



Joint UN Workshop to support the graduation of São Tomé e Príncipe from the category of the Least Developed Countries

12-13 September 2019, São Tomé, São Tomé e Príncipe

SUMMARY REPORT

The Joint UN Workshop in support of the graduation of São Tomé e Príncipe from the category of the Least Developed Countries (LDCs) was held in the Palace of Congresses in São Tomé on 12 and 13 September 2019. It was co-organized by the UN Inter-Agency Task Force on LDC Graduation¹, the Government of São Tomé e Príncipe and the UN Resident Coordinator and sponsored by the Government of Portugal.

¹ The United Nations Task Force on Graduation of Least Developed Countries (IATF) is a group of UN entities, which convene twice a year or more often as needed, with the goal to provide strengthened and coordinated UN system-wide support to the countries graduating from the LDC category.

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Opening Session

In her Introductory remarks, Ms. Heidi Schroderus-Fox, Director of UNOHRLLS, and Chair of the United Nations Inter-Agency Task Force on LDC Graduation, expressed her gratitude to the Government of São Tomé e Príncipe for the wonderful hospitality and commitment to the graduation process. She also thanked Portugal for the generous financial support to the organization of the workshop.

She noted that LDC graduation marked an important milestone for the country, its development partners and the United Nations. She stressed that an increasing number of LDCs had made notable progress towards meeting the graduation criteria. The General Assembly had decided Angola and Vanuatu would graduate in 2020 and 2021; Bhutan in 2023, São Tomé e Príncipe and Solomon Islands in 2024. Additionally, five other countries: Bangladesh, the People's Democratic Republic of Laos, Myanmar, Nepal and Timor-Leste had met the graduation eligibility for a first time and would be reviewed for a graduation recommendation in 2021.

Ms. Schroderus-Fox clarified that the UN category of the LDCs was different from the income-based categories estimated by the World Bank. She stressed that graduating from the category of LDCs did not equal to becoming a Middle-Income Country. She added that according to the World Bank, São Tomé e Príncipe was already a lower middle-income country. However, it would continue being an LDC until its effective graduation date in December 2024. She underscored, however, that many graduating countries remained vulnerable to internal inequalities, external shocks and climate change-induced vulnerabilities and noted that much need to focus much more on what must be done to minimize the risks ahead.

She also stressed the importance of using the preparatory period until 2024 to formulate a smooth transition strategy in collaboration with the UN System and development partners to minimize any disruption to the country's sustainable development and trade process. She noted that her Office coordinated the Inter-Agency Task Force on LDC Graduation and Smooth Transition, established in late 2017 to provide coordinated UN system support to graduating and graduated countries. She concluded by stressing that graduation offer an opportunity to reflect on the current development challenges and advocate for the provision of the required support to ensure a smooth transition out of the category.

Ms. Zahira Virani, United Nations Resident Coordinator, expressed her gratitude to the Government of São Tomé e Príncipe for organizing the joint workshop and to the Government of Portugal for its support. She also recognized the important support lent by UNOHRLLS throughout the process. Ms. Virani highlighted key policy areas, particularly strategies for the structural transformation of the economy of the country to facilitate an inclusive and sustained growth. The workshop provided an opportunity to understand the graduation process, assess the challenges and opportunities that graduation brings to the country and obtain technical advice on graduation. The country should further expand the basis for its growth in the social domain, economic diversification and access to basic quality services for everyone, reducing vulnerabilities to external shocks, financial crises, and climate change among others. She reiterated the readiness of the UN System to support the country and expressed her appreciation for the trust that the government had placed in the UN in a process that should lead to an improvement in the quality of life of all São Toméans.

H.E. Mr. Dr Jorge Bom Jesus, Prime Minister and Head of Government of São Tomé e Príncipe delivered the keynote address. He stated that graduation from the LDC category in 2024 would constitute a challenge but it also constituted a great moment in the history of this country as we leave behind the label

of 'under-developed country'. The country would not be alone. He thanked the UN for providing assistance to the formulation of a transition strategy and accompany São Tomé e Príncipe in the steps ahead. He added however that the macroeconomic landscape had put the country in the hands of IMF to save the country from financial collapse. Unpopular measures would need to be smoothed out and find a smooth transition He stressed that the richness of São Tomé and Príncipe's marine resources would be a crucial factor in its future.

Session 1: Graduation from the LDC category: process and implications for São Tomé and Príncipe

Ms. Schroderus-Fox moderated the first session which focused on the process and implications of graduation from the category of the least developed countries for Sao Tome e Principe.

