

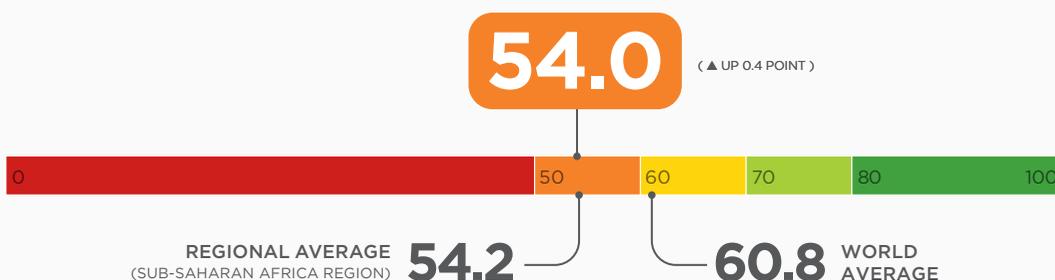
# SÃO TOMÉ AND PRÍNCIPE

São Tomé and Príncipe's economic freedom score is 54.0, making its economy the 134th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with an increase in **fiscal health** and a higher score for the **tax burden** outpacing significant declines in **trade freedom** and **government integrity**. São Tomé and Príncipe is ranked 24th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Constrained by institutional weaknesses, volatile aid and investment inflows, lack of fiscal consolidation, and concerns about the sustainability of ever-higher levels of public debt, the government may be tempted by offers of unconditional loans from China to finance projects in such areas as infrastructure, telecommunications, energy, health, and fisheries. Other problems confronting the small, poor island economy include inflation and unsustainable subsidies. Widespread corruption and a weak judicial system undermine long-term economic development.



## ECONOMIC FREEDOM SCORE

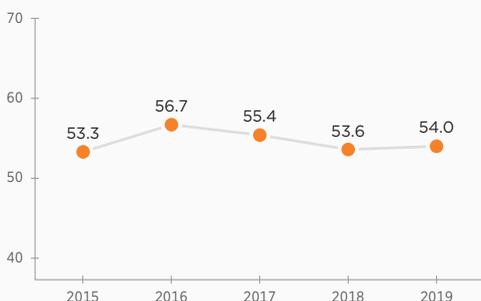


**RELATIVE STRENGTHS:**  
Tax Burden and Monetary Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 2009):**  
+10.2

**CONCERNS:**  
Judicial Effectiveness and Financial Freedom

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.2 million

**GDP (PPP):**  
\$0.7 billion  
4.0% growth in 2017  
5-year compound annual growth 4.1%  
\$3,180 per capita

**UNEMPLOYMENT:**  
13.5%

**INFLATION (CPI):**  
5.5%

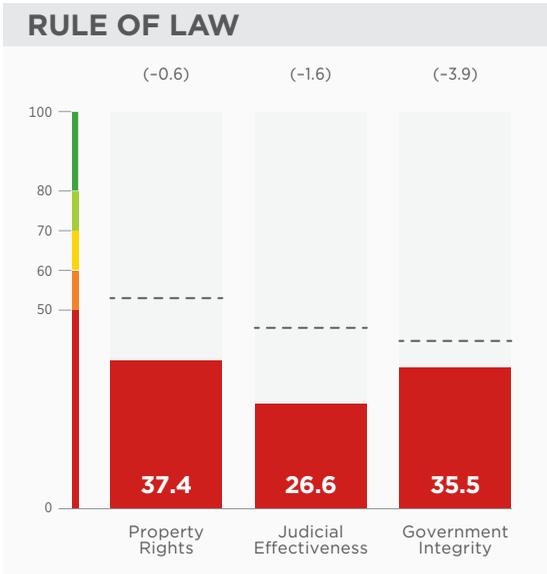
**FDI INFLOW:**  
\$41.0 million

**PUBLIC DEBT:**  
83.3% of GDP

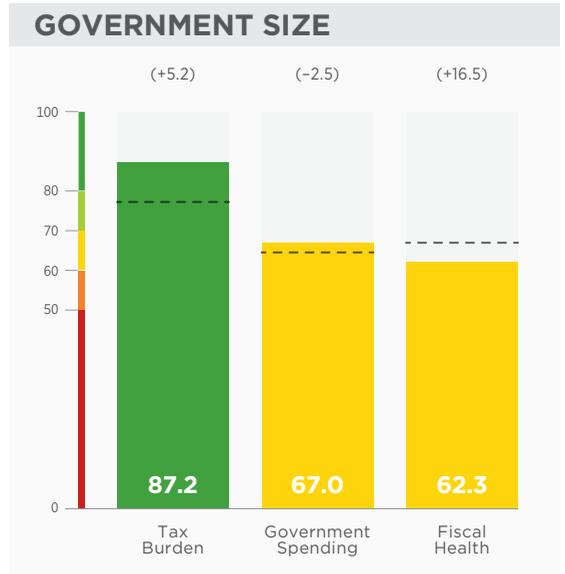
2017 data unless otherwise noted. Data compiled as of September 2018

