

São Tomé and Príncipe

Interim Poverty Reduction Strategy Paper for 2000-02

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I. INTRODUCTION

1. The islands of São Tomé and Príncipe are located in the Gulf of Guinea. The country became independent from Portugal on July 12, 1975. Its surface area is about 1,000 square kilometers, of which São Tomé has 860 square kilometers and Príncipe 140 square kilometers. The total population, about 141,000 inhabitants in 1999, is growing at the rate of 2.3 percent per year. About 37 percent of the population lives in urban areas. Soon after independence, the government adopted a socialist form of rule. By the late 1980s, political instability, adverse external shocks, and inappropriate economic policies had led to a worsening of economic performance, a loss of per capita income, and a deterioration in the living conditions of the population.

2. In 1990, a new constitution introduced democracy, and the first multiparty election took place in 1991. São Tomé and Príncipe, with the support of the donor community, embarked upon an ambitious recovery and economic development program. Owing mainly to weak institutional capacity, the lack of adequately skilled human resources, adverse external shocks—especially the decline in world cocoa prices—and the heavy reliance on aging cocoa plantations, economic performance continued to deteriorate. Real GDP growth rate remained low, macroeconomic imbalances worsened further, the living conditions of the population deteriorated, and, in 1994, it was estimated that almost 40 percent of the population lived below the poverty line. In addition, external public debt soared, becoming a particularly heavy and unsustainable burden.

3. Following a decade of economic decline and deteriorating social indicators, the authorities in 1998-99 implemented in earnest a series of reforms within the framework of a Fund staff-monitored program. Progress was made in strengthening fiscal performance, stabilizing the exchange rate, and lowering inflation. The government also further liberalized trade and prices, and implemented an important privatization program. Although real GDP recovered in 1998-99, per capita income remained low and poverty widespread. With a view to reversing the continued deterioration in the poverty indicators, the government drafted in June 1999 a policy paper on strategic options and a priority action plan for 2000-05, with technical assistance from the United Nations Development Program (UNDP), in a participatory process involving, among others, rural and urban poor. These strategic options place poverty reduction at the center of government concerns. In November 1999, the authorities prepared a preliminary draft of the interim poverty reduction strategy paper

(PRSP) and a policy matrix, which were submitted to the review of civil society (including labor unions, the chamber of commerce, religious leaders, and nongovernmental organizations—NGOs) and donors, in order to launch the participatory process for the preparation of a full-fledged PRSP.

4. The current interim PRSP provides an analysis of poverty and describes a set of measures designed to achieve a sustainable growth in per capita income and improve the living conditions of the population.¹ The financing, policy monitoring and evaluation, and the timetable and consultative procedures for the preparation of the PRSP are also presented².

II. ANALYSIS OF POVERTY

5. Data and information on poverty and vulnerability are scarce, and the knowledge base on the poverty issue is very weak. Only since 1991, with the population census, have limited statistics on poverty been gathered, with the assistance of the UNDP. In order to adequately target policies and measures to reduce poverty, it is important to attempt a poverty diagnosis. Although no household survey has been done in São Tomé and Príncipe since 1995, the poverty situation would be estimated through the analysis of economic and social time-series indicators. Poverty has multidimensional aspects, including income, health, nutrition, education, security, and housing, all of which contribute to the well-being of humankind.

A. Economic Developments

6. From 1987 to 1997, São Tomé and Príncipe's general situation has been characterized by a profound economic and financial crisis. The annual growth rate was on average about 1.6 percent over this period. Income per capita decreased from US\$350 in 1987 to US\$300 in 1997. The government implemented vigorous adjustment measures in 1998-99, which enabled it to turn around the primary fiscal balance (excluding foreign-financed investments) from a deficit to a surplus, sharply reduce the rate of inflation (as measured by the consumer price index), and stabilize the official exchange rate of the dobra. Real GDP growth reached 2.5 percent in 1998-99 (compared with 1.5 percent on average for 1995-97), and the external current account deficit (excluding official transfers) fell from 75 percent of GDP in 1997 to 57 percent of GDP in 1999. Including official transfers, the external current account deficit widened from 4 percent of GDP to 25 percent of GDP during 1997-99. Income per capita stabilized at US\$300 in 1997-99.

