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SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE:
SPECIAL PROGRAMME OF ECONOMIC ASSISTANCE

Special Economic Assistance to Sao Tome and Principe

Report of the Secretary-General

1. In its resolution 37/146 of 17 December 1982, the General Assembly requested the Secretary-General to keep the situation in Sao Tome and Principe under constant review and to apprise the Economic and Social Council, at its second regular session of 1984, of the current status of the special economic assistance for Sao Tome and Principe. The Secretary-General was further requested to report on the progress made in the economic situation of Sao Tome and Principe and in organizing and implementing the special programme of economic assistance for that country in time for the matter to be considered by the General Assembly at its thirty-ninth session.
2. In pursuance of the resolution, the Secretary-General, in consultation with the Government of Sao Tome and Principe, arranged for a review mission to visit the country in June 1984. The report of that mission, which is attached hereto, reviews the economic situation in Sao Tome and Principe taking into account recent economic performance and problems, describes the status of the special programme of economic assistance in terms of both resource mobilization and project implementation, and concludes with an analysis of the needs for external resources required for the implementation of the outstanding parts of the special programme of economic assistance.
3. In paragraph 4 of resolution 37/146, the General Assembly renewed its appeal to appropriate organs, organizations and programmes of the United Nations system to assist in the development of Sao Tome and Principe. Their activities in this regard will be included in a separate report of the Secretary-General covering all countries for which the General Assembly made similar requests.

* A/39/150.

ANNEX

Report of the review mission to Sao Tome and Principe
(5-9 June 1984)

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I. INTRODUCTION

1. At its thirty-seventh session, the General Assembly considered the report of the Secretary-General on assistance to Sao Tome and Principe (A/37/127). In its resolution 37/146 of 17 December 1982, while expressing its appreciation to those Member States and international organizations that have contributed assistance to Sao Tome and Principe, the General Assembly renewed its appeal to Member States, the appropriate organs, organizations and programmes of the United Nations system, regional and interregional organizations and other intergovernmental bodies and non-governmental organizations, as well as international financial institutions, to assist in the development of Sao Tome and Principe through bilateral and multilateral channels, as appropriate.
2. In the same resolution, the Secretary-General was requested to report on the progress made in the economic situation of Sao Tome and Principe and in organizing and implementing the special programme of economic assistance for that country in time for the matter to be considered by the General Assembly at its thirty-ninth session.
3. The Secretary-General, in consultation with the Government of Sao Tome and Principe, arranged for a review mission to visit Sao Tome and Principe from 5 to 9 June 1984.
4. Preparatory work for the mission was carried out by the Ministries of International Co-operation and of Economic Planning of Sao Tome and Principe and the Resident Co-ordinator of the United Nations System's Operational Activities for Development/Resident Representative of the United Nations Development Programme.
5. The review mission worked in close consultation with the Minister for International Co-operation and the Minister for Economic Planning who are entrusted with responsibility for monitoring the implementation of the special programme of economic assistance. Consultations were also held with the Ministers of Agriculture, Energy and Industry, Finance, and Transport, as well as staff from various technical ministries. In addition, consultations were held with the Economic Adviser to the President. The review mission also discussed programme developments and implementation with the local representatives of the donor community.
6. The mission would like to express its appreciation for the assistance and full co-operation it received in the conduct of its review from the Government of Sao Tome and Principe, the local representatives of the donor community, the United Nations Development Programme (UNDP), representatives of the various United Nations agencies and field experts in Sao Tome and Principe.

II. ECONOMIC SITUATION

A. General

7. In a 1977 submission to the United Nations, the Government of Sao Tome and Principe emphasized the following major constraints to the economic development of

the country: isolation, dependence on a single export crop, lack of trained manpower and of suitable machinery for efficient government administration. Although some progress has been made, these constraints continue to plague the economy.

8. The archipelago of Sao Tome (860 sq km) and Principe (140 sq km) is located in the Gulf of Guinea, 325 km west of Gabon, its nearest neighbour on the African continent (see map in appendix). The isolation of the country is heightened by the lack of regular air and shipping services as well as by the absence of adequate telecommunication services with the outside world.

9. The economic problems of the country stem to a large extent from the structure inherited at independence. In the pre-independence period, the agriculture sector was organized into large, privately owned plantations devoted mainly to export crops, in particular cocoa, which accounted for about 90 per cent of the total value of exports. Subsistence agriculture was not encouraged, and the country imported most of its staple food requirements. The country was thus dependent on earnings from cocoa exports to pay for imports of food as well as the necessary agricultural inputs.

10. A major effort of the Government has been to reduce the dependence on cocoa. In recent years, the issue has become even more pressing as the volume of cocoa production and the price of cocoa on the world market have declined. The price fell from 130.40 dobras (Db) per tonne in 1977 to Db 48.65 per tonne in 1982. The decline in production was due largely to the shortage of skilled manpower and labour for the management of the plantations, which were reorganized into state farms following the mass departure of the Portuguese. Reduced export earnings in turn made it difficult to import the agricultural inputs, including equipment, necessary to maintain or increase production.

