



São Tomé and Príncipe

Sectoral Scenarios for São Tomé and Príncipe

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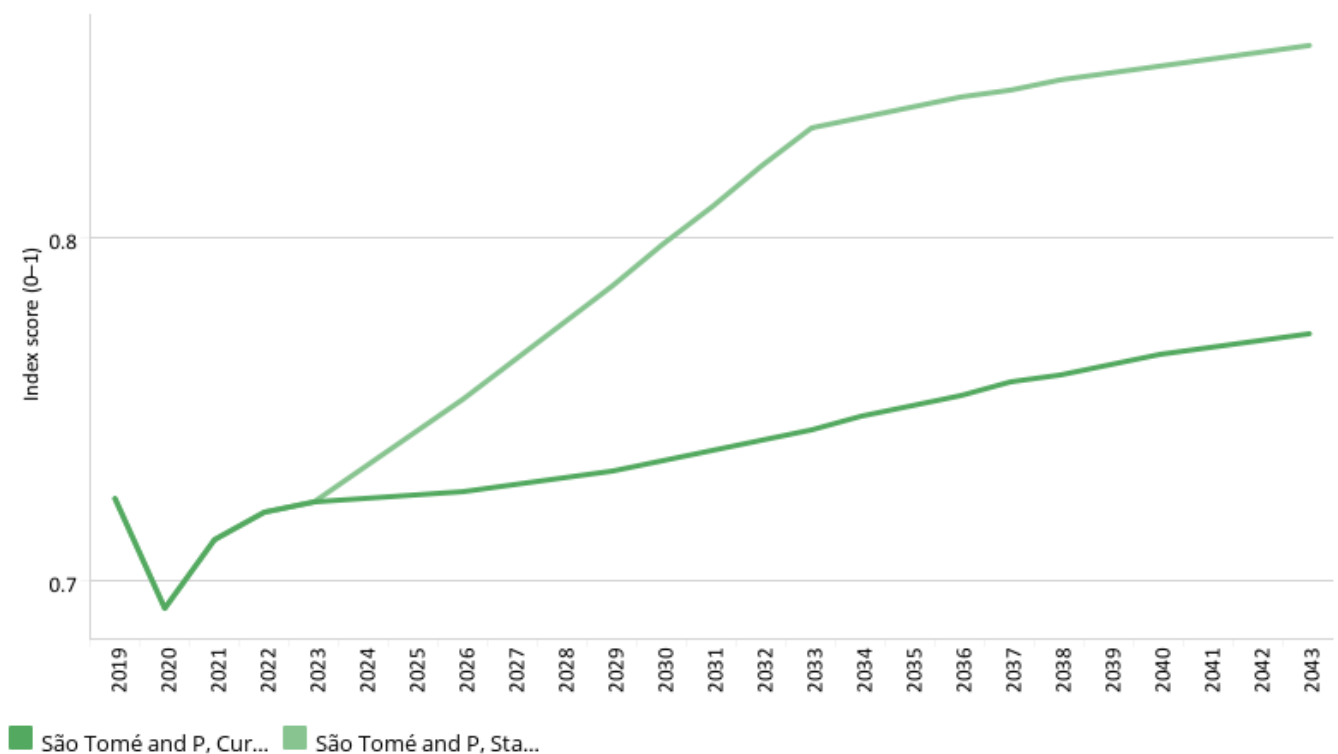


Stability scenario

Chart 13: Governance security in CP and Stability scenario, 2019–2043
IFs index 0–1



São Tomé and P ▼



Source: IFs 7.63 governance security index using internal war and government risk

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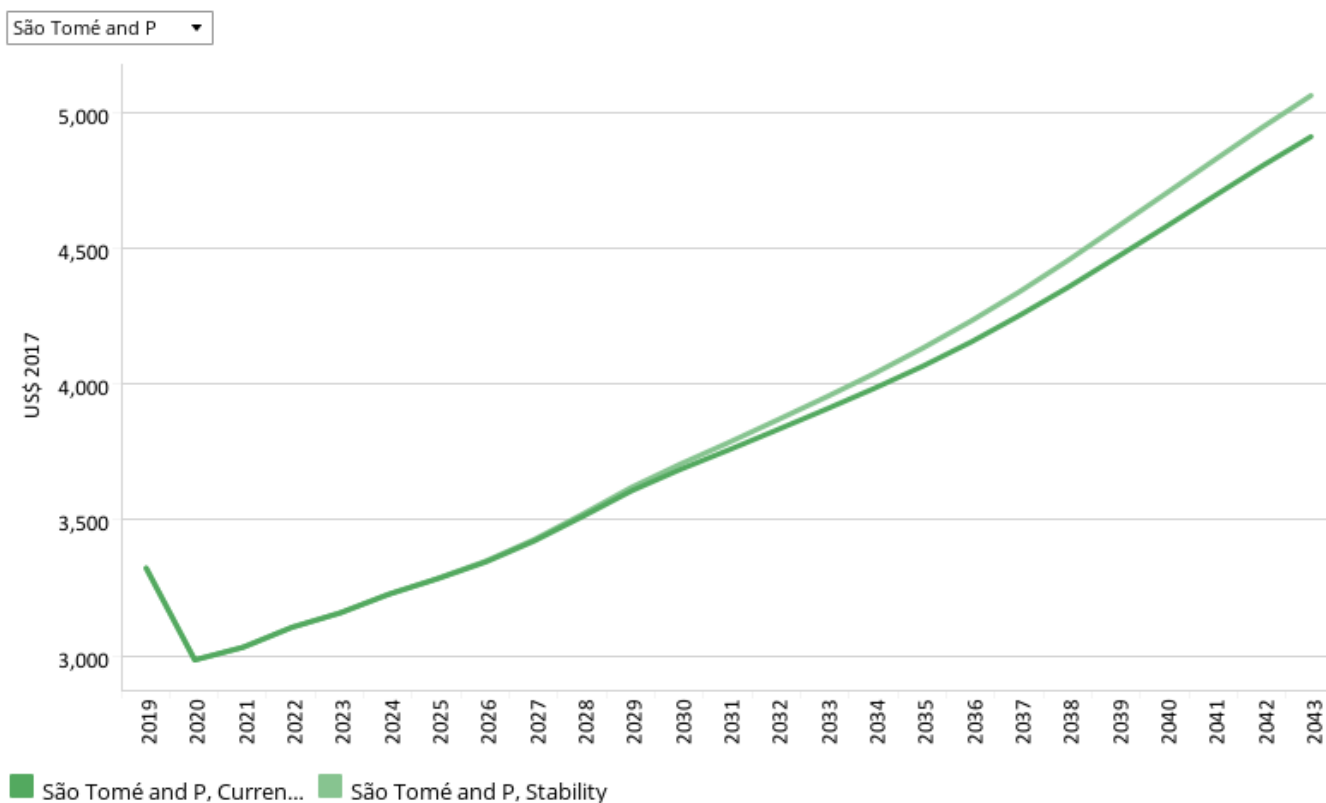
The Stability scenario represents reasonable but ambitious reductions in risk of regime instability and lower levels of

internal conflict. Stability is generally a prerequisite for other aspects of development and this would encourage inflows of foreign direct investment (FDI) and improve business confidence. Better governance through the accountability that follows substantive democracy is modelled separately.

The intervention is explained [here](#) in the thematic part of the website.

Since independence, São Tomé and Príncipe has had a history of political instability; however, the 1990 constitution ushered the country into a system of multiparty democracy. Since then, there have been peaceful transfers of power from one party to another, helping to promote stability in the country. The country's president is elected democratically for a five-year term. The incumbent Carlos Vila Nova took power from the opposition party in 2021. The prime minister is appointed by the president but must receive the approval of the majority party in the National Assembly. Finally, members of the National Legislative Assembly are elected for a four-year period. In 2019, São Tomé and Príncipe's score on the governance security index was 0.72, which was on par with the average for lower middle-income countries in Africa. In the Stability scenario, the country's score is projected to rise to 0.86 in 2043, which is 0.09 points above the Current Path forecast in the same year. The forecast for the country remains on par with that projected for lower middle-income Africa.

Chart 14: GDP per capita in CP and Stability scenario, 2019–2043
Purchasing power parity



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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In 2019, the GDP per capita for São Tomé and Príncipe was US\$3 322, which was less than the average of US\$6 989 for lower middle-income countries in Africa. In the Stability scenario, GDP per capita is projected to increase to US\$5 062 by 2043, representing an increase of 52.4% over the period. The Stability scenario has the potential to raise the GDP per

capita by an additional US\$152 compared to the Current Path forecast in 2043. This will still be US\$4 080 lower than the average of US\$9 142 for lower middle-income countries in Africa. The anticipated growth in GDP can be explained by the fact that good governance attracts foreign investment that ultimately stimulates economic growth.

Chart 15: Poverty in CP and Stability scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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With São Tomé and Príncipe being a lower middle-income country, it uses the global poverty benchmark of US\$3.20. In 2019, the number of poor people was 158 000, equivalent to 72.6% of the population. The Stability scenario will reduce the proportion of people living below the poverty line to 60.5% by 2043, which is 1.5 percentage points below the Current Path forecast, but 22.2 percentage points below the average for lower middle-income countries in Africa. Also, the number of poor people will decline from the 218 000 people projected on the Current Path to 209 000 people in the Stability scenario in 2043. This means that by 2043 the materialisation of the Stability scenario could lead to 9 000 fewer poor people compared to the Current Path forecast.

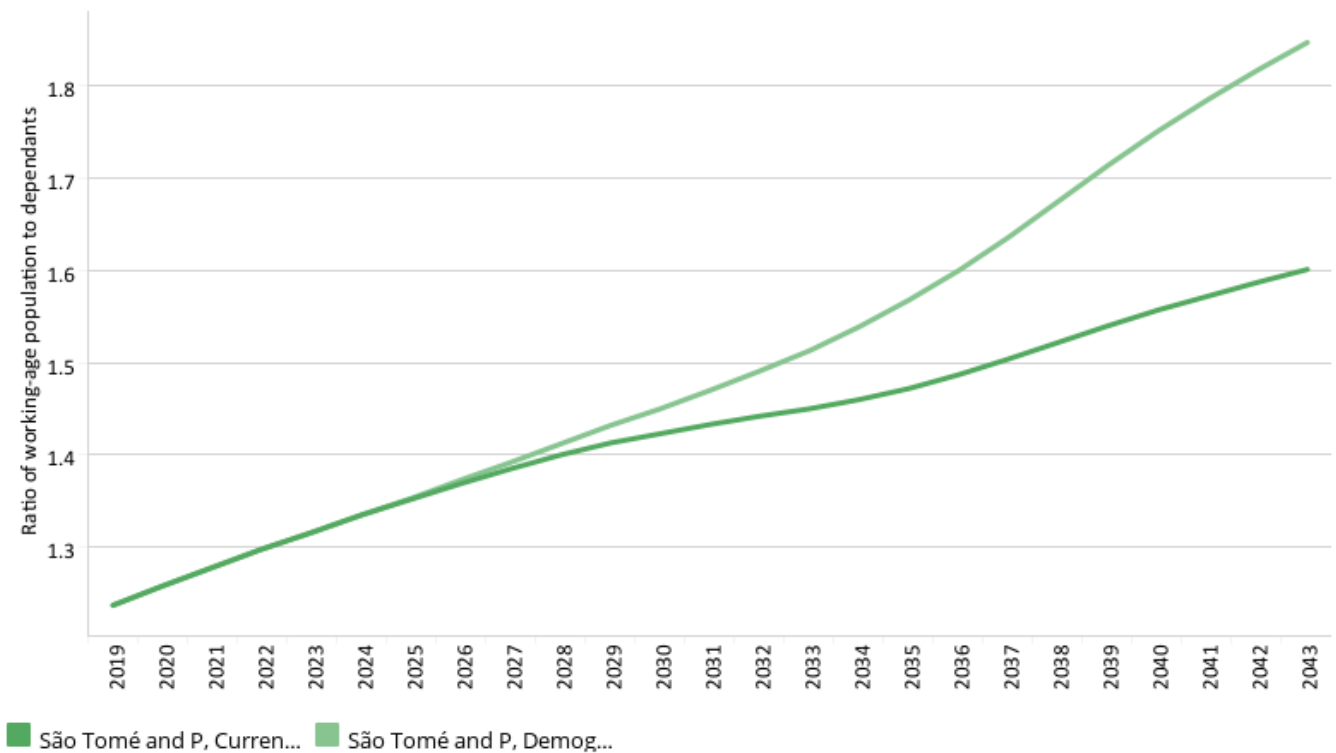


Demographic scenario

Chart 16: Demographic dividend in CP and Demog scenario, 2019–2043
Ratio of working-age population to dependants



São Tomé and P



Source: IFs 7.63 initialising from UN Population Division Population Prospects

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This section presents the impact of a Demographic scenario that aims to hasten and increase the demographic dividend through reasonable but ambitious reductions in the communicable-disease burden for children under five, the maternal mortality ratio and increased access to modern contraception.

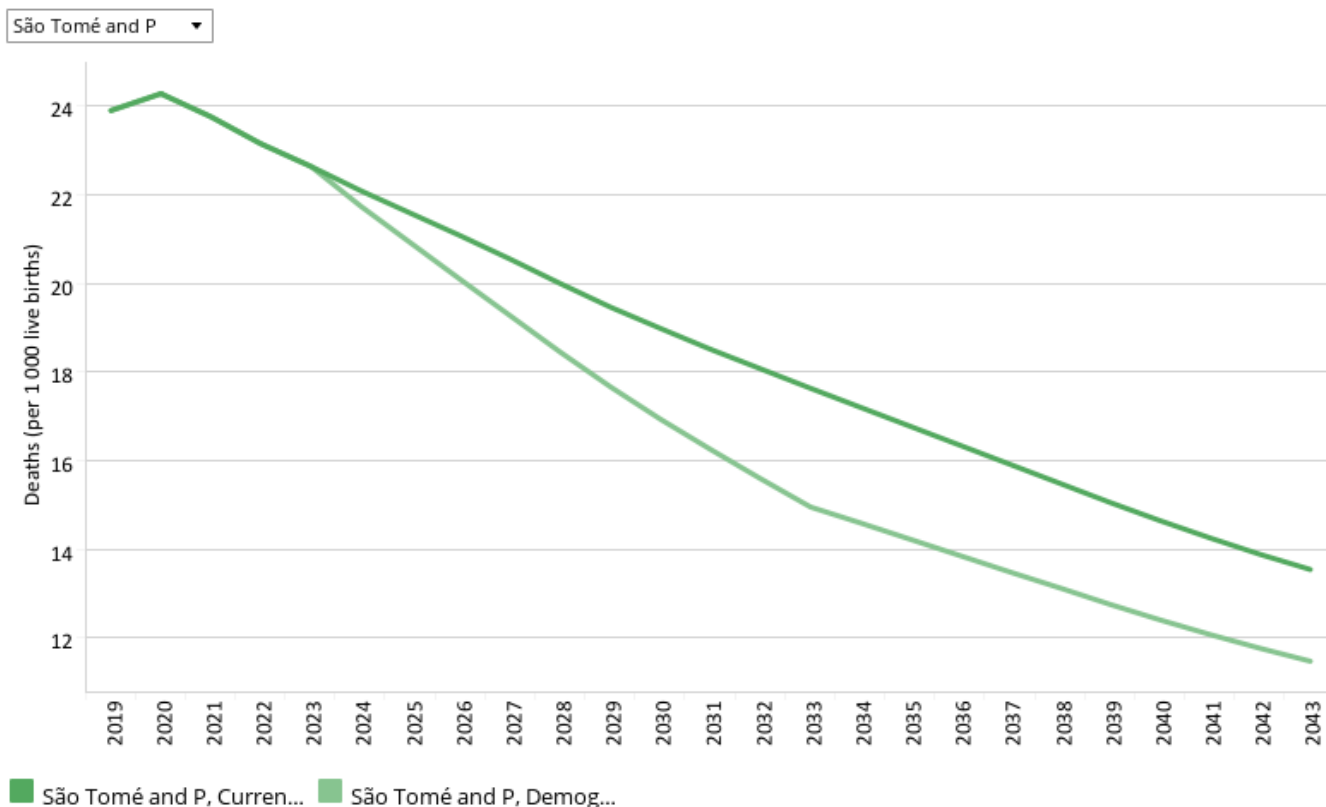
The intervention is explained [here](#) in the thematic part of the website.

Demographers typically differentiate between a first, second and even a third demographic dividend. We focus here on the contribution of the size of the labour force (between 15 and 64 years of age) relative to dependants (children and the elderly) as part of the first dividend. A window of opportunity opens when the ratio of the working-age population to dependants is equal to or surpasses 1.7.

In 2019, the ratio of the working-age persons to dependants in São Tomé and Príncipe was 1.2, which means that there were 1.2 working-age people for each dependant in the country. This was less than the average of 1.32 for lower middle-income countries in Africa and less than the average 1.3 for Africa. In the Current Path forecast, the country will not be able to reach its demographic dividend in the forecast horizon. In the Demographic scenario, São Tomé and Príncipe is projected to reach its demographic dividend by 2039 so that by 2043, the ratio of working-age persons to dependants is projected to be 1.9. This is higher than the projection of 1.6 on the Current Path and the 1.6 projected average for lower middle-income countries in Africa. São Tomé and Príncipe's attainment of the demographic dividend can be attributed to

the improved contraceptive use that is expected to lead to a decline in fertility rates in the Demographic scenario. It can also stem from a reduction in infant and maternal mortality and increased lifespan.

