Parliament, to legitimize the process and demonstrate zero tolerance	GPM	AT?
			Design a plan to strengthen the capacity of the new Anti-Corruption Agency: and strengthen the implementation of ENAC	GPM	AT?
		Strengthen social public oversight and collaborative auditing between oversight bodies and civil society	Improve transparent access to public management information and public and citizen oversight through the digital government platform	GPM	AT?
			Created digital reporting channels to ensure that civil society plays an active role in preventing and combating corruption.	GPM	AT?
	3.2 Strengthen the role and	Strengthening the role, capacities and resources of the	The Court of Audit will support an independent assessment of the	GPM/ANTdC	UNDP

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
	autonomy of control and supervisory institutions by ensuring the allocation of technical and financial resources for the exercise of their functions independently and effectively	Court of Audit (TdC)	2023 amendments to the Organic Law of the TdC by INTOSAI		
			Review needs to improve the institutional mandate, capacity building and financing of the TdC	GPM/ANTdC	UNDP
			The TdC publishes public procurement notices on the MEF website, including public contracts signed above the threshold that require prior authorization from the TdC on the MEF website	GPM/ANTdC	UNDP
			The TdC publishes the Report and Opinion on the General State Account promptly	GPM/ANTdC	UNDP
		Strengthening the judicial system	Drafting, updating and reforming the codes: Criminal, Criminal Procedure, Civil, Civil Procedure	MJAPREAP and TdC	UNDP
			A program to strengthen the judiciary and update the legal framework sufficiently supported by development partners	MJAPREAP	UNDP
	3.3 Eliminate future vulnerabilities to corruption in public procurement	Enact the new Public Procurement Act presented to parliament in December 2023 (SB2)	The Public Procurement Law, promulgated by the President of the Republic by the end of March 2026	GPM	AT?
	3.4 Eliminate factors that favor corruption in the public service:	Strengthen the role of the Directorate-General for Public Administration (DGAP)	Improving the recruitment of staff by objective and competitive criteria, and establishing effective processes for the evaluation of professional performance (See program 1.3)	GPM	AT?
		Develop and publish a code of conduct for the public service:	Code of Conduct approved	GPM	AT?
	3.5 Increase fiscal and budgetary transparency	Alignment of the tax system with international accounting standards	The tax system is aligned with international accounting standards, such as IPSAS standards	MEF	IMF? WB?
		MEF eliminates the lack of transparency on public debt	MEF publishes information on public debt and the debt costs of SOEs	MEF	IMF? WB?
		A new system of public concessions that ensures transparency to guarantee private investors a level playing field and confidence in the processes	New system of public concessions approved and published	MEF	IMF? WB?
		Implement a more robust framework that links the budget to medium- and long-term strategic goals, with performance indicators (PA1)	The new macro-fiscal framework was implemented (see 1.6)	MEF	IMF? WB?
		Digitalization of administrative processes to increase transparency, reduce tax evasion and improve revenue collection	SAFE-e, SIT-VAT and E-Fatura automate procedures and bring greater visibility to collection operations, minimizing manual errors and opportunities for corruption.	MEF	IMF? WB?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
4. Adopt a Long-Term Strategic Approach to Official Development Assistance (ODA) Management	4.1 Initiate the strategic management of ODA under the leadership of the MEF	Establish a new unit in the MEF and approve new procedures for managing ODA at the national level, coordinating functions with the MNECC	Government-approved unit and procedures	MEF MNECC	AT?
		Consolidate support from international partners to develop these new capabilities in the MEF	Capacity building and short-term fundraising support plan approved by several expert partners	MEF MNECC	AT?
		Conduct a comprehensive analysis of ENDS short-term intervention priority areas that may require additional support through ODA.	ENDS short-term action plan with estimated costs, which is negotiated with the development partners.	MEF MNECC	AT?
		Align ODA financing for all IAs provided for in this Financing Strategy	Prioritized the allocation of grants for capacity building in key areas that increase resource mobilization and management	MEF MNECC	AT?
	4.2 Establish a National Climate and Biodiversity Finance Facility, under the leadership of the MEF	Establish the new unit in the MEF and approve new procedures coordinating functions with the MNECC and the MIRN	Government-approved unit and procedures	MEF / MNECC MIRN	AT?
		Analyze the sources of climate finance available to STP, the administrative procedures and the deadlines for its access	Mapping instruments and sources of financing for environmental and climate action	MEF MIRN	AT?