11. The drought that affected some parts of the country in 1982 and 1983, combined with the erratic pattern of rainfall in other parts, has had a serious negative effect on the already fragile situation. The limited production of staple foods declined, and cocoa production was reduced by almost two thirds. Following an appeal by the Government to the international community, a mission organized by the Office for Special Relief Operations of the Food and Agriculture Organization of the United Nations (FAO/OSRO) visited the country and confirmed the severe reduction in agricultural production, concluding that as a result of drought and shortage of foreign exchange, the food-supply situation was critical.

B. National accounts

12. Economic growth has fluctuated radically in the last few years. Gross domestic product (GDP) at current prices was estimated at Db 1,149 million in 1983, down 1.9 per cent from the previous year and lower than the estimated GDP in 1979. Estimated GDP per capita has declined steadily since 1983 and was reported at Db 11,210 (\$264) in 1983. The decline in economic activity is even more pronounced when measured in real terms (see table 1).

Table 1. Estimates of gross domestic product
 (Millions of dobras at current prices) a/

| | 1979 | 1980 | 1981 | 1982 | 1983 | % (1983) |
|---|--------|--------|--------|--------|--------|----------|
| Agriculture, livestock, forestry and fishing | 525 | 717 | 295 | 335 | 400 | 41 |
| Public administration | 155 | 176 | 210 | 230 | 250 | 26 |
| Other | 307 | 344 | 314 | 373 | 319 | 33 |
| GDP at current factor cost | 987 | 1 237 | 819 | 938 | 969 | 100 |
| Indirect taxes less subsidies | 237 | 326 | 252 | 232 | 180 | |
| GDP at current market prices | 1 224 | 1 563 | 1 071 | 1 171 | 1 149 | |
| Growth rate <u>b/</u> | | 27.8 | -31.5 | 9.3 | -1.9 | |
| GDP per capita at current market prices <u>c/</u> | 13 680 | 17 037 | 11 087 | 11 769 | 11 210 | |
| GDP per capita at current market prices <u>d/</u> | 398 | 480 | 289 | 287 | 264 | |

Source: Government of Sao Tome and Principe.

a/ Exchange rate: 1976-1979 34.5 dobras = 1 United States dollar
 1980 35.0 " " " " "
 1981 40.0 " " " " "
 1982 (October) 41.5 " " " " "
 1983 (October) 42.6 " " " " "
 1984 (July) 43.0 " " " " "

b/ Percentage.

c/ Dobras.

d/ Dollars.

C. Government budget

13. Since 1982, the Government has had to rely on "extraordinary revenue" from external sources to cover capital expenditure and, beginning in 1983, to cover a part of recurrent expenditure. Capital expenditure, as a percentage of GDP, amounted to 3.8 per cent in 1981, 29 per cent in 1982 and 16 per cent in 1983. In 1983, 39 per cent of capital expenditure was devoted to transportation and communications, 32 per cent to agro-industries, 12 per cent to energy and the balance to education, construction, port development, fisheries and urban development.

Table 2. Government budget
 (Millions of dobras)

| | 1981 | 1982 | 1983 |
|--------------------|--------------|----------------|----------------|
| <u>Revenue</u> | <u>754.1</u> | <u>963.0</u> | <u>949.5</u> |
| Regular | 754.1 | 624.3 | 721.0 |
| Extraordinary | - | 338.7 | 228.5 |
| <u>Expenditure</u> | <u>609.7</u> | <u>1 016.9</u> | <u>1 010.4</u> |
| Recurrent | 568.6 | 678.2 | 821.4 |
| Capital | 41.1 | 338.7 | 189.0 |
| Balance | <u>144.4</u> | <u>-53.9</u> | <u>-60.9</u> |

Source: Government of Sao Tome and Principe.

D. Balance of payments

14. The balance of payments is characterized by a persistent trade deficit and net outflow on services that is covered for the most part by short-term capital movements. There was a significant improvement in the trade balance in 1983 but this was achieved through drastic measures to reduce imports. This has serious implications for the economy, given its reliance on imports not only for food but also for inputs necessary to development. Of equal concern is the heavy reliance on short-term capital movements to finance the deficit and the implication this has for debt-service obligations.

Table 3. Balance of payments
 (Millions of dobras)

| | 1982 | 1983 |
|--------------------------------|----------------------|---------------------|
| <u>Trade balance</u> | <u>-899.4</u> | <u>-273.9</u> |
| Exports | 360.6 | 365.6 |
| Imports | 1 260.0 | 639.5 |
| Services (net) | -387.2 | -231.3 |
| <u>Current account balance</u> | <u>-1 286.6</u> | <u>-505.2</u> |
| <u>Transfers (net)</u> | <u>33.1</u> | <u>155.7</u> |
| Private | 19.2 | 51.1 |
| Public | 13.9 | 104.6 |
| <u>Capital movements</u> | <u>963.4</u> | <u>283.4</u> |
| Long-term | 64.6 | -134.2 |
| Short-term | 898.7 | 417.5 |
| Overall balance | <u><u>-290.2</u></u> | <u><u>-66.2</u></u> |

Source: Directorate of Statistics.

15. As indicated below, cocoa accounts for almost 80 per cent of export earnings followed by copra at approximately 16 per cent.