Chart 17: Infant mortality in CP and Demog scenario, 2019–2043
Deaths per 1 000 live births



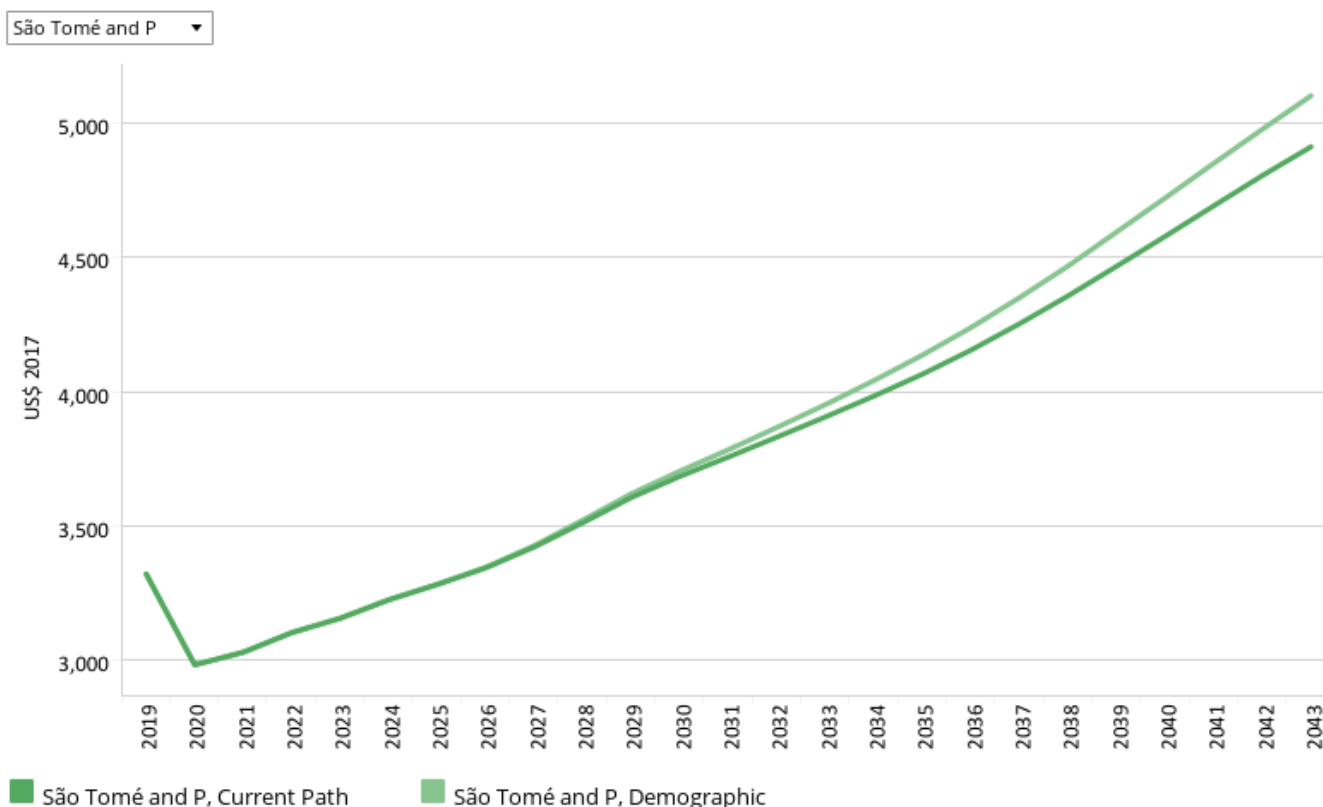
Source: IFs 7.63 initialising from Institute for Health Metrics and Evaluation Mortality Visualization Tool data

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The infant mortality rate is the number of infant deaths per 1 000 live births and is an important marker of the overall quality of the health system in a country.

In 2019, the infant mortality rate in São Tomé and Príncipe was 23.9 deaths per 1 000 live births. This figure is significantly lower than the average of 46.4 for lower middle-income countries in Africa. By 2043, the Demographic scenario will lead to a decline in infant mortality of 11.5 deaths per 1 000 live births, which is 2 deaths lower than the Current Path forecast and 18.2 deaths lower than the average for lower middle-income countries in Africa.

Chart 18: GDP per capita in CP and Demog scenario, 2019–2043
Purchasing power parity

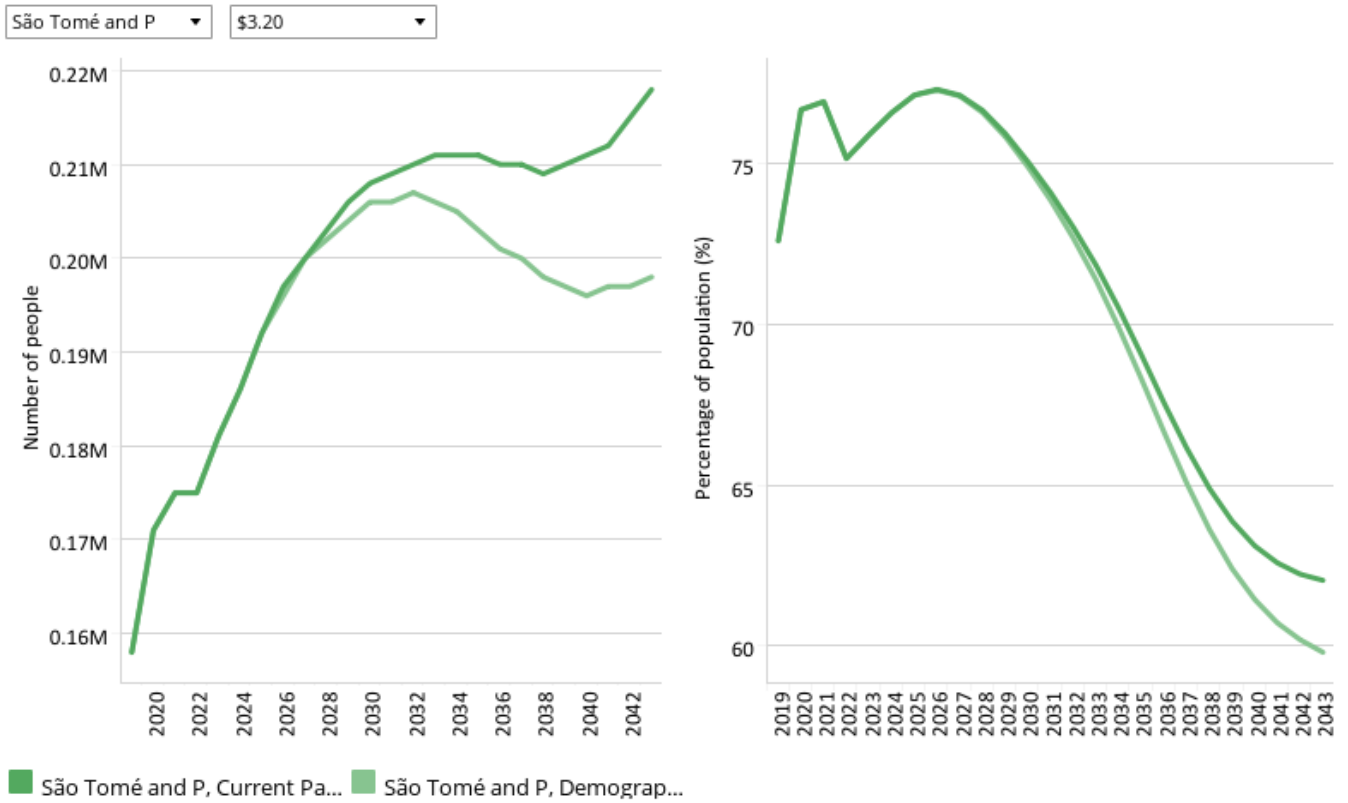


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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In 2019, the GDP per capita for São Tomé and Príncipe was US\$3 322, which was far below the US\$6 989 average for lower middle-income African countries. By 2043, it is estimated that based on the Demographic scenario, GDP per capita will increase to US\$5 100, which is US\$190 more than the projected US\$4 910 on the Current Path in the same year. The additional increase in GDP per capita as a result of the Demographic scenario can be as result of the projected decline in population growth due to decline in fertility rates. However, the projected GDP per capita in the Demographic scenario will be US\$4 042 less compared to the average for lower middle-income countries in Africa.

Chart 19: Poverty in CP and Demog scenario, 2019–2043
Millions of people and % of total population



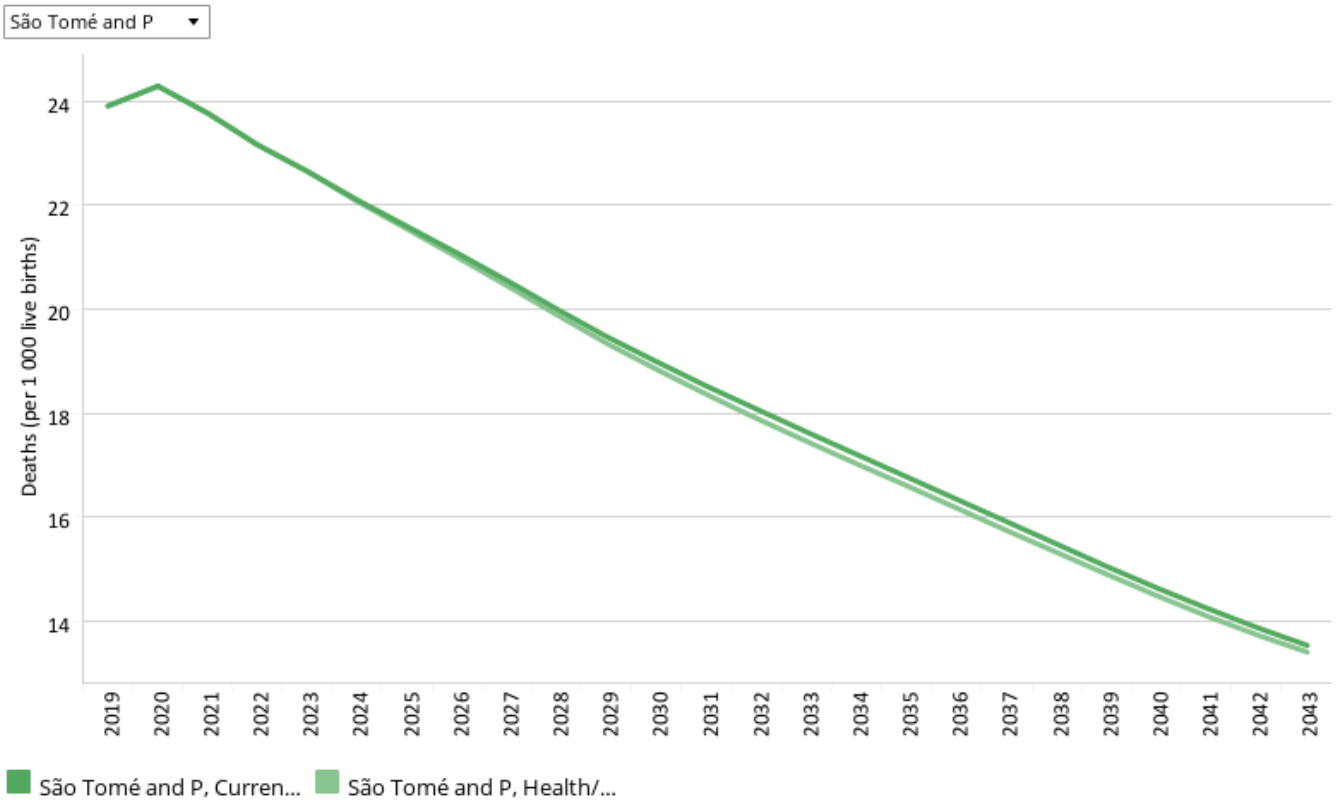
Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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In the Demographic scenario, the number of poor people in São Tomé and Príncipe will decline to 198 000 in 2043, which will be 20 000 people fewer than in the Current Path forecast. Similarly, the proportion of the poor population can be reduced to 59.8% in the Demographic scenario, which is 2.2 percentage points lower than the Current Path forecast but 21.5 percentage points higher than the average for lower middle-income Africa in 2043. The decline in both the number and portion of poor people in the Demographic scenario compared to the Current Path forecast is indicative of the decline in population size as a result of a reduction in fertility rates.

Chart 21: Infant mortality in CP and Health/WaSH scenario, 2019–2043
Deaths per 1 000 live births



Source: IFs 7.63 initialising from Institute for Health Metrics and Evaluation Mortality Visualization Tool data

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As noted earlier, the infant mortality rate per 1 000 live births in São Tomé and Príncipe in 2019 was 23.9 — below the average of 46.4 for lower middle-income countries in Africa. By 2043, infant mortality per 1 000 live births in the country will be 13.4 in the Health/WaSH scenario and 13.5 in the Current Path forecast, respectively, both of which are far lower than the projected average for lower middle-income countries in Africa. This means that the Health/WaSH scenario reduces infant mortality only slightly more than the Current Path forecast. The Demographic scenario leads to a much quicker reduction in infant mortality compared to the Health/WaSH scenario.



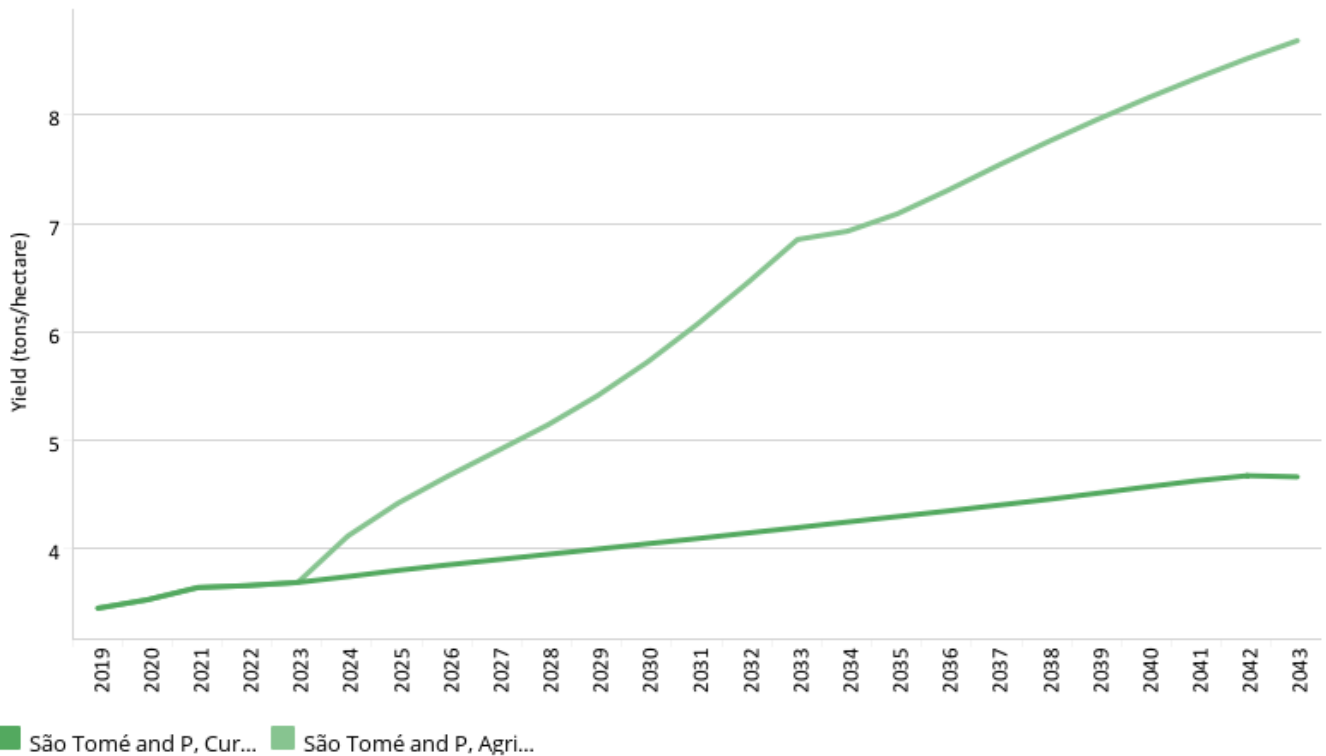
Agriculture scenario

Chart 22: Yield/hectare in CP and Agric scenario, 2019–2043

Pre-loss levels



São Tomé and P



Source: IFs 7.63 initialising from FAOSTAT on-line statistical service data

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The Agriculture scenario represents reasonable but ambitious increases in yields per hectare (reflecting better management and seed and fertiliser technology), increased land under irrigation and reduced loss and waste. Where appropriate, it includes an increase in calorie consumption, reflecting the prioritisation of food self-sufficiency above food exports as a desirable policy objective.

The intervention is explained [here](#) in the thematic part of the website.

The data on yield per hectare (in metric tons) is for crops but does not distinguish between different categories of crops.

The São Tomean agriculture sector provided employment for about 18.7% of the population in 2020. In 2019, the average yield per hectare for crops was 3.5 metric tons, which was lower than the average of 5.1 metric tons per hectare for lower middle-income countries in Africa. This means that compared to its income group peers, São Tomé and Príncipe has not been able to adopt measures such as improved technology and mechanised agriculture that could increase yield per hectare. This has led to demand exceeding production in the country. Agricultural yield per hectare is projected to increase in both the Current Path forecast and the Agriculture scenario, although the increase is much quicker in the latter. By 2043, the Current Path forecast will lead to an increase in yield per hectare of 4.7 metric tons, which is still below the

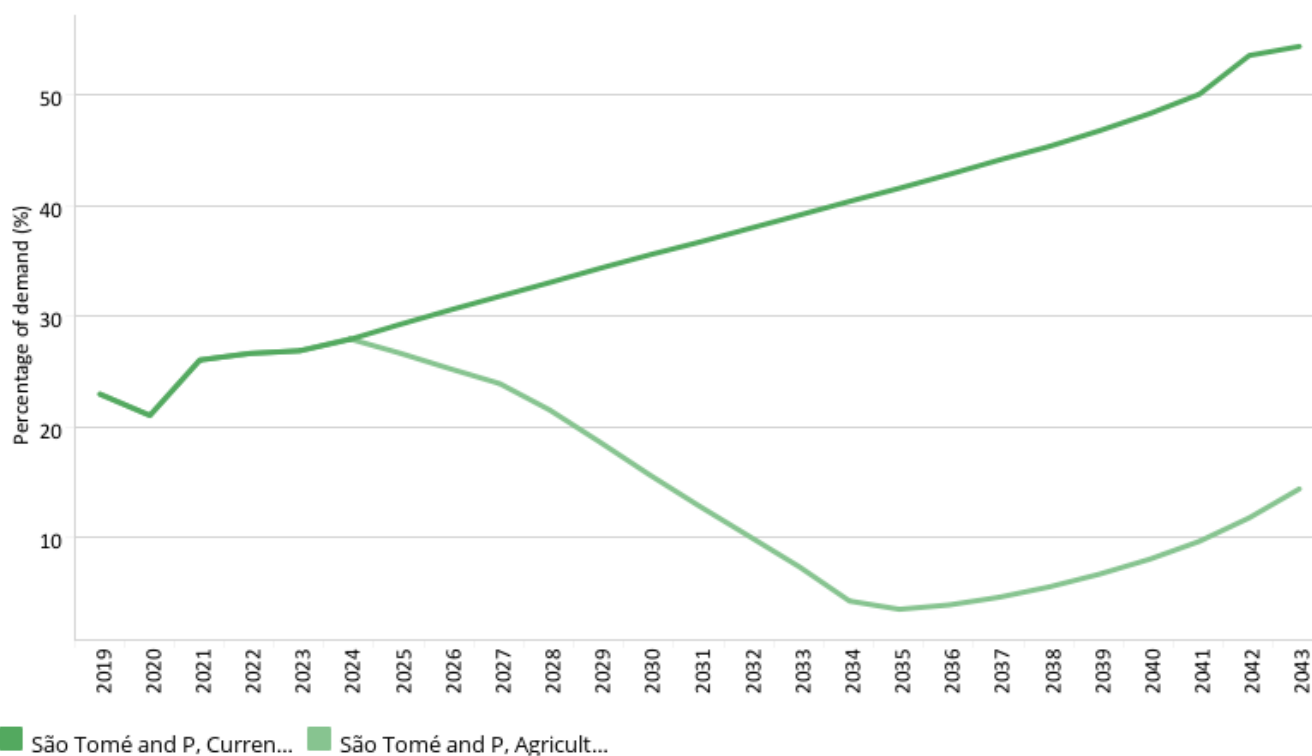
average for lower middle-income Africa. In the Agriculture scenario, the projected yield per hectare climbs to 8.7 metric tons, which is 4 metric tons per hectare more than the Current Path estimates. The projections in the Agriculture scenario will be higher than the average of 6.1 metric tons projected for lower middle-income African countries.

