



United Nations  
**CDP**  
Committee for  
Development Policy

CDP2018/PLEN/5.d

# **Committee for Development Policy 20<sup>th</sup> Plenary Session**

United Nations  
New York, 12-16 March 2018  
Conference Room 6

Ex-ante Impact Assessment of likely  
Consequences of Graduation of  
São Tomé and Príncipe  
from the Least Developed Country Category

**SUSTAINABLE  
DEVELOPMENT**  **GOALS**

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## Summary and conclusions

São Tomé and Príncipe was considered by the Committee for Development Policy (CDP) to be eligible for graduation from the category of least developed countries (LDCs) for the first time in 2015, as it exceeded the per capita income and Human Assets Index thresholds. It will be assessed for the second time at the CDP's triennial review in March 2018, when the CDP may decide to recommend its graduation to the Economic and Social Council (ECOSOC).

This **ex-ante impact assessment for São Tomé and Príncipe (see information in the sidebar)**, prepared at the request of the CDP for consideration at the 2018 triennial review, assesses the probable impact of the loss, upon graduation from the LDC category, of support measures relating to international trade; development cooperation; and other general support measures. The assessment is not an analysis of the country's development challenges. The main conclusions are summarized as follows.

### Trade

**Market access – goods.** Upon graduation, and in some cases after transition periods, São Tomé and Príncipe would no longer benefit from LDC-specific preferential market access schemes. Notably in the European Union (EU), São Tomé and Príncipe's main export market, LDC specific preferences (the Everything-But-Arms scheme) would be withdrawn after a transition period of 3 years and the default scheme would be the standard Generalized System of Preferences (GSP). Subject to certain conditions, o Tome and Principe could apply to the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+), which grants duty free access to most of the products covered by the GSP.

Exports of cocoa beans, by far São Tomé and Príncipe's most important export product, would not be affected by the withdrawal of LDC-specific preferences in the countries to which it has exported in the last ten years. Similarly, most other exports, such as pepper, coffee, and coconut/copra oil would either continue to enter the EU market duty free or

#### WHAT ARE EX-ANTE IMPACT ASSESSMENTS IN THE CONTEXT OF GRADUATION FROM THE LDC CATEGORY?

To graduate from LDC status, a country needs to be found eligible for graduation, based on criteria determined by the UN General Assembly, in two successive triennial reviews conducted by the Committee for Development Policy (CDP).

After a country is found eligible for the first time, the CDP requests that the United Nations Department of Economic and Social Affairs (UNDESA) prepare an ex-ante assessment of the expected impacts for the country of no longer having access to international support measures for least developed countries (LDCs).

This assessment is used, along with a "vulnerability profile" prepared by the United Nations Conference on Trade and Development (UNCTAD), the views of the concerned Government and other relevant information, as an input for the CDP's decision on whether to recommend the country for graduation once it is found eligible for a second time.

be subject to relatively small tariffs. These products would also continue to enter other markets such as the United States duty free.

However, loss of LDC-specific preferences may make it more difficult to expand into higher value-added segment of the cocoa value chain. Notably, chocolate and certain other food preparations containing cocoa (classified under HS1806) would face significantly higher tariffs in the EU and in Switzerland – current markets – and in Japan, a potential market. Though accounting for only approximately 2-3% of current exports, this is the country’s second largest export product (excluding re-exports). Tariffs on chocolate in the United States, which has been the destination of increasing shares of exports, would remain unchanged.

Other potential export products such as fish and seafood would face higher tariffs in the EU and other potential markets. This impact would be mitigated in the EU if São Tomé and Príncipe joins the GSP+. Tariffs for these products in the United States market would not be affected. Should petroleum production materialize, crude oil would benefit from an MFN tariff of zero in most markets, regardless of LDC status.

**Market access – services.** São Tomé and Príncipe’s diversification strategy is strongly focused on services. The nature and current stage of operationalization of the WTO “services waiver”, which enables WTO members to grant market access preferences in services for LDCs, does not allow for a full analysis of the implications of the withdrawal of those preferences upon graduation. Preliminary assessments on the mechanism suggest no major impacts given the nature of the preferences being given and of the services provided São Tomé and Príncipe.

**WTO accession.** São Tomé and Príncipe presented a request for accession to the WTO in 2005. The process has not advanced substantially since then. Graduation would imply that WTO guidelines and benchmarks for LDC accession would no longer apply as references in the negotiation of the terms of accession. São Tomé and Príncipe would no longer have access to LDC-specific support for accession. Once a member of the WTO, it would not benefit from special LDC-specific arrangements.

**Trade-related capacity building (Aid for Trade).** The main Aid for Trade instrument that is specifically geared at LDCs is the Enhanced Integrated Framework (EIF), which represents a relatively small share of Aid for Trade flows. The country would be eligible for support from the EIF for a period of up to five years after graduation.

## Development cooperation

São Tomé and Príncipe remains highly dependent on international cooperation. No major changes in development cooperation programmes are expected as a result of graduation from the LDC category:

- Portugal informed UNDESA that changes are not expected in national assistance allocation or technical cooperation as a result of graduation.
- The EU informed UNDESA that while there may eventually be a reduction of grant-based aid for countries that are on a sustained growth path or are able to generate

sufficient resources of their own, it considered that countries graduating from LDC status were unlikely to be in this position immediately after graduation. The EU would address specific situations and vulnerabilities in future programming cycles.

- The World Bank Group does not use the LDC category as such as a determinant in its operations. The International Development Association (IDA), from which São Tomé and Príncipe has benefitted, uses criteria defining low-income economies based on GNI per capita rather than LDC status. São Tomé and Príncipe has currently exceeded the income threshold and benefits from the Small island economy exception.
- Funding from the African Development Fund is not contingent on LDC status.
- No major change is expected in programmes delivered by most of the United Nations system entities as a result of graduation from LDC status alone, as these entities continue to address, in the fulfilment of their respective mandates, countries' specific challenges.

São Tomé and Príncipe will no longer be eligible for certain specific mechanisms and funds (in some cases after a transition period), such as the Least-Developed Countries Fund (LDCF) under the United Nations Framework Convention on Climate Change, or the Technology Bank for LDCs. It will continue to have access to other instruments not limited to LDCs such as the Green Climate Fund. It will also continue to be given priority under certain frameworks as a Small Island Developing States (SIDS) and an African state.

In compliance with the request from the United Nations General Assembly, UN system organizations have indicated that they will provide specific support to countries graduating from the LDC category, as will UNDESA.

## General support measures

Graduation will not impact São Tomé and Príncipe's contributions to the United Nations regular budget and will minimally impact its contributions to the peacekeeping budget and the budgets of a small number of UN entities. Some forms of general support, such as some scholarships and fellowships, as well as travel assistance to UN meetings and activities may be discontinued. São Tomé and Príncipe would continue to have access to mechanisms dedicated to other developing countries and particularly to SIDS and African states.

# 1. Background, scope and sources

São Tomé and Príncipe was found eligible for graduation from the least developed country (LDC) category for the first time during the triennial review of the Committee for Development Policy (CDP) in 2015, based on its GNI per capita and its score on the Human Assets Index (HAI) (see Box 1).<sup>1</sup> According to established procedures, this report responds to the request by the CDP for the United Nations Department of Economic and Social Affairs (UNDESA) to conduct an ex-ante assessment of the expected impacts for São Tomé and Príncipe of no longer having access to international support measures for LDCs. The report will be considered by the CDP when it reviews the country's eligibility for graduation for the second time during the 2018 triennial review.

**Scope of the impact assessment.** The purpose of the ex-ante impact assessment is to examine the likely consequences of graduation for countries' economic growth and development. It identifies potential risk factors or challenges that countries may face after graduating in view of the possible change in the nature of support received by development and trading partners by evaluating the direct effects of graduation on the main international support measures (ISMs) extended to LDCs. Support measures fall into three main areas: i) international trade; ii) development cooperation; and iii) other general support (related to United Nations funding, support for travel to official meetings, and scholarships and research grants).<sup>2</sup>

The analysis considers only concrete support measures that are made available to the country concerned exclusively on basis of its LDC status. In international trade, the analysis first identifies products of interest on the basis of current bilateral trade flows and relevant policy documents. Then, it assesses to which extent these products benefit from LDC-specific preferential market access and how market access conditions would change after a possible graduation. If applicable, it also considers the impact of graduation on obligations within the World Trade Organizations and regional trading arrangements as well as the impact on Aid-for-Trade support. The impact of graduation on development cooperation is assessed in two steps. First, the assessment identifies major partners on the basis of current development cooperation inflows and projects. Subsequently, and on basis of development cooperation policies and country-specific information from individual development partners, it identifies whether belonging to the LDC category is likely to significantly influence cooperation programmes or limits access to specific instruments. The impact of graduation on contributions to United Nations organizations is assessed by considering the hypothetical contributions a country would have to make to the most recent budget if the country did not have LDC status.

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<sup>1</sup> United Nations Committee for Development Policy, Report on the seventeenth session (23-27 March 2015) of the Committee for Development Policy (E/2015/33, Supplement No. 13).

<sup>2</sup>A comprehensive catalogue of LDC-specific international support measures is available at <http://www.un.org/ldcportal>.

Graduation also has potential benefits, such as a heightened sense of national progress that accompanies a move out of the official lowest rung of the development ladder; and increased political standing in regional and international institutions. It would be difficult and potentially misleading to attempt to reliably establish and quantify the significance of these factors for individual countries and their consequences for economic growth and development. Therefore, these issues are not addressed in the assessment. Graduation may potentially also affect access to and conditions in financial markets. However, there is currently no evidence from publicly available documents or empirical studies that international rating agencies, international banks or investors include LDC status per se as one of their decision criteria.

**Main sources.** Sources used in this assessment include official data, relevant documents and studies published by the government, regional and international organisations and other relevant institutions. Information was specifically requested from the main development and trading partners of all LDCs to be considered for graduation by the CDP in 2018 on support measures, including the amount and/or type of preferences, benefits and assistance, as well as on the likely changes in those support measures should the country's graduation be confirmed.<sup>3</sup> UN DESA is very grateful to those Governments and institutions that participated and contributed to this exercise.

The draft report of the ex-ante impact assessment was sent to the government of São Tomé and Príncipe for comments before being finalized for submission to the CDP Expert Group Meeting (EGM) consultations on 1-2 February 2018. No comments had been received by January 15.

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<sup>3</sup> Responses were received from Australia, Austria, Brazil, the European Union, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, Portugal and Thailand as well as from the Enhanced Integrated Framework (EIF), the Global Environment Facility (GEF), the International Labour Organization (ILO), the International Telecommunication Union (ITU), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (Unicef), UN Volunteers, the World Food Programme (WFP) and the World Trade Organization (WTO) (as of November 21).

## Box 1. Graduation eligibility and the process towards graduation

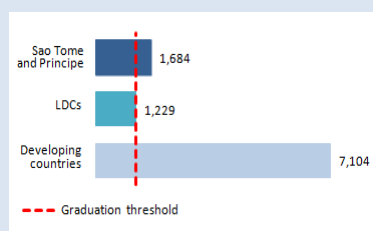
A country becomes **eligible** for graduation from the LDC category when it meets any **two of three criteria** in two consecutive **triennial reviews** conducted by the CDP. For the 2018 review, the criteria are as follows:

- GNI per capita of USD 1,230 or above (also referred to as the income threshold)
- Human Assets Index (HAI) of 66 or above\*
- Economic Vulnerability Index (EVI) of 32 or below\*

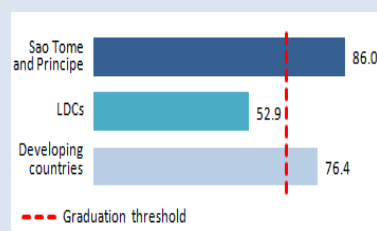
Alternatively, a country may become eligible for graduation if its GNI per capita is more than double the income threshold during two consecutive reviews.

**São Tomé and Príncipe's eligibility.** At the time of the 2015 review, São Tomé and Príncipe's GNI per capita was USD 1,431 (exceeding the threshold, that at the time was USD 1,242), and its Human Assets Index was 77.4 (exceeding the threshold of 66.0). At the 2018 review, São Tomé and Príncipe's GNI per capita is USD 1,684, and its human assets index (HAI) score is 86.0, still exceeding the thresholds. Although its economic vulnerability index (EVI) score of 41.2 remains above the graduation threshold of 32.0, meeting the income and human assets index (HAI) criteria is sufficient for São Tomé and Príncipe to have met the eligibility criteria on both reviews.