16. The pattern of imports reflects the basic structural weakness of the economy with consumer goods, basically food, accounting for more than half of all imports. Oil imports also represent a significant cost. The measures adopted to reduce imports in 1983 affected food (-21.3 per cent), agricultural materials (-70.9 per cent), construction materials (-83.0 per cent) and other equipment.

Table 4. Exports

Exports

| Products | Volume <u>a/</u> | Value <u>b/</u> |
|----------------|------------------|------------------|
| Cocoa | 3 487.5 | 290 802.1 |
| Copra | 3 760.8 | 57 666.7 |
| Coconuts | 285.0 | 3 108.9 |
| Peppers | 12.1 | 522.2 |
| Frozen fish | 753.7 | 11 738.6 |
| Other products | <u>5.0</u> | <u>1 711.5</u> |
| Total | <u>8 304.1</u> | <u>365 550.0</u> |

Source: Directorate of Statistics.

a/ Tons.

b/ Thousands of dobras.

Table 5. Major imports
 (Million of dobras)

| | 1982 <u>a/</u> | 1983 <u>b/</u> |
|--------------------------------------|------------------|------------------|
| Consumption goods (of which food) | 349.5 (250.8) | 297.6 (197.4) |
| Agricultural equipment and materials | 54.2 | 15.6 |
| Industrial equipment | 44.1 | 45.2 |
| Construction materials | 59.1 | 9.8 |
| Oil and related products | 68.6 | 97.1 |
| Spare parts | 59.8 | 30.5 |
| Other equipment | 70.9 | 24.8 |

a/ Actual.

b/ Estimates.

E. Sectoral review1. Agriculture

17. The agriculture sector dominates the economy, accounting for approximately 41 per cent of GDP. The Government has made significant efforts in recent years to rehabilitate agricultural production. These efforts suffered a serious set-back as a result of the 1982-1983 droughts. The Ministry of Agriculture indicated that in the first three months of 1984 the situation continued to deteriorate.

Table 6. Agricultural production
(Tons)

| Crop | 1982 | 1983 |
|-----------------|---------|---------|
| Cocoa | 4 081.3 | 3 938.8 |
| Copra | 3 805.1 | 3 678.9 |
| Coconuts | 318.2 | 244.9 |
| Coffee | 96.3 | 17.8 |
| Pepper | 10.5 | 7.5 |
| 'Quina' | 1.7 | 48.2 |
| Cloves | - | 1.6 |
| Bananas | 4 589.9 | 3 939.1 |
| Bread-fruit | 1 231.1 | 1 539.6 |
| Pineapples | 9.7 | 9.7 |
| Palm oil | 258.7 | 295.2 |
| Papaya (pawpaw) | 64.7 | 52.0 |
| Oranges | 9.1 | 32.4 |
| Maize | 422.2 | 88.8 |
| Green beans | 21.7 | 9.3 |
| Tomatoes | 31.7 | 35.7 |
| Sweet potatoes | 32.9 | 19.7 |
| Manioc | 54.8 | 39.6 |
| 'Matabala' | 370.7 | 634.0 |
| Onions | 90.6 | 84.8 |
| Cabbages | 12.4 | 16.8 |

Source: Directorate of Statistics.

18. Export crops take up as much as 90 per cent of the cultivable land. As indicated above, cocoa is the major export crop. The country also produces other export crops, namely copra, palm oil and coffee. The Government reported that, as in the case of cocoa, both the volume of production and the international market prices of these crops have followed a downward trend.

19. In an effort to increase domestic production of foodstuffs, the Government is pursuing a policy of agricultural diversification, which includes providing incentives to small farmers to grow more staple crops and to increase productivity generally.

2. Livestock

20. The development of livestock (poultry, pig, cattle and rabbit breeding) was introduced in recent years. Encouraging progress was made in pig breeding until an epidemic of African swine fever in 1978-1979 required the destruction of all pigs. An effort is under way with the assistance of the United Nations Development Programme (UNDP), the United Nations Capital Development Fund and FAO to establish a pig-breeding centre, which, when fully developed, will produce an average of 3,800 piglets a year for distribution to local farmers. The second component of the project is the formation of a breeding herd of 500 cows at the national cattle-breeding centre.

21. The main problem in the development of animal production in Sao Tome and Principe is the absence of locally produced animal food. Efforts are being made to promote the production and utilization of domestic animal food crops (corn and matabala) as well as to increase pasture land.

22. Poultry rearing offers promising prospects. At present 1.3 million eggs and 76 tonnes of chicken meat are produced every three months. The Government hopes that total production for 1984 will be 5 million eggs and 600 tonnes of poultry meat.

3. Fishing

23. Progress is being made in the development of both traditional fishing for local consumption as well as industrial fishing, essentially for export.

Table 7. Fisheries
 (Tonnes)

| | 1980 | 1981 | 1982 | 1983 |
|-------------|--------------|--------------|--------------|--------------|
| Traditional | 1 138 | 1 275 | 1 228 | 1 285 |
| Industrial | <u>700</u> | <u>883</u> | <u>1 460</u> | <u>2 315</u> |
| Total | <u>1 838</u> | <u>2 158</u> | <u>2 688</u> | <u>3 600</u> |

4. Industry

24. At the present stage of the country's development, the industrial sector does not make a significant contribution to the national economy. The Government envisages modest efforts to promote the development of local agro-industries to meet local needs as well as to process exports.