Chart 23: Agriculture imports in CP and Agric scenario, 2019–2043

Net imports for meat, crops and fish, % of demand



São Tomé and P



Source: IFs 7.63 initialising from Food and Agriculture Organization Food Balance Sheets data

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In 2019, the net agricultural import was 23% of agricultural demand in São Tomé and Príncipe, which was above the average of 13.3% for lower middle-income countries in Africa. The country imports large quantities of food to meet its growing demands. The major food items imported into the country are wheat, rice, soybeans, oil and sugar. Based on the Current Path forecast, import dependence will grow to 54.3% of total demand by 2043 as demand surpasses domestic production. The situation is mitigated in the Agriculture scenario as the net agricultural import deficit declines until it reaches a minimum of 3.6% in 2035. Afterwards, it assumes an upward trend so that by 2043, the country's net import of agricultural products will be 14.4% of total agricultural demand. This will be lower than the projected average of 36.8% for lower middle-income countries in Africa.

Chart 25: Poverty in CP and Agric scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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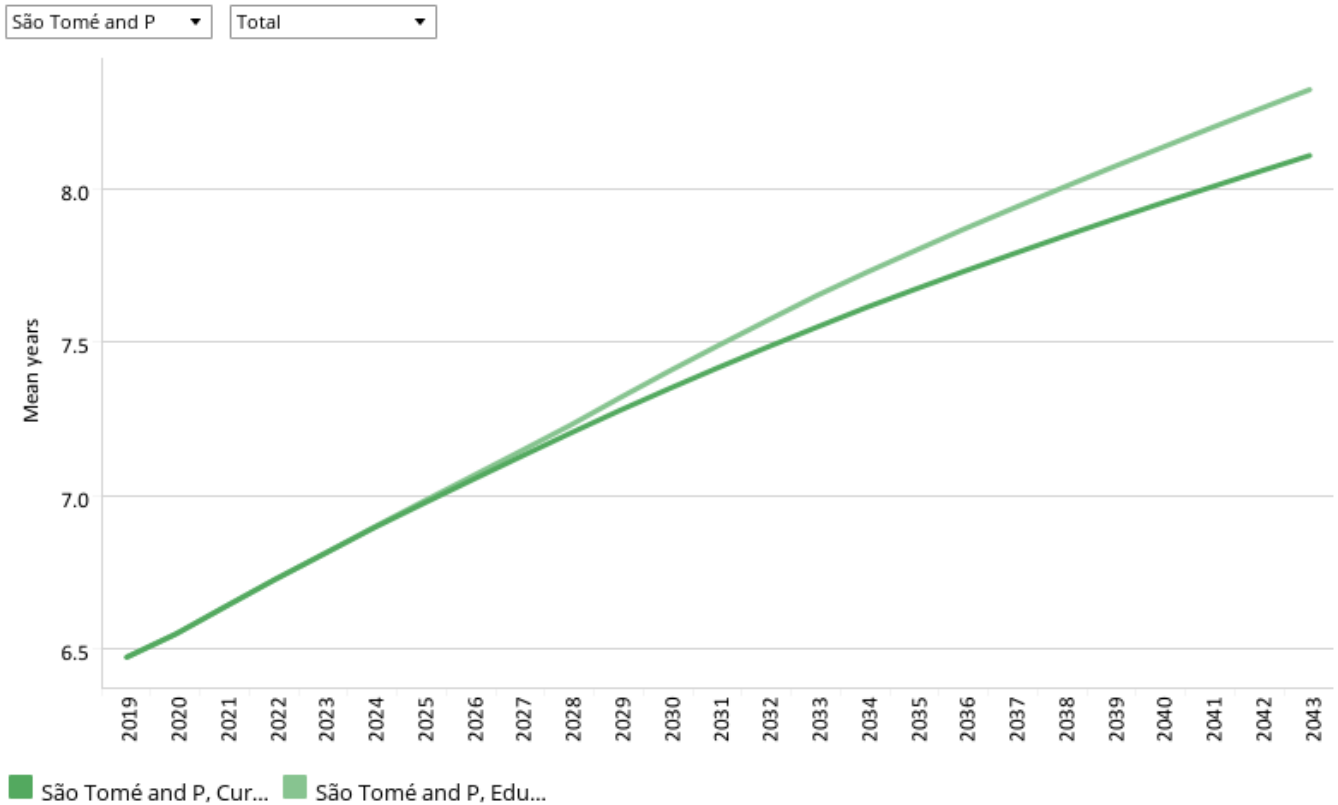
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In the Agriculture scenario, it is forecasted that 195 000 people, representing 55.6% of the population, will live on less than US\$3.20 a day by 2043. This is 6.4 percentage points lower than Current Path forecast but 17.3 percentage points above the average for lower middle-income countries in Africa. It means that the Agriculture scenario could reduce absolute poverty by 23 000 people in São Tomé and Príncipe. The effect of agriculture on poverty reduction is expected, given that most of the poor people in the country depend on subsistence agriculture and farming to survive, especially those working in the cacao plantations.



Education scenario

Chart 26: Mean years of education in CP and Educ scenario, 2019–2043
Mean years of adult (+15) education



Source: IFs 7.63 initialising from Barro-Lee data

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The Education scenario represents reasonable but ambitious improved intake, transition and graduation rates from primary to tertiary levels and better quality of education. It also models substantive progress towards gender parity at all levels, additional vocational training at secondary school level and increases in the share of science and engineering graduates.

The intervention is explained [here](#) in the thematic part of the website.

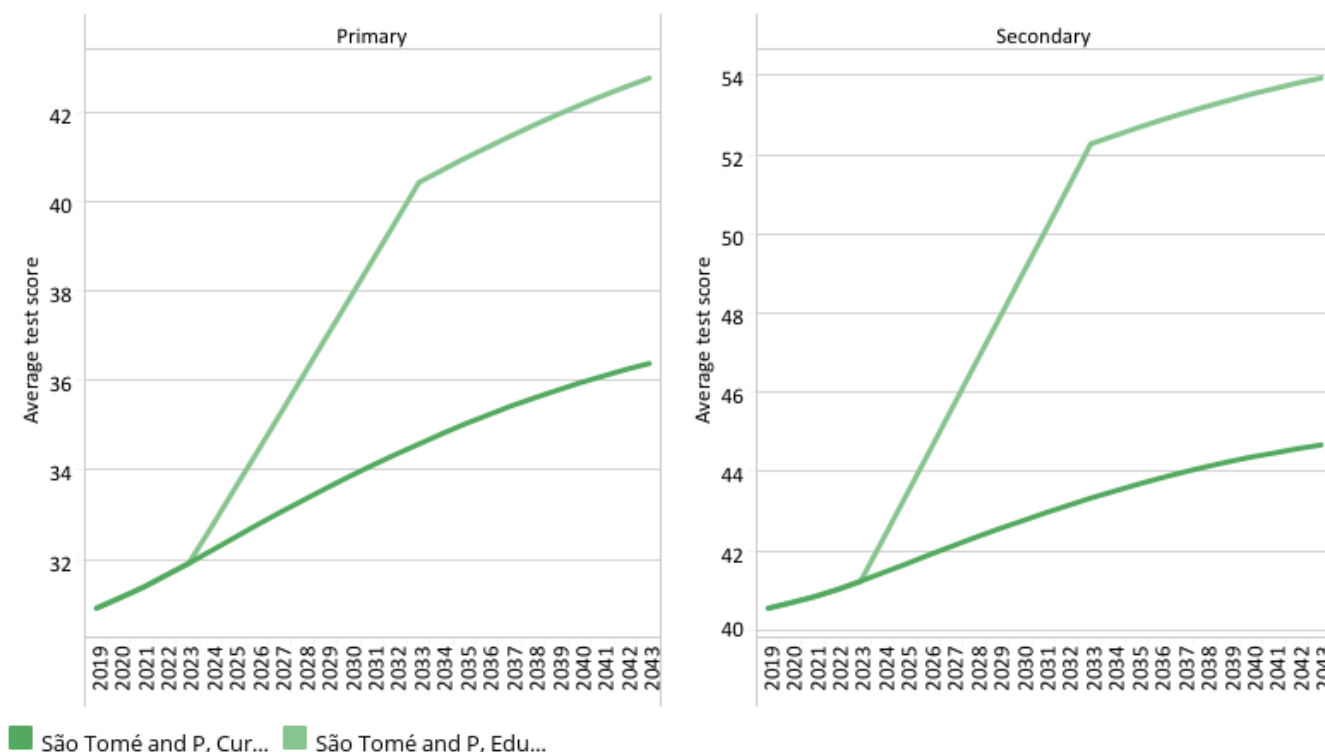
São Tomé and Príncipe has made significant gains in its educational sector. However, there are still challenges. According to the country's outlined education sector plan, the Educational Policy Charter 2012–2020, the objective is for the government to provide free, quality education to all children in the country. Primary education is universal, free and compulsory up to the age of 15, although families are responsible for buying items such as books and uniforms. Despite the high literacy rate, higher education enrolment and attendance is very low. For instance, in 2010, the number of young people with post-primary education stood at about 1.2% of the total youth population. In 2019, São Tomé and Príncipe's mean years of education was 6.5, which was below the average of 7.2 for lower middle-income countries on the continent. In terms of gender, the mean years of education for males were 6.8 years, which is 0.6 years more than the average for females of 6.2 years. This means that on average, men are more likely to attain an additional 0.6 years of higher education compared to women. The gap in favour of men for mean years of education in São Tomé and Príncipe is lower than the average of 1.3 years for lower middle-income countries in Africa. By 2043, in the Education scenario, it is expected that the

mean years of education will rise to 8.3 years, which will be 0.2 years more than the Current Path estimates of 8.1 and 0.2 years fewer than the average for lower middle-income countries in Africa at 8.5. Also, in the Education scenario, the gender gap regarding mean years of education will be 0.1 years in favour of women in 2043 compared to the 0.9 years in favour of men for the average lower middle-income countries in Africa within the same period. This suggests that over the forecast period, São Tomé and Príncipe will perform better at ensuring equal school enrolment for boys and girls.

Chart 27: Education quality in CP and Educ scenario, 2019–2043
Average test scores for primary and secondary learners



São Tomé and P



Source: IFs 7.63 initialising from World Bank EDSTATS

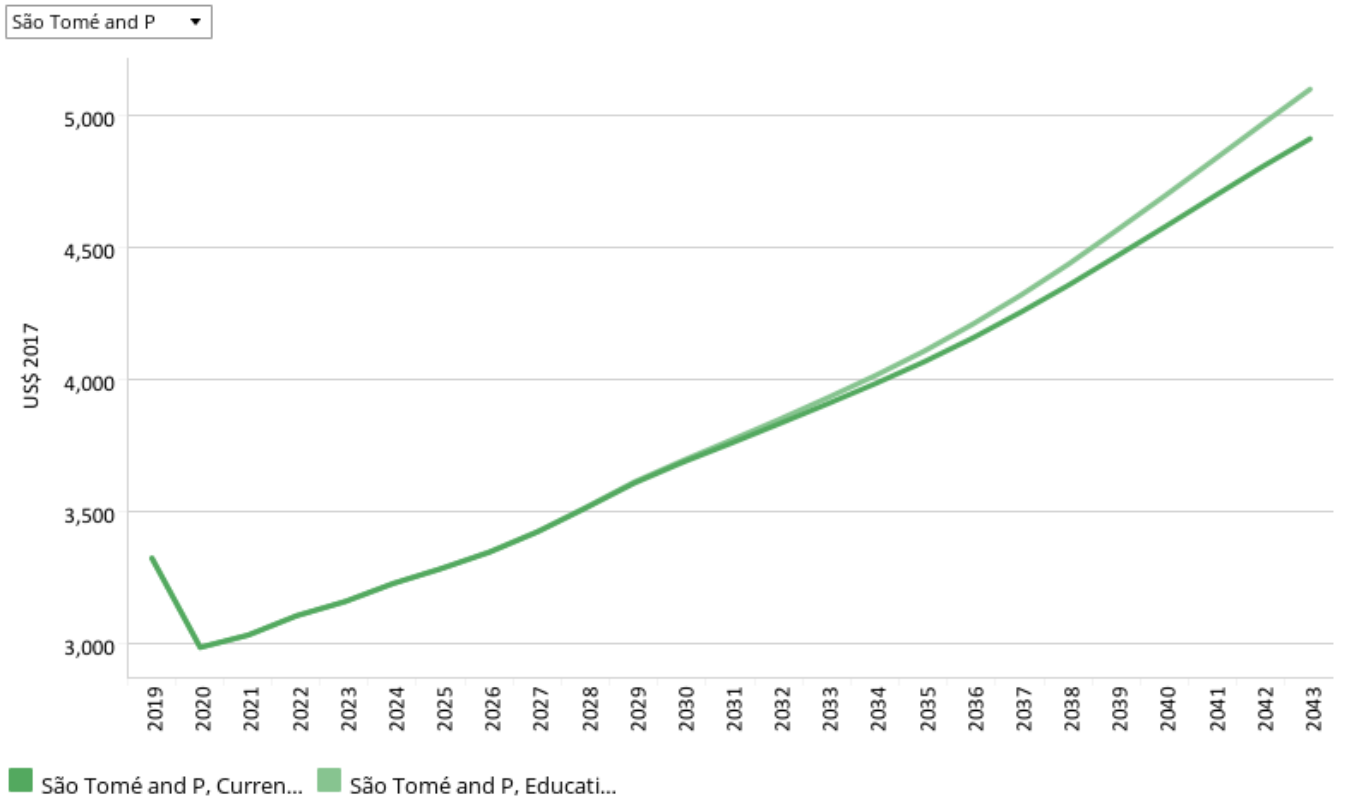
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The main challenges facing the educational sector in São Tomé and Príncipe are low quality, poor governance and the inefficiency of the education sector. For instance, it is estimated that about 60% of primary school teachers lack the requisite qualifications. The average test score for primary learners in São Tomé and Príncipe for 2019 was 30.9 out of 100, which was less than the average of 33.6 for lower middle-income countries in Africa. The Education scenario will increase the average test scores for primary learners to 42.8, compared to the Current Path scenario which is estimated at 36.3. Moreover, the Education scenario for 2043 will result in scores which are 7.5 percentage points more than the average for lower middle-income African countries.

In 2019, the average secondary learner test score for São Tomé and Príncipe was 40.6 out of 100, which was below the average of 41.7 for lower-middle-income African countries. São Tomé and Príncipe performs relatively better at secondary level than at primary level. By 2043, the average test scores for secondary learners in the Education scenario is projected to rise to 53.9, which is 9.2 percentage points above the Current Path estimates and 12.1 percentages higher than the average of 41.8 for lower middle-income countries in Africa.

Chart 28: GDP per capita in CP and Educ scenario, 2019–2043
Purchasing power parity



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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By 2043, the GDP per capita in São Tomé and Príncipe as a result of the Education scenario is estimated to be US\$5 098, which is US\$188 more than the projected US\$4 910 in the Current Path forecast. Investment in education increases the human capital formation of a country, which ultimately leads to improvements in productivity and economic growth. The projected GDP per capita in the Education scenario is still below the average of US\$9 142 for lower middle-income countries in Africa.

Chart 29: Poverty in CP and Educ scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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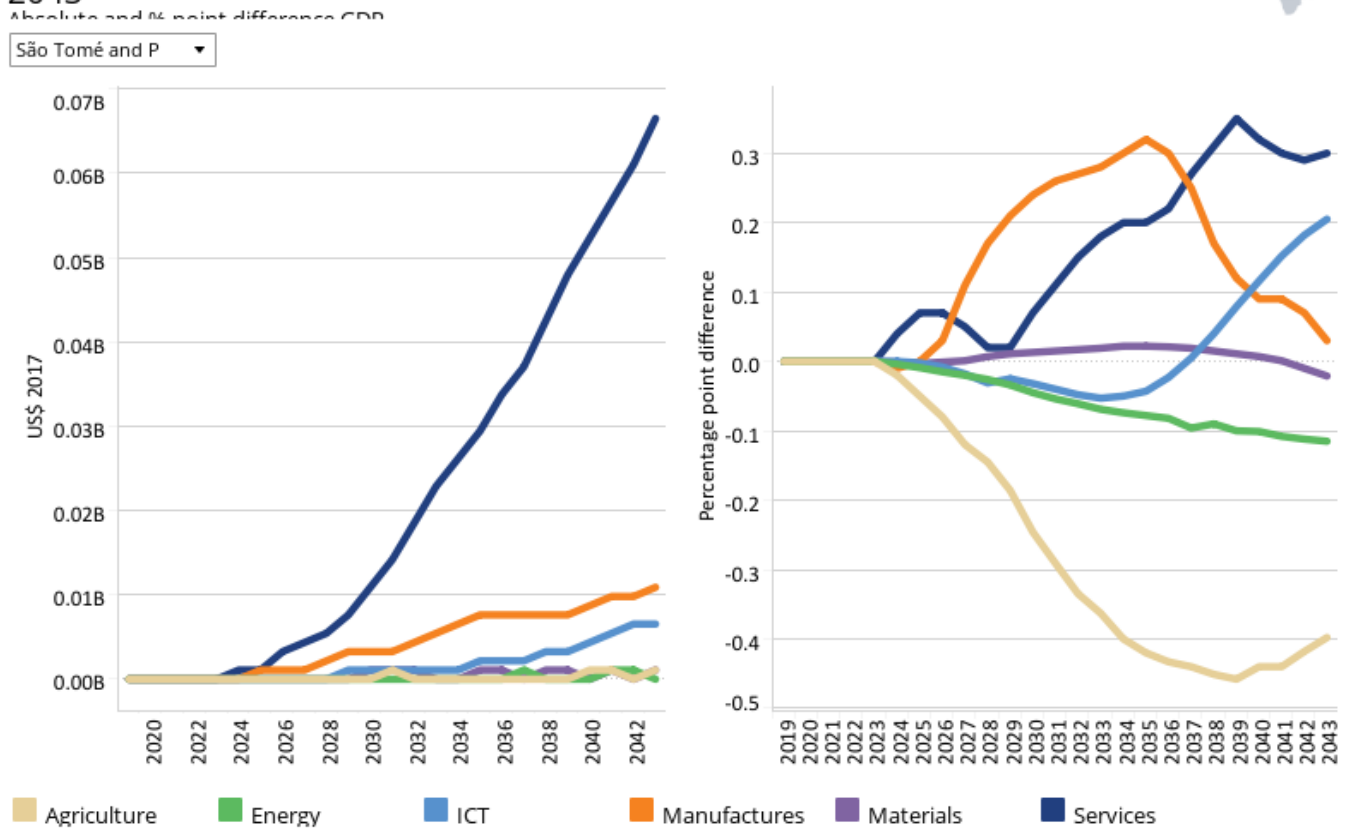
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By 2043, in the Education scenario, it is projected that there will be 211 000 poor people (60.2% of the population). This means that the Education scenario will contribute to reducing the number of poor people by 7 000 in 2043 compared to the Current Path forecast. Education improves the viability of getting jobs or starting a business, which improves livelihoods and reduces poverty. However, the realisation of the effect of education takes time due to the years of training necessary. Also, the proportion of poor people in São Tomé and Príncipe based on the Education scenario will be 21.9 percentage points higher than the average for lower middle-income countries in Africa.



