

SÃO TOMÉ AND PRÍNCIPE

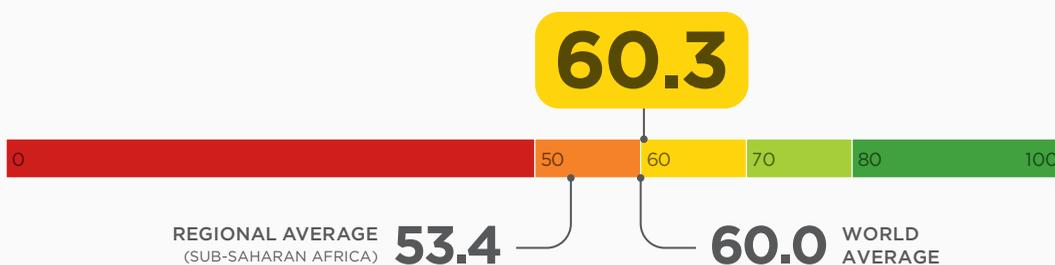
São Tomé and Príncipe's economic freedom score is 60.3, making its economy the 85th freest in the 2022 *Index*. São Tomé and Príncipe is ranked 7th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

São Tomé and Príncipe's economic growth lost strength from 2017 through 2019, contracted in 2020, and accelerated in 2021. During those five years, economic freedom has been generally mediocre but has trended higher. Lifted by higher scores for **fiscal health** and rule of law, São Tomé and Príncipe has recorded a 4.9-point overall gain of economic freedom since 2017 and has made it over the threshold from the "Mostly Unfree" category into the "Moderately Free" category. With **government spending** relatively low, the economy is unburdened by heavy taxation, but **financial freedom** is weak.

IMPACT OF COVID-19: As of December 1, 2021, 56 deaths had been attributed to the pandemic in São Tomé and Príncipe. The economy contracted by 6.5 percent in 2020.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +16.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
\$0.8 billion
-6.5% growth in 2020
5-year compound annual growth 1.2%
\$3,829 per capita

UNEMPLOYMENT:
13.9%

INFLATION (CPI):
9.8%

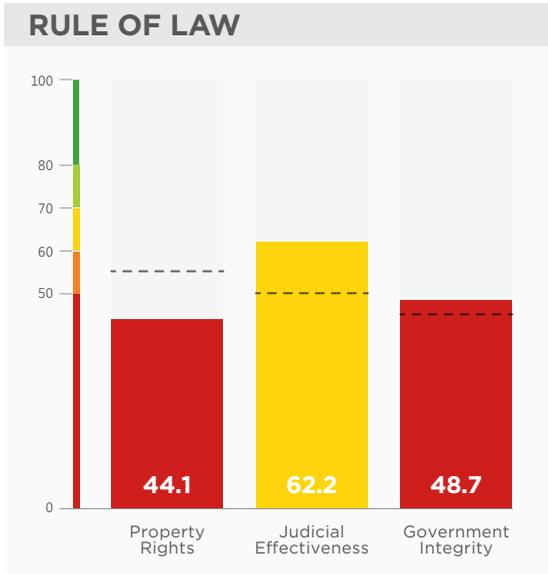
FDI INFLOW:
\$47.0 million

PUBLIC DEBT:
81.4% of GDP

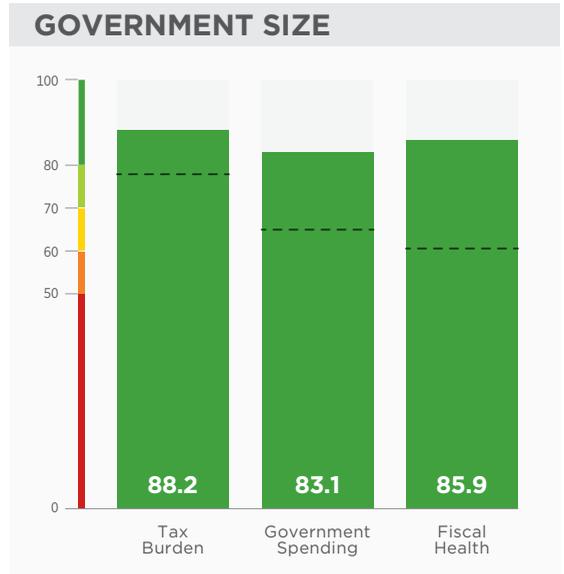
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The sugar-based economy of this former Portuguese colony 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 that was marred by accusations of irregularities and boycotted by incumbent President Manuel Pinto da Costa. Opposition leader and former government minister Carlos Vila Nova won the presidency in a second round of voting in September 2021. 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.