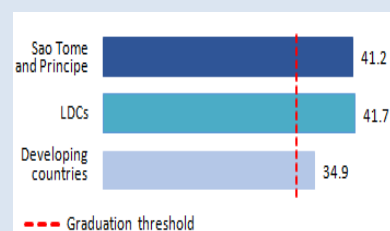
GNI per capita (USD)



Human assets index

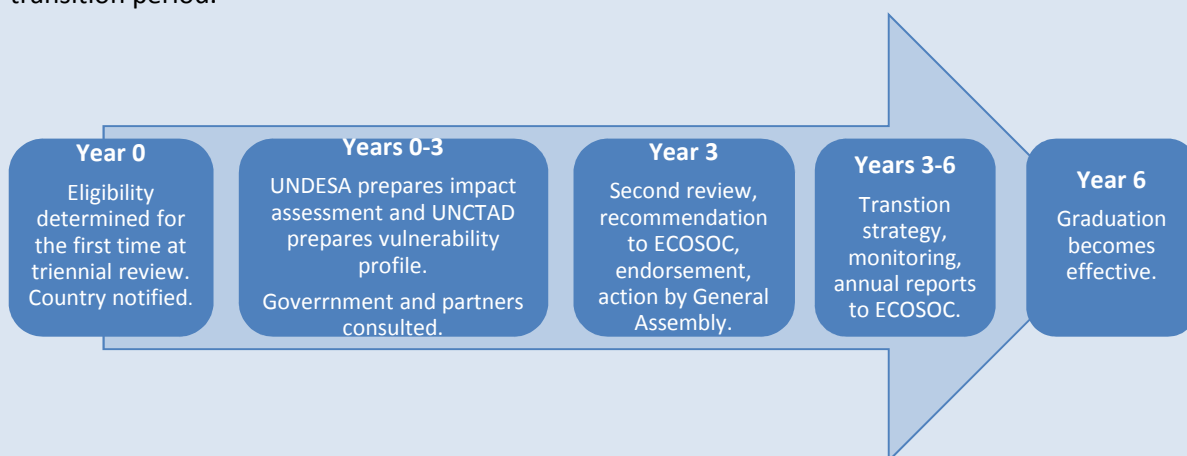


Economic vulnerability index



Data based on the 2018 triennial review

**The process towards graduation.** After the CDP recommends graduation, ECOSOC endorses and the General Assembly takes note of the recommendation. Graduation becomes effective three years after action by the General Assembly. Exceptionally, the General Assembly may decide on a longer transition period.



\*For information on the composition of the indexes, see <https://www.un.org/development/desa/dpad/least-developed-country-category/ldc-criteria.html>



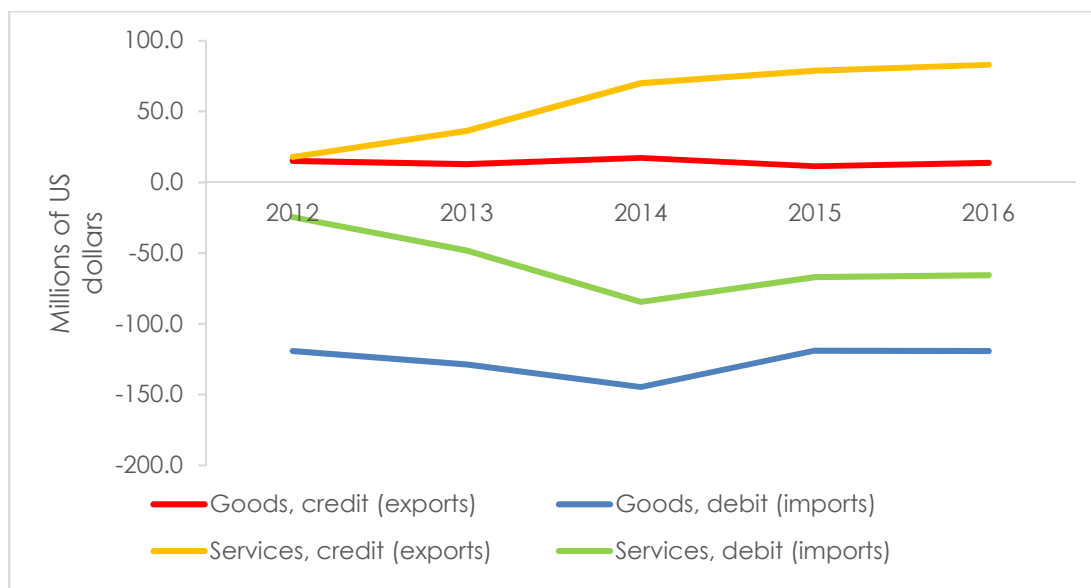
## 2. Trade-related support measures

The main trade-related support measures to LDCs refer to preferential access to markets (section 2.2); the conditions of accession to the WTO and special treatment related to the implementation of WTO commitments after accession (section 2.3); and capacity-building related to trade (section 2.4). As background information, the following section provides an overview of São Tomé and Príncipe's export structure and potential.

### 2.1 Overview of São Tomé and Príncipe's export structure

São Tomé and Príncipe has a very limited export base and a high dependence on imports. This combination explains a persistent current account deficit. Despite a decrease of the deficit in the recent past, attributable to growth in service exports (essentially tourism), it remained at 15% of GDP in 2016.<sup>4</sup> Service exports surpassed service imports for the first time in 2015, and in 2016 accounted for over 6 times the value of the export of goods (see Figure 1).

**Figure 1. São Tomé and Príncipe: exports and imports of goods and services as recorded in the balance of payments (millions of United States dollars)**



Source: Extracted from World Bank Open Data, based on the IMF, Balance of Payments Statistics Yearbook and data files and World Bank and OECD GDP estimates, accessed October 2017 (<https://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS?locations=ST>).

<sup>4</sup> Data on current account balance as a % of GDP extracted from World Bank Open Data, based on the IMF, Balance of Payments Statistics Yearbook and data files and World Bank and OECD GDP estimates (<https://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS?locations=ST>).

## Main exports

Data on the main export products available on the website of the National Statistics Institute of São Tomé and Príncipe at the time of writing was limited to 2011 and 2012. Data collected through the UN Comtrade database is available for a longer period, but does not allow for the systematic separation of exports from re-exports.<sup>5</sup> The following analysis is based on the combination of data collected through UN Comtrade, data from the National Statistics Institute and relevant studies.

Statistical limitations notwithstanding, it is evident that São Tomé and Príncipe's exports are exceptionally concentrated both in terms of product and of geographic market. The UN Comtrade database shows that cocoa beans account for 70% of exports for 2006-2015 even when re-exports are considered (see table A.1 in the Annex). Data published by the National Statistics Institute for 2011 and 2012 show that cocoa beans accounted for 95% of exports during this 2-year period (see Table 1). Other merchandise exports reported in UN Comtrade, government statistics or the Diagnostic Trade Integration Study (DTIS) Update published in 2013 (World Bank, 2013) include cocoa products (chocolate, cocoa powder, others), pepper, coffee, palm oil, coconut and coconut products (including copra and coconut oil), flowers and plants. These account for small percentages of exports.

The European Union is the main destination for merchandise exports, accounting for 69% of total exports (including re-exports) between 2006 and 2015 according to UN Comtrade data and for 84% of exports in 2011-2012 according to data published by the government.<sup>6</sup>

**Table 1. São Tomé and Príncipe exports, 2011-2012 (millions of Dobras and percentages)**

|                    | 2011   | Percentage | 2012   | Percentage | Total   | 2011-2012<br>(Percentage) |
|--------------------|--------|------------|--------|------------|---------|---------------------------|
| Total              | 95,370 | 100        | 98,793 | 100        | 194,163 | 100                       |
| Cocoa              | 92,038 | 97         | 92,040 | 93         | 184,077 | 95                        |
| Chocolate          | 1,052  | 1          | 4,374  | 4          | 5,426   | 3                         |
| Coconut            | 1,644  | 2          | 1,821  | 2          | 3,465   | 2                         |
| Coffee             | 271    | 0          | 521    | 1          | 792     | <1                        |
| Coconut oil        | 610    | 1          |        |            | 610     | <1                        |
| Flowers and plants | 27     | 0          | 37     | 0          | 64      | <1                        |

Source: São Tomé and Príncipe National Statistics Institute (<http://ine.st/>), accessed September 2017.

Tourism is the main service export and has grown substantially in recent years, a trend visible both in the balance of payments and in data on tourist arrivals, in which São Tomé

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<sup>5</sup> The Economist Intelligence Unit (2017) estimates that re-exports corresponded to approximately 20% of exports in 2015.

<sup>6</sup> São Tomé and Príncipe National Statistics Institute (<http://ine.st/>).

and Príncipe has outperformed other small island states (IMF, 2016; Government of São Tomé and Príncipe, 2015c).<sup>7</sup>

## Potential exports

São Tomé and Príncipe is seeking to diversify and expand its exports. A significant potential change in the structure of its merchandise exports could come from the beginning of petroleum production. Despite initially promising exploration projects, setbacks in recent years have put into question the feasibility, scale and timing of this production (IDA/IFC/MIGA, 2014; World Bank, 2013; IMF 2016). Exploration continues but production is not expected before the end of the decade (EIU, 2017).

Beyond oil, the diversification strategy currently pursued by the government of São Tomé and Príncipe has two main components: (i) expanding and moving to higher value-added segments in agriculture and fisheries; and (ii) expanding international tourism and entering new service markets (Government of São Tomé and Príncipe, 2015a, b, c).

Regarding the first component, the “Agenda for Transformation 2030” strategy presented by the government of São Tomé and Príncipe to potential investment partners in 2015 (Government of São Tomé and Príncipe, 2015c) refers to processed cocoa products (including the products of roasting, grinding and pressing, and chocolate); white pepper; and fish (including processed products such as smoked, canned and dried fish, particularly of large pelagic species such as tuna and swordfish, cephalopods such as cuttlefish and octopus, and crustaceans, including shrimp and lobster). The Diagnostic Trade Integration Study (DTIS) Update published in 2013 (World Bank, 2013) had identified export potential in some of these products and considered that coffee, palm oil, high-value exotic flowers and tropical fruit also had export potential. It noted, however, that there were significant supply-side limitations which needed to be overcome.

The most ambitious component of the diversification strategy aims at developing service industries. In tourism, there are plans to develop niche markets – ecotourism, cultural tourism, business tourism and others. In addition to tourism, the government has plans to exploit the country’s favourable geographic position for logistics services. The Agenda for Transformation 2030 promotes marine transport logistics, with the establishment of a deep-water port and development of trans-shipment and distribution services; aviation and aviation services, including aircraft maintenance, repair and overhaul services; petroleum products storage; and marine vessel servicing (Government of São Tomé and Príncipe, 2015c). There are reports of resources having been committed to the port development project but market reports suggest there is still uncertainty as to their sufficiency (EIU, 2017). The DTIS Update in 2013 had also considered the potential of ICT-enabled offshore service activities such as call centres and back-office functions. These do not seem to have been prioritized in the most recent strategy documents.

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<sup>7</sup> Data from the WTO Time Series on International Trade (stat.wto.org) show that travel service exports account for most of the recent increase in service exports.

## 2.2 Preferential market access

Developed countries and several developing countries grant preferential market access to goods and services from LDCs. The practical significance of these measures, and therefore of their withdrawal upon graduation, depends on what the graduating country exports and where to. Graduation has no impact on exports of products and services that do not benefit from LDC-specific preferences, or on exports to markets that do not grant LDC-specific preferences. The following paragraphs discuss the potential impacts, for São Tomé and Príncipe, of withdrawal of LDC-specific preferences in goods and services.

### Preferential market access – trade in goods

**Background:** *The Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (known as the “enabling clause”) adopted under the General Agreement on Tariffs and Trade (GATT) in 1979 allows developed countries to extend more favourable, non-reciprocal, treatment to the exports of developing countries in general, and deeper margins of preferences for LDCs. The clause forms the legal basis for the Generalised System of Preferences (GSP) and for LDC-specific schemes within those systems. In 1999, WTO members adopted a waiver that allows developing countries to extend preferential treatment to imports from LDCs. In 2005, at the Sixth Ministerial Conference in Hong Kong, WTO members committed to further improving market access conditions for LDCs, providing duty-free, quota-free (DFQF) market access. As a result, developed countries and several developing countries have LDC-specific preferential arrangements. When a country graduates from the LDC category, it no longer benefits from the LDC-specific preferences other than those for which a transitional scheme is in place to ensure a smooth transition out of the category. In developed countries, the country would normally have access to the standard GSP, in addition to any other preferential terms resulting from bilateral or regional agreements. In developing countries, if no bilateral or regional agreements are in place, MFN terms apply to members of the WTO and, in practice, are often extended to others. When this is not the case, general tariff rates apply.*

The impact of the withdrawal of LDC-specific preferential market access for goods can be assessed by identifying the significance, in terms of the share of the graduating LDC’s total exports, of markets granting such preferences; the tariff schemes that will apply once those preferences no longer apply; and the implications of this change on the tariffs applicable to the country’s main exports. Given São Tomé and Príncipe’s diversification exports, it is useful to also assess impacts on potential geographic markets and potential export products.