Manufacturing scenario

Chart 30: Value added by sector in CP and Manufac/Transfers scenario, 2019–2043



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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The Manufacturing/Transfers scenario represents reasonable but ambitious manufacturing growth through greater investment in the economy, investments in research and development, and promotion of the export of manufactured goods. It is accompanied by an increase in welfare transfers (social grants) to moderate the initial increases in inequality that are typically associated with a manufacturing transition. To this end, the scenario improves tax administration and increases government revenues.

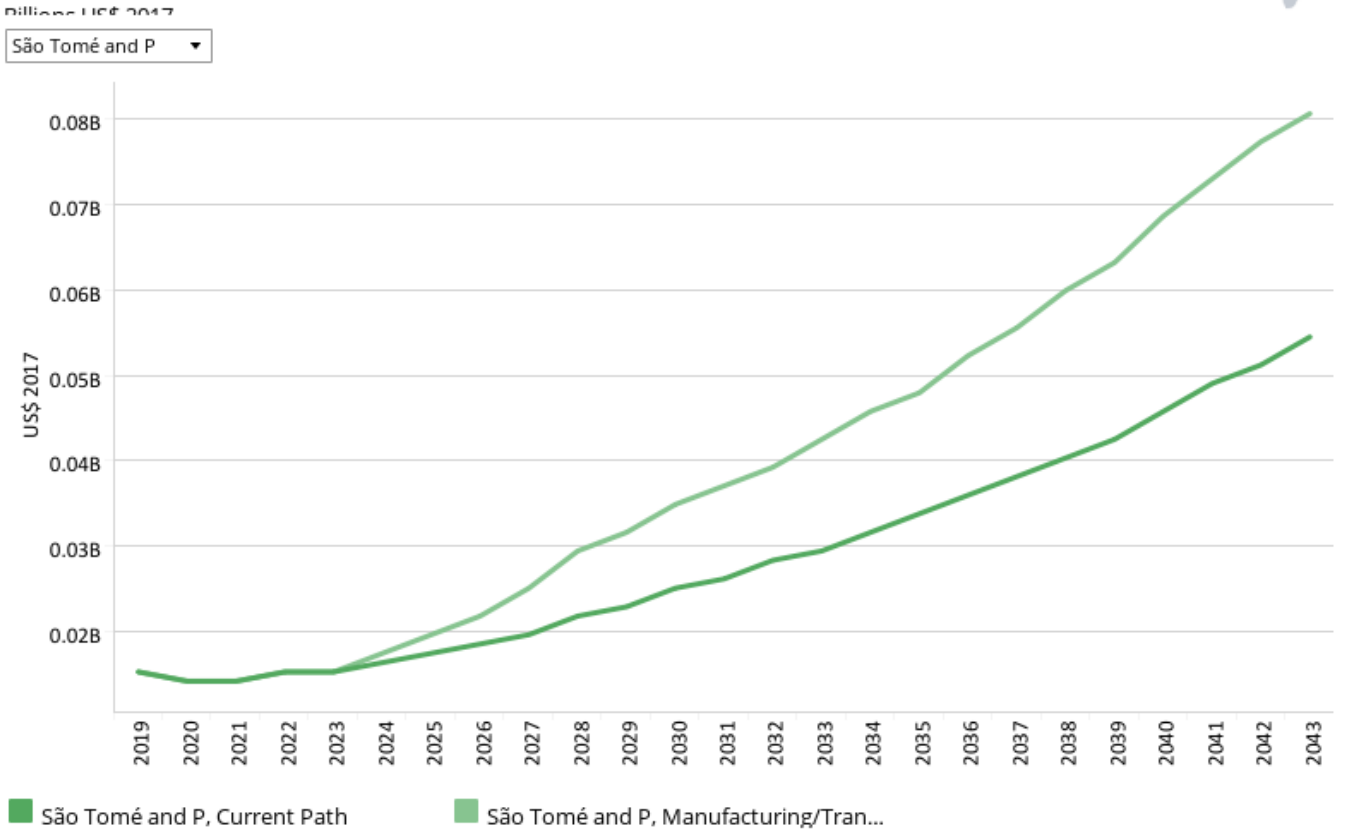
The intervention is explained [here](#) in the thematic part of the website.

Chart 30 should be read with [Chart 8](#) that presents a stacked area graph on the contribution to GDP and size, in billion US\$, of the Current Path economy for each of the sectors.

In the Manufacturing/Transfers scenario, the service sector will be the largest contributor to the GDP of São Tomé and Príncipe with an absolute contribution of US\$70 million more by 2043 compared to the Current Path forecast. This will correspond to a rate of contribution of a 0.30 percentage point difference. The manufacturing sector, which is the second largest contributor, is also projected to contribute an additional US\$10 million to GDP by 2043. However, its rate of contribution will increase and peak at a 0.32 percentage point difference in 2035 and decline afterwards to a 0.03 percentage point difference to GDP based on the Manufacturing/Transfers scenario in 2043. The third contributor to GDP in this scenario is ICT with a rate of contribution of 0.21 percentage point difference by 2043. The rate of the agriculture

sector's contribution to GDP based on the difference between the Manufacturing/Transfers scenario and the Current Path forecast is negative and declining throughout the period such that by 2043, its rate of contribution will be a 0.40 percentage point difference.

Chart 31: Gov welfare transfers in CP and Manufac/Transfers scenario, 2019–2043

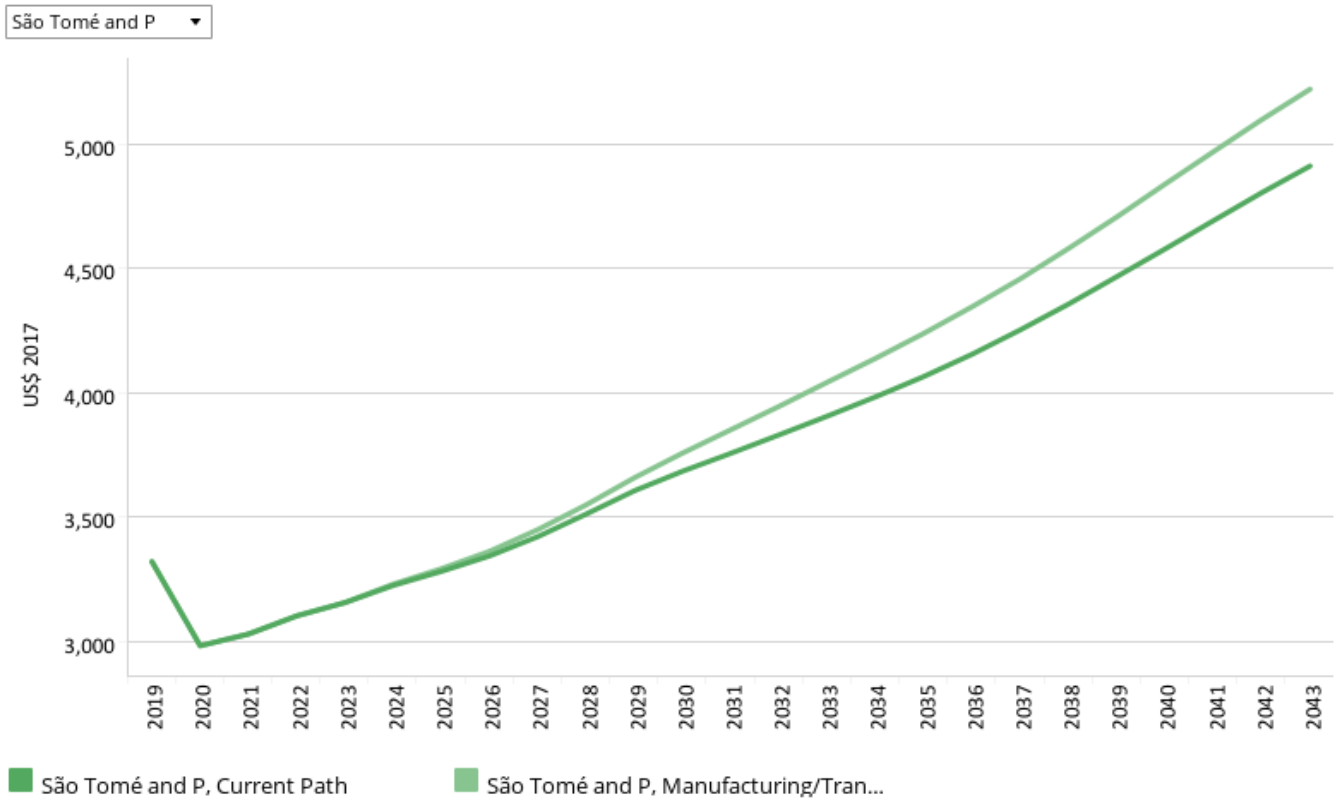


Source: IFs 7.63 initialising from World Development Indicators data

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In 2019, total welfare transfers to households in São Tomé and Príncipe amounted to US\$20 million. This is projected to quadruple to US\$80 million by 2043 in the Manufacturing/Transfers scenario, which is higher than the projected US\$50 million in the Current Path suggesting that the Manufacturing/Transfers scenario can lead to an improvement in government welfare transfers by an additional US\$30 million in 2043 compared to the Current Path forecast.

Chart 32: GDP per capita in CP and Manufac/Transfers scenario, 2019–2043
Purchasing power parity



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

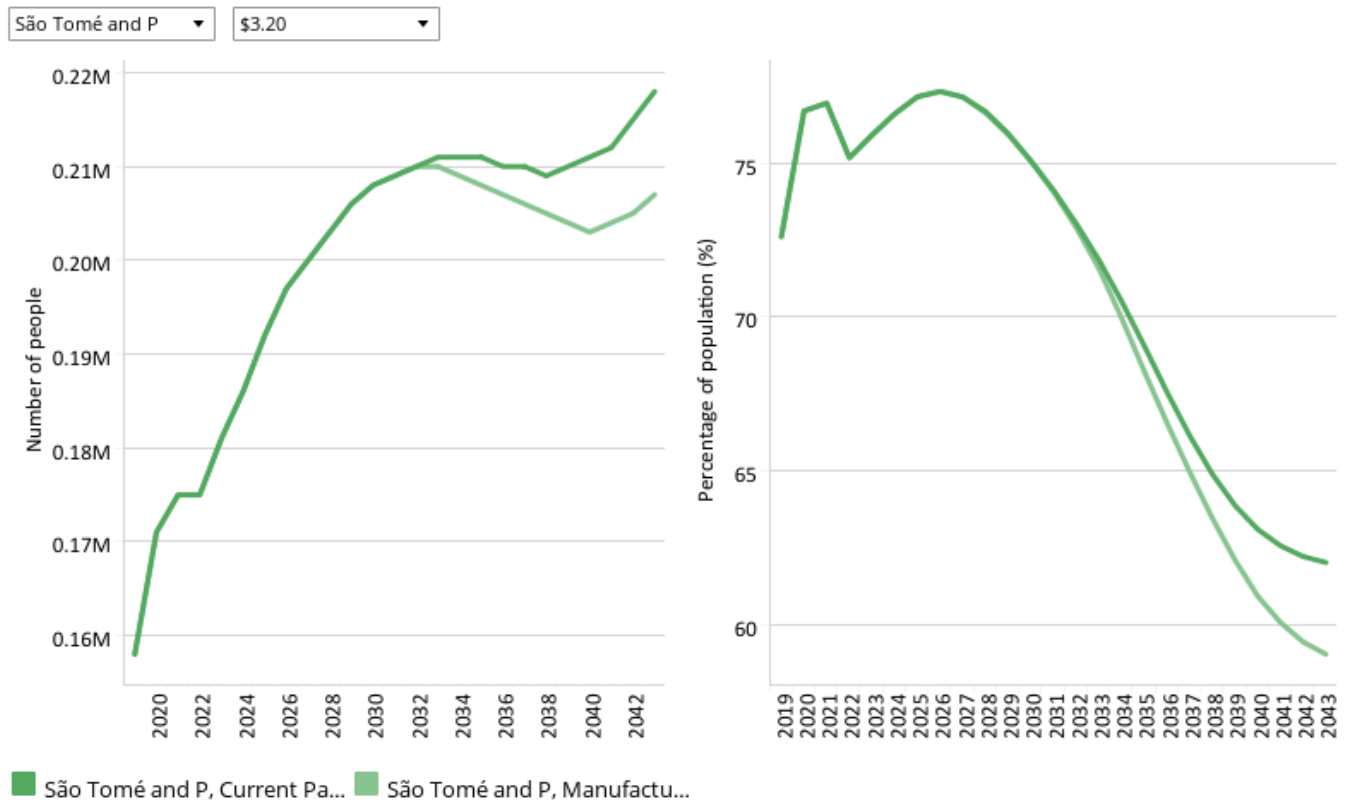
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By 2043, it is estimated that the GDP per capita of São Tomé and Príncipe in the Manufacturing/Transfers scenario will rise to US\$5 219. This estimate will be greater than the projections in the Current Path forecast such that by 2043, the additional gains from GDP per capita as a result of the Manufacturing/Transfers scenario will be US\$309. The GDP per capita by 2043 in the Manufacturing/Transfers scenario will however still be below the average of US\$9 142 for lower middle-income countries in Africa.

Chart 33: Poverty in CP and Manufac/Transfers scenario, 2019–2043

Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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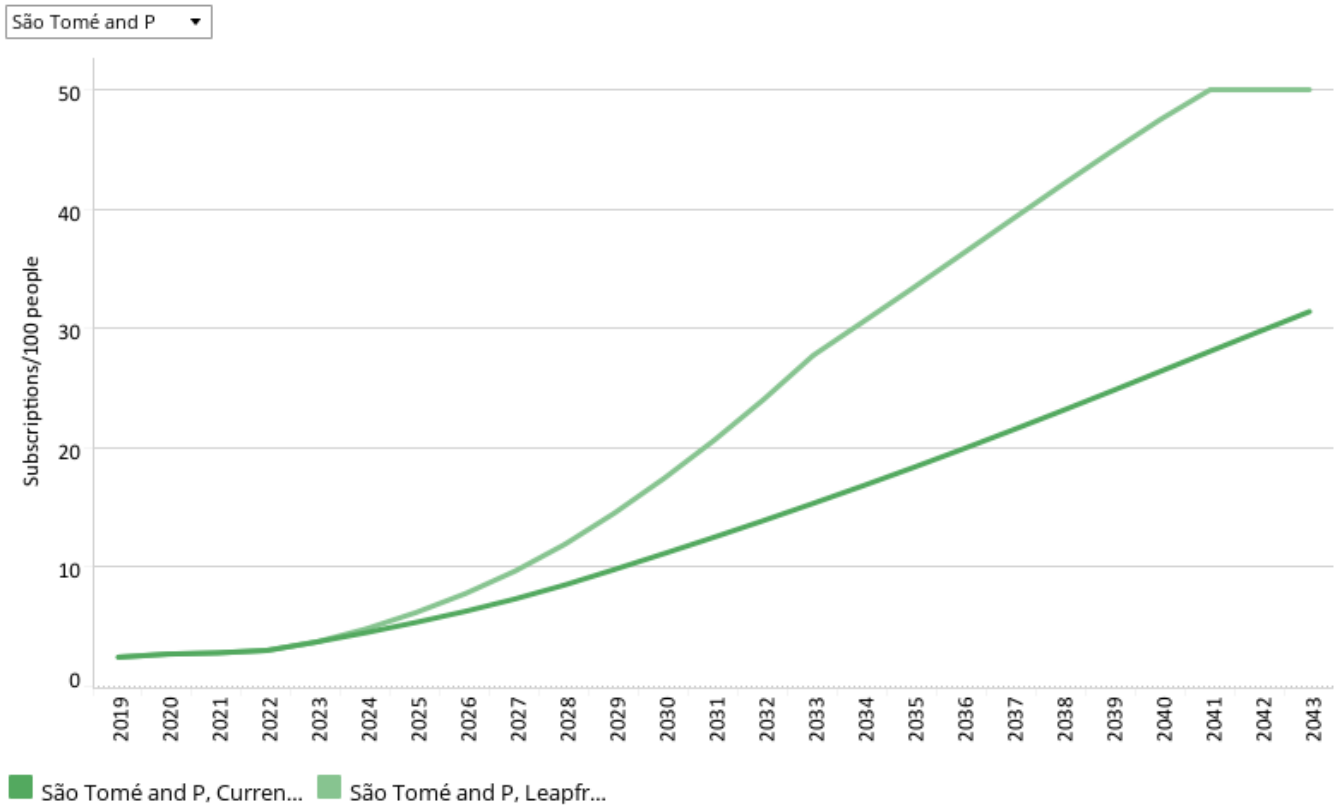
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By 2043, the total number of poor people is projected to be around 207 000 (59.1% of the population) in the Manufacturing/Transfers scenario. This is lower than the projected 218 000 people (62%) in the Current Path, suggesting that the Manufacturing/Transfers scenario can lead to 17 000 additional people being lifted out of extreme poverty. The implication of this is improvement in investment in research and development, promotion of export, and welfare transfers, which are important means by which São Tomé and Príncipe can reduce poverty in the next 24 years. The proportion of poor people in São Tomé and Príncipe based on the Manufacturing/Transfers scenario in 2043 will be about 20.8 percentage points above the average for lower middle-income countries in Africa.