		Programming environmental ODA support for the implementation of the key areas discussed in Chapter 3	Fundraising plan to mobilize the resources of the action programs in Annex 2 of this strategy	MEF MIRN	AT?
		Strengthen the institutional capacities of the MEF and MIRN to manage the processes for systematic access to climate finance	Capacity building and short-term fundraising support plan approved by several expert partners	MEF MIRN	AT?
		Strengthen the government's institutional capacities to manage due diligence and application processes to ensure systematic access to climate finance.	Improvements in the budgetary traceability of expenditure on environmental matters are analyzed in 1.4	MEF MIRN	AT?
	4.3 Integrating new ODA approaches	Evaluate the application of new ODA modalities, such as Blended Finance, Aid for Trade, Triangular Cooperation and Results-Based Aid (ABR).	Mapping of innovative financing instruments and sources applicable in São Tomé and Príncipe	MEF MNECC	AT?
		Establish a formal dialogue with Development Partners to support the introduction of these new approaches.	Formalized the strategic coordination of ODA with concrete plans and mutual monitoring of results	MEF MNECC	AT?
5. An approach to remove binding infrastructure constraints through sustainable private investment	5.1 Sustainable Planning for Future Investment Needs	Define a long-term Prioritized Infrastructure Development Plan (PDI) aligned with the objectives of the National Spatial Plan (PNOT)	Approval of the PNOT and use as a reference for the planning and selection of investments in public and private infrastructures	MEF MIRN	AT?
			Identified priority needs and specifications of strategic infrastructure investments	MEF MIRN	AT?
			Eligible private investment areas are delimited in all possible modalities	MEF MIRN	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
		Group investment needs by desired financing modalities and sequence their implementation	Territorial infrastructure plans that consider investment possibilities through land valuation, concessions or foreign direct investment	MEF MIRN	AT?
	5.2 Integrated plan to attract large-scale structured private investment projects	Carry out pre-feasibility studies for structuring large investment projects	The studies allow the analysis of different modalities and formats of investment for each of the infrastructures evaluated.	MEF MIRN	AT?
		Design a platform for the integration of generic financing instruments to mitigate risks and increase the attractiveness of projects for foreign investors	Develop and negotiate a long-term country risk mitigation instrument to be offered as an integral part of the investment opportunity	MEF MIRN	WBMIGA
			Develop blended finance solutions (syndicated loans, dedicated facilities) that allow private investors to be offered full financing with concessional capital	MEF MIRN	WBIFC
	5.3 Private investment promotion actions targeting strategic markets	Strengthen the capacities of the Trade and Investment Promotion Agency (APCI) to implement these types of actions	Development partners support the design of a promotion plan	MEF / MIRN /APCI	AT?
			Development partners collaborate in identifying potential investor sources and setting the agenda for international events to promote STP investments	MEF / MIRN /APCI	AT?
			The MNECC makes official contacts with the embassies of the countries with interested companies	MEF / MIRN /APCI	AT?
	5.4 A campaign to mobilize resources to cover public infrastructure needs with climate and environmental finance	The PDI serves to define the long-term Priority Plan for Public Investments (PIP), which may have a component financed by environmental funds.	Align the studies carried out under the National Adaptation Plan (NAP) with the investment needs of the PIP and determine infrastructures eligible for adaptation financing.	MEF / MIRN /APCI	AT?
			Implement comprehensive resource mobilization actions, based on the preparatory studies defined in Action 4.2.	MEF / MIRN /APCI	AT?
			Promote access to the Small Island States quota of the new funds negotiated by the IMO (maritime carbon tax)	MEF / MIRN /APCI	AT?
6. Accelerate Private Sector Development	6.1 A plan to systematically reduce key obstacles to Private Sector Development	Design an agenda to improve the country's position in key private sector development indicators in the short term	Changes in the legal and regulatory framework in key areas	MEF	AT?
			Progress in reducing bureaucracy and solving problems on a case-by-case basis	MEF	AT?
			To make progress on the transparency and anti-corruption agenda under Intervention Area 3	MEF	AT?
		Design a workforce qualification plan by sectors and territories with high growth potential	Coordinated TVET actions strengthen skills with a territorial and sectoral approach	MEF	AT?
		Align long-term reform progress in strategic sectors (education, health, environment, agriculture) with short-term private sector development needs	Align the actions set out in section 1.5 with those projected in section 5.1 by setting concrete annual success targets	MEF	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
