

Summary of ex ante impact assessment of São Tomé and Príncipe

Trade-related support measures

Preferential market access

Market access – goods. São Tomé and Príncipe's exports are exceptionally concentrated both in terms of product and of geographic market. Cocoa beans account for up to 95% of exports according to government estimates (and an estimated annual average of 5.6 million US dollars for 2006-2015), and the European Union is by far the main destination. 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, the outlook of which is nonetheless currently uncertain. Beyond oil, the country's diversification strategy for merchandise exports focuses on expanding and moving to higher value-added segments in agriculture and fisheries. Products being considered are processed cocoa products; white pepper; and fish. The Diagnostic Trade Integration Study (DTIS) Update published in 2013 under the framework of the EIF identified export potential also in coffee, palm oil, high-value exotic flowers and tropical fruit.

Upon graduation, São Tomé and Príncipe would benefit from the standard GSP in most developed countries. In the EU, the country could also apply for the GSP+ (it has already ratified almost all of the required conventions), and in the United States it would continue to benefit from AGOA. In developing countries, it would no longer benefit from preferential tariffs for LDCs and would face the MFN tariff in most cases, and, not being a member of the WTO, the general duty rate in China, with which it has only recently re-established economic ties.

Exports of cocoa beans would not be affected by the withdrawal of LDC-specific preferences in the countries to which São Tomé and Príncipe has exported in the last ten years, since in these markets the MFN tariff is zero. Similarly, most of its other exports, such as pepper, coffee, and coconut/copra oil would either continue to enter the EU market duty free or be subject to relatively small tariffs; and would continue to enter other markets such as the United States duty free. However, loss of LDC-specific preferences may make it more difficult for São Tomé and Príncipe 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, in Switzerland (both markets that have imported these products from São Tomé and Príncipe in the past) and in certain potential markets such as Japan. 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 (see table below).

Other potential export products such as fish and seafood would face higher tariffs in the EU. 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 face an MFN tariff of zero in most markets, regardless of LDC status.

Market access – services. São Tomé and Príncipe's main service export is tourism. Service exports surpassed service imports for the first time in 2015, and in 2016 widely surpassed the export of goods. São Tomé and Príncipe's diversification strategy is also strongly focused on services. The nature and current stage of operationalization of the WTO services waiver, 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.

Special and differential treatment in the implementation of WTO commitments

São Tomé and Príncipe presented a request for accession to the WTO in 2005. The process has not advanced substantially since. 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 and that São Tomé and Príncipe would no longer have access to LDC-specific support for accession. Once a member of the WTO, LDC-specific differential treatment in the observance of WTO disciplines would in principle not be extended after graduation and any applicable transition periods would depend on negotiations with other members.

Tariffs under LDC-specific market access schemes and default schemes for main export products recorded for 2006-2015 (averages, unless otherwise indicated)

Tariff schemes before and after graduation	Main export destinations 2006-2015	European Union	United States	Switzerland
	--	EBA→GSP or GSP+	LDC GSP→AGOA and GSP	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% USA 15% Switzerland 3%	EBA: 0 GSP: 180610 (sweetened cocoa powder): Ad valorem range 2.80- 4.50, Specific range EUR 25.20-31.40 EUR/100kg Other products including chocolate: Ad valorem range 4.80-10.70 Specific: Agricultural component max 18.7% + reduced additional tariff on sugar GSP+: Ad valorem=0, specific as in GSP	7.9/7.9	LDC GSP: 0 GSP: Ad valorem: 2-222% Specific: CHF 11-670/100kg (simple average 23.6+ CHF 76/100kg)
0904 Pepper	EU 63% Gabon 37%	0/1.5/0 0/0/0 for 090411	0/0	0/0
0901 Coffee	EU 90% Switzerland 1%	0/3.1/0 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). Average tariffs are indicated unless otherwise specified.

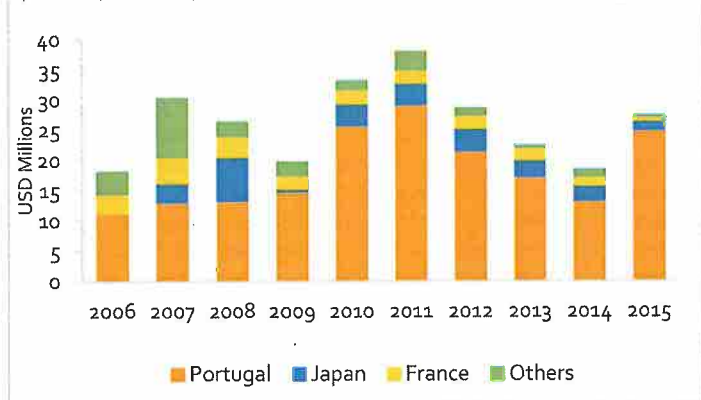
Development cooperation

São Tomé and Príncipe remains highly dependent on international cooperation, but no major changes are expected in cooperation programmes delivered by the main development partners:

Bilateral ODA

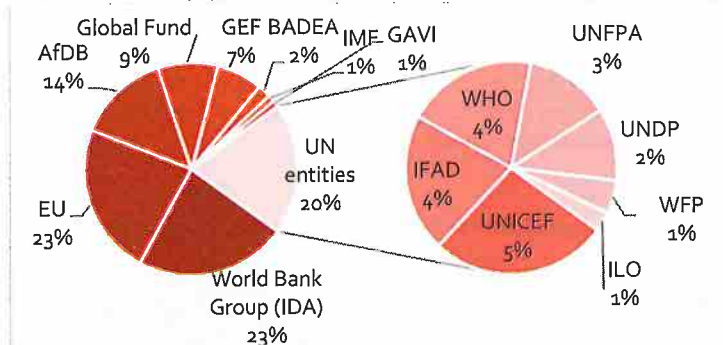
- Portugal has been by far the largest source of ODA to São Tomé and Príncipe over the last decade (see figure below). Portugal informed UNDESA that it does not anticipate any change in the national assistance allocation or technical cooperation granted to São Tomé and Príncipe as a result of graduation from the LDC category.
- Brazil, a major south-south cooperation partner for São Tomé and Príncipe, informed UNDESA that graduation would not affect its south-south cooperation programmes.

Bilateral ODA from OECD countries to São Tomé and Príncipe, 2006-2015



Source: OECDStat, accessed July 2017.

São Tomé and Príncipe's main multilateral development partners, based on total net ODA (%)



Source: OECDStat, accessed July 2017.

Multilateral ODA

- Funding from major partners (see figure above) including the World Bank Group/IDA, the African Development Bank/African Development Fund, Global Fund, GAVI and IMF does not depend on the LDC category and is not expected to be affected. The EU may gradually reduce grant-based aid for countries that are on a sustained growth path or are able to generate sufficient resources of their own, but in its communication to UNDESA it stated that it did not consider any of the countries being considered for graduation from LDC status likely to be in this position immediately after graduation and would address specific situations and vulnerabilities in future programming cycles.
- As for funding from the GEF, only that related to the LDCF could be affected (see below).
- Graduation is not likely to significantly affect United Nations system entities' financial and technical support to São Tomé and Príncipe. The country will no longer be in the category prioritized by UNDP's requirement to allocate

60% of its regular budget to LDCs. UNDP informed UNDESA that graduation would affect resource allocation to São Tomé and Príncipe. UNDP accounted for 2% of flows of ODA to the country from multilateral institutions between 2006 and 2015. All other UN entities confirmed their continuing support to São Tomé and Príncipe and/or do not use the LDC category in their funding allocation.

LDC-specific mechanisms

- Least-Developed Countries Fund (LDCF) (climate change): after graduation, São Tomé and Príncipe would not be eligible to receive new funding under the LDCF. Projects approved before and up until graduation would continue to receive funding to ensure the full implementation of the project. As at October 2017, there were two ongoing projects. São Tomé and Príncipe will continue to be eligible for funds from the Special Climate Change Fund (SCCF) and the Green Climate Fund (GCF). The country would 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.
- Technology Bank for LDCs: after graduation, São Tomé and Príncipe would continue to have access to the LDC Technology Bank for a period of five years.
- Enhanced Integrated Framework (Aid for Trade): In São Tomé and Príncipe, the EIF has supported the preparation of the DTIS (2006) and DTIS Update (2013) and WTO accession, and has 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. The EIF secretariat informed UNDESA that São Tomé and Príncipe is embarking on an institutional support project in 2018. Graduation will not immediately affect 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 UNCDF currently has no projects in São Tomé and Príncipe.

United Nations system funding, and travel support

Graduation will not impact São Tomé and Príncipe's contributions to the United Nations regular budget and the budget of most other United Nations organizations; it will have a small impact on its contributions to the peacekeeping budget and the budgets of a small number of UN entities (see table below).

After a transition period of up to five years after graduation, São Tomé and Príncipe will no longer be eligible for funds supporting travel of representatives to the official meetings of the UN General Assembly. The country may no longer benefit from other forms of support for travel to participate in international forums. It may continue to have access to mechanisms dedicated to other developing countries and particularly to SIDS and African states.

Expected increase in contributions to the budgets of United Nations System entities upon graduation (based on current budgets)

Peace-keeping	Increase (applied to 2017/2018 budget would imply an increase of USD 6,803)
UN Mechanism for International Criminal Tribunals	Marginal increase (criteria applied to 2017 budget would imply an increase of USD 33.5)
ITU	Increase (applied to 2017 budget, CHF 59,625) unless ITU Council may authorize contribution at lower classes.
WIPO	Increase (applied to 2017 budget, CHF 1,424)

*See list of acronyms on the last page of this document.

Scholarships, support for research

No consolidated information is available on the use by nationals of São Tomé and Príncipe of LDC-specific financial support for research or scholarships.