Leapfrogging scenario

Chart 34: Fixed broadband access in CP and Leapfrogging scenario, 2019–2043
Subscriptions per 100 people



Source: IFS 7.63 initialising from International Telecommunication Union data

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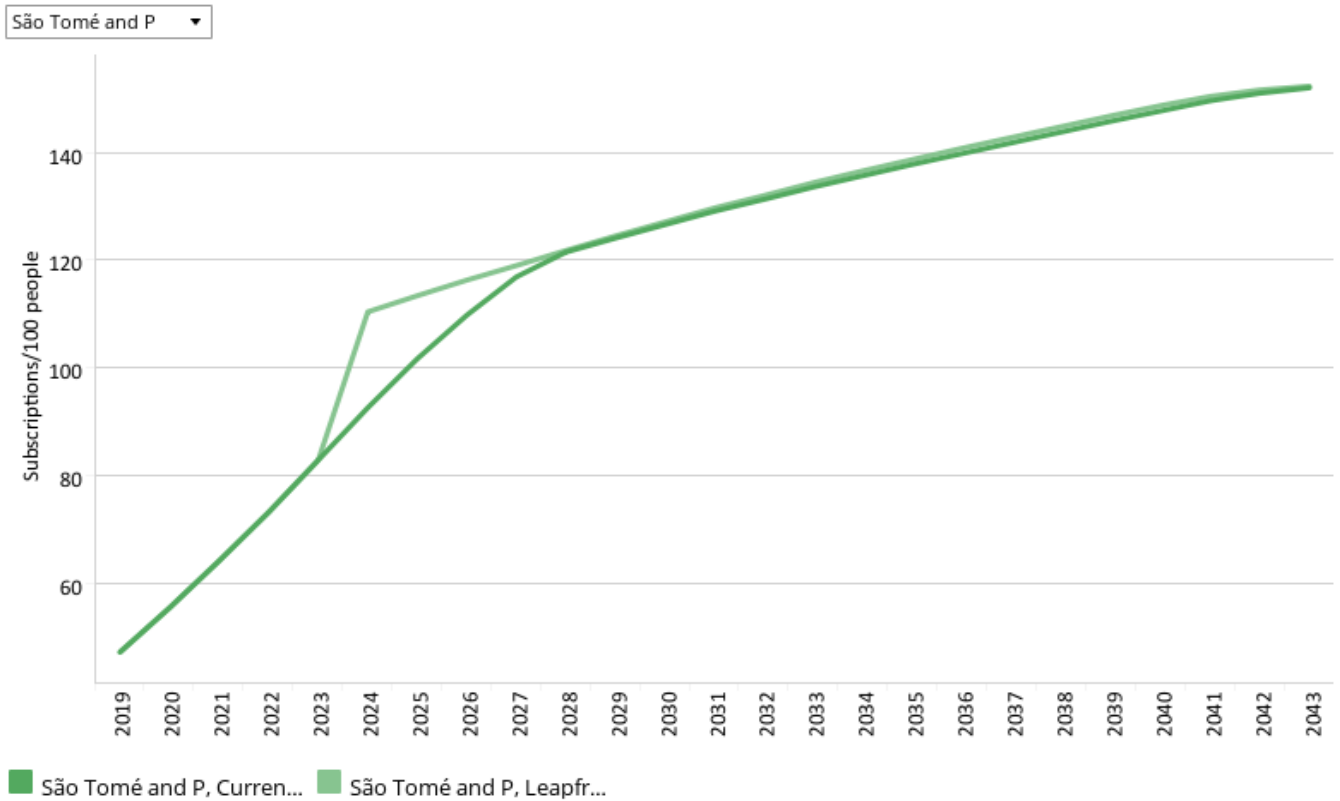
The Leapfrogging scenario represents a reasonable but ambitious adoption of and investment in renewable energy technologies, resulting in better access to electricity in urban and rural areas. The scenario includes accelerated access to mobile and fixed broadband and the adoption of modern technology that improves government efficiency and allows for the more rapid formalisation of the informal sector.

The intervention is explained [here](#) in the thematic part of the website.

Fixed broadband includes cable modem Internet connections, DSL Internet connections of at least 256 KB/s, fibre and other fixed broadband technology connections (such as satellite broadband Internet, ethernet local area networks, fixed-wireless access, wireless local area networks, WiMAX, etc.).

In 2019, São Tomé and Príncipe had 2.4 fixed broadband subscriptions per 100 people — below the average of 3.7 for lower middle-income countries in Africa. In the Current Path forecast, fixed broadband subscriptions are projected to rise to 31.4 per 100 people. The Leapfrogging scenario will lead to a greater increase in fixed broadband subscriptions of 50 subscriptions per 100 people by as early as 2041. This means that compared to the Current Path forecast, the Leapfrogging scenario will lead to an additional 18.6 subscriptions per 100 people by 2043, and by then, fixed broadband subscription in São Tomé and Príncipe will be higher than the average of 26.5 subscriptions per 100 people for lower middle-income African countries.

Chart 35: Mobile broadband access in CP and Leapfrogging scenario, 2019–2043
Subscriptions per 100 people



Source: IFs 7.63 initialising from International Telecommunication Union data

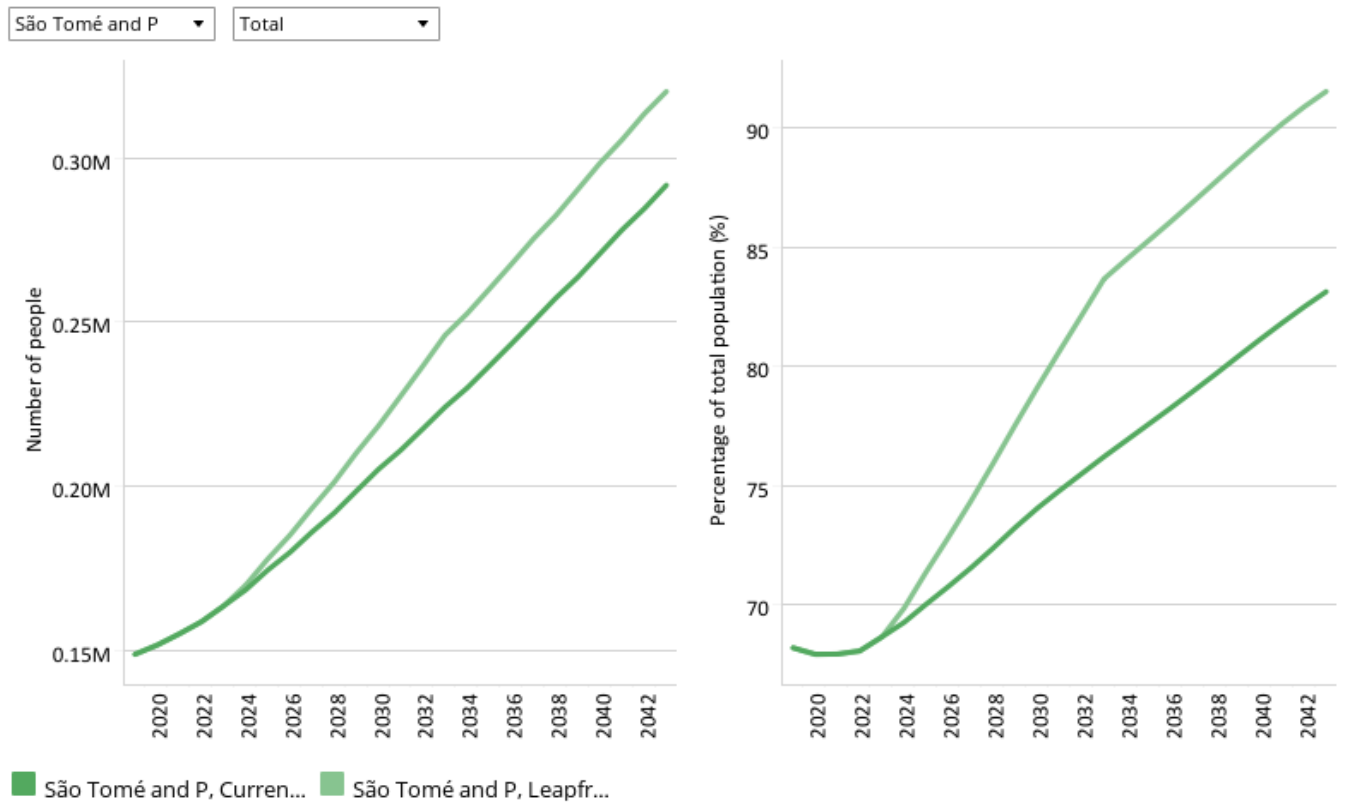
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Mobile broadband refers to wireless Internet access delivered through cellular towers to computers and other digital devices.

São Tomé and Príncipe had 47.2 mobile broadband subscriptions per 100 people in 2019 — slightly below the average of 49.1 for lower middle-income countries on the continent. Between 2024 and 2037, mobile broadband subscriptions in the Leapfrogging scenario will be higher than the Current Path forecast. In the long term, both the Leapfrogging scenario and the Current Path forecast converge to 152.3 mobile broadband subscriptions per 100 people by 2043 — above the average of 147.6 for Africa’s lower middle-income countries.

Chart 36: Electricity access in CP and Leapfrogging scenario, 2019–2043
Millions of people and % of population



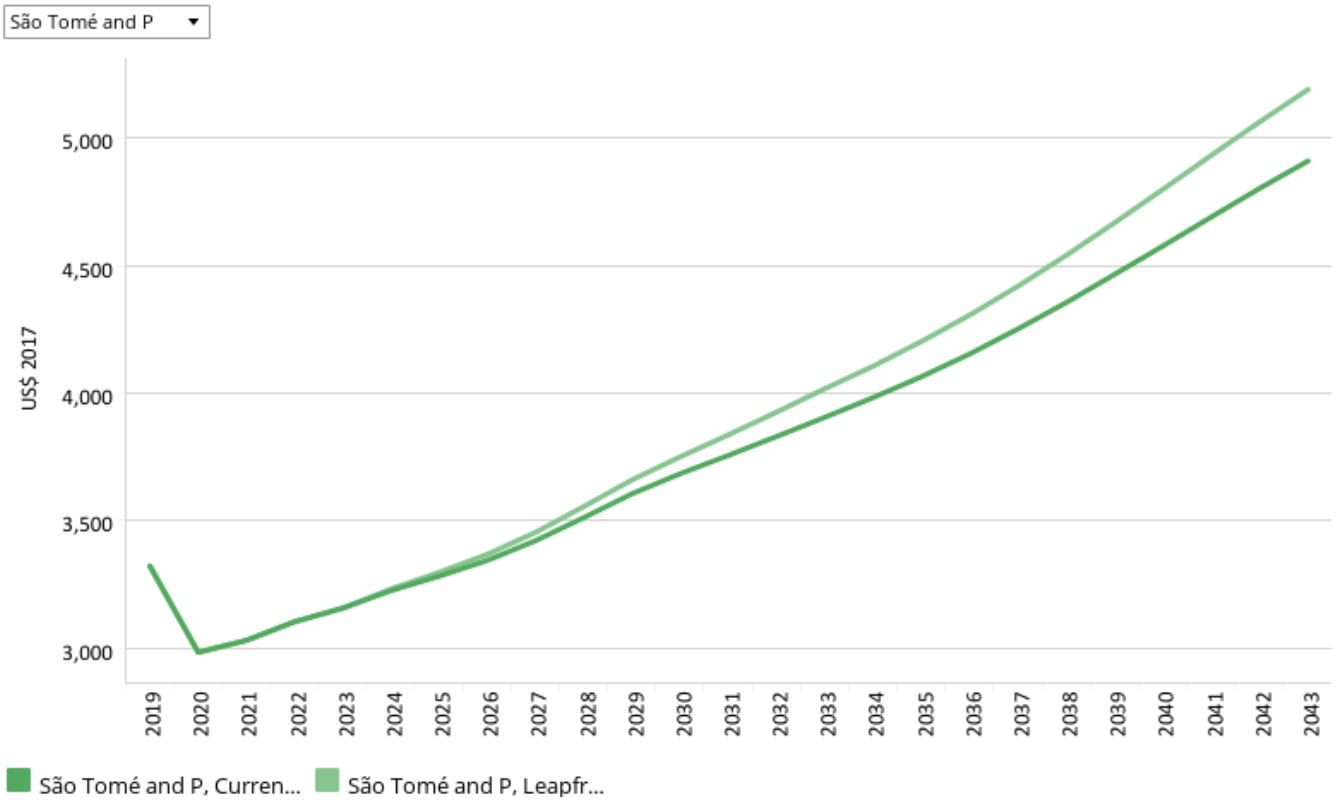
Source: IFs 7.63 initialising from World Development Indicators data

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The number of people in São Tomé and Príncipe with access to electricity in 2019 was 150 000 (68.2% of the total population). This was above the average of 66.3% for lower middle-income countries in Africa. The proportion of urban residents who had access to electricity was 76.7%, compared to 54.1% for rural dwellers, which reveals a disparity in access to electricity between rural and urban residents in the country. By 2043, in the Leapfrogging scenario, access to electricity is projected to increase to 320 000 people (91.5% of the population). This will be higher than the 290 000 people (83.1%) projected in the Current Path, meaning that the Leapfrogging scenario could increase access to electricity by 30 000 additional people in the country. Both the Leapfrogging scenario and the Current Path forecast estimates in 2043 will be higher than the projected average of 81.7% for lower middle-income countries in Africa. By 2043, 90.6% and 85.6% of urban dwellers in São Tomé and Príncipe will have access to electricity using the Leapfrogging scenario and the Current Path forecast, respectively. In the case of rural dwellers, 95.3% and 73.9% will have access to electricity by 2043 based on the Leapfrogging scenario and the Current Path forecast, respectively. This suggests that in the Leapfrogging scenario, rural dwellers will have more access to electricity compared to urban residents.

Chart 37: GDP per capita in CP and Leapfrogging scenario, 2019–2043
Purchasing power parity



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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São Tomé and Príncipe’s GDP per capita is projected to increase to US\$5 191 in 2043 based on the Leapfrogging scenario — an increase of US\$281 compared to the Current Path forecast in 2043. However, it will still be below the average of US\$9 142 for lower middle-income countries in Africa. Improvement in access to broadband has a positive effect on productivity by reducing transaction costs, which eventually leads to economic growth.

Chart 38: Poverty in CP and Leapfrogging scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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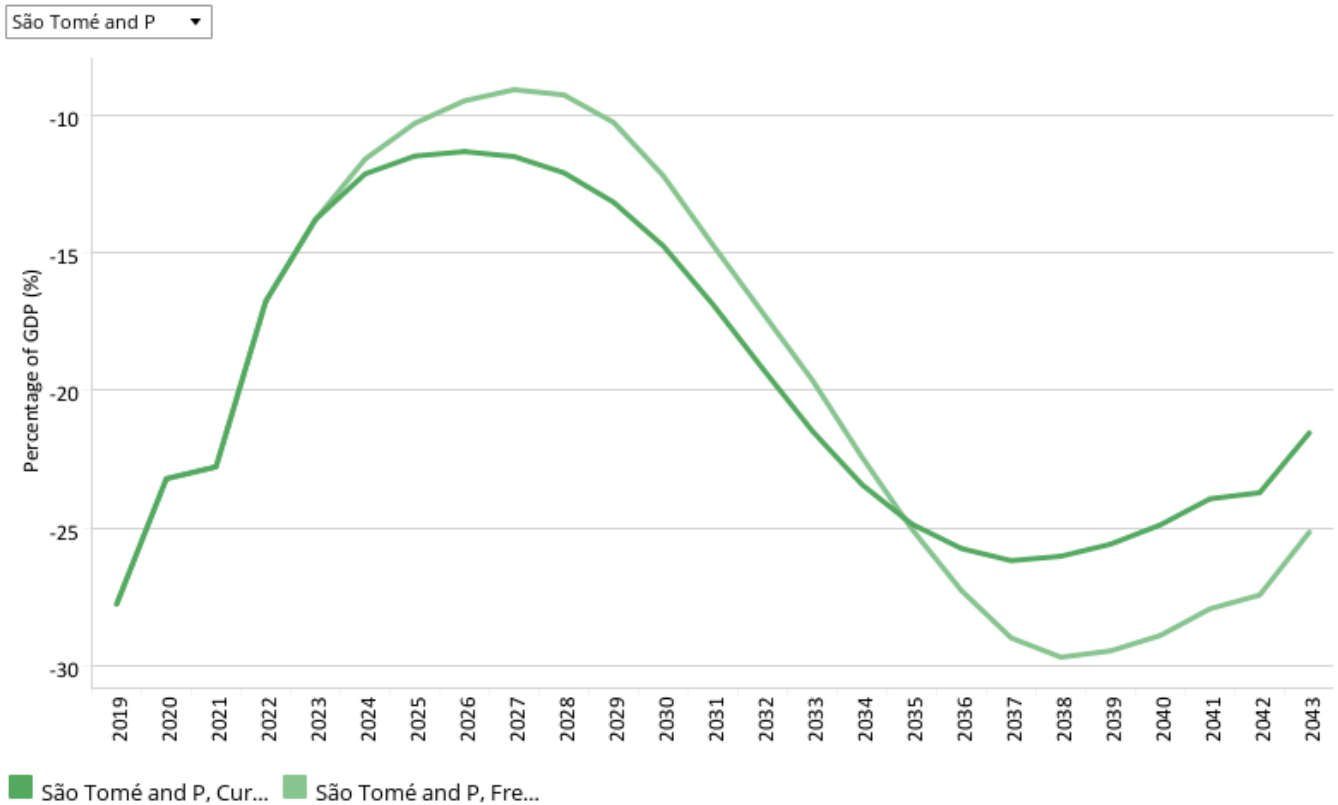
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In the Leapfrogging scenario, the number of poor people in 2043 is projected to be 210 000 (60% of the population). This projection is lower than the 218 000 people estimated in the Current Path forecast in the same year, which suggests that the number of poor people in the Leapfrogging scenario is about 8 000 fewer than the Current Path forecast in 2043. Access to electricity and adoption of technology can reduce poverty by reducing the transaction costs of businesses. It can also have an effect on the formalisation of the economy, enabling informal labour access to improved welfare packages such as social security. The number of poor people projected in the Leapfrogging scenario is also 2 percentage points lower than the Current Path forecast but 21.7 percentage points above the average for lower middle-income African countries in 2043.