Table 8. Industrial production
(Kilograms)

| Product | 1979 | 1980 | 1981 | 1982 | 1983 |
|------------------|-------|-------|---------|-------|-------|
| Soap <u>a/</u> | 312 | 343 | - | 325 | 277 |
| Timber <u>b/</u> | 3 368 | 4 043 | 3 653.5 | 891.4 | 3 552 |
| Beverages | 187 | 303 | 207 | 181 | 173 |
| Mineral water | 12 | 22 | 6 | 4 | 2 |
| Liquors | 35 | 20 | 16 | - | - |
| Beer | 3 346 | 1 831 | 1 724 | 3 098 | 2 335 |
| Ice <u>a/</u> | 363 | 150 | 131 | 117 | 170 |
| Bread <u>a/</u> | 2 677 | 2 982 | 2 349 | 2 892 | 3 362 |

Source: Directorate of Statistics.

a/ Tons.

b/ Cubic metres.

5. Energy

25. Existing hydroelectric and thermal plants have an installed capacity of 1,800 kilowatts and 3,160 kilowatts respectively. However, the plants are old and no longer function efficiently. The guaranteed capacity is only 500 kilowatts and 2,400 kilowatts respectively, with an additional thermal reserve of 760 kilowatts. Current overall demand is estimated at more than 3,000 kilowatts. As part of its strategy for the development of the country's energy resources, the Government has decided to concentrate on the development of hydroelectricity.

6. Transportation

26. The lack of adequate air and sea transport facilities for regular communication between Sao Tome and Principe and the outside world remains a serious

problem and limits capacity for international trade. Some improvements have been made in recent years, namely the extension of Sao Tome Airport to permit the landing of Boeing 727 aircraft, the acquisition of a 300-ton coastal vessel for inter-island transport between the two main islands of Sao Tome and Principe, and the acquisition of a 150-ton self-propelled barge to load and unload sea-vessels, which at present are forced to anchor some distance away from the Sao Tome Port because of the shallowness of the water near the Port. In spite of these relative improvements, scheduled flights take place only once a month between Lisbon and Sao Tome, and twice a week between Luanda (Angola) and Sao Tome. The country has only one Fokker F.27 aircraft that operates, on a charter basis, between the two islands of Sao Tome and Principe and with Libreville (Gabon). The position with regard to shipping between Sao Tome and Principe and the outside world has not improved.

27. Equipment at the harbour of Sao Tome is in poor condition and is not adapted to modern cargo-handling techniques. A feasibility study commissioned by UNDP was carried out by the International Maritime Organization to review the port situation. Another feasibility study is currently being undertaken to determine the requirements for modernization.

28. With regard to internal transportation, the country is well served with a network of good asphalt roads built during the colonial period, but these are in danger of deterioration due to poor maintenance. The public transportation system is hampered by the shortage of buses, most of the existing fleet being immobilized as a result of lack of spare parts and tyres.

7. Education

29. The rapid expansion of free education opportunities throughout the country has created an extreme shortage of school facilities. As a result, schools in Sao Tome and Principe operate on the basis of three shifts daily, with a duration of only three hours in each shift. There is need for additional school buildings and class-rooms, as well as for a teacher-training programme to meet the increasing requirements of primary and secondary schools, including technical and vocational training institutions. Part of this need is at present being met out of national resources, which have so far been used for the construction of 25 class-rooms between 1978 and 1983. There is also an ongoing project for the construction of three secondary schools.

30. The Minister of International Co-operation indicated that the Government was in the process of reviewing the country's education policy in order to determine what reforms in the education system would be necessary to bring it in line with the development needs of the country. The African Development Bank (ADB) has offered a soft loan of \$15 million for education. The allocation of these resources to specific projects awaits policy decisions regarding the overall national objectives of the education system.

8. Health

31. The Ministry of Health has indicated that priority is being accorded to preventive health care, sanitation and mass education, with particular attention being directed to the most vulnerable groups, namely, mothers and children. A unit for the dissemination of health information material had been established and its activities were mainly directed towards creating an awareness of the mother and child health-care programmes.

9. Housing

32. Many of the houses and public buildings erected during the colonial period are now deteriorating. There is an extreme shortage of building technicians in the country, and training programmes for construction, maintenance and repair work are required. In order to deal with this situation the Government intends to establish a building-construction organization, under the aegis of the Ministry of Industry, which will be mainly responsible for low- and medium-cost housing and public building construction, maintenance and repairs, including the relevant training programmes.

F. Food assistance

33. As indicated previously, under normal circumstances the country must meet a large part of its food requirements through imports. This situation has been aggravated by the 1982-1983 drought, which reduced the already limited domestic production of staple crops. In addition, the disappointing programme of cocoa exports reduced the ability of the country to pay for food imports. The Government has provided the following information on the food situation in 1983.