According to UN Comtrade data, approximately 72% of Santomean exports during 2006-2015 went to markets that grant LDC-specific preferences, the most significant by far

being the European Union (EU) (69%), followed by Switzerland and Turkey (1% each), and the United States (less than 1%).<sup>8</sup>

The changes in applicable schemes upon graduation would be follows:

- In the EU, where the loss of LDC-specific preferences could have the most significant impact, São Tomé and Príncipe benefits from the “Everything-But-Arms” (EBA) scheme, which grants full duty-free and quota-free access for all products except arms and munitions.<sup>9</sup> Upon graduation, and after a transition period of, in principle, three years, São Tomé and Príncipe would trade under the standard GSP.<sup>10</sup> It could also apply for the Special Arrangement for Sustainable Development and Good Governance (GSP+).<sup>11</sup> GSP+ grants duty free access to most of the products covered by the GSP. Where the GSP does not apply, São Tomé and Príncipe would face the MFN tariff.<sup>12</sup>
- In Switzerland, São Tomé and Príncipe would benefit from the GSP.<sup>13</sup> Where the GSP does not apply, the country would face the MFN tariff.
- Turkey has aligned its system of preferences to that of the European Union (UNCTAD, 2017).
- In the United States, São Tomé and Príncipe would continue to be eligible for the trade benefits of the African Growth and Opportunity Act (AGOA). Where AGOA does not apply, products from São Tomé and Príncipe face the GSP or MFN tariff schedules.

Trade to Angola, São Tomé and Príncipe second largest market after the EU, and to other markets in the region is not affected by graduation because these markets do not grant LDC-specific preferences.

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<sup>8</sup> These percentages include re-exports.

<sup>9</sup> Overall, the rate of preference utilisation for São Tomé and Príncipe is relatively low, which reflects, among other reasons, the fact that the MFN tariff for the dominant export product, cocoa beans, is zero; on a product-by-product basis, it is higher for products that, while currently representing only marginal shares of total exports, could become more important if diversification strategies for merchandise trade are successful.

<sup>10</sup> Regulation (EU) No. 978/2012 of the European Parliament and of the Council of 25 October, 2012, regulates the GSP scheme, including eligibility (countries that are classified by the World Bank as low-income or lower- middle-income) and the transitional period.

[http://trade.ec.europa.eu/doclib/docs/2012/october/tradoc\\_150025.pdf](http://trade.ec.europa.eu/doclib/docs/2012/october/tradoc_150025.pdf)

<sup>11</sup> Eligibility for the GSP+ depends on ratification and implementation of 27 conventions on human rights, labour rights, environmental protection and good governance São Tomé and Príncipe has ratified or acceded to all but one of these instruments.

<sup>12</sup> An Economic Partnership Agreement between the EU and Central Africa has been under negotiation for several years. Analogous agreements between the EU and other African countries provide preference margins additional to the GSP. The DTIS Update 2013 states that “(w)hile not necessarily an issue in itself, the large share of E.U.-originating imports constrains the government’s ability to go forward with preferential tariff elimination as part of an EPA, as it would imply tariff-revenue losses.” Conclusions in this report assume no EPA is in place.

<sup>13</sup> Switzerland extends the benefits granted to LDCs to countries that have adhered to an international initiative to reduce their indebtedness and that are not yet unindebted, but São Tomé and Príncipe is not eligible (<https://www.admin.ch/opc/fr/classified-compilation/20061738/index.html#app1>).

→ **Impacts of the changes in tariff schemes on current export products in markets to which São Tomé and Príncipe already exports**

Table 2 shows the expected effects of the withdrawal of LDC-specific preferences for São Tomé and Príncipe's top export products.<sup>14</sup> The main conclusions are that:

- 1) The dominant export commodity, cocoa beans, would not be affected by graduation in any of these markets.<sup>15</sup>
- 2) The second most important export product group, chocolate and other food preparations containing cocoa (HS1806), which currently accounts for an estimated 2-3% of exports:
  - would be subject, in the EU, to significant tariffs comprising *ad valorem* components between 2.8 and 10.7%, and, in most cases, specific components including, for some products, an agricultural component<sup>16</sup> and an additional duty on sugar. As a reference, the range of the *ad valorem* component under MFN treatment is 8 to 15.4%. Under the GSP+, the *ad valorem* component would be zero but the specific components would apply.<sup>17</sup>
  - would undergo no change in applicable tariffs in the United States, as all products covered by the GSP for LDCs are also covered by AGOA. The United States is becoming an increasingly important market for this product – see Figure 2); and
  - in Switzerland would be subject to a wide range of tariffs, with an *ad valorem* component ranging from 2 to 222% and a specific component ranging from 11 to 670 Swiss Francs. Switzerland has accounted for 3% of exports of these products over 2006-2015.
- 3) Coffee, pepper and coconut oil would face small average tariffs in the EU (zero under GSP+) or would continue to enter the EU under a MFN tariff of zero. Tariffs faced by these products would undergo no change in the Swiss and United States markets.

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<sup>14</sup> Turkey is not considered since the only product exported from São Tomé and Príncipe to Turkey over 2006-2015 were cocoa beans, for which the tariff under all applicable regimes is zero. Moreover, as noted, Turkey has aligned its system of preferences to that of the European Union.

<sup>15</sup> Though not shown in the tables, this stands true for all markets to which São Tomé and Príncipe as exported cocoa beans during 2006-2015.

<sup>16</sup> This refers to an additional duty applied by the EU to certain processed products using primary agricultural products subject to tariff protection such as dairy products.

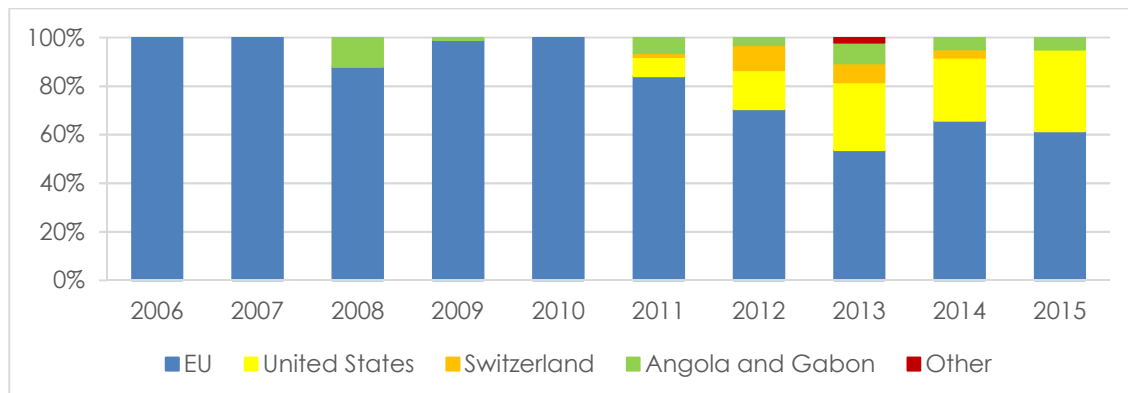
<sup>17</sup> Table A.2 in the Annex provides greater detail on the treatment of chocolate and other cocoa products (HS1806) in the EU market.

**Table 2. Tariffs under LDC-specific market access schemes and default schemes for main exports recorded for 2006-2015 (4-digit level of HS product; averages, unless otherwise indicated)**

| Products   | Main export destinations 2006-2015  | European Union EBA/GSP/GSP+   | United States LDC GSP/AGOA or GSP | Switzerland LDC GSP/GSP  |
|--|-------------------------------------|---|-----------------------------------|--|
| 1801 Cocoa beans   | EU 93%                              | 0/0/0   | 0/0                               | 0/0  |
| 1806 Chocolate and other food preparations containing cocoa            | EU 77%<br>USA 15%<br>Switzerland 3% | <u>EBA</u> : 0<br><u>GSP</u> :<br>180610 (sweetened cocoa powder):<br>Ad valorem range 2.80- 4.50,<br>Specific range EUR 25.20-31.40 EUR/100kg<br>Other products including chocolate:<br>Ad valorem range 4.80-10.70<br>Specific: Agricultural component max 18.7% + reduced additional tariff on sugar<br><u>GSP+</u> : Ad valorem=0, specific as in GSP | 7.9/7.9                           | <u>LDC GSP</u> : 0<br><u>GSP</u> :<br>Ad valorem: 2-222%<br>Specific: CHF 11-670/100kg<br><br>(simple average 23.6+CHF 76/100kg) |
| 0904 Pepper  | EU 63%<br>Gabon 37%                 | 0/1.5/0<br>0/0/0 for 090411   | 0/0                               | 0/0  |
| 0901 Coffee  | EU 90%<br>Switzerland 2%            | 0/3.1/0<br>0/0/0 for 090111   | 0/0                               | 0/0  |
| 1513 Coconut (copra), palm kernel or babassu oil and fractions thereof | EU 97%                              | 0/4.1/0   | 0/0                               | 0/0  |

Source: UNCTAD Trade Analysis Information System (TRAINS), accessed August 2017. Products were selected based on the information contained in table A.1, excluding those products that São Tomé and Príncipe has not significantly exported over the last 10 years to countries granting LDC-specific preferences (2710, 0801, 7326, 1507, 1006, 8471) and those likely to be re-exports or errors (6309, 8703, 8403, 8422, 8525, 8429, 8708, 9403, 7204). Average tariffs are indicated unless otherwise specified.

**Figure 2. Exports of chocolate and other food preparations containing cocoa (HS 1806) by destination, 2006-2015 (percentages)**



Source: UN Comtrade, accessed August 2017.

**→ Impact on potential exports and the opportunities for diversification**

There are two aspects to this issue: one is the effect on the country's access, for its current export products, to other geographical markets; another is the effect on the tariffs faced by the products that are being considered potential export products.

Table A.3 in the Annex considers changes in tariffs for São Tomé and Príncipe's current export products in Canada, Japan, Russia, India and China. These are the largest world importers, among those granting LDC-specific preferences and after the markets already addressed in table 2 above, of at least one of São Tomé and Príncipe's export products. China is of particular interest given the recent re-establishment of diplomatic ties with São Tomé and Príncipe.<sup>18</sup> Based on the information in the table:

- In Canada, Japan and Russia graduation would not bring about very significant increases in the tariffs faced by São Tomé and Príncipe's products, the main exception being chocolate (1806) in Japan. Japan accounts for 2.8% of world imports of chocolate (2011-2015). Only 0.5% of its imports of chocolate in 2011-2015 have come from Africa, and Japan has not been a major market for comparable African exporters of chocolate.
- Tariffs for all of São Tomé and Príncipe's major exports would rise considerably in both India and China. China and India import mostly from Asia and only marginally from Africa and particularly from the west coast of Africa. The exception is cocoa beans, which both countries import in significant shares from Africa, but neither accounts for more than 1% of world imports. The large majority of world imports of cocoa beans is either duty free or does not benefit from LDC-preferences in the first place.

<sup>18</sup> Given the re-establishment of diplomatic relations in December 2016, it is likely that São Tomé and Príncipe will benefit from China's preferential tariff for African LDCs, though this depends on the exchange of letters of agreement between the two countries (UNCTAD, 2016). Upon graduation, it would no longer benefit from the preferential tariff and, as a non-member of the WTO, would likely face the general tariff rate (not MFN). The analysis in this section is based on the assumptions that China does effectively extend LDC-specific preferential tariffs to São Tomé and Príncipe and does apply the general rate after graduation.



As for the diversification of export products, Table A.3 shows the tariffs applicable with and without LDC-specific preferences for the products identified as potential export products in the DTIS Update (World Bank, 2013) and the Agenda for Transformation 2030 (Government of São Tomé and Príncipe, 2015c) in the main destinations for São Tomé and Príncipe's current exports (those in Table 2) and the countries considered above as potential export markets. As show in in the table:

- In the largest and most likely export markets (the EU and the United States), impacts are small for most products. Fish and seafood face higher tariffs in the EU, up to an average of 13.5% in the case of prepared or preserved fish. However, under the GSP+, all products except for some types of fish and prawns would continue to benefit from duty free market access. None of the products identified as potential export products would be affected in the United States.
- Crude petroleum would not be affected by graduation.
- Certain products would face higher tariffs in the main potential geographic markets: flowers in Switzerland (reflecting high tariffs on roughly a third of tariff lines); processed fish, tropical fruit and certain types of cocoa products in Japan; processed fish in Russia. However, tariffs for these products remain at zero or relatively low in other markets.
- Tariffs would increase considerably for most products in China and India, which are however not large importers of most of São Tomé and Príncipe's exports and potential exports, and rely mostly on other Asian markets which benefit from proximity (and lower transport costs which is critical for imports of low value-to-weight ratios) and non-LDC specific preferential tariff rates.