In his presentation, Mr. Mollerus, Chief, Secretariat of the Committee for Development Policy, United Nations Headquarters provided an overview of the graduation process (see annex II) and the specific timeline and key facts pertaining the case of São Tomé e Príncipe (see annex I). He indicated that São Tomé e Príncipe was included in the category of LDCs in 1982. It had met the criteria for graduation for the first time in 2015 and for the second time in 2018, thus fulfilling the requirement of meeting the criteria for graduation in two consecutive triennial reviews. The Committee for Development Policy recommended the graduation of São Tomé and Príncipe. The Economic and Social Council of the United Nations endorsed the recommendations, which was approved by the General Assembly of the United Nations with the provision of an additional preparatory period of three years, extending the period since the decision was adopted to the effective graduation of Sao Tome e Period for a total of six years.

Mr. Mollerus shared that the ex-ante impact assessment prepared by the Secretariat of the Committee for Development Policy had the goal of assessing the effects that the withdrawal of international support measures may have for the graduating country. In the case of São Tomé and Príncipe, besides assessing the potential impact of the phase-out of international support measures, the Secretariat asked all major donors of São Tomé e Príncipe to indicate whether changes in their policy were foreseen as a result of the graduation of the country from the category of LDCs. Portugal and the European Union indicated that they did not foresee changes to ODA associated to the departure of São Tomé e Príncipe from the category of LDCs. Other donors indicated that they did not consider the category of LDCs as part of their decision-making process. Mr. Mollerus further indicated that access to the LDC Fund would be lost after graduation, although the country would continue enjoying access to the Special Climate Change Fund and the Green Climate Fund.

In relation to exports, Mr. Mollerus indicated that services, such as tourism, would not be affected by graduation. The major impact resulting from the loss of preferential access to the European Union single market are manufactured products, such as chocolate, which will experience higher tariffs. These products currently represent 3% of exports of São Tomé and Príncipe. Fish and seafood would also experience higher tariffs. A way of mitigating the impact that graduation may have could be achieved in the framework of the GSP+ with the European Union. Most agricultural exports, consisting of cocoa and, to a lesser extent, other agricultural commodities, would not be substantially impacted after graduation.

Mr. Mollerus concluded emphasizing the importance of have a fact-based understanding of the impact that the departure of the category of LDCs will have for São Tomé e Príncipe and the need to develop a

smooth transition strategy in close consultation with development partners and key national and international stakeholders. He encouraged the Government to keep the Committee for Development Policy regularly informed about the situation in the country and factors of relevance related to the graduation of the country and invited it to request coordinated assistance through the United Nations Inter-Agency Task Force on support for Graduation.

Ms. Damiana, Director-General of Planning, Ministry of Finance, Planning and Blue Economy of São Tomé e Príncipe, stated that it was a privilege for her country to leave the category of LDCs. She noted that the level of GNI p.c. attained by STP as well as the progress made with social indicators, were in great part due to external aid. It was very important for the smooth transition strategy to be de-linked from the political process and go beyond the current legislative period. She also stressed that it was reassuring to know that São Tomé e Príncipe's development partners would continue supporting them and pointed to the crucial need to develop and support the national private sector in STP. She noted that the government was the biggest employer. She added that the county had reached good higher education levels but the vast majority students graduating from university found no decent jobs in the labor market.

Ms. Pereira, Chief of the Multilateral Department of the Camoes Institute, Ministry of Foreign Affairs, Portugal, stated that her government was very happy to support the organization of the workshop. She underscored that Portugal would not change its support to the country's development priority. It was important to identify available opportunities, in particular other sources of financing that could counterbalance any reduction in development assistance after graduation. The sharing of experiences by other graduated countries, such as Cabo Verde, would also be very important for São Tomé e Príncipe. The EU had embarked in a process of negotiating its new financial instruments and a new EU Commission was being installed. She noted that the world was constantly changing and becoming increasingly complex. The EU had changed too, quite dramatically. The era of the SDGs had started, with a holistic view of development. However, the international development cooperation system had not adapted yet and simple income-based criteria were still largely used, at the UN, OECD and elsewhere. She stressed that Portugal, while always focusing on countries most in need, might be penalized as a result of supporting countries that are no more LDCs. São Tomé e Príncipe would continue to be a small island developing state and it was important to follow the outcome of the forthcoming midterm review of the SAMOA Pathway at the General Assembly. Portugal hoped to continue a constructive dialogue with all stakeholders in every area, particularly the blue economy. She noted that the OECD would also be available to contribute its analytical capacity and thanked OHRRLLS for continuing to advocate with the EU in favor of São Tomé e Príncipe.