¹ A matrix of policy actions and measures planned for 2000-02 and the schedule for their implementation is attached (Table 1), as well as economic and financial indicators summarizing the macroeconomic framework for 2000-02 (Table 2), a statement of São Tomé and Príncipe's external financing requirements for 2000-02 (Table 3), demographic and social indicators (Table 4), and the roadmap (Table 5).

² Measures and policy targets included in the interim PRSP for 2002 are tentative and are to be revised in the final PRSP at end-2001.

B. Social Development

Health and nutrition

7. São Tomé and Príncipe's health indicators, which were better than the average for sub-Saharan Africa, are deteriorating, as witnessed by the recent dramatic rise in the infant mortality rate from 50 per 1,000 live births in 1996 to 65 per 1,000 in 1999. Maternal mortality is estimated to have remained at 122 per 1,000 live births in 1996-99 1,000 and the total mortality rate increased from 8.3 per 1,000 in 1996 to 8.5 per 1,000 in 1997. The leading cause of mortality and morbidity for all age groups is malaria. A 1995 United Nations Children's Fund (UNICEF) report indicated that malaria accounted for approximately 72 percent of patients admitted to hospitals or consulting in district health centers.
8. Malaria, together with cholera and measles epidemics, as well as isolated outbreaks of dysentery, reflects the precarious state of sanitation. Although about 82 percent of the population had access to safe water in 1996, 77.5 percent lacked adequate sanitation facilities.
9. Regarding immunization coverage, 1999 official data show that immunization rates for children aged 12-23 months were 80.3 percent for tuberculosis (BCG), 69.3 percent for diphtheria, tetanus, and pertussis (DTP3), 69 percent for polio, and 69.4 percent for measles. The measles immunization rate rose considerably from its level of 25 percent in 1980 to 60.8 percent in 1997 and 69.4 percent in 1999. However, coverage has declined steadily in recent years for diphtheria and polio.
10. Malnutrition is important among children, especially preschoolers, pregnant women, and lactating mothers. Recent data collected from health centers and hospitals indicate that 17 percent of children under 5 years of age suffer from moderate to severe malnutrition, and malnutrition is the underlying cause in 13 percent of infant deaths. The main leading causes of malnutrition are connected with socioeconomic conditions. The combination of illness and poor nutrition worsens living conditions and has a negative impact on children's physical and mental growth, school performance, and, ultimately, labor force productivity.
11. The first AIDS case in São Tomé and Príncipe was reported in 1987. In 1995, 18 cases were reported, 5 of them involving women. In 1996, 5.4 percent of pregnant women receiving antenatal care were HIV positive. The number of HIV seropositive cases was estimated between 450 and 1,800 individuals.
12. Serious problems exist with respect to drug procurement and distribution. Essential drugs, vaccines, and consumables are continuously lacking. Distribution is often very slow in spite of the country's small size. At times, poor stock management has led to the ordering of superseded drugs, consumables, and equipment. Moreover, most of the pharmaceuticals are allocated to tertiary or secondary health facilities, which are also misused, because tertiary care facilities often provide primary health care. Regarding prevention, many health posts are not providing the full spectrum of services for which they were intended because they are

staffed poorly, and the personnel has no access to training and is not supervised. Furthermore, the geographical distribution of health facilities is inadequate.

Education

13. While São Tomé and Príncipe's education indicators were among the best in sub-Saharan Africa through 1990, the situation of the educational infrastructure sharply deteriorated in the last decade. The overall quality of education has declined as a result of the lack of classrooms, sufficient and suitable textbooks, and professional and qualified teachers (only 45 percent of the teachers are qualified). To respond to the high student demand for a very small number of classes, the government decided to use both double- and triple-shift classrooms. These shifts are conducted by the same teacher and take place on the same day, meaning that children have only four hours of class time per day. Consequently, the system's effectiveness has declined since 1990. The gross primary enrollment rate decreased from 82.5 percent of the school-age population in 1990 to 60 percent in 1996, before increasing to 70 percent in 1999. During 1996-99, the total repetition rate stood at 31 percent of total enrollment in primary schools, and more than 30 percent of the schoolchildren drop out before reaching the sixth grade. Although gender seems not to be an issue, data indicate that the number of girls who drop out of school is higher than boys.