In sum, exports of cocoa beans, by far São Tomé and Príncipe's most important export product, would not be affected by the withdrawal of LDC-specific preferences in the countries to which São Tomé and Príncipe has exported over the last ten years. Similarly, some products that the country exports in small quantities or that are considered potential export products, such as pepper, coffee, coconut/copra oil, and certain kinds of cocoa products (cocoa paste, cocoa butter) would either continue to enter the EU market duty free or be subject to relatively small tariffs. These products would also continue to enter other markets such as the United States duty free. Graduation from LDC status would mean that São Tomé and Príncipe would face higher tariffs in certain developing country markets such as India and China, that nonetheless account for relatively small shares of global imports or source predominantly from Asia.

However, loss of LDC-specific preferences could make it more difficult to expand into higher value-added segment of the cocoa value chain. Notably, chocolate and certain other food preparations containing cocoa (classified under HS1806) would face significantly higher tariffs in the EU and in Switzerland – current markets – and in Japan, a potential market. Though accounting for only approximately 2-3% of current exports, this is the country's second largest export product (excluding re-exports), and could be expected to become more important if the country is successful in expanding into higher

value-added segments of the cocoa value chain. Tariffs on chocolate in the United States, which has been the destination of increasing shares of exports, would remain unchanged.

Other potential export products such as fish and seafood would face higher tariffs in the EU and other potential markets. This impact would be mitigated in the EU if São Tomé and Príncipe joins the GSP+. Tariffs for these products in the United States market would not be affected. Should petroleum production materialize, crude oil would benefit from an MFN tariff of zero in most markets, regardless of LDC status.

## Preferential market access – trade in services

**Background:** *In 2011, members of the WTO adopted a decision on preferential treatment to services and services suppliers of LDCs, known as the services waiver. The decision exempts WTO members from the obligation of treating all members equally and allows them to grant market access preferences in services for LDCs. At the Nairobi Ministerial Conference in December 2015, the waiver was extended to December 2030 (WTO, T/MIN(15)/48). In 2013, the Bali Ministerial Decision established steps to promote the operationalization of the decision. In 2014 the LDC group submitted the “LDC collective request”, identifying the sectors and modes of supply of particular interest to them (WTO S/C/W/356). By October 2017, the WTO had received notifications from 23 countries indicating sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers. The EU had signaled its intention to notify.<sup>19</sup>*

Upon graduation, São Tomé and Príncipe would no longer have access to preferential treatment under the services waiver. The implementation of the waiver is incipient, and there is still significant uncertainty regarding its practical implications and its effectiveness, and therefore of the effects of no longer having access to it. Among others, there are uncertainties regarding the extent to which notified preferences effectively exceed MFN treatment or GATS schedules and the degree of liberalization. Preliminary assessments suggest that for São Tomé and Príncipe’s main service export, tourism, preferences granted under Mode 2 are of little significance since few restrictions are in place regardless of the preferences. In Mode 4, where preferences may be of greater relevance by facilitating the marketing initiatives through participation in trade fairs or the presence of agency operators, preferences granted are few (Rodriguez et al. 2016). Research on the constraints to service exports in LDCs suggests that supply-side constraints may be more significant than the lack of preferential market access in services (Sauvé and Ward, 2016).

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<sup>19</sup> As at September 2017, notifications had been received from Panama, Turkey, Thailand, Uruguay, Canada, South Africa, Liechtenstein, Brazil, Iceland, Chile, India, United States, Mexico, EU (signaled intention to notify), Japan, Switzerland, New Zealand, Hong Kong (China), the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Singapore, China, Republic of Korea, Norway, Australia ([https://docs.wto.org/dol2fe/Pages/FE\\_Browse/FE\\_B\\_009.aspx?TopLevel=8660#/](https://docs.wto.org/dol2fe/Pages/FE_Browse/FE_B_009.aspx?TopLevel=8660#/))

The WTO has informed UNDESA that any requests for transition periods in the application of the services waiver would need to be the object of a consultative process with the preference-granting WTO members.

## 2.3 WTO accession and obligations

São Tomé and Príncipe is not a member of the WTO and currently has observer status. It presented a request for accession in February 2005. The Working Party to evaluate the request was established on 26 May 2005.<sup>20</sup> As of September 12, 2017, the Working Party had not yet met.

LDCs that are members of the WTO benefit from special considerations in the implementation of the WTO agreements. These “special and differential treatment” (SDT) provisions fall into five main categories: (i) increased market access, (ii) safeguarding of the interests of LDCs, (iii) increased flexibility for LDCs in rules and disciplines governing trade measures, (iv) extension of longer transitional periods to LDCs, and (v) provision of technical assistance.<sup>21</sup> SDTs cover various areas including agriculture, investment, intellectual property rights and rules of origin. After graduation from LDC status, differential treatment in the observance of WTO disciplines would in principle not be extended after graduation and any applicable transition periods which, as confirmed to UNDESA by the WTO would depend on negotiations with other members.

For LDCs that are in the process of joining the WTO, the terms of accession – including deadlines for complying with WTO obligations and other SDT provisions – will be the outcome of negotiations with WTO members. Newly acceding LDCs may have access to a smaller range of SDTs than founding members. For example, Nepal (which acceded to the WTO in 2004) and Lao PDR (which acceded in 2013) waived their right to the general transition periods for implementation of the TRIPS agreement, accepting a shorter transition period, while Liberia (which acceded in 2016), obtained no transition period.

Since 2002, among other measures contained in the Guidelines for the Accession of LDCs adopted by the General Council, WTO members have been encouraged to exercise restraint in seeking market access concessions and commitments on trade in goods and services from acceding LDCs in these processes, among other measures. In 2012, the guidelines were strengthened with the adoption of benchmarks on goods and services and additional elements on special and differential treatment, transition periods, transparency, and technical assistance (ICTSD, 2012).<sup>22</sup> These guidelines and parameters

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<sup>20</sup> General Council - Minutes of Meeting - Held in the Centre William Rappard on 26 May 2005, WT/ACC/STP/2

<sup>21</sup> Some of the provisions are no longer applicable. For example, the longer period extended to LDCs for implementing certain WTO agreements has expired.

<sup>22</sup> W T/COMTD/LDC/W/55/Rev.2

would apply to the accession process up until graduation and possibly a transition period.<sup>23</sup>

Regarding support for accession, upon graduation and any applicable transition periods, São Tomé and Príncipe would in principle no longer be eligible for LDC-specific technical assistance and capacity-building for accession and post-accession, including programmes under the Enhanced Integrated Framework (EIF – see the section on Trade-related capacity building below), China’s “Least-Developed Countries (LDCs) and Accessions Programme” (the ‘China Programme’) aimed at strengthening LDC’s participation in the WTO and at assisting acceding governments in joining the WTO and the WTO’s support for post-accession implementation in LDCs (UNCTAD/WTO, 2016).<sup>24</sup>

Once a member of the WTO, as an LDC graduate, São Tomé and Príncipe would not be entitled to the special provisions for LDCs, including, in addition to the trade preferences described above, preferential rules of origin for LDC exports, extended deadlines for compliance, simplified procedures, exemptions, flexibilities, technical assistance and priorities granted to LDCs within the WTO agreements, including the GATS, the Agreement on Agriculture, the Agreement on Technical Barriers to Trade, the Understanding on Rules and Procedures Governing the Settlement of Disputes, the Understanding on Balance of Payment Provisions, the Agreement on Trade-Related Intellectual Property Rights (TRIPS), the Agreement on Trade Related Investment Measures (TRIMS), and the Trade Facilitation Agreement (TFA), and within related decisions and initiatives.

The WTO informed UNDESA that any requests for additional time to integrate WTO rules and disciplines would need to be the object of consultative processes and negotiations with WTO members. The WTO also recalled that graduated LDCs that are WTO members will continue to benefit from a range of special and differential treatment provisions that apply to developing country members.

## 2.4 Trade-related capacity building (Aid for Trade)

Aid for Trade, a component of Official Development Assistance (ODA – see section 3) directed specifically at helping developing countries overcome trade-related constraints, is delivered through multiple bilateral, regional and multilateral channels. In 2015, São Tomé and Príncipe received approximately USD 15.7 million in Aid for Trade as measured by the OECD (OECD/WTO, 2017).

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<sup>23</sup> General Assembly Resolution 59/209, which referred to the smooth transition for countries graduating from the list of LDCs, invited Members of the WTO “to consider extending to a graduated country, as appropriate, the existing special and differential treatment and exemptions available to least developed countries for a period appropriate to the development situation”. The invitation was reiterated in Resolution 67/221.

<sup>24</sup> See information on the China programme at [https://www.wto.org/english/thewto\\_e/acc\\_e/china\\_programme\\_e.htm](https://www.wto.org/english/thewto_e/acc_e/china_programme_e.htm)

The principal instrument for delivery of Aid for Trade specifically geared at LDCs is the Enhanced Integrated Framework (EIF), a multi-donor programme that supports countries through analytical work, institutional support, and productive capacity building projects.<sup>25</sup> In São Tomé and Príncipe, the EIF has supported the preparation of the DTIS (2006) and DTIS Update (2013) and WTO accession. It has also provided technical assistance to establish an enabling environment for business development and capacity building at the Ministry of Commerce. The total approved budget for São Tomé and Príncipe under the EIF was for USD 200,000, for the period 2008-2014, a small fraction of total Aid for Trade received by the country (OECD/WTO, 2015; EIF, 2015). The EIF secretariat informed UNDESA that São Tomé and Príncipe is embarking on an institutional support project in 2018. Graduation of São Tomé and Príncipe from the LDC category will not immediately affect its access to the EIF, as smooth transition provisions are in effect that grant graduating countries access to EIF benefits for up to five years after graduation. The EIF has, in fact, supported four graduated countries (EIF, no date).

Beyond the EIF, top Aid for Trade donors to São Tomé and Príncipe in 2013 were EU institutions, the African Development Fund (AfDF), and the International Development Association (IDA) of the World Bank Group (see Table 3). As noted below in regard to development cooperation in general, cooperation to São Tomé and Príncipe from these sources does not depend exclusively on LDC status.

In general, while several donors have expressed their intention to address the specific needs of LDCs, Aid for Trade is by no means limited to LDCs. Twenty-seven percent of the 300 billion dollars disbursed as Aid for Trade since the beginning of the WTO's Aid for Trade Initiative went to LDCs (OECD/WTO, 2017). The European Union informed UNDESA that it is reviewing its Aid for Trade policy. The 2007 EU Strategy on Aid for Trade referred to supporting LDCs but was not exclusively directed at LDCs.

In synthesis, graduation from LDC status would therefore imply loss of access to the EIF after a transition period. The amounts disbursed to date under the EIF are small compared to the total received as Aid for Trade. The cooperation programmes of the major Aid for Trade partners to date do not rely exclusively on LDC status, as discussed in the next section.

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<sup>25</sup> Additional information is available at <http://www.enhancedif.org/en>, <http://www.enhancedif.org/en/funding> and [www.un.org/ldcportal](http://www.un.org/ldcportal). Under the EIF, Tier 1 funds can be used to fund the preparation of Diagnostic Trade Integration Study (DTIS) and to provide support to National Implementation Units. Tier 2 funds are available to finance priority small-scale projects to build up trade-related and supply-side capacities.

**Table 3. Aid for Trade Disbursements to São Tomé and Príncipe: Top Donors (millions of United States dollars)**

| 2006/08         |       |            | 2013                            |       |            |
|-----------------|-------|------------|---------------------------------|-------|------------|
| Donors          | Value | Percentage | Donors                          | Value | Percentage |
| EU Institutions | 3     | 46         | EU Institutions                 | 5.2   | 40         |
| Portugal        | 1.4   | 21         | AfDF (African Development Fund) | 4.6   | 36         |
| IDA             | 0.7   | 10         | IDA                             | 2.1   | 16         |
| Belgium         | 0.5   | 7          | France                          | 0.4   | 3          |
| Spain           | 0.3   | 5          | Norway                          | 0.2   | 2          |
| Others          | 0.7   | 11         | Others                          | 0.4   | 3          |

Source: OECD/WTO (2015), São Tomé and Príncipe – Aid for Trade at a Glance, 2015  
[https://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/profiles\\_e/stp\\_e.pdf](https://www.wto.org/english/tratop_e/devel_e/a4t_e/profiles_e/stp_e.pdf).

## 3. Development cooperation

This section addresses 1) official development assistance (ODA) and south-south cooperation; and 2) assistance in specific areas. Important elements of the context in which development cooperation strategies are and will be deployed in the period until 2030 are the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda, both of which recognize the specific challenges of LDCs but also of SIDS and African countries, among other categories.