Table 9. Overall picture of food situation, 1983
(Tonnes)

| Commodity | Needs | | | Assistance received | | | | Expected | | | Subject to confirmation | | | |
|----------------------|--------------------|-------------------|-------|---------------------|---------------|----------------------------|----------|--------------------------------------|----------|--------|-------------------------|---|----------|--------|
| | Capacity to import | Assistance needed | Total | Quantity | Date received | Donors | Quantity | Donors | Quantity | Donors | Quantity | Donors | Quantity | Donors |
| | | | | | | | | | | | | | | |
| 1. Rice | 2 000 | 3 400 | 5 400 | 1 000 | 23/2/83 | Soviet Union | 650 | Japan European Economic Community | 435 | | 500 | World Food Programme Federal Republic of Germany | 1 200 | |
| 2. Sugar | 1 000 | 1 500 | 2 500 | 50 300 | 23/2/83 | Soviet Union Congo | | | | | | | | |
| 3. Wheat flour | 1 000 | 3 800 | 4 800 | 500 | 19/1/82 | People's Republic of Korea | 750 | France People's Republic of Korea | 1 000 | | 1 500 | World Food Programme | 4 000 | |
| | | | | 500 | 23/2/83 | Soviet Union | | | | | | | | |
| | | | | 500 | 27/8/83 | People's Republic of Korea | | | | | 1 000 | Federal Republic of Germany | | |
| | | | | 1 200 | | Congo | | | | | | | | |
| 4. Maize flour | 250 | 2 500 | 2 750 | | | | 555 | France | | | 1 000 | World Food Programme | | |
| 5. Beans | 600 | 2 200 | 2 800 | | | | 300 | European Economic Community | | | 500 | Wood Food Programme | | |
| 6. Powdered milk | 320 | 1 180 | 1 500 | | | | | | | | 200 | Federal Republic of Germany | | |
| 7. Condensed milk | 100 | 500 | 600 | | | | | | | | 400 | World Food Programme | | |
| | | | | | | | | | | | 100 | Federal Republic of Germany | | |
| 8. Milk for children | 100 | 200 | 300 | | | | | | | | | | | |
| 9. Cooking oil | 500 | 2 000 | 2 500 | 19.6 | 3/6/83 | Soviet Union | 100 | European Economic Community | | | 500 | Federal Republic of Germany | | |
| | | | | 19.0 | 8/11/83 | Congo | 30 | People's Republic of China | | | 1 000 | World Food Programme | | |
| 10. Pastas | 100 | 200 | 300 | | | | | | | | 100 | Federal Republic of Germany | | |
| 11. Canned meat/fish | 50 | 250 | 300 | | | | | | | | | | | |
| 12. Margarine | 70 | 130 | 200 | | | | | | | | 100 | Federal Republic of Germany | | |

III. SPECIAL PROGRAMME OF ECONOMIC ASSISTANCE

A. Background

34. The initial special programme of economic assistance for Sao Tome and Principe, formulated in 1978, consisted of 47 projects amounting to \$21.4 million, as outlined below:

| | <u>Millions of dollars</u> |
|---|----------------------------|
| Agriculture (6 projects) | 1.3 |
| Industry (5 projects) | 2.7 |
| Minerals and natural resources (5 projects) | 1.2 |
| Transportation (14 projects) | 11.8 |
| Education and training (5 projects) | 1.3 |
| Health (6 projects) | 1.3 |
| Social development (2 projects) | 0.3 |
| Housing and urban development (4 projects) | <u>1.5</u> |
| Total | <u>21.4</u> |

35. There have been substantial changes in the programme since it was initially formulated, as some projects have been funded, new projects added and some projects withdrawn by the Government. Detailed information on the implementation of the programme is contained in previous reports to the General Assembly. ^{1/} The 1982 mission identified 18 projects estimated at approximately \$50 million for which external financing was still required.

B. Implementation of 1982 special programme of economic assistance

36. During the recent mission to Sao Tome and Principe, the Government expressed its appreciation for the generous response of the international community in providing external assistance to enable the country to tackle its immediate and longer-term economic and social development problems. With regard to the special programme of economic assistance, since 1982, eight projects have received total or partial financing and negotiations are in progress with regard to two major projects, i.e. establishment of vegetable-oil plants and construction of a hydroelectric plant. No financing has been secured for the remaining eight projects. It is worth noting that no major commitment has been made for projects in the health or education sectors. This reflects a general trend concerning assistance to Sao Tome and Principe, which has been channelled by the donor community more towards the improvement of the productive sectors and the transport infrastructure than towards the social sectors.