Free Trade scenario

Chart 39: Trade balance in CP and Free Trade scenario, 2019–2043
% of GDP



Source: IFs 7.63 initialising from World Development Indicators data

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The Free Trade scenario represents the impact of the full implementation of the African Continental Free Trade Area (AfCFTA) by 2034 through increases in exports, improved productivity and increased trade and economic freedom.

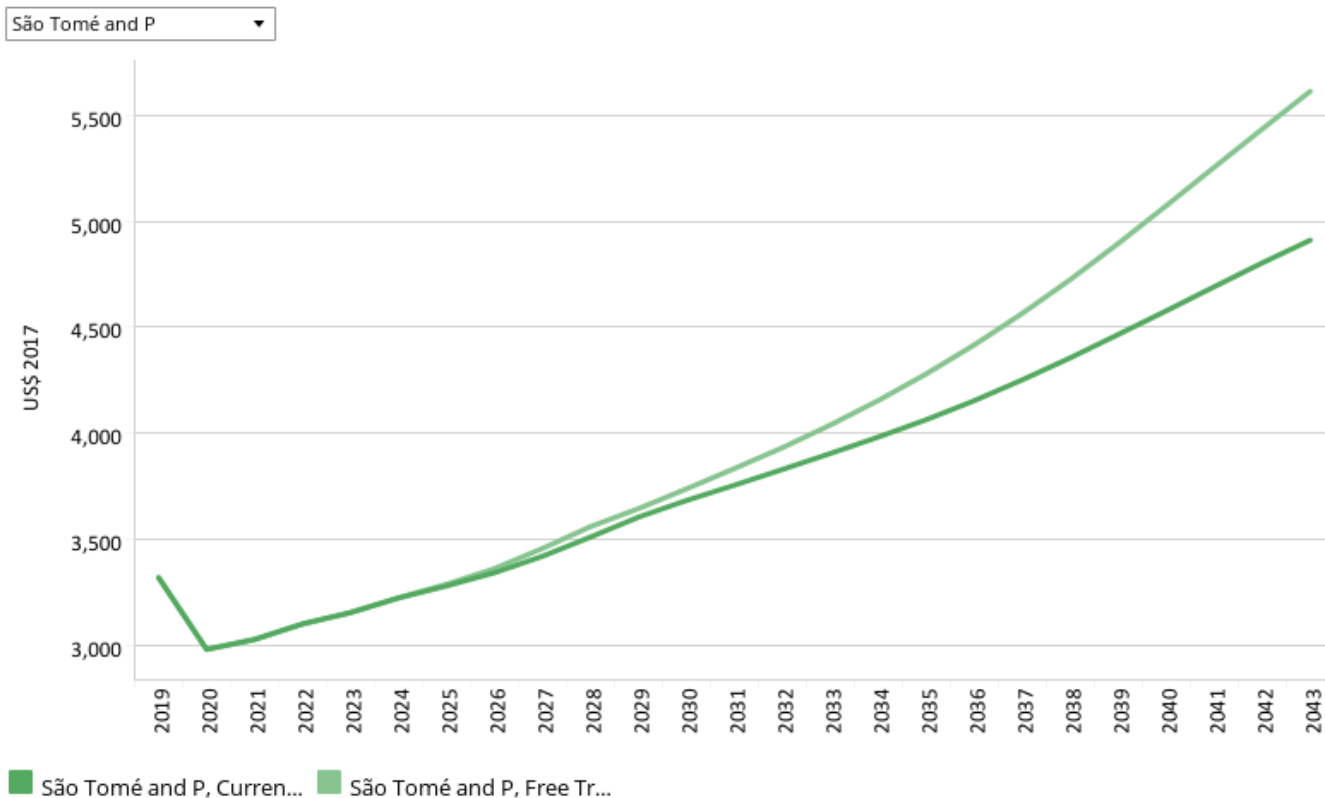
The intervention is explained [here](#) in the thematic part of the website.

The trade balance is the difference between the value of a country's exports and its imports. A country that imports more goods and services than it exports in terms of value has a trade deficit, while a country that exports more goods and services than it imports has a trade surplus.

Like many African countries, São Tomé and Príncipe is a net importer of goods and services. The main export of the country is cocoa, which accounts for 79% of its total export volumes. Other exported commodities include pepper, coconuts and chocolate. In 2019, São Tomé and Príncipe's trade deficit represented 27.8% of GDP, which was much higher than the average of 6.6% of GDP for lower middle-income African countries. The main imported items include capital equipment, fuel, basic foodstuff, construction equipment and beverages. The major trading partners are France, Spain and the Netherlands in the European Union. From 2024 to 2034, the Free Trade scenario leads to a quicker improvement in the trade balance compared to the Current Path forecast, reaching a peak of a deficit of 9.1% of GDP in the Free Trade scenario and 11.5% of GDP on the Current Path in 2027 before declining. From 2036, the trend reverses so that by 2043, the Current Path forecast leads to a deficit of 21.5% compared to the 25.2% in the Free Trade scenario. By 2043, São Tomé

and Príncipe's trade deficit in the Free Trade scenario will be 21.9 percentage points of GDP higher than the average 3.3% deficit for lower middle-income African countries on the Current Path.

Chart 40: GDP per capita in CP and Free Trade scenario, 2019–2043
Purchasing power parity

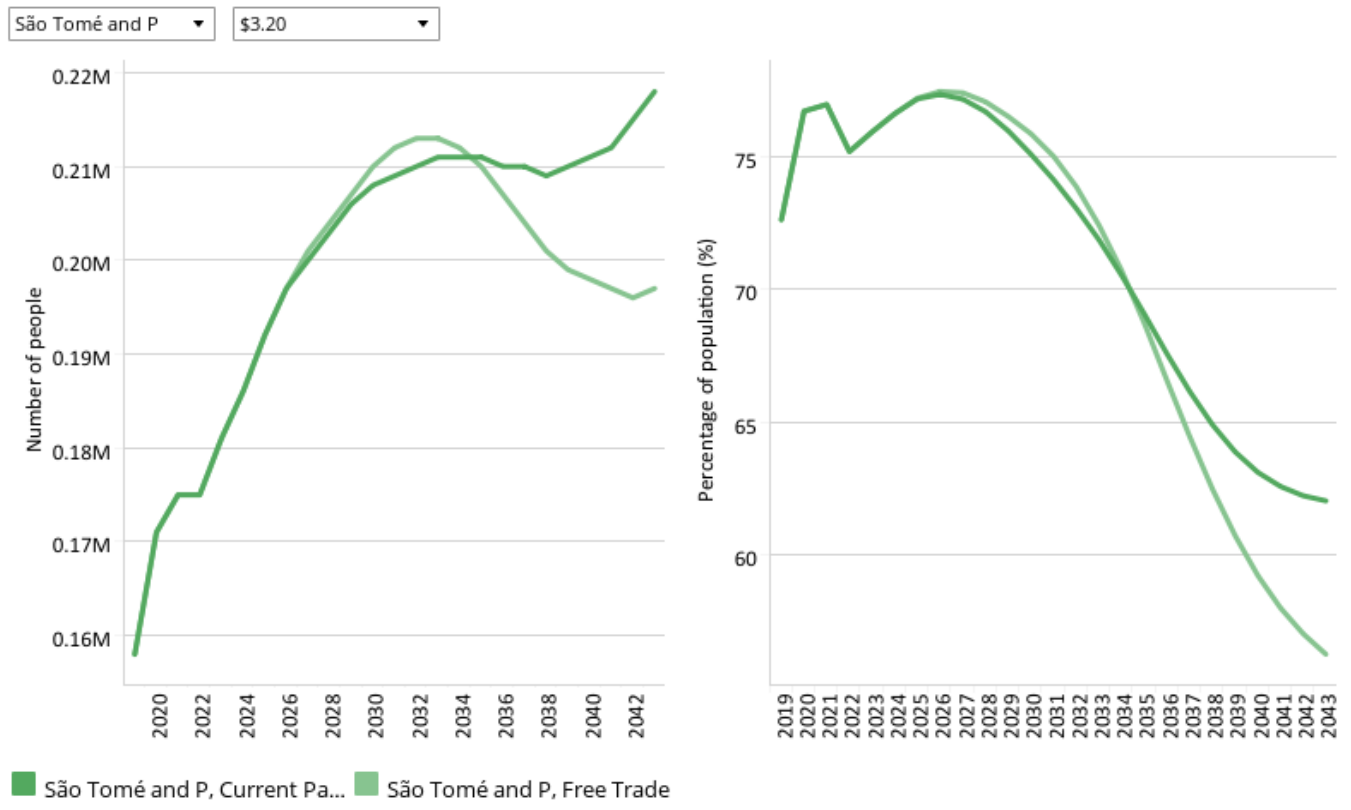


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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The GDP per capita for São Tomé and Príncipe is estimated to increase to US\$5 611 by 2043 in the Free Trade scenario, which is US\$701 more than the Current Path. This suggests that the country can benefit from improved trade among African countries through the full implementation of AfCFTA as it can lead to higher economic growth and productivity in São Tomé and Príncipe. The GDP per capita for São Tomé and Príncipe will remain below the projected average of US\$9 142 for lower middle-income African countries in the Free Trade scenario.

Chart 41: Poverty in CP and Free Trade scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

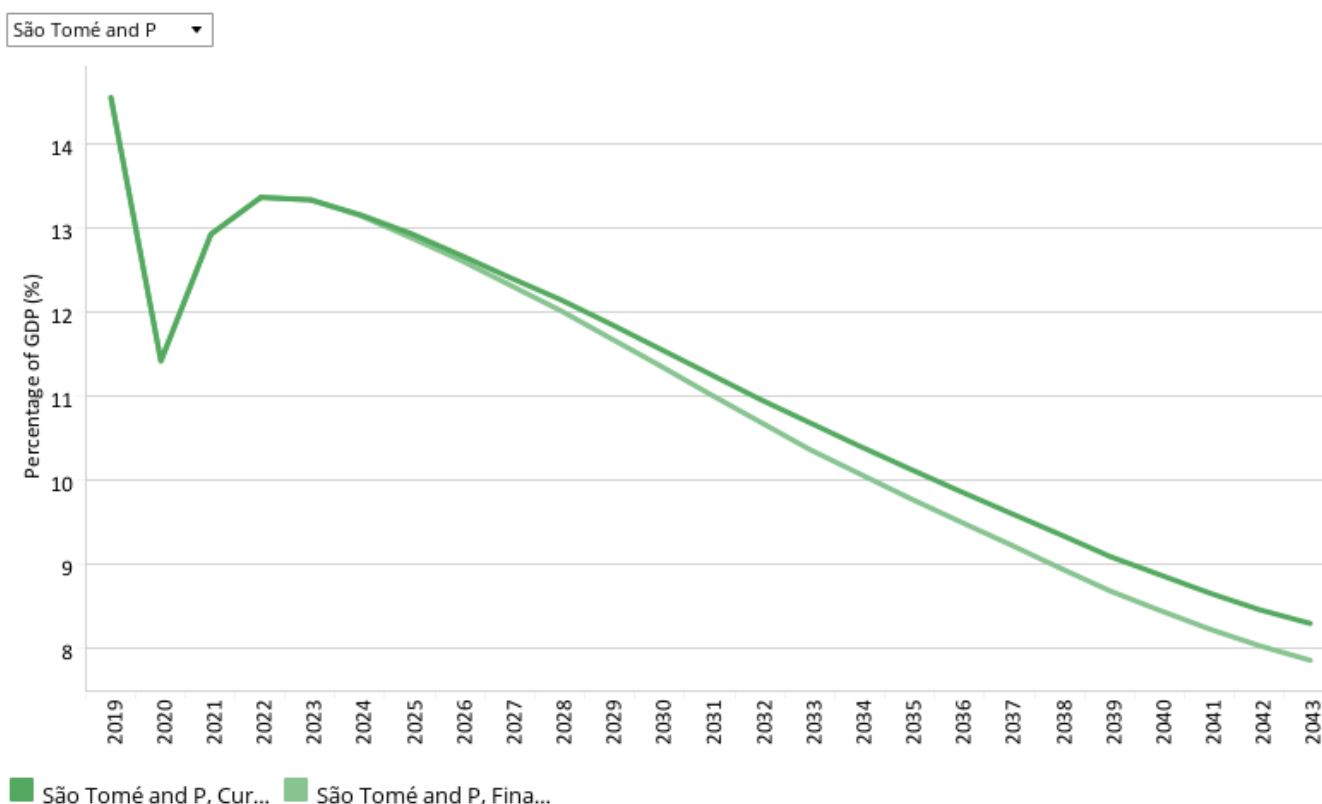
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From 2027 to 2034, the Current Path forecast leads to a quicker reduction in poverty in São Tomé and Príncipe compared to the Free Trade scenario. However, from 2037, the Free Trade scenario will lead to a greater reduction in both the number and proportion of poor people compared to the Current Path. By 2043, the number of people living below the poverty line of US\$3.20 in the Free Trade scenario will be 200 000 people (56.3% of the population). This is 5.7 percentage points lower than the Current Path forecast, meaning that the Free Trade scenario has 20 000 fewer poor people than the Current Path by 2043. The proportion of poor people projected in the Free Trade scenario will still be significantly higher than the average of 38.3% for lower middle-income countries in Africa.



Financial Flows scenario

Chart 42: Foreign aid in CP and Financial Flows scenario, 2019–2043 % of GDP



Source: IFs 7.63 initialising from Development Assistance Committee of the OECD data, and World Bank and OECD GNI estimates.

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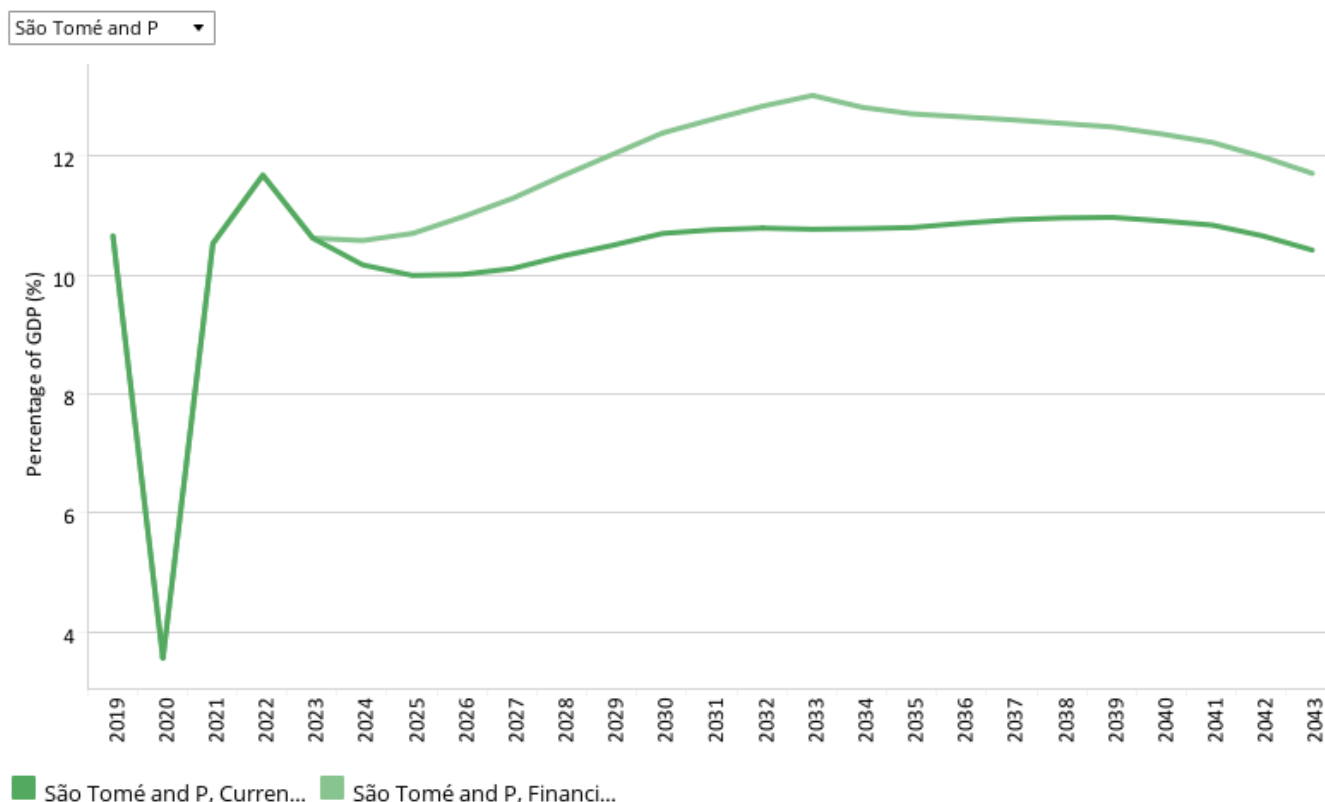
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The Financial Flows scenario represents a reasonable but ambitious increase in worker remittances and aid flows to poor countries, and an increase in the stock of foreign direct investment (FDI) and additional portfolio investment inflows to middle-income countries. We also reduced outward financial flows to emulate a reduction in illicit financial outflows.

The intervention is explained [here](#) in the thematic part of the website.

The government of São Tomé and Príncipe relies heavily on donor assistance to support the national budget, especially in paying for capital goods. Total foreign aid received by São Tomé and Príncipe in 2019 was equivalent to 14.6% of GDP (US\$46.2 million), which is far higher than the average of 1.7% for lower middle-income countries in Africa. While the absolute value of foreign aid is projected to increase in both the Current Path forecast and in the Financial Flows scenario, aid as a percentage of GDP will decline in both cases. By 2043, total aid as a percentage of GDP in the Financial Flows scenario will amount to 7.9%, which is lower than the projected 8.3% in the Current Path forecast. This will also be far higher than the projected 0.54% for average lower middle-income countries in Africa.

Chart 43: Inflow of FDI in CP and Financial Flows scenario, 2019–2043
% of GDP



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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São Tomé and Príncipe’s total FDI in 2019 amounted to 10.7% of GDP, which was higher than the average of 2.6% for lower middle-income African countries. This suggests that FDI to São Tomé and Príncipe has been relatively high compared to the average for its income group peers. Most FDI is in the oil exploration sector and the tourism sector. In an attempt to attract more FDI inflows to grow the economy, the government of São Tomé and Príncipe has introduced liberalisation policies that allow foreign investors to invest in almost all sectors of the economy. Sectors such as agriculture, fishing, tourism, construction, port and airport, transportation, financial services, electricity, water and sanitation, which were previously closed to foreign investors, are now available for investment partly due to the more stable environment in recent years. There is also an incentive package for reinvestment of profit with the reduction of income tax on reinvested earnings. Other investment incentives include reduction of corporate taxes, stamp taxes and import tariffs among others.