### 3.1 Official Development Assistance (ODA) and South-South cooperation

Official development assistance (ODA) as recorded by the OECD includes flows reported by its members and by multilateral institutions. São Tomé and Príncipe received USD 48.9 million in net ODA in 2015. The ratio of net received ODA to GNI was 15.3, which São Tomé and Príncipe behind only 14 other countries in terms of dependence on these flows.<sup>26</sup>

#### Bilateral flows

Portugal has been by far the largest source of ODA to São Tomé and Príncipe over the last decade (see Figure 3 and Table A.4 in the Annex). Funds from Portugal alone exceeded total multilateral funds flowing into the country in four years during 2006-2015, and

<sup>26</sup> World Bank DataBank, <https://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS>

represented 39% of total flows during that period, against 44% from all multilateral donors combined and 17% from all other bilateral OECD donors combined. Portugal's cooperation with São Tomé and Príncipe is grounded on historical, cultural and linguistic ties, elements stressed both in the Strategic Co-operation Programme for São Tomé and Príncipe for 2016-2020 and in the OECD Development Co-Operation Peer Review for Portugal (2016), which specifically reviewed cooperation between the two countries (Instituto Camoes, 2016; OECD, 2015). Neither document refers to LDC status as a determinant. Portugal informed UNDESA that it does not anticipate any change in the national assistance allocation or technical cooperation granted to São Tomé and Príncipe as a result of graduation from the LDC category.

The next largest bilateral OECD donors have been Japan and France. Information published by the French Ministry of Foreign Affairs on cooperation with São Tomé and Príncipe does not refer to the LDC category as a determinant.<sup>27</sup> <sup>28</sup> No country-specific cooperation strategy document on São Tomé and Príncipe was available on the website of the Japan's International Cooperation Agency (JICA) at the time of writing. JICA's 2016 Annual Report shows substantial cooperation in non-LDC African countries (JICA, 2016). Information published by the Ministry of Foreign Affairs indicates assistance has been limited to grants for a food aid project and for two grassroots human security projects.<sup>29</sup>

Graduation may trigger a shift in the financial instruments used to deliver ODA, from grants to loans or towards different terms for loans. Over the last decade at least, ODA from these two countries has consisted essentially of grants.<sup>30</sup> <sup>31</sup>

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<sup>27</sup> Country profile at <http://www.diplomatie.gouv.fr/en/country-files/sao-tome-and-principe/france-and-sao-tome-and-principe>

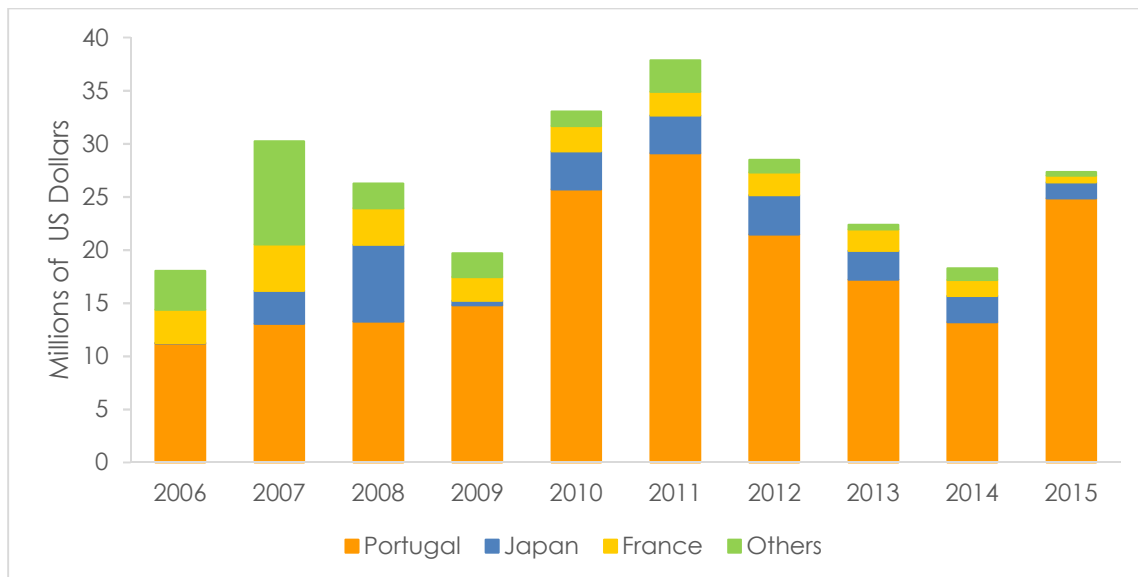
<sup>28</sup> France works with 16 priority countries in Africa which do not include São Tomé and Príncipe to begin with. "Les pays prioritaires de l'aide au développement française" (<https://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/aide-au-developpement/l-aide-publique-au-developpement-francaise-et-ses-principes/>).

<sup>29</sup> <http://www.mofa.go.jp/files/000142650.pdf>

<sup>30</sup> See data on Aid (ODA) disbursements to countries and regions at OECD Stats ([stats.oecd.org](http://stats.oecd.org)).

<sup>31</sup> Japan's ODA Loans are granted primarily to Asian countries but can also be applied to other countries. Under these loans, the most favourable terms (interest rate, repayment period, grace period, conditions for procurement) apply to low-income (GNI of under USD 1025) LDCs. Second most favourable terms apply to LDCs that are not considered low-income (such as São Tomé and Príncipe) and non-LDC low-income countries. Upon graduation, São Tomé and Príncipe would not be eligible for loans under this category. This would seem of limited consequence as the country has not, according to OECD data and data from the Ministry of Foreign Affairs of Japan, benefitted from any loans from Japan. See Terms and Conditions of Japanese ODA Loans, effective from April 1, 2017. [https://www.jica.go.jp/english/our\\_work/types\\_of\\_assistance/oda\\_loans/standard/2017\\_1.html](https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/2017_1.html); Japan's ODA to São Tomé and Príncipe: <http://www.mofa.go.jp/files/000142650.pdf>; and OECDStat.

**Figure 3: Bilateral ODA from OECD countries to São Tomé and Príncipe, 2006-2015 (millions of United States dollars)**



Source: OECDStat, accessed July 2017.

There is no consolidated source of information on ODA flows from non-OECD countries comparable to the OECD Development Assistance Committee. Information provided to the World Bank group by the government of São Tomé and Príncipe for 2014 show Brazil, Cabo Verde, Cuba, Gabon, Morocco, Nigeria and Venezuela have provided assistance to the country, with Brazil having the most diversified assistance portfolio (IDA/IFC/MIGA, 2014). The Brazilian Cooperation Agency states that in 2012 Brazil was the third largest development partner in São Tomé and Príncipe in terms of the number of projects being implemented.<sup>32</sup> In its description of cooperation with São Tomé and Príncipe, it does not refer to LDC status. Brazil informed UNDESA that graduation from LDC status will not affect its South-South cooperation mechanisms.

As regards potential new partners in south-south cooperation, the renewal of diplomatic ties with China could open new opportunities for cooperation. In April 2017, the two countries have signed a 5-year cooperation agreement on tourism, infrastructure, agriculture and fisheries, and marine security. The agreement involves, according to press information, a USD 146 million grant (EIU, 2017; Agência Noticiosa de São Tomé e Príncipe, 2017). While China’s cooperation programmes do have a strong focus on LDCs, China has favored other low-income countries, as well as having a regional focus on Africa (OECD, 2012).

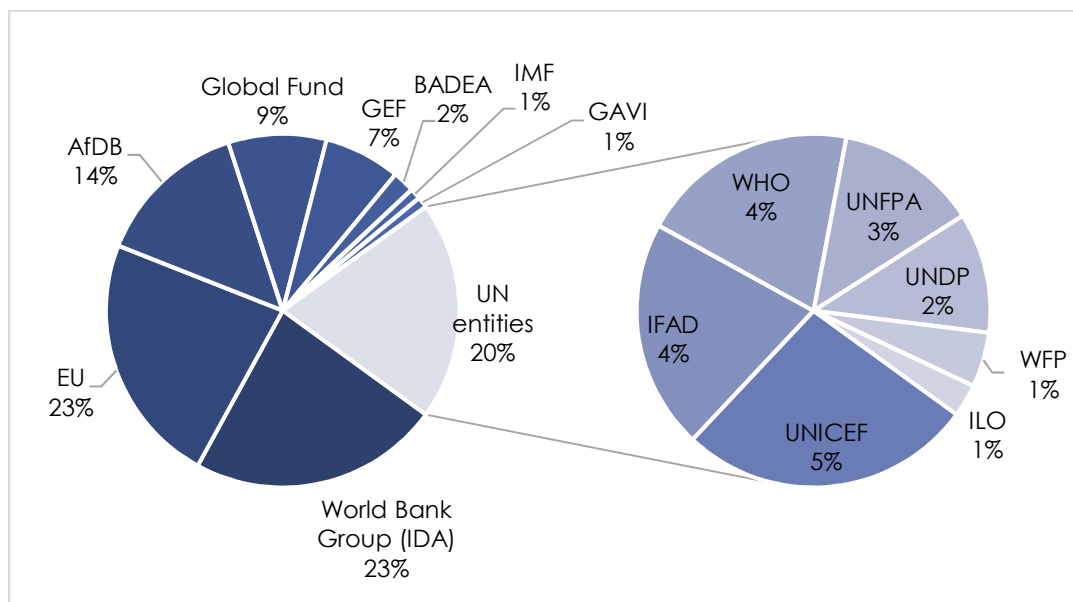
<sup>32</sup> Information on the website of the Brazilian Cooperation Agency, <http://www.abc.gov.br/Projetos/CooperacaoSulSul/SaoTomePrincipe>



## Multilateral flows

The main multilateral donors to São Tomé and Príncipe in terms of the quantity of flows over 2006-2015 have been the World Bank Group (24%), European Union institutions (24%), and the African Development Fund (14%) (Figure 4 and Table A.5 in the Annex). The United Nations agencies, funds and programmes together accounted for 21% of funds, with UNICEF, the World Health Organization (WHO) and the International Fund for Agricultural Development (IFAD) being the largest partners in recent years.

**Figure 4: Multilateral flows to São Tomé and Príncipe, 2006-2015 (Percentages)**



Source: OECDStat, accessed July 2017. Based on total net ODA

The potential impact of graduation from LDC status on the major development partners is summarized in Table 4. While graduating from LDC status may lead to changes in the type of assistance granted, most organizations do not rely exclusively on LDC status as a criterion for the allocation of aid and will consider countries specific vulnerabilities and challenges so no major changes are expected based on graduation from LDC status alone. São Tomé and Príncipe is included in priority groups other than LDCs such as SIDS and African states. Only UNDP informed UNDESA that graduation would affect allocation of resources, as the country would no longer be considered among the priority group for allocation of certain resources (see table 4).

It is important to note that UN system entities and divisions within the United Nations Secretariat provide assistance to LDCs in forms that are not necessarily reflected in ODA flows, such as analysis and policy advice, advocacy and certain forms of training and capacity building. While, upon graduation, countries may no longer benefit from efforts dedicated specifically to LDCs, in compliance with the request from the United Nations General Assembly, these organizations are committed to supporting countries graduating from the LDC category, including by addressing the specific challenges arising

from the transition out of the category.<sup>33</sup> In their replies to UNDESA, UNCTAD, UNDP and OHRLLS confirmed that they will provide specific support to countries graduating from the LDC category. UNDESA itself also undertakes capacity building activities for countries in the process of graduation from the LDC category.