14. Budget allocation to the education sector has decreased in real terms by approximately 40 percent in the last ten years. Total expenditure for the sector decreased from 11.5 percent of GDP in 1995 to 4.5 percent of GDP in 1998. In addition, according to the Ministry of Education data, approximately 65 percent of the total recurrent budget is for salaries and remuneration, leaving only 35 percent allocated to nonwage expenditure. Consequently, maintenance of educational infrastructure and equipment, as well as of teaching materials, has been deteriorating.

C. Poverty Profile

15. Overall, the proportion of the population living below the poverty line (with an income of less than US\$220 per year), according to the latest available data (1994), was estimated at more than 40 percent. About 33 percent could be considered to live in extreme poverty (less than US\$171 per year), with an income level insufficient to cover 50 percent of the minimum household food requirements. In addition, a large number of people were living just above the poverty line, and it would take a relatively small decline in their income to push them into extreme poverty. In general, poverty is widespread in rural and urban fringe areas. Very little is known about the current poverty situation in São Tomé and Príncipe. However, the decline in income per capita through 1997 and the deterioration of social conditions have led to a worsening of poverty in the country. In addition, the unemployment rate, at about 35 percent in 1998, remains high. The causes of poverty are both economic and social: low income, lack of productive assets and means of production, and the lack of an infrastructure that could allow the poor to participate in economic activities and earn enough income to adequately meet their food and other needs.

16. Three main groups have been identified as poor:

- **Plantation workers and their families.** According to the latest population census (1991), this group constituted about 21 percent of the population. Wages in the plantations are usually very low, and in 1994 this group's estimated total income covered only about 65 percent of the consumption required to be above the poverty line. The most vulnerable among them were those who were not allowed to cultivate individual pieces of land or lacked the tools to do so. The vulnerability of these workers is exacerbated by their limited access to credit and by the lack of infrastructure, which have hindered the development and marketing of agricultural products, as well as the limited access to basic social services. In addition, owing to the low productivity of cocoa cropping, insect infestations, and the sharp drop in world cocoa prices, export earnings have been falling. Consequently, poverty has been worsening in rural areas, and migration to cities has been increasing.

17. **Female-headed households**, representing about 35 percent of the total number of households. Although no detailed analysis on their income is available, the 1991 census showed that a majority of people living in female-headed households depended mainly on low-paying occasional jobs in the informal sector or lived off the collection of fruits and roots in rural areas. The poverty and vulnerability of female-headed households are closely linked to the economic and social vulnerability of women in general in São Tomé and Príncipe. In 1994, females represented about 34 percent of the labor force in agriculture. Nevertheless, when the land distribution started in 1992, the proportion of women benefiting from the program was very small. In addition, the majority of women usually work in low-paying activities.

- **Old people living alone.** As subsidies and pensions were very low, people over 60 years old living in isolation were extremely poor and vulnerable.

III. COMPONENTS OF THE PROPOSED POVERTY REDUCTION STRATEGY

18. The poverty reduction strategy (PRS) that is being prepared will include specific measures and actions targeted at improving the living conditions of the most vulnerable segments of the population. The authorities recognize that the three main factors of poverty in São Tomé and Príncipe are (i) a lack of employment opportunities and, therefore, of income; (ii) an unfavorable socioeconomic environment, as witnessed by deteriorating social indicators; and (iii) inadequate past policies and governance problems. To tackle these two main issues, the government will (i) improve infrastructure and access to education and health facilities, and strengthen basic institutions; and (ii) increase access to productive assets, inputs, and financial resources, promote employment creation, encourage income-generating opportunities, and, hence, reduce poverty. The PRS, therefore, would be designed around three main activities: (i) generation of employment and income for the poor; (ii) achievement of human development; and (iii) enhancement of institutional development.

A. Income Generation and Sustained Growth

19. The main objectives of the authorities' program for 2000-02 are to (i) increase the real GDP growth rate; and (ii) generate income and employment opportunities for the poor by improving access to credit and productive assets. To attain these objectives, it will be necessary to preserve macroeconomic stability, and accelerate structural and institutional reforms, which, in turn, will promote private sector development and economic diversification.