	6.2 Accelerating access to bank credit for companies established in priority sectors	Lead a political and multi-stakeholder discussion process on long-term structural reforms to reduce bank credit risk	Judicial reform should generate new capacities to improve speed and efficiency in the enforcement of contracts and the resolution of commercial disputes	MEF BCSTP	AT?
			Approval/revision of the Land Law	MEF BCSTP	AT?
			Develop and operationalize a functional collateral system to facilitate access to credit	MEF BCSTP	AT?
			Modernization of the credit register	MEF BCSTP	AT?
		Accelerate the depth and quality of business training programs	Scope and quality of business training programs (sectors, geographies)	MEF BCSTP	AT?
			Relevance and effectiveness of business training programs, by type of service provider	MEF BCSTP	AT?
		Short-term mechanisms to accelerate access to bank credit in priority sectors	Setting up a guarantee fund or similar instruments to reduce the risk of bank lending for companies established in priority sectors (tourism, agriculture, fisheries)	MEF BCSTP/ Banks	AT?
			Setting up a guarantee fund or similar instruments to reduce the risk of bank lending for companies established in priority sectors (tourism, agriculture, fisheries)	MEF BCSTP	AT?
		Encourage the development of new financial products	Focus the development of financial solutions on specific types of credit, such as mortgage credit for housing and agricultural credit	MEF BCSTP/ Banks	AT?
			export credit instruments and other financial solutions	MEF, BCSTP APCI	AT?
				MEF, BCSTP APCI	AT?
	6.3 Use ODA funds to explore business accelerator instruments	Training programs and challenge funds for startups in innovative areas of the digital economy	Annual calls started in 2026	MEF APCI	AT?
		A financial mechanism (facility) to support the export expansion of cooperatives, clusters and companies inserted in value chains	Pre-feasibility study by 2026	MEF APCI	AT?
		A financial mechanism to make Project Finance available to companies that make investments based on land value capture	Feasibility Study of new financing mechanisms carried out and approved by the government	MEF APCI	AT?
		Funds to encourage the use of the potential of the diaspora in Portugal in the expansion of national businesses in the Portuguese market	A new program to be negotiated with the government of Portugal by 2026 (see 7.4)	Portugal	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
7. Promoting Financial Inclusion and Formalizing the Informal Economy	7.1 Improving the quality of evidence-based decision-making	Conduct regular surveys to know the demand-side problem in depth	Repeat annually and publish promptly the survey to assess the levels of inclusion and financial literacy in the country	BCSTP / INE	AT?
		Strengthening capacities to assess and monitor financial inclusion	Generate and publish detailed statistics on financial inclusion	BCSTP / INE	AT?
		To analyze and respond to the needs of institutional capacity development for the implementation of this area of intervention	Develop a specific unit and the technical skills required in BCSTP	BCSTP / INE	AT?
	7.2 Reaping the social benefits of digital finance for individuals and MSMEs	A plan to accelerate the entry of Fintechs in the short term	Accelerate the development of the regulatory sandbox for Fintech	MEF BCSTP	AT?
			Accelerating the development of high-impact digital services such as e-money and credit, crowd financing and crowd investing	MEF BCSTP	AT?
		Promote the use of Fintechs to make remittances more transparent and support the formalization of informal activities	Joint actions with Fintechs in line with the incentives offered in 7.3	MEF BCSTP	AT?
			Measures to use digital (and formal) remittances as collateral for access to credit for micro-investments, property purchases, and other micro-activities	MEF BCSTP	AT?
		Eliminate barriers to tourism and the export of services	Fostering more efficient and competitive digital payment solutions for direct transfers from abroad to local service providers and businesses	MEF BCSTP	AT?
	7.3 A comprehensive program to accelerate the integration of the informal sector into the formal economy	New tax regime for MSMEs that formalize	Approval of legislative reform to introduce a registration regime with simplified administrative procedures (and using a digital government platform)	MEF BCSTP	AT?
			Single and low-cost single tax for micro-enterprises		AT?
		Incentives for formalization	Access to promotional credit for formalization (on a one-time basis and without the need for collateral)	BCSTP / Banks	AT?
			Tax exemption in the first year of formalization	MEF/ DI	AT?
			Access to social security for the entrepreneurs and their households	MEF BCSTP	AT?
			Access to small-scale public procurement	MEF BCSTP	AT?
		Increased oversight in selected sectors	Inspection systems with technical assistance	MEF BCSTP	AT?
			Unique identification numbers	MEF/ DI	AT?
			Effective Sanction Systems	MEF/ DI	AT?
		Productivity and management support programs	Integration with MSMEs' development policies (market access, finance and technology)	MEF	AT?
			Programs to strengthen associations and cooperatives	MEF	AT?