**Table 4. Summary of post-graduation prospects for major multilateral development partners**

|                          |   |
|--------------------------|---|
| World Bank Group         | The World Bank Group does not use the LDC category as a determinant in its operations. International Development Association (IDA) uses criteria defining low-income economies based on GNI per capita rather than LDC status. São Tomé and Príncipe has currently exceeded the income threshold and benefits from the Small island economy exception, whereby islands with less than 1.5 million people, significant vulnerability due to size and geography, and very limited credit-worthiness and financing options have been granted exceptions in maintaining their eligibility.                          |
| European Union           | As per communication from the European Commission, there may be a reduction of grant-based aid for countries that are on a sustained growth path or are able to generate sufficient resources of their own. The EU considered that countries graduating from LDC status are unlikely to be in this position immediately after graduation and would address specific situations and vulnerabilities in future programming cycles.  |
| African Development Fund | Funding is not contingent on LDC-status.  |
| UNICEF                   | UNICEF informed UNDESA that in fulfilling the pledge contained in the 2030 Agenda to “leave no one behind”, it will focus on the hardest to reach children whether or not they are in LDCs. UNICEF’s “focus on giving every child and equal chance in life does not change while a country graduates from the list of LDCs”.<br>UNICEF is required by its Executive Board (Decision 2013/20) to allocate 60% of its regular resources to LDCs and 50% to sub-Saharan Africa countries. <sup>34</sup> São Tomé and Príncipe would still be given priority in budget allocation as a sub-Saharan African country. |
| IFAD                     | IFAD applies criteria on per capita income rather than LDC status.  |
| WHO                      | The latest available Cooperation Strategy of the WHO with São Tomé and Príncipe (2017-2021) does not refer to LDC status.   |
| UNFPA                    | LDC status per se is not a UNFPA Country Classification indicator so a change in LDC status will not automatically trigger changes to UNFPA assistance.   |
| UNDP                     | UNDP informed UNDESA that graduation would affect the resources allocated to São Tomé and Príncipe. UNDP has a board-determined requirement to allocate 60% of its regular budget to LDCs. São Tomé and Príncipe’s exclusion from this priority group may lead to a reduction in the allocation of funds from the UNDP budget, although the exact impact cannot be established at this stage in the graduation process.   |
| WFP                      | WFP considers criteria other than LDC status in the allocation of its funding. It informed the CDP secretariat that it is supporting the government of São Tomé and Príncipe in capacity-building and in undertaking a National Zero Hunger Strategic Review, paving the way for a Country Strategic Plan for 2019-2024, in line with government priorities. WFP will continue to support graduating countries according to their needs and priorities, within available resources.   |

<sup>33</sup> General Assembly resolution A/RES/71/243, para 40 available at <http://undocs.org/A/RES/71/243>

<sup>34</sup> [https://www.unicef.org/about/execboard/files/RBB-RR-EB\\_presentation-20Jan2017.pdf](https://www.unicef.org/about/execboard/files/RBB-RR-EB_presentation-20Jan2017.pdf) and [https://www.unicef.org/about/execboard/files/2017-EB4-Results-based\\_budgeting-20Dec16.pdf](https://www.unicef.org/about/execboard/files/2017-EB4-Results-based_budgeting-20Dec16.pdf)

|        |  |
|--------|--|
| UNESCO | UNESCO informed UNDESA that it continues to support countries that have graduated from the LDC category and works to address the specific challenges of SIDS.  |
| Others | <ul style="list-style-type: none"> <li>• Global Fund: eligibility is based on GNI and an official disease burden index.<sup>35</sup></li> <li>• IMF: The IMF has no LDC-specific financing modalities.</li> <li>• BADEA: The Arab Bank for Economic Development in Africa (BADEA) does not refer to the LDC category in its Seventh Five-Year Plan (2015-2019) (BADEA, 2015)</li> <li>• GAVI: Support from the Global Alliance for Vaccines and Immunizations (GAVI) is not limited to LDCs.</li> <li>• GEF: LDC status is not a criterion for allocation of funds from the Global Environment Facility in general. GEF administers LDC-specific funds for climate change (see below).</li> <li>• CPLP: Cooperation under the Community of Portuguese Language Speaking Countries (CPLP) is generally not country-specific and rather focuses on programmes that jointly benefit its members including capacity-building and sharing of experiences and best practices in a wide range of issue areas. This is not contingent on LDC status.</li> <li>• UNCDF: The United Nations Capital Development Fund (UNCDF) supports LDCs in providing “last mile” finance models that unlock public and private resources to reduce poverty and support local economic development. It currently does not operate in São Tomé and Príncipe.</li> </ul> |

## 3.2 Cooperation in specific areas: climate and technology

### Climate change commitments and finance

São Tomé and Príncipe is highly vulnerable to climate change and support for adaptation will remain critical beyond graduation from the LDC category. While some of the available instruments are limited to LDCs, significant sources of funding are not. Specific support measures for LDCs were agreed upon during the seventh Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in 2001. An LDC work programme was established and the Least Developed Countries Fund (LDCF), to be managed by the Global Environment Facility (GEF), was created to support its implementation, which included the preparation and implementation of National Adaptation Programmes of Action (NAPAs), designed to enable LDCs to communicate their urgent and immediate adaptation needs. São Tomé and Príncipe submitted its NAPA to the UNFCCC in 2007. Use of the LDCF has since been expanded to include the elaboration of the National Adaptation Plans (NAPs) in LDCs. NAPs build on the NAPAs and provide a means to address medium and long-term adaptation.

After graduation, São Tomé and Príncipe would not be eligible to receive new funding under the LDCF. However, projects approved before and up until graduation would continue to receive funding to ensure the full implementation of the project. There are currently two ongoing projects and these would not be affected by graduation.<sup>36</sup> The only

<sup>35</sup> [https://www.theglobalfund.org/media/5601/core\\_eligiblecountries2017\\_list\\_en.pdf](https://www.theglobalfund.org/media/5601/core_eligiblecountries2017_list_en.pdf)

<sup>36</sup>The two ongoing projects are “Enhancing Capacities of Rural Communities to Pursue Climate Resilient Livelihood Options in the São Tomé and Príncipe Districts of Caué, Me-Zochi, Príncipe, Lemba, Cantagalo, and Lobata (CMPLCL)”, executed by UNDP with a GEF grant of USD 4 million and co-financing of USD 16.3 million; and “Strengthening Climate Information and Early Warning Systems in São Tomé and Príncipe for Climate Resilient Development and Adaptation to Climate Change”, also executed by UNDP, with a GEF grant of USD 4 million, and co-financing of USD 40.3 million.

reference to assistance through UNDP for the NAP process dates from 2014 and consists of participation of a delegation in a regional training workshop.<sup>37</sup>

Graduated LDCs have access, for the elaboration and implementation of their NAPs, to the Special Climate Change Fund (SCCF) also created in 2001 and open to all developing countries and, more significantly, to the Green Climate Fund (GCF). The GCF was created in 2010 and is expected to be the largest dedicated climate fund. The GCF's governing instrument, approved by the COP in 2011, determines that it take into consideration in the allocation of resources for adaptation, the "urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States", using minimum allocation floors. The fund aims for a floor of 50% of adaptation funds to be allocated to these countries. Upon graduation, São Tomé and Príncipe would not only still qualify for the GCF as a developing country but also still be included in the group of countries considered particularly vulnerable to the adverse effects of climate change as both a SIDS and an African State.<sup>3839</sup> According to the UNFCCC, the overall impact on access to adaptation support for graduating LDCs is likely to be minimal, given that the GCF does not have funding windows exclusive to LDCs and that support is available to all developing countries. As at May 2017, 10.2 billion dollars had been pledged for the Green Climate Fund, compared to 1.2 of the LDCF and 0.4 for the SCCF.<sup>40</sup>

Another instrument created in support of the LDCs in 2001 was the LDC expert group (LEG), whose mandate is to provide guidance and advise on the preparation and implementation strategies for NAPAs and other elements of the LDC work programme. The mandate of the LEG was expanded to provide guidance and support to the formulation and implementation of NAPs. The UNFCCC secretariat clarified that the modalities used in technical support to the LDCs under the UNFCCC through the work of the LEG, which include technical guidance materials, training workshops and related events, will always remain available and accessible to other interested developing countries."

The Paris Agreement refers to LDCs among broader categories of countries that should be given particular attention because they are particularly vulnerable to the adverse effects of climate change and/or have significant capacity constraints. All clauses that

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Another two projects have already been concluded. A project approved in 2004, while formally still open, was dedicated to the elaboration of the NAPA, which was submitted in 2007. Information extracted from <https://www.thegef.org/projects>.

<sup>37</sup> Information on UNDP support to the NAP process can be found at <http://www.adaptation-undp.org/projects/supporting-sao-tome-and-principe-advance-their-nap-process>.

<sup>38</sup> [www.greenclimatefund.org](http://www.greenclimatefund.org) and Green Climate Fund, 2016.

<sup>39</sup> According to information provided by the GCF secretariat to UNDESA, there are no ongoing projects under the GCF in São Tomé and Príncipe.

<sup>40</sup> Climate Funds Update, <http://www.climatefundupdate.org/data>.

apply to LDCs in the agreement also apply to SIDS, a category to which São Tomé and Príncipe belongs.<sup>41</sup>

## Technology: LDC Technology Bank

The Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action or IPOA) called for the establishment of a “Technology Bank and Science, Technology and Information supporting mechanism, dedicated to least developed countries which would help improve least developed countries’ scientific research and innovation base, promote networking among researchers and research institutions, help least developed countries access and utilize critical technologies, and draw together bilateral initiatives and support by multilateral institutions and the private sector, building on the existing international initiatives.” The Technology Bank was officially established in January 2017<sup>42</sup> and operationalized in September 2017. It is still early in the process to assess its effectiveness and therefore the impacts of loss of access. After graduation, São Tomé and Príncipe would continue to have access to the LDC Technology Bank for a period of five years.

In sum, while graduation may trigger changes in some aspects of assistance delivered to São Tomé and Príncipe, it is not expected to significantly alter the development programmes of major partners, which will continue to address its specific challenges and vulnerabilities. Climate financing remains critical. The major sources of financing are not currently limited to LDCs.

## 4. General support measures

### 4.1 Ceilings and discounts on the contribution to the United Nations system budgets

According to the Charter of the United Nations, all Member States have the obligation to bear the expenses of the UN, as apportioned by the General Assembly. LDCs benefit from ceilings, special rates and discounts. The main components are the regular budget, the

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<sup>41</sup> Article 9.4 states that “The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.” Article 9.9 states that “The institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans.” Article 11.1 states “Capacity-building under this Agreement should enhance the capacity and ability of developing country Parties, in particular countries with the least capacity, such as the least developed countries, and those that are particularly vulnerable to the adverse effects of climate change, such as small island developing States, to take effective climate change action, (...)”.

<sup>42</sup> A/Res/71/251

peacekeeping budget, the budget of UN tribunals and the budgets of entities of the UN system other than the Secretariat.

## Regular budget of the United Nations

Each country's contribution to the **regular budget** is determined based on capacity to pay, translated into specific criteria that consider gross national income, debt-burden, and per capita income, among others. General Assembly Resolution 70/245 of 23 December 2015 determines the elements and criteria to be applied in the definition of the scale of assessments for the period from 2016 to 2018, as well as the scale itself. A minimum assessment rate is defined at .001% of the UN regular budget and a maximum at 22%. The maximum rate for LDCs, however, is .01%.<sup>43</sup> São Tomé and Príncipe is assessed at a rate of .001% for the period from 2016 to 2018, which is equivalent to the floor and substantially below the ceiling of 0.01% applicable to LDCs.<sup>44</sup> Loss of LDC status would therefore not, under equivalent criteria, affect the applicable assessment rate. For 2017, the amount of the assessment was USD 27,765.<sup>45</sup>

## Peacekeeping

The rates of assessment for **peacekeeping operations** are based on the scale of assessments for the regular budget adjusted by a premium in the case of permanent members of the Security Council and discounts in the case of all countries with per capita gross national product below the Member State average. Member States are grouped into levels based on per capita GNI, with larger discounts applying for the levels of countries with lower incomes. LDCs are entitled to the greatest discount, of 90%.<sup>46</sup> Should equivalent criteria be in place when São Tomé and Príncipe graduates, the applicable discount would be 80% (there would be no change in the assessment rate, as explained above).<sup>47</sup> Applied to the peacekeeping budget for the period from July 2017 to June 2018, the difference would amount to USD 6,803.<sup>48</sup>

## United Nations Mechanism for International Criminal Tribunals

The United Nations Mechanism for International Criminal Tribunals was established in 2010 to fulfill the residual functions of the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia, which have now both

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<sup>43</sup> General Assembly resolution 70/245. ([http://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/70/245](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/245))

<sup>44</sup> Report of the Committee on Contributions, Seventy-Seventh Session (5-23 June, 2017). Document (A/72/11). [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/72/11](http://www.un.org/ga/search/view_doc.asp?symbol=A/72/11)

<sup>45</sup> The information is confirmed by communications received from the Committee on Contributions Secretariat within UN Department of Management on 20 June 2017.

<sup>46</sup> For the period 2016-2017, the applicable levels of contribution are defined in resolution 70/246. See also General Assembly Resolution 55/235; United Nations (2015), Implementation of General Assembly resolutions 55/235 and 55/236 (A/70/331/Add.1) and Addendum to the report of the Secretary-General (A/70/331/Add.1, annex), adopted by the Assembly in resolution 70/246 of 23 December 2015.

<sup>47</sup> For the period from 2016 to 2018, non-LDCs with per capita GNI under USD 9,861 have a discount rate of 80% (Resolution 70/246).

<sup>48</sup> Calculated based on the total budget of \$6.8 billion for the fiscal year 1 July 2017 - 30 June 2018 (A/C.5/71/24).

ended their operations. Half of the budget of the Residual Mechanism is paid for by Member States based on the scale of assessments applicable to the regular budget of the United Nations, and half in accordance with the rates of assessment applicable to peacekeeping operations (resolutions [52/217](#) and [52/218](#)). As discussed above, the first component is not affected by LDC graduation in the case of São Tomé and Príncipe. As for the second, and focusing on the contributions to the Residual Mechanism, graduation today would imply a negligible increase in the contribution of USD 33.

## Other UN agencies and entities

The assessment rates of FAO, ILO, UNESCO, UNIDO, WHO and others are based on the assessment rates of the UN regular budget, described above. Graduation would not impact the amount due by São Tomé and Príncipe to these entities (see Table 5).