Macroeconomic stability

20. The macroeconomic objectives for 2000-02 are to (i) lower the inflation rate to about 3 percent; and (ii) limit the external current account deficit (excluding official transfers) to 66 percent of GDP by 2002 (or 41 percent of GDP, including official transfers), in spite of the projected start-up of oil sector investments. The real GDP growth rate is projected at 4 percent per annum in 2001-02. Private investment should increase from 14 percent of GDP in 1999 to 31 percent of GDP in 2002, owing primarily to the start-up of oil exploration, and national savings should expand from 15 percent of GDP in 1999 to 20 percent of GDP in 2002. Excluding oil exploration, private investment should increase by 3 percentage points to 17 percent of GDP in 2002.

21. To consolidate macroeconomic stability, with a view to fostering private sector activity, generating income and employment opportunities, and, thus, reducing poverty, the government will continue its prudent fiscal policy aimed at reducing the overall fiscal deficit and increasing the primary fiscal surplus while improving budget allocations for basic infrastructure and social programs. It will also conduct a prudent monetary policy aimed at reducing inflation--the most regressive tax on the poor-- and improving the foreign reserve position of the banking system in the context of the flexible, market-based exchange rate regime in place. During 2000-02, the government is committed to strengthening the positive results of 1998-99, promoting good governance, and pursuing macroeconomic policies, structural reforms, and sectoral strategies designed to put the economy on a path of sustained growth, with the purpose of making progress toward financial viability and substantially improving the population's standard of living. Details on these policies and measures are provided in the policy matrix (Table 1).

Access to credit and production factors for the poor

22. To promote **access to land**, the government has already placed its major agricultural plantations under long-term operating leases with private operators and distributed about 40,000 hectares of land to 6,000 small-scale and medium-scale farming families. The land redistribution process will continue in cooperation with private operators. Land titles will be regularized, which should facilitate farmers' access to credit.

23. **Access to credit** is primarily hampered by the lack of confidence of the banking sector in the sustainability of the economic stabilization process. Coupled with this, the lack of valid property titles, a dysfunctional legal system, and the difficulties encountered by

economic agents in proceeding against collateral are also impeding the access to credit. All of these factors are reflected in the high level of interest rates. To improve access to credit in the rural and informal sectors, the government will encourage the development and strengthening of a network of microcredit institutions. The expected improvement of confidence should also encourage banks to expand their financial intermediation activities, with a view to better meeting the financial needs of the private sector as the latter begins to diversify.

24. To promote **access to markets and basic infrastructure**, and reduce the isolation of rural communities, the government will accelerate the rehabilitation and maintenance of infrastructure, including feeder roads, water, and sanitation systems.

Generating opportunities for the poor

25. To promote the **private sector** as the chief agent of growth in the context of the economic liberalization, the government will modernize and streamline the business legal and regulatory framework and thus encourage the development of private investment, including foreign capital. The government will accordingly adopt the necessary measures for (i) revising the commercial laws and adopting a law on competition, on the basis of legislation and regulation adopted by other African countries within the framework of the Treaty of the Organization for the Harmonization of Business Law in Africa (OHADA); (ii) restructuring and improving the functioning of the judicial system; (iii) applying international business standards; and (iv) taking the necessary steps to remove obstacles to the recording of property titles.

26. To **promote job creation**, the government will also stress the development of the services sector, especially tourism. It will encourage private sector initiatives by introducing an appropriate regulatory framework, thus fostering the development of reception facilities and promoting the country's image abroad. The government has already adopted a legal framework for the free trade zone and established an authority responsible for promoting the zone. Free trade zone activities should increase private investment and job creation, while diversifying available services. However, for tourism to develop in a sustained way and generate employment, protection of the environment is important, as the ecological balance is very fragile and can be easily undermined by human intervention.

27. To **strengthen food production chains, especially in the rural area, and encourage diversification**, the recently adopted agricultural policy stresses production, diversification, private sector involvement, and full participation of rural populations in the sector's development efforts. While endeavoring to increase cocoa production, which remains the main export, the government will strengthen the development of new agricultural products. The diversification effort will cover various crops, specifically ylang-ylang, black pepper, vanilla, other aromatic plants, fruits and vegetables, flowers, and tubers. To achieve these objectives, the government will prepare and implement a national extension service policy and improve the processing capacities for agricultural products at the small-farmer level.

Environment

28. Out of 75 sites in Africa, São Tomé and Príncipe is home to the second-most-important primary forest region. Many bird and animal species are endemic to the country, and, especially on the less inhabited Príncipe Island, there may be as yet undiscovered species. Any loss of biodiversity and productivity of the environment, such as through the illegal harvesting of turtles and their eggs and the digging of sand from beaches, would further lower living standards.