Table 10. Financial status and implementation of the projects submitted for international support in the 1982 special programme of economic assistance
(Thousands of dollars)

| Sector/project | Total cost | | Acquired financing | Source of financing | Status |
|--|---------------|-------------|----------------------|---|---|
| | 1978 estimate | Actual cost | | | |
| Rural development A-3 Agriculture census | 170 | 350 a/ | - | - | Awaiting financing. |
| Industry I-1 (c) vegetable-oil plant, including refinery and facilities to produce margarine and soap | n.a. | 3 400 | - | Portuguese private group and Government Negotiations in progress European Investment Bank | Two feasibility studies were prepared for this project, one by a Portuguese company, the other by EEC: (1) negotiations in progress for establishing a mixed private/public company with Portuguese funding; (2) feasibility study prepared by EEC for processing palm-nuts produced by the EEC-financed plantation. Plant should be operational in 1986. |
| I-1 (f) Animal feed plant | n.a. | 210 | 110 100 (in kind) | UNDP (UNECOF), b/ | Plant will process waste products from local breweries. Feasibility studies for other agricultural by-products to be carried out. |
| Education S-1 Rehabilitation of crèches and kindergartens | 250 | n.a. | n.a. | Italian NGO, UNICEF | Complementary actions financed by UNICEF and NGO started March 1984. |
| E-1 Construction of primary school facilities (first phase) | 700 | 2 500 | 400 a/ | Government | Financing of 25 class-rooms were met by the national budget. |
| E-2 Construction of three secondary school facilities | 560 | 560 | 560 | Government | Two secondary schools were constructed and a third is under construction. This was financed by the national budget. |
| E-4 Sports equipment | 15 | - | 13 | French aid | Additional sports equipment is needed. |

Table 10 (continued)

| Sector/project | Total cost | | Acquired financing | Source of financing | Status |
|---|---------------|-------------|-------------------------|---|--|
| | 1978 estimate | Actual cost | | | |
| E-6 Construction of a national library | 750 g/ | 750 | - | | Awaiting financing. |
| E-8 Construction of a central warehouse for school supplies, including food storage | - | - | n.a. | | In 1984, WFP rehabilitated an old warehouse which is now being used for food storage. |
| <u>Mines and electricity</u> | | | | | |
| M-5 Hydroelectric power plant | | 24 000 | - | USSR | Feasibility studies completed and detailed project under preparation. Negotiations in progress with USSR. |
| <u>Transport and infrastructure</u> | | | | | |
| T-1 Sao Tome Airport, runway extension | 2 400 | 12 000 | 2 800 4 800 1 600 | Algeria Portugal Government (in kind) | (1) \$9 million has been secured; (2) Government negotiating with Portugal for a grant of \$3 million to meet the entire cost of \$12 million; (3) Project completed. 300 metres additional runway; asphalt of the entire runway; reinforcement of the parking space; new lighting system; (4) Landing facilities for Boeing 727 aircraft. The Government has sold its second aircraft, which was obsolete. Aircraft donated by Nigeria. |
| T-3 Provision of aircraft | 800 | 2 000 | - | | The Government has sold its second aircraft, which was obsolete. Aircraft donated by Nigeria. |
| T-4 Other civil aviation development | 1 900 | - | - | | Objectives were partly met by above project T-1 for runway extension, i.e. provision for running lighting. |
| T-10 New port at Santo Antonio, Principe | 3 200 | 3 200 | - | | Preliminary assessment mission sent by Portugal. |

Table 10 (continued)

| Sector/project | Total cost | | Acquired financing | Source of financing | Status |
|--|---------------|-------------|--------------------|---------------------|---|
| | 1978 estimate | Actual cost | | | |
| <u>Health and social services</u> | | | | | |
| H-4 Procurement of four ambulances with radio communication | 120 | 220 a/ | 220 a/ | WHO | WHO has agreed to procure four new ambulances. |
| H-5 Vehicles and other supplies for the eradication of malaria | 600 d/ | 600 | - | | Ongoing project. Six eradication campaigns have already been carried out. |
| H-7 New health infrastructure programme | 720 c/ | 720 | - | | Awaiting financing. |
| <u>Information</u> | | | | | |
| K-1 Visual-aids equipment c/ | - | - | - | | No costing at present available. |

a/ Cost estimated by the mission.

b/ United Nations Emergency Trust Fund.

c/ Included in the SEAP programme in 1981.

d/ Cost updated in the 1981 report.

C. New projects

37. In addition to those projects in the 1982 programme for which funding is still needed, the Government has proposed 15 new projects for inclusion in the special programme of economic assistance. The Government proposes to convene a donors' round-table conference in 1985 preparatory to the launching of a national development plan for 1986-1990. Assistance is needed in carrying out the necessary studies to develop sectoral analyses and strategies. At the same time, the Government wishes to continue its efforts to improve social and economic conditions in the country.

1. Agriculture

AA-1 Agricultural inputs and equipment: Ponta-Figo state enterprise

38. Efforts to rehabilitate and expand production of export crops are hampered by the acute shortage of foreign exchange which severely restricts the ability of the Government to import such essential inputs as fertilizers, pesticides and insecticides, as well as vehicles, tractors and spare parts. Some assistance is being provided under an ongoing UNDP/FAO project entitled "Phytosanitation protection of cocoa trees", as well as by the African Development Bank for a cocoa-equipment project. In addition to these projects, the Government has formulated a project for the rehabilitation of the Ponta-Figo State Farm which covers an area of 5,000 hectares, of which 2,100 hectares have been allocated for the production of cocoa. The proposed project includes the rehabilitation of the irrigation system, which is urgently required, as well as the procurement of fertilizers and spare parts.

Estimated cost: \$1 million.