The assessment systems for WIPO and ITU are based on classes of contributions, with LDCs contributing at the lowest levels. Graduation would mean the country would no longer be entitled to contribute at these lowest classes, which would imply an increase in contributions. The ITU Council can authorize an LDC graduate to continue to contribute at the lowest classes, and all LDCs that have graduated since 2007 continue to do so.

**Table 5. São Tomé and Príncipe’s contributions to the budgets of United Nations System entities\***

| UN entity   | Methodology   | LDC provisions   | Rate with LDC status | Rate without LDC status | Impact of loss of LDC status                                 |
|---|---|--|----------------------|-------------------------|--|
| UN regular budget                                       | UN scale of assessments   | Ceiling of 0.01%   | 0.001%               | 0.001%                  | No impact  |
| Peace-keeping   | Based on UN scale of assessments with discounts according to income level | Discount level J (90% discount)                            | 0.0001 %             | 0.0002%                 | <b>Contribution increase for 2017/2018 budget: USD 6,803</b> |
| Residual Mechanism for International Criminal Tribunals | Calculated as 50% UN regular budget and 50% Peacekeeping budget           | Peacekeeping discount level J applies to 50% of the budget | 0.00055 %            | 0.0006%                 | <b>Contribution increase for 2017 budget: USD 33.5</b>       |
| CTBTO   | Based on UN scale of assessments adjusted to entity membership            | Ceiling of 0.01%   | 0.001%               | 0.001%                  | No impact  |
| FAO   | Based on UN scale of assessments adjusted to entity membership            | Ceiling of 0.01%   | 0.001%               | 0.001%                  | No impact  |
| ILO   | Based on UN scale of assessments adjusted to entity membership            | Ceiling of 0.01%   | 0.001%               | 0.001%                  | No impact  |

|        |  |                                    |            |                    |  |
|--------|--|------------------------------------|------------|--------------------|--|
| ISBA   | Based on UN scale of assessments adjusted to entity membership and floor contribution of 0.01% | Ceiling of 0.01%                   | 0.01%      | 0.01%              | No impact  |
| ITLOS  | Based on UN scale of assessments adjusted to entity membership and floor contribution of 0.01% | Ceiling of 0.01%                   | 0.01%      | 0.01%              | No impact  |
| ITU    | Voluntary selection of class of contribution   | Special class of 1/8 or 1/16 units | 1/16 units | 1/4 units          | <b>Possible contribution increase for 2017 budget: CHF 59,625 (see text above)</b> |
| OPCW   | Based on UN scale of assessments adjusted to entity membership                                 | Ceiling of 0.01%                   | 0.001%     | 0.001%             | No impact  |
| UNESCO | Based on UN scale of assessments adjusted to entity membership                                 | Ceiling of 0.01%                   | 0.001%     | 0.001%             | No impact  |
| UNIDO  | Based on UN scale of assessments adjusted to entity membership                                 | Ceiling of 0.01%                   | 0.001%     | 0.001%             | No impact  |
| WHO    | Based on UN scale of assessments adjusted to entity membership                                 | Ceiling of 0.01%                   | 0.001%     | 0.001%             | No Impact  |
| WIPO   | Assessment based on 14 different classes of contribution                                       | STer class                         | 1/32 units | 1/16 units minimum | <b>Contribution increase for 2017 budget: CHF 1,424</b>                            |

\* The list of abbreviations can be found at the end of this document.

## 4.2 Support for travel to participate in United Nations meetings

The United Nations offers travel support for up to five representatives of each Member State designated as an LDC to attend the regular sessions of the General Assembly.<sup>49</sup> Since

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<sup>49</sup> United Nations (1991), Rules governing payment of travel expenses and subsistence allowances in respect of members of organs or subsidiary organs of the United Nations (ST/SGB/107/Rev.6). Available from <http://documents-dds-ny.un.org/doc/UNDOC/GEN/NS0/000/21/img/NS000021.pdf?OpenElement>



2013, the amounts disbursed in connection with this support measure have varied between USD 27,200 and 56,300.<sup>50</sup> After graduation, travel support to attend the UN General Assembly sessions may be extended for up to three years subject to the availability of funds.<sup>51</sup>

Other UN entities also support travel of LDC representatives participating international conferences. São Tomé and Príncipe would no longer be entitled to that support.<sup>52</sup> However, in some cases, travel support is also extended to other categories of countries, including SIDS.

### 4.3 Fellowships and research grants

A number of institutions provide scholarships, fellowships and research grants targeted at researchers from LDCs.<sup>53</sup> No consolidated information is available at this time on the use of these benefits by nationals of São Tomé and Príncipe. Support for research will be available through other instruments after graduation, including fellowships and grants for nationals of developing countries or categories thereof.

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<sup>50</sup> Information provided by the Department of Management of the United Nations.

<sup>51</sup> United Nations (2011), Implementing the smooth transition strategy for countries graduating from the list of least developed countries (A/RES/65/286)

<sup>52</sup> For more information, see <https://www.un.org/ldcportal/category/general-support-isms/>

<sup>53</sup> A list of grants and scholarships is available at <https://www.un.org/ldcportal/category/general-support-isms/>

<http://www.mnec.gov.st/index.php/publicacoes/documentos/file/2-programa-do-xvi-governo-constitucional>).

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## Annex: Tables

**Table A.1 São Tomé and Príncipe's main exports, 2006-2015, main destinations (top 20 products at the 4-digit level; includes re-exports)**

| HS Code | Commodity *   | Value (US dollars) | Share of total (Percentages, including re-exports) | Top destinations**   |
|---------|---|--------------------|--|--|
| 1801    | Cocoa beans; whole or broken, raw or roasted  | 55,647,788         | 70.01%   | European Union 93%<br>Turkey 2%<br>Switzerland 2%                          |
| 2710    | <i>Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c. containing by weight 70% or more of petroleum oils or oils from bituminous minerals; these being the basic constituents of the preparations; waste oils</i> | 14,182,500         | 17.84%   | Angola 69%<br>Portugal 1%<br>Areas n.e.s. 30%                              |
| 1806    | Chocolate and other food preparations containing cocoa  | 1,642,960          | 2.07%  | European Union 77%<br>USA 15%  |
| 0801    | Nuts, edible; coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled   | 885,469            | 1.11%  | Angola 63%<br>Cameroon 17%<br>Nigeria 9%                                   |
| 8703    | <i>Motor cars and other motor vehicles; principally designed for the transport of persons (other than those of heading no. 8702), including station wagons and racing cars</i>  | 748,511            | 0.94%  | European Union 44%<br>Angola 22%<br>Gabon 14%<br>Cameroon 8%<br>Nigeria 6% |
| 0904    | Pepper of the genus piper; dried or crushed or ground fruits of the genus capsicum or of the genus pimenta  | 382,969            | 0.48%  | European Union 63%<br>Gabon 37%  |
| 8403    | <i>Central heating boilers; excluding those of heading no. 8402</i>   | 291,476            | 0.37%  | European Union 100%  |
| 7326    | Iron or steel; articles, n.e.c. in chapter 73   | 267,430            | 0.34%  | Togo 83%<br>Gabon 7%<br>Angola 5%  |
| 8422    | <i>Dish washing machines; machinery for cleaning, drying, filling, closing, sealing, capsuling or labelling bottles, cans, boxes, bags, etc, machinery for aerating beverages</i>   | 264,944            | 0.33%  | European Union 99%   |

|        |  |           |       |  |
|--------|--|-----------|-------|--|
| 1507   | Soya-bean oil and its fractions; whether or not refined, but not chemically modified   | 226,834   | 0.29% | Nigeria 99%  |
| 1006   | Rice   | 219,641   | 0.28% | Cameroon 90%   |
| 9403   | <i>Furniture and parts thereof, n.e.c. in chapter 94</i>   | 205,794   | 0.26% | European Union 56%<br>Brazil 44%<br>Indonesia 13%      |
| 6309   | <i>Textiles; worn clothing and other worn articles</i>   | 200,030   | 0.25% | Switzerland 52%<br>EU 33%<br>Mozambique 4%<br>Gabon 4% |
| 8525   | <i>Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders</i> | 199,555   | 0.25% | European Union 98%                                     |
| 0901   | Coffee, whether or not roasted or decaffeinated; husks and skins; coffee substitutes containing coffee in any proportion   | 196,546   | 0.25% | European Union 90%                                     |
| 7204   | <i>Ferrous waste and scrap; remelting scrap ingots of iron or steel</i>  | 192,811   | 0.24% | European Union 91%                                     |
| 8429   | <i>Bulldozers, graders, levellers, scrapers, angledozers, mechanical shovels, excavators, shovel loaders, tamping machines and road</i>  | 129,632   | 0.16% | European Union 59%<br>Angola 35%                       |
| 8708   | <i>Motor vehicles; parts and accessories, of heading no. 8701 to 8705</i>  | 128,456   | 0.16% | Bahamas 85%<br>European Union 10%                      |
| 1513   | Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.  | 125,587   | 0.16% | European Union 97%                                     |
| 8471   | <i>Automatic data processing machines (computers)</i>  | 108,833   | 0.14% | Brazil 91%   |
| Others |  | 3,232,564 | 4.36% |  |

Source: UN Comtrade database, accessed 3 August 2017.

\*Products which are likely to be re-exports (for which there is no record, in the documents consulted for this study, of production in São Tomé and Príncipe) are noted in italics.

\*\*Countries listed are the largest importers of each product according to UN Comtrade data, collectively corresponding to 90% or more of the exports of those products.

**Table A.2: EU tariffs under GSP for LDCs, GSP and GSP for products in HS1806**

| Products                       |   | GSP for LDCs | GSP                               | GSP+                           |
|--------------------------------|---|--------------|-----------------------------------|--------------------------------|
| 1806                           | Chocolate and other food preparations containing cocoa  |              |                                   |                                |
| 1806 10                        | Cocoa powder, containing added sugar or other sweetening matter   |              |                                   |                                |
| 1806 10 15                     | Containing no sucrose or containing less than 5 % by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose                                       | 0            | 2.80                              | 0                              |
| 1806 10 20                     | Containing 5 % or more but less than 65 % by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose   | 0            | 2.80 % + 25.20 EUR / 100 kg       | 0 % + 25.20 EUR / 100 kg       |
| 1806 10 30                     | Containing 65 % or more but less than 80 % by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose  | 0            | 4.50 % + 31.40 EUR / 100 kg       | 0 % + 31.40 EUR / 100 kg       |
| 1806 10 90                     | Containing 80 % or more by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose   | 0            | 4.50 % + 41.90 EUR / 100 kg       | 0 % + 41.90 EUR / 100 kg       |
| 1806 20                        | Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg |              |                                   |                                |
| 1806 20 10                     | Containing 31 % or more by weight of cocoa butter or containing a combined weight of 31 % or more of cocoa butter and milkfat   | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |
| 1806 20 30                     | Containing a combined weight of 25 % or more, but less than 31 % of cocoa butter and milkfat/other  | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |
| 1806 20 50                     | Containing 18 % or more by weight of cocoa butter   | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |
| 1806 20 70                     | Chocolate milk crumb  | 0            | 10.70 % + EA                      | 0 % + EA                       |
| 1806 20 80                     | Chocolate flavour coating   | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |
| 1806 20 95                     | Other   | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>8.70%+ADSZ     |
| Other in blocks, slabs or bars |   |              |                                   |                                |
| 1806 31                        | Filled  | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |
| 1806 32                        | Not filled  | 0            | 8.30 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |
| 1806 90                        | Other   | 0            | 4.80 % + EA MAX<br>18.70 % + ADSZ | 0 % + EA MAX<br>18.70 % + ADSZ |

Source: TARIC (Tariff of the European Union database). EA=Agricultural component. ADSZ=Reduced additional duty on sugar.