29. The need to build an environmental management capacity can be illustrated in several ways. First, the viability of small-scale coastal fisheries is sensitive to overfishing. Second, the prospective development of offshore oil resources could threaten the tourism potential of the islands and would affect the fishery resources through risks of marine oil pollution. Third, the development of the free trade zone needs careful planning and sound environmental management to protect the islands of São Tomé and Príncipe from pollution. Fourth, the random logging of trees poses a significant threat to soil conservation on the slopes and to agricultural potential, and contributes to the loss of nontimber forest products, which are important supplements to both diet and income for the poor. All these factors point to the need to build an environmental management capacity, in which the poor should fully participate.

30. The government commitment to environmental protection is illustrated by its National Strategy for the Protection of the Environment and Sustainable Development, scheduled to be formally adopted in 2000. Legislation pertaining to the protection of forests has been drafted with the help of the United Nations Environment Program (UNEP) and adopted by the parliament in 1998. Measures to protect the urban environment would focus on improved treatment of water supply, sanitation, and drainage.

B. Human Development

31. The main objectives are to improve poor people's access to education and training, quality primary health care services and nutrition, essential drugs, drinking water, and sanitation, so that the quality of life and well-being of the population as a whole can be improved.

Health and nutrition

32. The government will formulate a national health improvement policy covering 2000-05. The principal objectives of this policy, which will focus on a strategy of enhanced primary health care, will be to increase life expectancy, improve living conditions, and reduce infant and maternal mortality.

33. With these objectives in mind, four priority areas of intervention have been identified for the period 2000-05: (i) preventing and combating major illnesses (malaria, respiratory illnesses, acute diarrhea, tuberculosis, HIV/AIDS, and other sexually transmitted diseases);

(ii) improving primary health care by intensifying public information, education, and communication (IEC) campaigns, developing basic infrastructure, and improving the quality of preventive care health; (iii) improving medical care by upgrading management of the central hospital (administrative and financial autonomy) and providing better facilities and diagnostic support services; and (iv) strengthening the national health system by adopting a health development policy, reorganizing the supply and distribution of essential drugs, creating an effective information system for management and planning, and upgrading health workers' training and career streams. The government will also strengthen outpatient facilities and improve local management at the district level, particularly in rural areas, with a view to decentralizing services and promoting local participation in the development of health policies and the management of health units.

34. Regarding water and sanitation, the government intends to focus its activities on strategic and regulatory issues, and thus encourage increased private sector participation. In the area of urban development and rehabilitation of poor neighborhoods, it will restructure areas that are difficult to access. It will also rehabilitate road, drainage, and sanitation networks in slum areas and in the plantations, and it will provide potable water in the urban centers under a privatized management system of standpipes. These investments will contribute to improvements in the environment and a reduction in the incidence of diseases, such as malaria and cholera. Through the involvement of local firms, microenterprises and NGOs, employment will be created to execute and maintain these investments.

Education

35. Aware of the critical role of education in the mobilization of the country's potential for economic growth and poverty reduction, the government will prepare a broad development policy for the sector that will (i) promote equal access to the educational system at all levels, without discrimination; and (ii) improve the quality of education, and seek to boost the gross primary school enrollment rate from 70 percent in 1999 to 90 percent in 2002, eventually achieving universal enrollment by 2005. The government also intends to raise the adult literacy rate, eliminate double- and triple shift classes in primary schools (thereby increasing the average school day from four to seven hours daily). Primary schooling will be extended to the fifth and sixth grades, and the quality of secondary education improved.

36. To reach these goals, the government will take the following steps: (i) promote girls' access to the school system and extend the duration of their school attendance; (ii) encourage school enrollment, especially in rural and disadvantaged areas; (iii) put in place a consistent national policy and a literacy network throughout the country; (iv) reduce the repetition and dropout rates at the primary level; (v) ensure control and monitoring of secondary school enrollment; (vi) renovate and expand existing schools and build new classrooms; (vii) stimulate community participation in policy development and the management of schools' material resources, construction, and maintenance; (viii) provide initial and continuing training for primary and secondary school teachers, and improve curricula in primary schools; (ix) provide instructional and writing materials to the least-well-off children

in the primary grades; and (x) strengthen institutional and managerial capacities in the educational field by setting up an investment programming unit, preparing statistics and school zone maps, monitoring pupils' achievements, and improving the financial and budgetary management of the sector.