AA-2 Preparation of feasibility studies for increasing production of staple food crops

39. Reliance on imports to meet food requirements for domestic consumption represents a serious drain on the limited foreign exchange available. The Government has therefore adopted a policy of increasing domestic food production as one of its major strategy objectives. External assistance is required for the preparation of the necessary feasibility studies for increasing production of staple food crops by small private farmers.

Estimated cost: \$40,000.

AA-3 Feasibility study for the development of fruit-trees and flowers

40. External assistance is required for the preparation of a feasibility study on the production and export of fruits, as well as "rosa de porcelana" flowers.

Estimated cost: \$25,000.

AA-4 Inventory and planned use of forest resources

41. Although 37 per cent of the total area of the country is covered by forests, no studies have been undertaken on the possible utilization of forest resources. In 1982, FAO prepared a project proposal designed:

(a) To prepare an inventory of the country's forest resources, as well as a classification of forest lands;

(b) To prepare a plan for utilization of forest resources to satisfy the demands of the domestic market;

(c) To establish a nursery for the production of 500,000 plants a year for preservation and reforestation purposes;

(d) To provide a training programme in forestry for a specific number of cadres and workers.

42. External assistance is required to carry out this proposal.

Estimated cost: \$1.2 million.

2. Industry

II-1 Feasibility study for the establishment of a building-construction organization

43. The Government's housing development and urbanization programme includes the establishment of a building-construction organization under the direct control of the Ministry of Industry, which will be entrusted with responsibility for housing and public building construction, maintenance and repairs, including low- and medium-cost housing schemes and training programmes. A feasibility study estimated at \$50,000 is required to determine the administrative, technical and economic viability of the proposed building-construction organization.

Estimated cost: \$50,000.

3. Energy

MM-1 Thermal electric power station 2/

44. Under project M-5 in the 1982 programme, a dam and power station will be constructed on the Lo Grande River. It is scheduled for completion around 1991-1992. In the mean time, the Government has requested immediate assistance for the installation of a new thermal electric power station of 4000 kW in the area in order to ensure uninterrupted electricity supply pending the completion of the "Lo Grande" project. A feasibility study was carried out in 1981.

Estimated cost: \$4 million.

MM-2 Rehabilitation of existing hydroelectric power installation 1/

45. Another feasibility study carried out in 1983 on the possibility of rehabilitating existing hydroelectric power installations indicated that such rehabilitation could be undertaken to restore full production of an installed capacity of 1,800 kW.

Estimated cost: \$1.8 million.

MM-3 Strengthening of public enterprise for production and distribution of electricity (EMAE)

46. Assistance is required for the strengthening of the public enterprise in charge of production and distribution of electricity in the country (EMAE). It is hoped that technical assistance will be made available to enable the management of EMAE to devise a tariff policy, revise its accounting procedures, modernize the management structure and provide a staff training programme.

Estimated cost: \$800,000.

MM-4 Energy master plan

47. Assistance is required for the preparation of an energy master plan to ensure the most efficient utilization of energy resources within the country.

Estimated cost: \$90,000.

4. Transportation

TT-1 Establishment of a road maintenance and repair unit

48. The country inherited a network of good roads constructed during the colonial period, but these roads are now in danger of deteriorating. The Government would like to establish, within the Public Works Department, a maintenance and repair unit which will undertake all necessary road reconstruction works. Assistance is needed in evaluating the project requirements and preparing the project proposal.

Estimated cost: n.a.

TT-2 Support to the state-owned public transportation company

49. Out of about 24 buses owned by the state public transportation company, only 8 are in good working condition. Of the remaining 16, some are completely unserviceable, while others are in need of spare parts for normal repairs. Negotiations are in progress with a prospective bilateral donor organization for assistance in the procurement of 10 buses. In addition to these buses, the Government considers that an additional 10 buses are required to meet the country's internal transportation needs.

50. In addition, technical assistance is needed to undertake an evaluation of the mechanical condition of the existing buses, prepare a list of necessary spare parts for those that could be put back into service, evaluate the state of the existing garage and formulate appropriate recommendations to include physical accounting and forecasting of the stocks of spare parts, as well as training of personnel.

| | | |
|-----------------|-----------------------|--------------------|
| Estimated cost: | Purchase of buses | 650 000 |
| | Evaluation | 30 000 |
| | Garage rehabilitation | <u>320 000</u> |
| | | <u>\$1 000 000</u> |

5. Health and social services

HH-1 Procurement of urgently needed medicines and surgical materials

51. Due to the shortage of foreign exchange, the medical services in the country have not been able to replenish their diminishing stock of medical supplies. External assistance is urgently required for the procurement of medicines and surgical materials.

Estimated cost: \$475,000.

HH-2 Formulation of policies for housing-development and urbanization programmes

52. This project should be considered in connection with project II-1 concerning the establishment of a building-construction organization. The effort is to develop an overall Government policy relating to house building standards and for upgrading housing in urban areas. This proposal also includes the development of low- and medium-cost housing schemes to satisfy the country's need for additional houses. Short-term consultancy services are required to assist the Government in the formulation of policies for its housing-development and urbanization programmes.

Estimated cost: \$25,000.