Area of intervention	Policy Objectives/Targets	Expected results	Key Performance Indicators (KPIs)	Responsible	
				Government	Partners
			Cluster and value chain development programs	MEF	AT?
			Local economic development programs	MEF	AT?
			Programs focusing on women and gender equality	MEF	AT?
	7.4 Financial literacy and promotion of the rights of vulnerable sectors	Develop and implement a plan to promote financial inclusion and access to finance for underserved populations	Focus on the target groups identified in the survey (7.1)	MEF BCSTP	AT?
		Create legal and regulatory systems to mitigate the potential adverse effects of digital financial development	New systems to control aspects related to data privacy, cybersecurity, illicit financial flows and transparency	MEF BCSTP	AT?
		Implement comprehensive financial literacy campaigns and measures to protect the most vulnerable consumers from predatory lenders and abusive practices	Partnering with leading African Fintechs to improve the financial literacy of people using cash and digital credit	MEF BCSTP	AT?

Annex 2: Possible sources to finance NDC adaptation and mitigation measures

Table 13 **Financing Matrix for Adaptation Measures with Estimated Costs (USD million)**

Measure	Estimated Cost	Type of funding	Main sources	Instrument	Priority
MAGRI.01 – Climate information and early warning	2.9	100% grant	GCF, Adaptation Fund, SOFF	Grant	Very high
MAGRI.02 – Sustainable irrigation	9.2	Grant + concessional	GCF, IFAD, AfDB	Blended finance	High
MAGRI.06 – Conservative agriculture	1.6	Dominant Grant	GEF, IFAD	Grants + microcredit	High
ECOS.01 – Natural ecosystems	6.3	100% grant	GEF, GBFF, BIOFIN	Biodiversity subsidy	Very high
M.EDIF.01 – Green building	25.3	Grant + concessional	GCF, IDA, AfDB	Blended infra	Very high
M.EDUC.02 – Green skills	1.8	Grant	GCF Readiness, EU	Technical assistance	Medium-high
M.GIZC.01 – Coastal planning	3.9	100% grant	GCF, Adaptation Fund	Grant	Very high
M.GIZC.02 – Mangroves	13.6	Grant + Blue Carbon	GEF, GBFF, GCF	Grant + Carbon Preparation	Very high
M.HUOT.01 – Land use regulations	0.43	Grant	GCF Readiness	Technical assistance	High
M.INFR.01 – Resilient infrastructures	109.8	Grant + concessional	GCF, IDA, AfDB	Resilient infrastructure	Very high
M.CFSP.01 – Resilient auctions	10.5	Grant + concessional	AfDB, IFAD	Blended	High
M.PESC.02 – Fiber boats	21.8	Subsidy + credit	IFAD, banks	Matching grant	Medium-high
M.CFSP.03 – Aquaculture	2.5	Blended	IFAD, FAO	Credit + TA	Medium-high
M.CFSP.04 – FADs	7.8	Grant	FAO, GEF	Grant	Average
M.PESC.05 – Selective Gear	9.6	Grant	GEF, FAO	Grant	Average
M.SILV.01 – Forests	4.5	Grant + carbon	GEF, REDD+	Result-based	Very high
WASH.01 – Water	86.4	Grant + concessional	GCF, IDA	Resilient infrastructure	Very high
WASH.03 – Basins	0.85	Grant	GEF, UNEP	Grant	High
WASH.04 – Water plan	6.3	Grant	GCF Readiness	Technical assistance	High

Table 14 **Financing Matrix for Mitigation Measures with Estimated Costs (USD million)**

Measure	Estimated Cost	Type of funding	Main sources	Instrument	Priority
M.ENE.02 – Gueguê Mini-hydro	1.08	Concessional + grant	AfDB, SEFA, GCF	Project finance	Very high
M.ENE.03 – Hydroelectric Plants (Ribeira Peixe)	75.8	Concessional + private	AfDB, WB, GCF	Project finance	Very high
M.ENE.04 – Claudino Mini-hydro	17.5	Concessional	AfDB	Project finance	High
M.ENE.05 – Solar PV (Married Water)	60.4	Private + concessional	IPPs, GCF	PPP/IPP	Very high
R.ENE.06 – Solar + storage	10.2	Blended	GCF, CIF	Blended finance	Very high
M.ENE.09 – Biomass	1.0	Blended	GCF, private	Project finance	Average
M.RES.01 – Energy efficiency	1.0	Grant + concessional	GCF, EU	Programmatic	High
M.SPB.01 – Efficient lighting	2.0	Concessional	WB, AfDB	Programmatic	High

Notes: AfDB=African Development Bank; CIF=Climate Investment Funds; EU=European Union; FAO= Food and Agriculture Organization of the United Nations; GBFF=Global Biodiversity Framework Fund; GCF=Green Climate Fund; GEF=Global Environment Facility; IDA=International Development Association; IFAD=International Fund for Agricultural Development; SEFA=Sustainable Energy Fund for Africa; SOFF=Systematic Observations Financing Facility; WB=World Bank