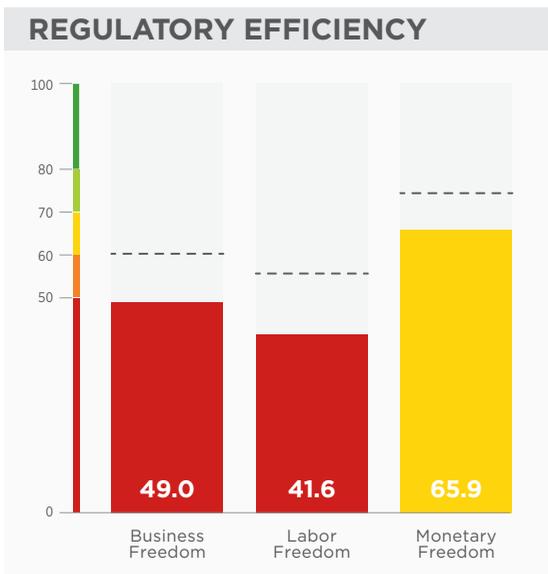
12 ECONOMIC FREEDOMS | SÃO TOMÉ AND PRÍNCIPE



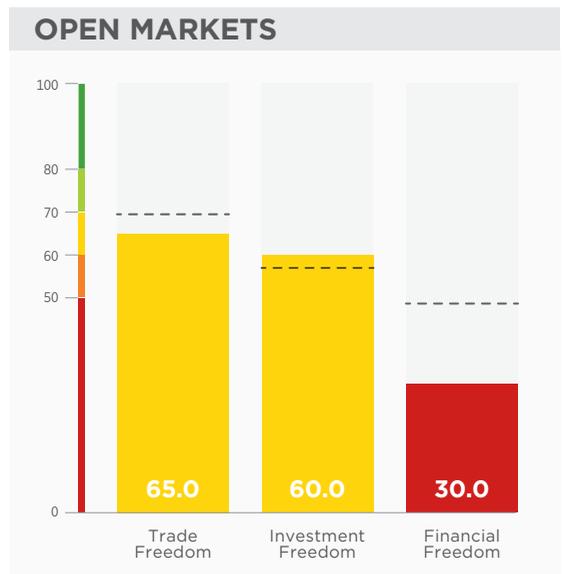
Property rights are not well protected. The government owns the vast majority of the land in São Tomé and Príncipe; less than 10 percent is held by private owners. The judiciary is independent but weak and susceptible to political influence. Although there are criminal penalties for official corruption, the government reportedly does not enforce those laws effectively. Officials sometimes engage in corrupt practices with impunity.



The top individual 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 12.5 percent of total domestic income. Government spending has amounted to 23.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.7 percent of GDP. Public debt is equivalent to 81.4 percent of GDP.



Limited and expensive electricity, insufficient infrastructure, a slow regulatory process, and a small domestic market reduce business opportunities. Minimum wages, first set in 2016, are higher for larger companies and increase over time. Although the government has tried to reduce subsidies and price controls, it remains extremely reliant on international aid and loans to avoid a balance-of-payments crisis.



São Tomé and Príncipe has no preferential trade agreements in force. The trade-weighted average tariff rate is 10.0 percent. São Tomé and Príncipe is not a member of the World Trade Organization. Layers of nontariff barriers constrain the freedom to trade. Investment laws are outmoded, and bureaucracy is slow and inefficient. Banking dominates the underdeveloped financial sector, and access to credit, especially long-term credit, remains very limited.