Ms. Wawiernia, UNDP Resident Representative, believed that there would be more positive outcomes than negative impacts with LDC graduation. It was an opportunity to reflect and rethink what could be changed, and which strategies needed to be implemented to further sustainable economic growth in the country. She noted that the tourism sector was a case in point and that the UN would certainly continue to be a close partner to São Tomé and Príncipe. She noted that the visit of the UN team from NY accompanied by other agency representatives from the central African region and Geneva, showed how dedicated the UN System was to provide coordinated assistance to the country.

During the interactive session, the experience of Cabo Verde was mentioned by several participants as an important example that could serve the United Nations, the Government and other relevant stakeholders. Some participants expressed their concerns regarding potential declining ODA trends after graduation. In

the case of Cabo Verde, the period of ODA decline coincided with the aftermath of the global financial crisis of 2007/2008, which severely impact the development cooperation budget of most donor countries. Nevertheless, it was emphasized that the continuity of ODA support to São Tomé e Príncipe was crucial to ensure a smooth transition from the category of LDCs. In this regard, the Committee for Development Policy has received written assurances by the major partners of São Tomé e Príncipe indicating that they do not foresee a change in the support provided to the country as a result of the graduation from the category. São Tomé e Príncipe had been granted a longer period to prepare its transition – 6 years compared to 3 in the case of Cabo Verde. Nonetheless, country developments and ODA trends should be closely monitored, and any unfavorable development reported to the CDP.

The Minister for Tourism expressed the concern about the future development path of the country, particularly given the high prevalence of poverty, challenging urban conditions and potential shortfalls in aid. The Minister emphasized the importance, alongside of sufficient aid, of technical capacity and welcome the idea of establishing a mechanism with support from the UN and other partners to accompany the country in the path towards graduation and beyond.

The importance of endogenous private sector development was highlighted by Government and civil society participants as a key component of a sensible strategy towards overcoming the main hurdles facing sustainable development in São Tomé e Príncipe. Sustainable tourism was mentioned as a promising area and there was agreement on learning from the experience of neighboring countries and regions. Private sector development was tied to the expansion and deployment of energy infrastructure.

Graduation was deemed by United Nations, Government and national stakeholders as an important opportunity to bring focus to the priorities of São Tomé e Príncipe and attract attention by UN agencies, other international organizations and development partners, especially those not actively engaged in the country.

Session 2: LDC Graduation and smooth transition: Access to finance and mobilization of resources

Mr. Mollerus, Head of the Secretariat of the CDP, delivered the main presentation highlighting all areas of support available to São Tomé e Príncipe and their impact on graduation after leaving the category in 2024.

H.E. the Minister of Finance stressed the linkage between macroeconomic stability, international public support in the form of aid and progress in social indicators and provided an overview of the alarmingly high levels of debt of the country, which has led the Government to enter in discussions with the International Monetary Fund (IMF). He emphasized the importance of sustained economic growth to facilitate further socioeconomic development. He indicated that the government is prioritizing private sector development as an engine for growth.

The representative of the African Development Bank emphasized the importance of debt management, particularly given increasing fragility of macroeconomic indicators and the very high reliance of the national budget on external support in the case of São Tomé and Príncipe.

The representative of the World Bank indicated that the graduation from the category of LDCs did not have implications for the decisions of the World Bank and that São Tomé e Príncipe would continue benefiting from preferential support due to the smallness of its territory, population and economy.

The representative of the European Union indicated that there was no lack of resources for São Tomé and Príncipe. He placed the challenge in issues related to public financial management and indicated that strengthening technical capacity of the government was crucial. The representative from the Foreign Ministry indicated that domestic resource mobilization would require a strong national plan with clear priorities and path to implementation.