D. Summary

53. Table 11 below summarizes the proposed 1984 special programme of economic assistance. The programme consists of 23 projects, of which 15 are new projects and 8 represent projects from the previous programme that still require funding. The total cost of the programme is estimated at \$43 million.

Table 11. Revised 1984 special programme of economic assistance: assistance required from the international community

(Dollars)

| Sector/Project | Classification of projects according to type of assistance requested | | Medium- and long-term development |
|--|---|-----------------------------------|-----------------------------------|
| | Fundamental studies and elaboration of strategies for the five-year national plan/ Formulation of studies | Emergency and recovery assistance | |
| <u>Rural development</u> | | | |
| Agricultural census | 350 000 | | |
| Procurement of agricultural equipment for the Ponta Figo empress | | 1 000 000 | |
| Formulation of policies for increasing the production of staple crops in small farms | 40 000 | | |
| Feasibility studies for the development of fruit-trees and flowers (rosa de porcelana) | 25 000 | | 800 000 |
| Forestry inventory and planned use of the forest resources | 400 000 | | |
| Construction of an agricultural training centre | 40 000 | | 4 500 000 |
| <u>Industrial sector</u> | | | |
| Feasibility study for establishing an animal feed plant | 35 000 | | |
| Feasibility study for a building-construction organization | 50 000 | | |
| <u>Energy and mining sector</u> | | | |
| Preparation of an energy master plan | 90 000 | | |
| Hydroelectric power station on Lo Grande River | | | 24 000 000 |
| Thermal electric power station | | 4 000 000 | |
| Rehabilitation of two existing power stations | | 1 797 000 | |
| Strengthening of the management of public enterprise for production and distribution of electricity (EMAE) | | | 800 000 |

Table 11 (continued)

| <u>Classification of projects according to type of assistance requested</u> | | | |
|---|--|--|--|
| <u>Sector/Project</u> | <u>Fundamental studies and elaboration of strategies for the five-year national plan/ Formulation of studies</u> | <u>Emergency and recovery assistance</u> | <u>Medium- and long-term development</u> |
| <u>Transport and infrastructure sector</u> | | | |
| Provision of an aircraft | | 2 000 000 | 3 200 000 |
| New harbour at Santo Antonio, Principe | | | |
| Modernization of harbour facilities, Sao Tome | 40 000 | | |
| Strengthening the inland public transportation service | 30 000 | 320 000 | 650 000 |
| Repair and maintenance unit for road network | | | |
| <u>Health and social sector</u> | | | |
| Procurement of urgent medicines and equipment | | 475 000 | |
| Vehicles and other supplies for the malaria eradication campaign | | n.a. | |
| New health infrastructure programme | | | 720 000 |
| <u>Educational sector a/</u> | | | |
| <u>Housing and urbanization</u> | | | |
| Policies for housing and upgrading of the housing- industry development and urbanization programmes | 25 000 | | |
| <u>Information sector</u> | | | |
| Visual aids equipment | | | n.a. |

a/ In view of the planned reform of the educational system, the Minister for International Co-operation requested that all the projects relating to this sector be withdrawn.

IV. SUMMARY OF BILATERAL ASSISTANCE

54. During its visit in June 1984, the United Nations review mission was able to obtain some information regarding external assistance received by Sao Tome and Principe as indicated below. Although the information provided may not be complete, it does indicate that there has been a significant increase in recent years in the flow of external assistance to the country and that the sources of contribution have widened to include other donors besides those hitherto regarded as traditional donors.

1. Algeria

55. Algeria provided a grant of \$2.8 million for the extension of the runway at Sao Tome Airport.

2. Cuba

56. With Cuban assistance, the Government has started an industrial production of poultry and eggs. Cuba is also providing fellowships, as well as technical assistance to various ministries.

3. France

57. France is providing assistance to the Mesquita Project for the production of food crops, mainly vegetables. Seeds and advisory services are also to be provided to farmers, and scholarships are being provided for studies at the university level in France.

4. The Netherlands

58. The Netherlands is providing technical assistance for development of a food-crop project.

5. Portugal

59. Portugal has contributed financial assistance for the implementation of several large capital-development projects, such as the extension of the runways of the airport (\$4.8 million). Portugal is also providing some technical assistance and scholarships.

6. United States

60. The United States Agency for International Development (USAID) is supporting a food-crop project. Ninety hectares are already producing corn and beans, and the area under cultivation will be increased to 170 hectares during the next year.

7. USSR

61. The USSR is engaged in several feasibility studies and has funded the rehabilitation of the main hospital of Sao Tome.

Notes

1/ For the special programme review undertaken in 1978, see A/33/120 and subsequent resolution 33/125 of 19 December 1978; for 1979, see A/34/371 and resolution 34/131 of 14 December 1979; for 1980, see A/35/333 and resolution 35/93 of 5 December 1980; for 1981, see A/36/262 and resolution 36/209 of 17 December 1981; and for 1982, see A/37/127 and resolution 37/146 of 17 December 1982.

2/ The Ministry of Energy and Industry will review these projects to ensure that the best economic choices are made on the basis of supply and demand of energy, scarcity of capital resources and impact on the country's balance-of-payments situation.

APPENDIX