**Table A.3 Tariffs under LDC-specific market access schemes and default schemes for potential exports**

| HS Code                   | Commodity                                 | EU EBA/GSP/GSP+ or MFN | USA LDC GSP/ AGOA or GSP or MFN | Switzerland LDC GSP/ GSP or MFN | Japan LDC GSP/ GSP or MFN | Canada LDC GSP/ GSP | Russia LDC GSP/ GSP | China Pref. tariff/ general rate | India Pref. tariff/ MFN |
|---------------------------|---|------------------------|---------------------------------|---------------------------------|---------------------------|---------------------|---------------------|----------------------------------|-------------------------|
| Current export products   |   |                        |                                 |                                 |                           |                     |                     |                                  |                         |
| 1801                      | Cocoa beans                               | See Table 2            |                                 |                                 | N/A                       | N/A                 | N/A                 | 0/30                             | 21.3/30                 |
| 1806                      | Chocolate                                 |                        |                                 |                                 | 0/32                      | 48.1/51.3           | N/A                 | 0/50                             | 0/30                    |
| 0904                      | Pepper                                    |                        |                                 |                                 | N/A                       | 0/0                 | 0/3.5               | 0/70                             | 59.5/70                 |
| 0901                      | Coffee                                    |                        |                                 |                                 | 0/3.3                     | N/A                 | 0/3.73              | 0/61.7                           | 75.9/100                |
| 1513                      | Copra/ coconut oil                        |                        |                                 |                                 | N/A                       | 0/1.7               | 0/1.6               | 0/40                             | 0/15.3                  |
| Potential export products |   |                        |                                 |                                 |                           |                     |                     |                                  |                         |
| 03                        | Fish, crustaceans, molluscs               | 0/7/0.045 <sup>1</sup> | 0/0.04                          | 0/0.1                           | 2.1/5.7                   | 0/0.4               | 5.2/6.1             | 0/52.5                           | 0/30                    |
| 0603                      | Flowers                                   | 0/4.7/0                | 0/0                             | 0/13.5                          | N/A                       | 0/4.8               | 0/4.2               | 0/100                            | 45/60                   |
| 0804                      | Tropical fruits                           | 0/2.6/0                | 0/0                             | N/A                             | 0/7.55                    | N/A                 | 0/3.25              | 0/75                             | 9.8/30                  |
| 1511                      | Palm oil                                  | 0/2.6/0                | 0/0                             | 0/0                             | N/A                       | 0/2                 | 0/1                 | N/A                              | 3.1/18.1                |
| 1604                      | Prepared or preserved fish                | 0/13.5/0               | 0/0                             | N/A                             | 0/7.6                     | 0/4.5               | 0/10.2              | 0/90                             | 0/30                    |
| 1605                      | Prepared/ preserved crustaceans, molluscs | 0/7.4/0                | 0/0                             | N/A                             | 0/6.9                     | 0/2.6               | 0/9.1               | 0/90                             | 0/30                    |
| 1803                      | Cocoa paste                               | 0/6.1/0                | 0/0                             | 0/0                             | 0/5.25                    | N/A                 | N/A                 | 0/30                             | 0/30                    |
| 1804                      | Cocoa butter, fat, oil                    | 0/4.2/0                | 0/0                             | 0/0                             | N/A                       | N/A                 | N/A                 | 0/70                             | 0/30                    |
| 1805                      | Cocoa powder, unsweetened                 | 0/2.8/0                | 0/0                             | 0/0                             | 0/10.5                    | 0/3                 | N/A                 | 0/40                             | 0/30                    |
| 2709                      | Crude petroleum                           | N/A                    | 0/0                             | N/A                             | N/A                       | N/A                 | N/A                 | N/A                              | N/A                     |

<sup>1</sup>GSP+ tariffs are zero for most of this 2-digit product group. The exceptions are some types of shrimp and prawns.

Source: UNCTAD Trade Analysis Information System (TRAINS) and TARIC. Potential export products have been identified based on the DTIS Update (World Bank, 2013) and the Agenda for Transformation 2030 (Government of São Tomé and Príncipe, 2015c). The first figure is the simple average of the best-available tariffs as an LDC; the second figure the possible average best-available tariff as a non-LDC. N/A indicates that LDC-specific preferences do not apply. Red values indicate products for which the tariff increase exceeds 5 percentage points. Some products listed as potential are currently exported but in marginal quantities.

**Table A.4 São Tomé and Príncipe: bilateral ODA flows from OECD countries, 2006-2015  
(net disbursements in current prices, millions of United States dollars)**

| Donor             | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | Average<br>2006-<br>2015 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------------|
| Australia         | ..    | ..    | ..    | ..    | ..    | 0.13  | 0.12  | 0.32  | 0.06  | 0.04  | 0.07                     |
| Austria           | 0.01  | 0.01  | 0.01  | 0.01  | 0.01  | 0.01  | 0.01  | 0.01  | 0.01  | 0.01  | 0.01                     |
| Belgium           | -0.19 | ..    | 1.41  | ..    | ..    | ..    | ..    | ..    | ..    | ..    | 0.12                     |
| Canada            | 0.26  | 1.54  | 0.25  | 0.31  | ..    | 0.5   | 0.01  | 0.01  | 0.05  | 0.1   | 0.30                     |
| Czech<br>Republic | 0.01  | 0.01  | 0.01  | 0.01  | ..    | ..    | ..    | ..    | ..    | ..    | 0.00                     |
| Estonia           | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | 0.01  | 0.00                     |
| France            | 3.13  | 4.37  | 3.44  | 2.23  | 2.38  | 2.22  | 2.15  | 2.03  | 1.53  | 0.62  | 2.41                     |
| Germany           | 2.22  | 6.43  | 0.03  | 0.01  | 0.02  | 0.08  | 0.02  | 0.01  | 0     | 0     | 0.88                     |
| Greece            | 0.03  | 0.05  | 0.02  | 0.03  | 0.03  | 0.04  | 0.03  | ..    | 0.02  | 0.01  | 0.03                     |
| Italy             | 0.23  | 0.83  | 0.22  | ..    | ..    | 0.06  | 0.01  | ..    | ..    | 0.29  | 0.16                     |
| Japan             | 0.03  | 3.11  | 7.22  | 0.42  | 3.6   | 3.54  | 3.7   | 2.72  | 2.46  | 1.53  | 2.83                     |
| Korea             | ..    | ..    | 0.12  | ..    | ..    | 0.01  | ..    | ..    | ..    | ..    | 0.01                     |
| Luxembourg        | 0.1   | 0.09  | ..    | ..    | ..    | ..    | ..    | ..    | ..    | 0     | 0.02                     |
| Norway            | 0.09  | 0.03  | 0.01  | ..    | ..    | ..    | 0.6   | 0.25  | 0.34  | ..    | 0.13                     |
| Portugal          | 11.24 | 13.06 | 13.28 | 14.81 | 25.71 | 29.13 | 21.47 | 17.21 | 13.21 | 24.86 | 18.40                    |
| Russia            | ..    | ..    | ..    | ..    | ..    | ..    | 0.04  | ..    | ..    | ..    | 0.00                     |
| Spain             | 0.55  | 1.3   | 0.21  | 1.44  | 1.27  | 1.59  | 0.16  | 0.1   | ..    | ..    | 0.66                     |
| Sweden            | 0.02  | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | 0.00                     |
| Turkey            | ..    | ..    | 0.05  | 0.01  | ..    | ..    | ..    | ..    | 0.24  | ..    | 0.03                     |
| United<br>Kingdom | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | 0.16  | ..    | 0.02                     |
| United<br>States  | 0.46  | 0.23  | 0.21  | 0.4   | 0.02  | 0.61  | 0.19  | -0.29 | 0.18  | 0.16  | 0.22                     |

Source: OECDStat, accessed July 2017.



**Table A.5 São Tomé and Príncipe: multilateral ODA flows, 2006-2015 (net disbursements in current prices, millions of United States dollars)**

| Donor  | 2006  | 2007  | 2008  | 2009  | 2010 | 2011  | 2012  | 2013  | 2014  | 2015  |
|--|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|
| EU Institutions                                      | 3.19  | 1.05  | 4.12  | 3.6   | 5.95 | 4.93  | 5.32  | 7.51  | 6.19  | 5.76  |
| IMF (Concessional trust funds)                       | 0.68  | -1.64 | 1.34  | 0.57  | 0.56 | ..    | 0.57  | 0.52  | -1.08 | -0.1  |
| African Development Fund                             | -5.21 | 14.55 | 0.45  | 0.81  | 0.25 | 3.27  | 2.99  | 6.18  | 3.56  | 2.32  |
| United Nations agencies, funds and programmes, Total | 3.71  | 3.69  | 3.41  | 4.03  | 4.06 | 4.79  | 5.22  | 3.99  | 5.19  | 4.65  |
| FAO  | ..    | ..    | ..    | ..    | ..   | ..    | ..    | 0.03  | ..    | ..    |
| IFAD   | 0.27  | 0.57  | 0.81  | 1.18  | 1.34 | 1.53  | 2.31  | 0.85  | 1.12  | 0.93  |
| ILO  | ..    | ..    | ..    | ..    | ..   | ..    | 0.2   | 0.24  | 0.18  | 0.17  |
| UNAIDS   | 0.01  | 0.09  | ..    | ..    | ..   | ..    | ..    | ..    | ..    | ..    |
| UNDP   | 0.47  | 0.47  | 0.94  | 1.13  | 1.34 | 0.59  | 0.45  | 0.38  | 0.63  | 0.45  |
| UNFPA  | 0.41  | 0.43  | 0.58  | 0.56  | 0.58 | 0.66  | 0.65  | 0.55  | 0.73  | 0.55  |
| UNICEF   | 0.73  | 0.9   | 0.74  | 0.68  | 0.7  | 0.81  | 0.66  | 0.73  | 1.28  | 1.36  |
| UNTA   | 1.17  | 1.08  | 0.2   | ..    | ..   | ..    | ..    | ..    | ..    | ..    |
| WFP  | 0.65  | 0.15  | 0.14  | 0.48  | 0.1  | 0.53  | 0.19  | 0.29  | 0.35  | 0.15  |
| WHO  | ..    | ..    | ..    | ..    | ..   | 0.67  | 0.77  | 0.91  | 0.9   | 1.04  |
| World Bank Group (IDA)                               | 2.36  | 3.13  | 8.82  | 1.09  | 2.13 | 18.87 | 5.93  | 6.28  | 0.51  | 0.55  |
| Arab Bank for Economic Development in Africa [BADEA] | -0.62 | -0.6  | 0.76  | 1.21  | 1.24 | 0.57  | 0.15  | -0.07 | 0.31  | 2.18  |
| GAVI   | ..    | 0     | 0.01  | 0.22  | 0.07 | 0.05  | 0.28  | 0.32  | 0.12  | 0.3   |
| GEF  | 0.13  |       |       |       | 0.93 | 1.17  | 1.63  | 2.49  | 4.42  | 3.59  |
| Global Fund  | 1.04  | 0.56  | 2.7   | ..    | 1.06 | 2.1   | 0.53  | 4.48  | 3.98  | 2.33  |
| OPEC Fund for International Development              | -0.49 | -0.73 | -0.81 | -0.75 | 0.9  | -0.19 | -0.43 | -0.3  | -0.08 | -0.27 |

Source: OECDStat, accessed July 2017. According to OECD guidelines, multilateral ODA only covers disbursements from core resources. Earmarked contributions are counted under bilateral ODA.

## List of abbreviations

|         |   |
|---------|---|
| CDP     | Committee for Development Policy  |
| CTBTO   | Comprehensive Nuclear-Test-Ban Treaty   |
| DAC     | Development Assistance Committee  |
| DESA    | Department of Economic and Social Affairs   |
| DFQF    | Duty-free, quota-free   |
| EIF     | Enhanced Integrated Framework   |
| EU      | European Union  |
| EVI     | Economic vulnerability index  |
| ECOSOC  | Economic and Social Council   |
| FAO     | Food and Agriculture Organization   |
| GATT    | Global Agreement on Tariffs and Trade   |
| GAVI    | Global Alliance for Vaccines and Immunization   |
| GEF     | Global Environment Facility   |
| GNI     | Gross national income   |
| GSP     | Generalised System of Preferences   |
| HAI     | Human assets index  |
| HS      | Harmonized Commodity Description and Coding System (Harmonized System)  |
| IAEA    | International Atomic Energy Agency  |
| ICC     | International Criminal Court  |
| IDA     | International Development Association   |
| IFAD    | International Fund for Agricultural Development   |
| ILO     | International Labour Organization   |
| IMF     | International Monetary Fund   |
| IOM     | International Organization for Migration  |
| ISBA    | International Seabed Authority  |
| ISM     | International support measures  |
| ITLOS   | International Tribunal for the Law of the Sea   |
| ITU     | International Telecommunication Union   |
| LDC     | Least developed country   |
| MFN     | Most favoured nation  |
| OECD    | Organization for Economic Co-operation and Development  |
| ODA     | Official development assistance   |
| OHRRLLS | Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States |
| OPCW    | Organization for the Prohibition of Chemical weapons  |
| SIDS    | Small Island Developing States  |
| UNCTAD  | United Nations Conference on Trade and Development  |
| UNCDF   | United Nations Capital Development Fund   |
| UNDP    | United Nations Development Fund   |
| UNESCO  | United Nations Educational, Scientific and Cultural Organization  |
| UNFPA   | United Nations Population Fund  |
| UNFCCC  | United Nations Framework Convention on Climate Change   |
| UNICEF  | United Nations Children's Fund  |
| UNIDO   | United Nations Industrial Development Organization  |
| UNTA    | United Nations Regular Programme for Technical Assistance   |
| WFP     | World Food Programme  |
| WHO     | World Health Organization   |
| WIPO    | World Intellectual Property Organization  |
| WTO     | World Trade Organization  |