Session 3: LDC Graduation and smooth transition: Impacts on Trade, Productive Capacity Building and Economic Diversification

Session 3 on the impact of graduation on trade and economic diversification began with presentations by representatives of the World Trade Organization and the Enhanced Integrated Framework for LDCs. Graduation from LDC category meant that in 2024 São Tomé e Príncipe would lose LDC-specific trade preferences granted by developed countries as well as several developing countries on exports of goods. However, after graduation, São Tomé e Príncipe would continue to benefit from an automatic 3-year transition period under the European Union's Everything-but-Arms scheme and, after that, continue to benefit from alternative preferences such as GSP schemes and preferences under the African Growth and Opportunity Act (AGOA) of the United States. The loss of LDC-specific trade preferences would only have a small impact on the exports of country, in particular as cocoa beans can enter the European Union and other key markets duty free on an MFN basis. In the EU market, graduation would lead to an increase in tariffs applied to chocolate, a sector with export potential. The WTO representative also noted that if São Tomé e Príncipe decided to revive its accession process to WTO while still being an LDC it would benefit from certain preferential rules under the LDC Accession Guidelines including possibility to request transition periods and dedicated technical assistance. Furthermore, WTO accession would constitute an opportunity to strengthen São Tomé and Príncipe's legal framework and institutional trade capacity, and send a strong positive signal to businesses, investors and the international community.

The EIF presentation provided a technical overview of the programme that had just been launched in the country which would continue also after graduation. He indicated that a stronger private sector would be essential in a strategy focusing on economic diversification. The representative of the European Union called attention to the crucial role of agriculture as part of the diversification process. He encouraged the Government to start thinking about a post-graduation strategy that would allow São Tomé e Príncipe to export value-added products to the European Union, its most important export destination market. He indicated that beyond trade rules, other non-tariff aspects should be carefully taken into consideration and shared the example of a major local chocolate exporter that currently had to send product to Angola to be exported to the European Union from there as the International Airport of São Tomé e Príncipe did not have the minimal infrastructure requirements to comply with international norms. The representative of the Technology Bank of the LDCs offered the support of her institution up to five years after graduation. A participant from a local private sector entity, SOCOGESTA, indicated that the country should also look at neighboring countries to facilitate tourism development and avoid focusing exclusively on the European market. The Minister of Trade indicated that export certification is a major challenge for the country and said that technical support from development partners would be crucial in this regard.

Session 4: Reducing Vulnerability and Enhancing Resilience towards sustainable development

The session focused on opportunities to reduce structural and environmental vulnerabilities of São Tomé e Príncipe and enhance its economic and environmental resilience. Mr. Santana of UNDP provided contextual information on environmental sustainability. The reduced economic and territorial dimension and its relative isolation from the African continent are key structural vulnerabilities of São Tomé e Príncipe. Its internal market is small and fragmented and development options are different than from continental territories. Mr. Santana highlighted the interlinkages between external shocks and economic performance. Climate change, he said, makes São Tomé e Príncipe is negatively impacted by climate change. The country has adapted and develop institutional mechanisms to address these challenges as a response to increased vulnerability, yet important difficulties remain. Among these, the limited consideration that adaptation receives in policies, strategies and plans, particularly at sectorial and local levels. Mr. Santana indicated that an important aspect of the transition of São Tomé e Príncipe from the category of LDCs will be the ability to develop an economy with a high and sustained level of growth that allows to overcome some of the key aspects such as structural vulnerability, external dependence, unemployment, gender inequality, income concentration, political instability, public sector inefficiencies and limited migration opportunities, thus limiting the potential of remittances for São Tomé e Príncipe .

From the environmental point of view, São Tomé e Príncipe's agriculture was particularly vulnerable to the impact of climate change. Changing rain patterns and other associated effects were compounded by increasing demand for food, energy and space. These had also caused a severe increase in coastal erosion and put pressure on ecosystems. Protection for biodiversity was a major challenge for the country. The rich flora and fauna of the country, many endemics to São Tomé e Príncipe, required serious interventions and adequate measures to protect them. A national plan for solid waste management was also required. Deficient infrastructure in water and sanitation, weak technical capacity and limited awareness were major issues that needed to be urgently addressed.

Mr. Fernandes from UN-HABITAT in São Tomé e Príncipe emphasized the difficulties posed by climate change, particularly pertaining coastal erosion, fluvial erosion and landslides. São Tomé e Príncipe had signed and ratified various international agreements. The level of vulnerability as a result of flooding, coastal erosion, landslides, droughts and fluvial erosion however had increased and managing population retreat from at-risk areas was a cause of increasing concern. He cited the Urban Risk Reduction and Resilience Tool and the efforts to increase local capacities to strengthen urban resiliency through technical capacity building. He also shared the building blocks of the action plan for resilience for São Tomé and Neves.