By 2043, it is projected that the total FDI to the country will slightly decline to about 10.4% of GDP in the Current Path forecast, whereas in the Financial Flows scenario, FDI is projected to increase to 11.7% of GDP in 2043, which will be significantly higher than the projected average of 3.5% for lower middle-income countries on the continent. The impact of the COVID-19 pandemic on FDI is also clearly observed in this chart.

Chart 44: Remittances in CP and Financial Flows scenario, 2019–2043

Billions US\$ 2017 and % of GDP



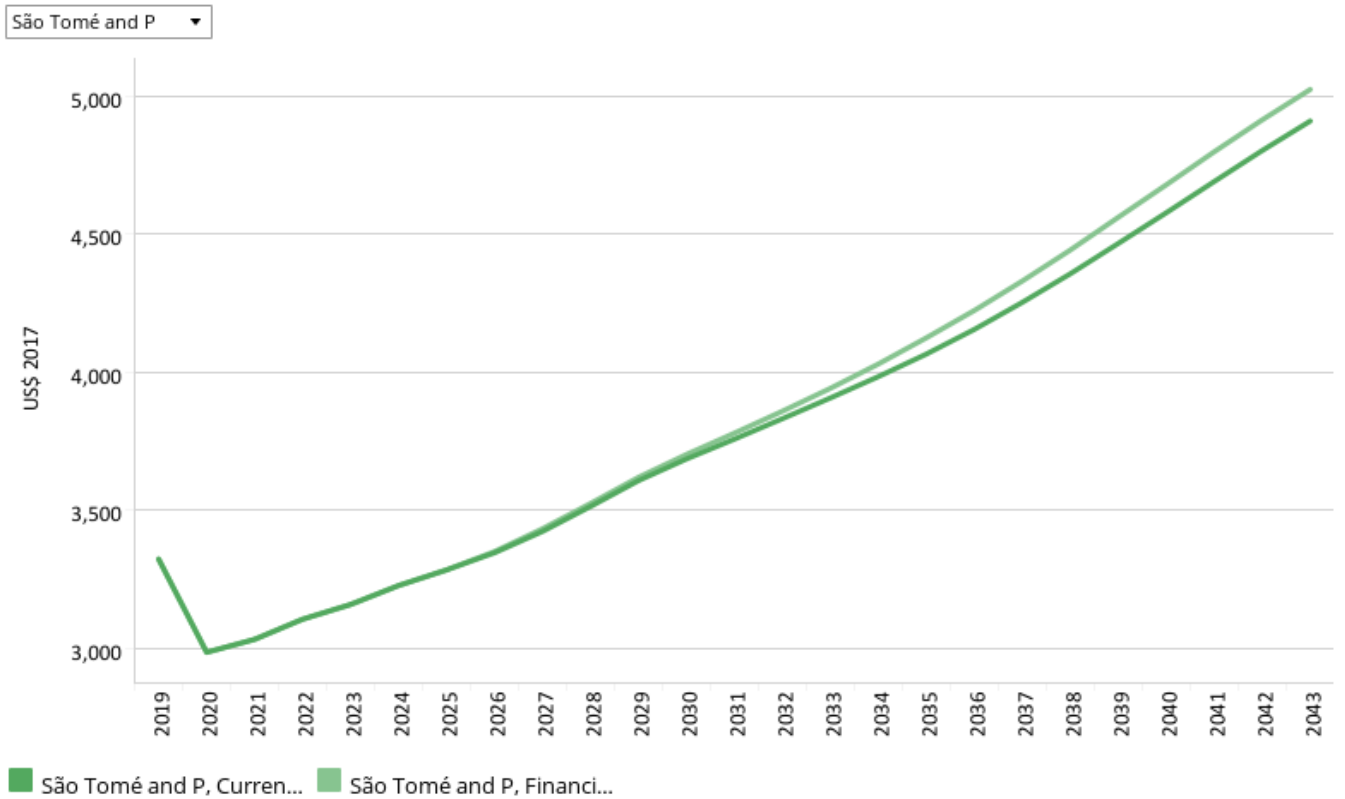
Source: IFs 7.63 initialising from World Development Indicators data

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In 2019, the total value of remittances received by São Tomé and Príncipe amounted to US\$20 million, which constituted 6.3% of GDP. This is higher than the average of 2.6% for lower middle-income African countries and depicts relatively higher levels of remittances to the country. This can be as a result of the large number of citizens of the country forming the diaspora. The absolute value of remittance is projected to increase in both the Current Path forecast and the Financial Flows scenario. By 2043, the total value of remittances received will be US\$38.2 million in the Financial Flows scenario, which will be higher than the US\$36.6 million projected on the Current Path. However, remittances as a percentage of GDP are projected to fall such that by 2043, they will be 4.7% in the Financial Flows scenario and 4.4% on the Current Path. These will still be greater than the average of 2% of GDP for the average lower middle-income African country.

Chart 45: GDP per capita in CP and Financial Flows scenario, 2019–2043
Purchasing power parity



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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São Tomé and Príncipe’s GDP per capita is estimated to increase to US\$5 025 by 2043 in the Financial Flows scenario. This represents an increase of US\$115 over the Current Path projection in the same year, suggesting that an increase in remittances, aid and FDI inflow are positively associated with economic growth through the multiplier effect on both consumption and government expenditure. This estimate is however still below the average for lower middle-income countries in Africa, which is projected to be US\$9 142 by 2043.

Chart 46: Poverty in CP and Financial Flows scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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Trade openness will reduce poverty in the long term after initially increasing it due to the redistributive effects of trade. Most African countries export primary commodities and low-tech manufacturing products, and therefore a continental free trade agreement (AfCFTA) that reduces tariffs and non-tariff barriers across Africa will increase competition among countries in primary commodities and low-tech manufacturing exports. Countries with inefficient, high-cost manufacturing sectors might be displaced as the AfCFTA is implemented, thereby pushing up poverty rates. In the long term, as the economy adjusts and produces and exports its comparatively advantaged (lower relative cost) goods and services, poverty rates will decline.

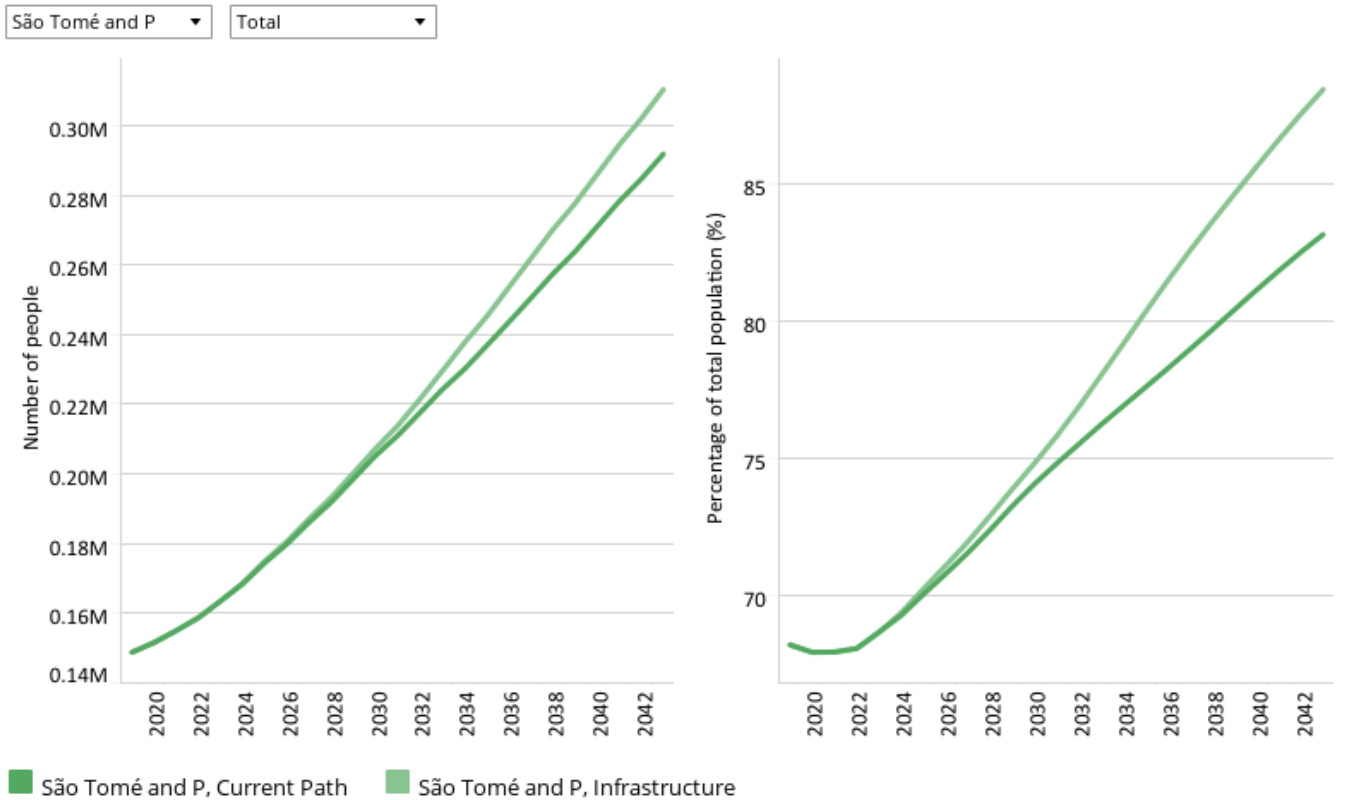
In the Financial Flows scenario, about 214 000 people (61% of the total population) are projected to live below the poverty line of US\$3.20. This estimate constitutes a reduction of about 4 000 people, equivalent to 1.1 percentage points, compared to the Current Path in the same year. It is also significantly higher than the projected average of 38.3% for lower middle-income countries in Africa in 2043.



Infrastructure scenario

Chart 47: Electricity access in CP and Infrastructure scenario, 2019–2043

Millions of people and % of population



Source: IFs 7.63 initialising from World Development Indicators data

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The Infrastructure scenario represents a reasonable but ambitious increase in infrastructure spending across Africa, focusing on basic infrastructure (roads, water, sanitation, electricity access and ICT) in low-income countries and increasing emphasis on advanced infrastructure (such as ports, airports, railway and electricity generation) in higher-income countries.

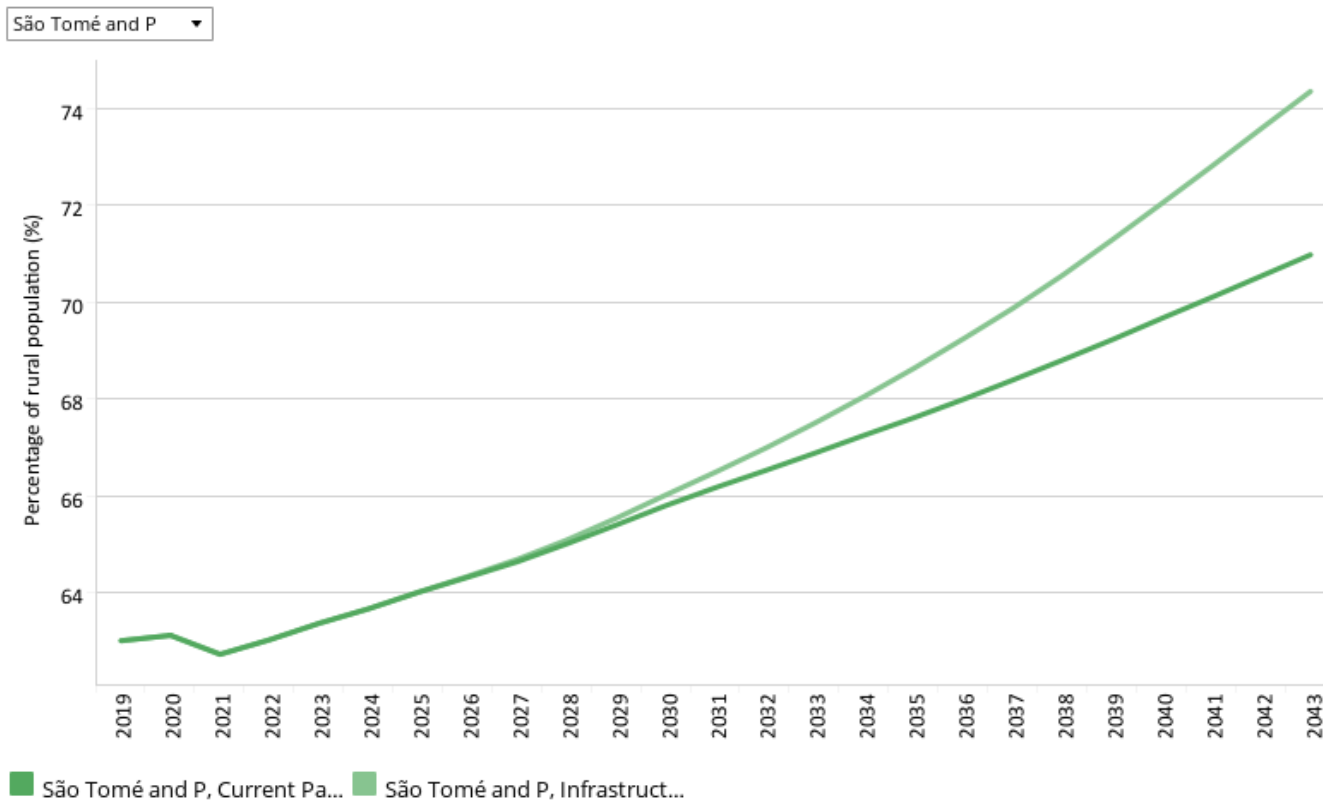
Note that health and sanitation infrastructure is included as part of the Health/WaSH scenario and that ICT infrastructure and more rapid uptake of renewables are part of the Leapfrogging scenario. The interventions there push directly on outcomes, whereas those modelled in this scenario increase infrastructure spending, indirectly boosting other forms of infrastructure, including those supporting health, sanitation and ICT.

The intervention is explained [here](#) in the thematic part of the website.

In 2019, 150 000 people (68.2% of the population) had access to electricity in São Tomé and Príncipe, projected to increase to 310 000 people (88.4% of the population) in the Infrastructure scenario in 2043. This will be higher than the projection of 290 000 people (83.1% of the population) in the Current Path forecast and 81.7% forecast for average lower middle-income countries in Africa. By 2043, electricity access for urban residents in the Infrastructure scenario will

constitute 90.2%, compared to 81.8% for rural dwellers. In the Current Path, electricity access for urban residents will constitute 85.6% of the population, compared to the 73.9% access for the rural population, indicating that the Financial Flows scenario will lead to a greater disparity in electricity access in favour of the urban population.

Chart 48: Rural road access in CP and Infrastructure scenario, 2019–2043
 % of rural population within 2 km of an all-weather road



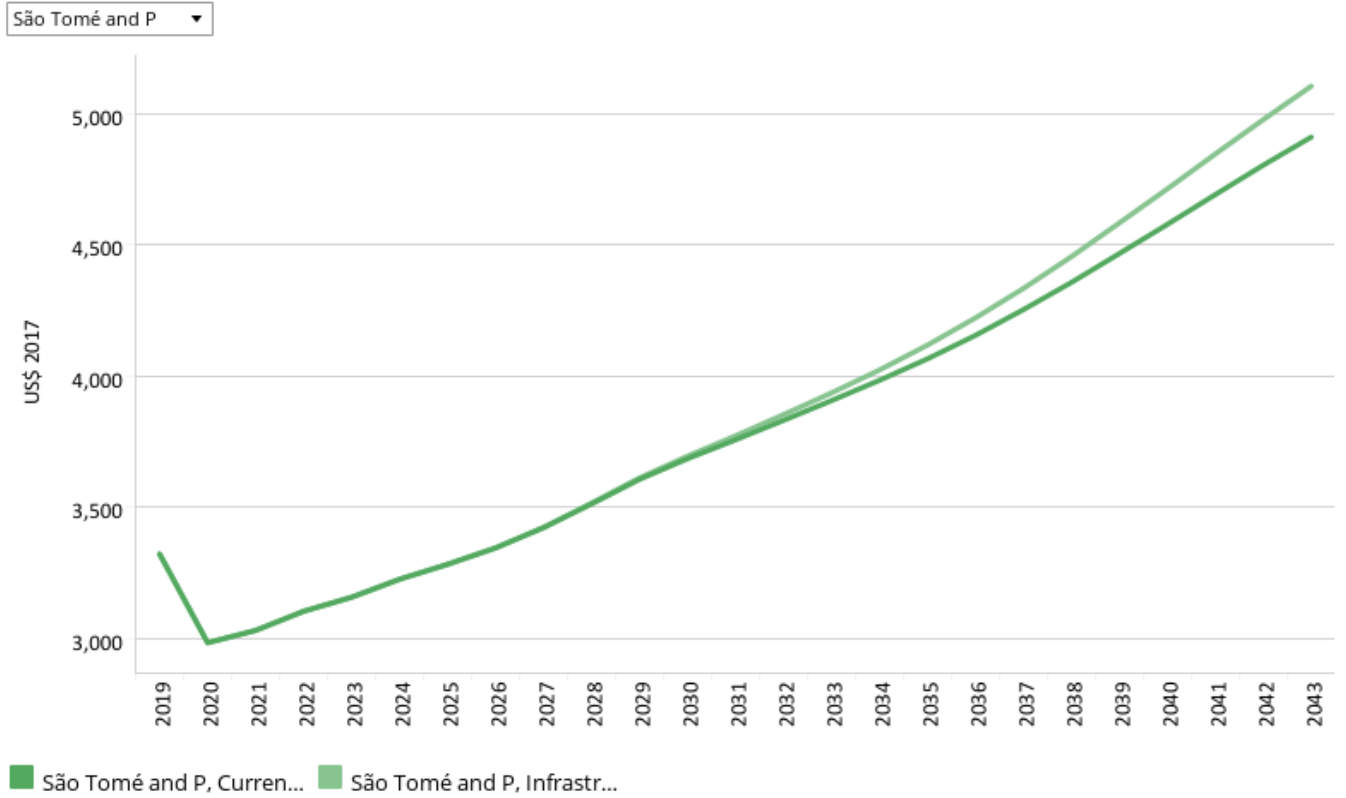
Source: IFs 7.63 initialising from World Bank Rural Access Index data

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Indicator 9.1.1 in the Sustainable Development Goals refers to the proportion of the rural population who live within 2 km of an all-season road and is captured in the Rural Access Index.