**BACKGROUND:** This former Portuguese colony's sugar-based economy gave way to coffee and cocoa in the 19th century. Independence was achieved in 1975, but democratic reforms were not instituted until the late 1980s. Evaristo Carvalho won the presidency in 2016 in a runoff election marred by accusations of irregularities and a boycott by incumbent President Manuel Pinto da Costa, who was finishing a second, nonconsecutive five-year term. Carvalho ally Patrice Trovoada is prime minister. Cocoa production, an economic mainstay, has declined in recent years because of drought and mismanagement, but there is potential for tourism. The country is seeking to develop oil fields in the Gulf of Guinea jointly with Nigeria, but whether the project will prove commercially viable is unclear.

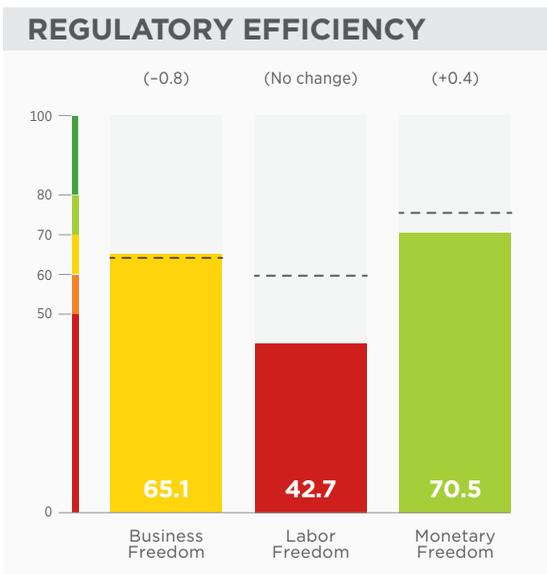
# 12 ECONOMIC FREEDOMS | SÃO TOMÉ AND PRÍNCIPE



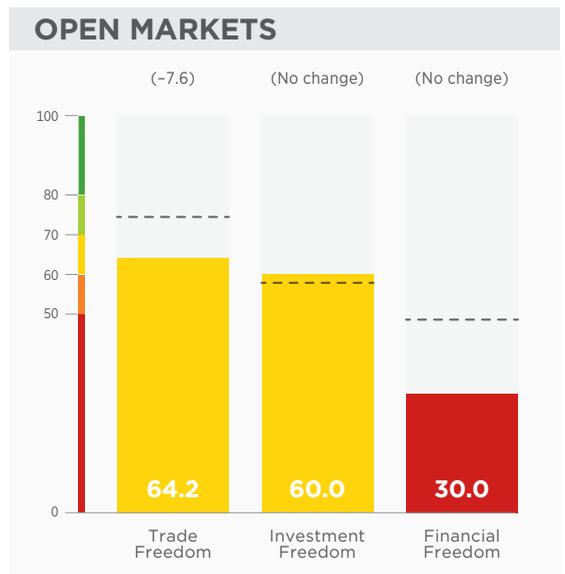
Property rights are not well protected. The government owns the vast majority of land; less than 10 percent is held by private owners. The judiciary is independent but weak and susceptible to political influence. Although there are criminal penalties for official corruption, the government reportedly does not enforce those laws effectively, and many citizens believe that many public officials are corrupt.



The top personal income tax rate is 20 percent, and the corporate tax rate is a flat 25 percent. Other taxes include sales and dividend taxes. The overall tax burden equals 15.9 percent of total domestic income. Over the past three years, government spending has amounted to 33.2 percent of the country's output (GDP), and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 83.3 percent of GDP.



Structural reform to boost government efficiency and enhance the business environment has been pursued. Despite some progress, launching a business remains time-consuming, with regulatory requirements raising the overall cost of entrepreneurial activity. Existing labor regulations are not enforced effectively. Progress in implementing an automatic pricing mechanism for fuel and reforming power subsidies has slowed.



The combined value of exports and imports is equal to 55 percent of GDP. The average applied tariff rate is 10.4 percent. The lack of reform measures to implement open-market policies impedes growth in trade and investment and thwarts the emergence of a more dynamic private sector. Much of the population still lacks access to formal banking services, and financing for business expansion is very limited.