The representative of the European Union indicated that resources were available to reduce risk and increase resilience, but the challenge remained poor implementation. He advocated for strengthening institutions in charge of environmental protection in the country.

The WHO representative highlighted the risk of increased malaria after years of efforts that had successfully reduced the prevalence and number of cases. This would impact negatively on human development outcomes for the country, including child mortality, one of the indicators parts of the Human Assets Index (HAI) that made up the LDC criteria.

During the interactive session, education and sensitization were highlighted as crucial aspects. Health issues were also highlighted as critical and impactful for all dimensions of development. In this connection, it was pointed out that a return to a high-prevalence of malaria would negatively impact tourism and other key sectors for the future of the country.

Session 5: Conclusion and way forward

The UN-OHRLS Director and Chair of the Interagency Task Force on Graduation, Ms. Schroderus-Fox, expressed the appreciation of the United Nations to the Government of São Tomé e Príncipe and to the workshop participants for the engaging discussions across all sessions during the two days. She indicated that the meeting clearly outlined the needs and priorities for sustainable development of São Tomé e Príncipe. The level and quality of the interventions had helped the United Nations, other international organizations and development partners to gain a much better understanding of its situation, challenges and opportunities. She indicated that the meeting provided clear, factual and accurate description of the limited impact that the graduation of São Tomé e Príncipe from the UN category of Least Developed Countries would have on the country's economy.

The Director indicated that the workshop was only the starting point of a process that should lead São Tomé e Príncipe and its partners to think, all together, about the future. It called for coordinated and effective engagement by the UN Inter-Agency Task Force in support of São Tomé e Príncipe's vision. The Director, in her capacity as chair of the UN Inter-Agency Task Force on LDC Graduation, shared key elements on the joint way forward:

(1) Setup a graduation focal point in the government.

(2) Begin the formulation of a smooth transition strategy, with the support of the United Nations and relevant partners, including its development and trade partners. This strategy should be fully integrated with your new national development plan and with the new UN planning framework in São Tomé e Príncipe. The specific elements of the smooth transition strategy could be organized around potential impacts in the three broad areas highlighted in session 1: (a) development aid and access to finance; (b) international trade, preferential market access and accession to WTO (a timeline could be set for the possible revival of the accession negotiations to become a member of the WTO and for talks with trading partners with focus on strengthening the national productive capacities); and (c) support for participation in the United Nations system.

(3) Open channel of communication between São Tomé e Príncipe and the UN Committee of Development Policy.

(4) Engagement of São Tomé e Príncipe's traditional and new development and trading partners.

She emphasized the importance of all these elements to facilitate a successful transition from the category of LDCs. She reconfirmed the commitment of the United Nations System to accompany São Tomé e Príncipe during its journey towards graduation and beyond.

Annex I: Timeline of the Graduation Process of Sao Tome and Principe

March 2018	<p>The Committee for Development Policy found Bhutan, São Tomé and Príncipe and the Solomon Islands eligible for graduation for a second consecutive time and recommended their graduation from the category of LDCs.</p>
August 2018	<p>ECOSOC resolution E/RES/2018/27 endorsed the recommendation of the CDP that São Tomé and Príncipe graduates from the Category of LDCs.</p> <p>The resolution also found reasonable the request by São Tomé and Príncipe to postpone its effective graduation date to 2024 so as to enable it to enact necessary internal reforms and align its transition strategy with its national development plan.</p>
December 2018	<p>General Assembly resolution A/RES/73/133 takes note of the endorsement by ECOSOC of the recommendations that São Tomé and Príncipe graduate from the Category of LDCs and takes note of the request to postpone its effective graduation date to 2024 in line with the recommendations from ECOSOC.</p>
August 2024	<p>Effective graduation of São Tomé and Príncipe from the Category of LDCs.</p>

Annex II - Reference documents

General Assembly 67/221, *Smooth transition strategy for countries graduating from the list of least developed countries* (29 June 2011). available from undocs.org/A/RES/65/286.

General Assembly 65/2286, *Smooth transition for countries graduating from the list of least developed countries* (21 December 2012). available from undocs.org/A/RES/67/221.

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General Assembly resolution 71/243, *Quadrennial comprehensive policy review of operational activities for development of the United Nations system* (21 December 2016), available from undocs.org/A/RES/71/243.

United Nations Conference on Trade and Development (2018). *Vulnerability Profile of São Tomé and Príncipe*

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United Nations (2019). CDP Report on the twenty-first session (11–15 March 2019) to ECOSOC (E/2019/33)