In 2019, 63.01% of all rural dwellers in São Tomé and Príncipe resided within 2 km of an all-weather road, which was slightly above the average of 61.4% for lower middle-income African countries and above the average in Africa of 53%. In the Infrastructure scenario, it is expected to rise to 74.3% by 2043, above the 71% projected in the Current Path forecast and the average of 67.8% for lower middle-income countries in Africa. Accessibility to rural areas is important in spurring the socio-economic development of a country and improving the living standards of rural dwellers.

Chart 49: GDP per capita in CP and Infrastructure scenario, 2019–2043
Purchasing power parity



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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São Tomé and Príncipe’s GDP per capita is estimated to rise to US\$5 104 by 2043 in the Infrastructure scenario, which is US\$194 more than the projection in the Current Path forecast in the same year. It is however lower than the average of US\$9 142 for lower middle-income countries in Africa. Access to electricity is positively associated with economic growth through its effect on reducing production costs and increasing productivity.

Chart 50: Poverty in CP and Infrastructure scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

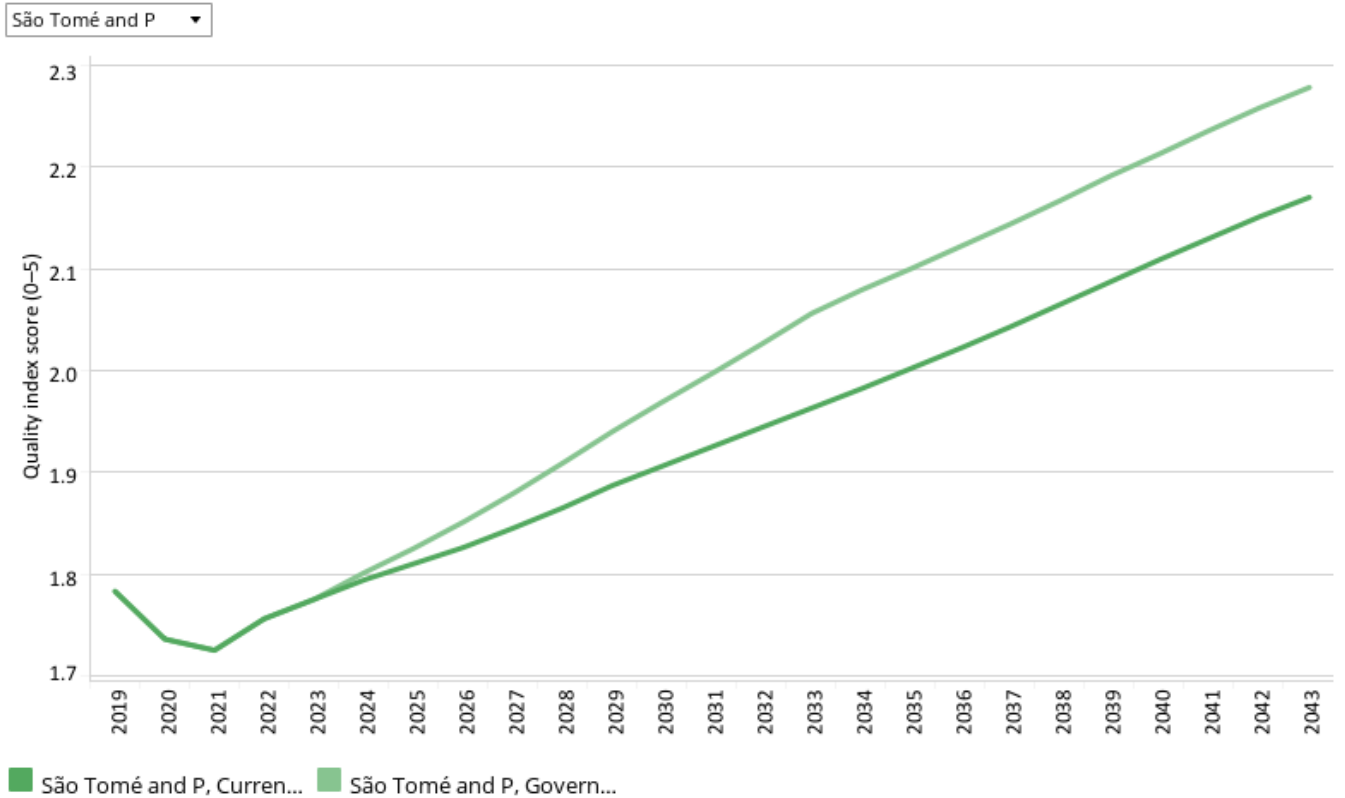
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The proportion of the poor population is expected to decline from 72.6% in 2019 to 60.3% in 2043 in the Infrastructure scenario. This corresponds to 211 000 poor people in 2043 who will live below the poverty line. Comparing this with the projections in the Current Path suggests that there will be 7 000 fewer poor people in the Infrastructure scenario than the Current Path forecast for the same year. The poverty rate in the scenario in 2043 will still be significantly higher than the estimated average of 38.3% for lower middle-income countries in Africa.



Governance scenario

Chart 51: Gov effectiveness in CP and Governance scenario, 2019–2043
World Bank quality index score for government effectiveness



Source: IFs 7.63 initialising from Kaufmann, Kraay and Mastruzzi (2010) data

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The Governance scenario represents a reasonable but ambitious improvement in accountability and reduces corruption, and hence improves the quality of service delivery by government.

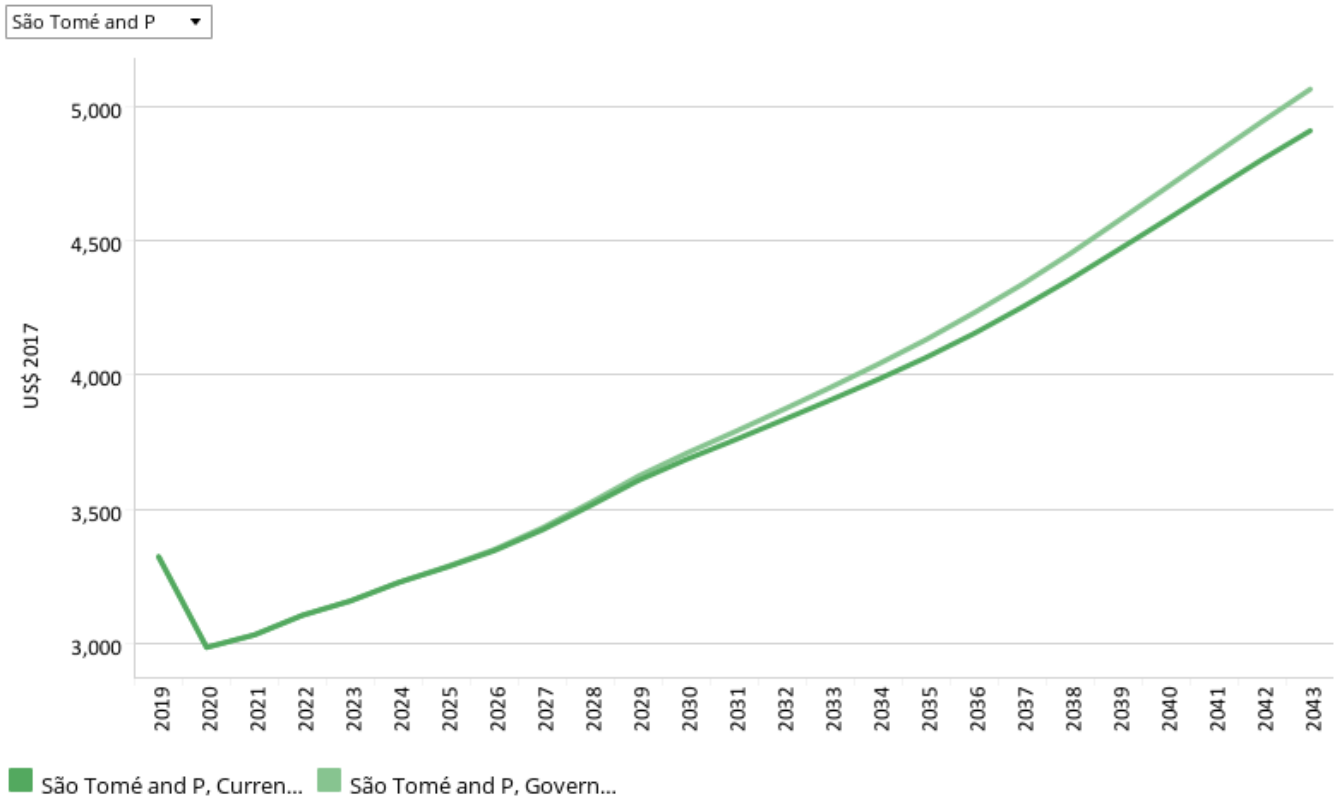
The intervention is explained [here](#) in the thematic part of the website.

As defined by the World Bank, government effectiveness ‘captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies’.

Chart 51 presents the impact of the interventions in the Governance scenario on government effectiveness.

In 2019, São Tomé and Príncipe’s government effectiveness score was 1.78, which was below the average of 1.89 for lower middle-income countries in Africa. In both the Current Path forecast and the Governance scenario, government effectiveness is projected to increase over the period, although the increase in the Governance scenario is higher than the increase in the Current Path forecast. The projected score of government effectiveness in the Governance scenario in 2043 is 2.28, which will be 0.11 points more than the projected score in the Current Path forecast. São Tomé and Príncipe’s government effectiveness score will be slightly lower compared to the average of 2.32 for lower middle-income countries in Africa.

Chart 52: GDP per capita in CP and Governance scenario, 2019–2043
Purchasing power parity

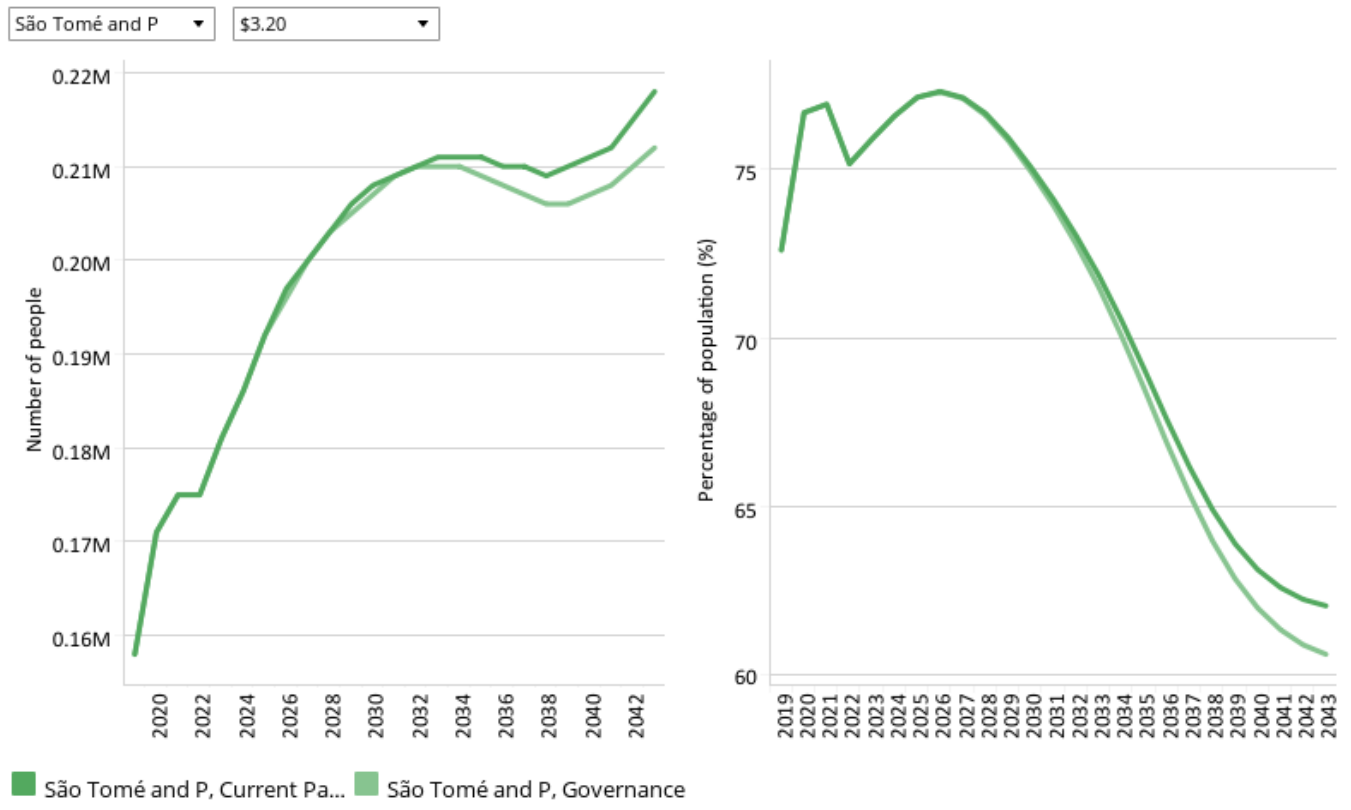


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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In the Governance scenario, São Tomé and Príncipe’s GDP per capita is projected to increase to US\$5 065 in 2043, which is US\$155 more than the estimates in the Current Path forecast. However, this projection is still below the average of US\$9 142 for lower middle-income countries on the continent in the same year. Good governance in the form of transparency, accountability, rule of law and reduced corruption can stimulate economic growth and increase income levels. Authorities in São Tomé and Príncipe should therefore make efforts to improve governance as a means of increasing economic growth.

Chart 53: Poverty in CP and Governance scenario, 2019–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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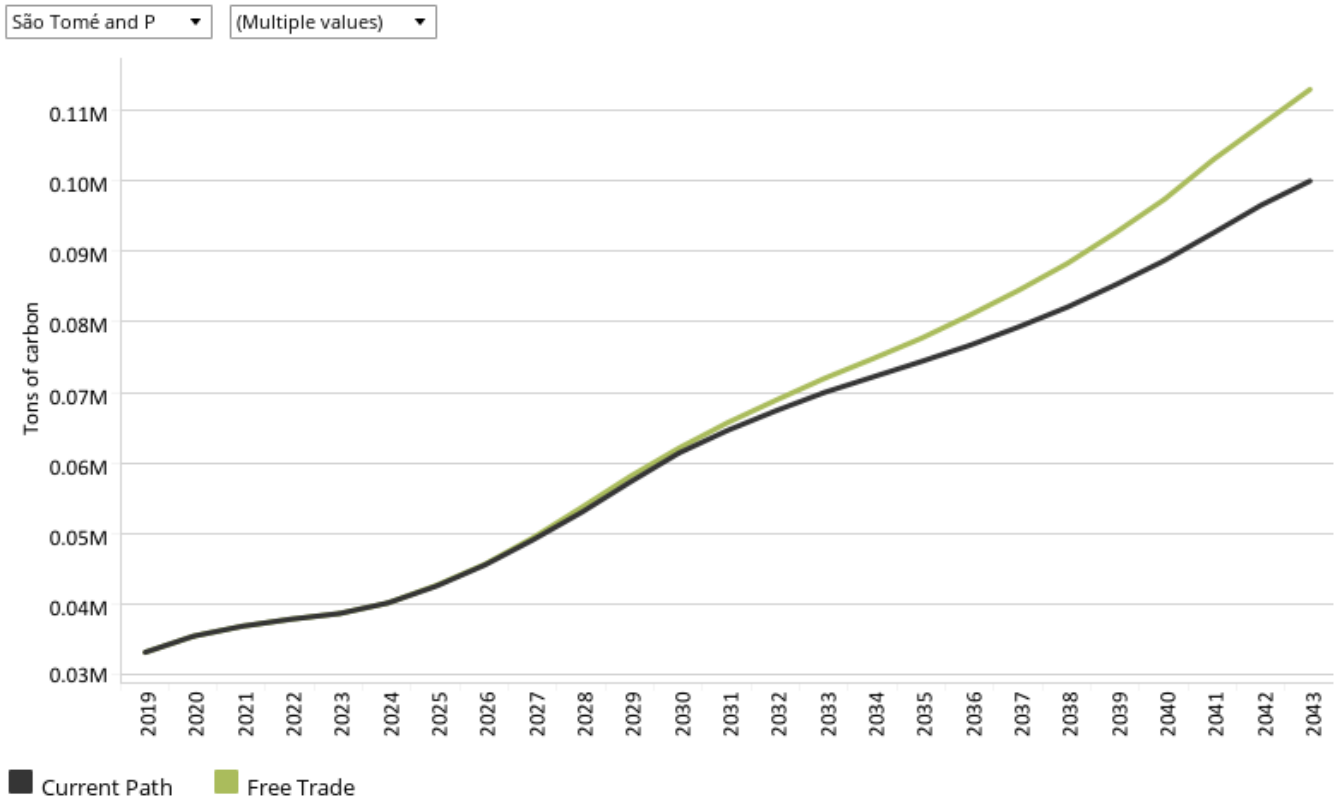
The proportion of people living below the poverty line of US\$3.20 is expected to decline to 60.6% in 2043 in the Governance scenario, which is higher than the 38.3% average for lower middle-income African countries. It also corresponds to a 1.4 percentage point reduction in poverty by 2043 compared to the Current Path forecast.



Impact of scenarios on carbon emissions

Chart 54: Carbon emissions in CP and scenarios, 2019–2043

Million tons of carbon (note, not CO₂ equivalent)



Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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This section presents projections for carbon emissions in the Current Path for São Tomé and Príncipe and the 11 scenarios. Note that IFs uses carbon equivalents rather than CO₂ equivalents.

The total amount of carbon emitted by São Tomé and Príncipe in 2019 was 30 000 tons. The country's carbon emissions are projected to increase in all the scenarios, with total carbon emissions estimated to be around 100 000 tons by 2043. The intervention with the greatest impact on carbon emissions is the Free Trade scenario followed by the Manufacturing/Transfers scenario, in line with the projected economic growth in these scenarios. On the other hand, the intervention with the least impact on carbon emission is the Demographic scenario as a result of the smaller population size.

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Mr Enoch Randy Aikins joined the AFI in May 2021. Before that, Enoch was a research and programmes officer at the Institute for Democratic Governance in Accra. He also worked as a research assistant (economic division) with the Institute for Statistical Social and Economic Research at the University of Ghana. Enoch's interests include African politics and governance, economic development, public sector reform, poverty and inequality. He has an MPhil in economics from the University of Ghana, Legon.

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