37. Development of technical and vocational training will also be necessary to meet the country's economic and social development needs. For this reason, in addition to general education, the government will develop modular vocational training while enhancing apprenticeship training on a broad scale.

C. Institutional Developments

38. The main objectives are to strengthen transparency, accountability, and good governance, reinforce economic management, strengthen the juridical system, develop the capacity of municipalities and associations to deliver public services, and promote a participatory approach in the decision-making process.

Governance

39. The government is determined to strengthen good governance by increasing the transparency of all of its financial operations, taking into account current institutional weaknesses and, in light of oil production prospects, the need to strengthen administrative capacity. It will combat and judicially prosecute any reported acts of fraud or corruption. Measures have already been taken to enhance transparency. The central bank and public enterprises are now committed to having their books audited every year by an independent external auditor. Strengthened internal audit procedures at the central bank will help increase the level of transparency in the management of public affairs. Furthermore, the streamlining of the customs tariff and domestic indirect taxation and the elimination of ad hoc exemptions, together with the strengthening of internal audit units at the Directorates of Finance and Customs, will help prevent and combat fraud and corruption more effectively. As regards the oil sector activities, the government will continue to ensure transparency in future operations and in the preparation of the government oil policy.

Improvement of civil service and economic management

40. The authorities have begun to implement the key elements of a strategy that calls for strengthening the capacity to improve strategic planning, analysis, and the implementation of policies, improving the day-to-day management of the economy, streamlining public administration, and reinforcing the budget process. Although significant progress has been made in the last two years in this area, much remains to be done to make public economic management more effective and efficient and thus facilitate economic growth and reduce poverty. Issues to be addressed concern macroeconomic and sectoral management, budget management, and institutional capacity, which at present suffer from weak human capacity. The government will enhance economic management capacity by (i) strengthening key government agencies in economic management and the statistical system; (ii) enhancing the

capacity to formulate economic policy, undertake impact analysis, and define sectoral development strategies; (iii) improving budget preparation, execution, and financial management; (iv) ensuring adequate resource allocations, particularly to the social sectors (health and education) and to basic infrastructure as development priorities; and (v) implementing a comprehensive civil service reform program, as well as a public enterprise reform and privatization program. The government will also adopt an action plan to strengthen the judicial system and create the conditions for the equal treatment of all before the law.

41. The high indebtedness of São Tomé and Príncipe partly results from inadequate past policies and governance problems, and the weak participation of the authorities in the selection of foreign-financed projects. As a result, investments have not brought the expected returns, and the country has continued accumulating external debt. The success of the new growth and poverty reduction strategy critically hinges on the ability of the authorities to best identify sources of growth through thorough consultations with the population and to coordinate action among the donor community. It is crucial that the management of public investment projects be owned by the authorities and be framed in a long-term growth strategy.

IV. FINANCING

42. The government has adopted an ambitious, wide-ranging program of legislative and administrative reforms in order to improve economic management, strengthen the participation of civil society, bolster growth, and reduce poverty. In support of this program, the authorities have requested an arrangement from the IMF under the Poverty Reduction and Growth Facility (PRGF), and concessional nonproject assistance from the World Bank, the African Development Bank (AfDB), and other multilateral and bilateral donors; in addition, they have sought technical assistance from the World Bank and other donors in the preparation of sectoral and institutional policies aimed at reducing poverty and community vulnerability. The government will also, in due course, request debt relief and support from the IMF, the World Bank, and the international community under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).

43. In this context, as shown in Table 3, the government expects to cover the financing gap of the program for the period 2000-02 (US\$87 million) through the use of the requested PRGF resources, and concessional nonproject financing from IDA, the African Development Fund, and other donors. In this regard, the government will organize a donors' meeting in São Tomé by end-June 2000, with assistance from the UNDP, to help mobilize the needed project and nonproject financing for the period of the program. In addition, the government intends to approach its Paris Club and other bilateral creditors to request debt rescheduling, and, given the terms for which São Tomé and Príncipe might be eligible, relief could reach as much as US\$60-65 million.

V. MONITORING AND EVALUATION

44. The government will set up a steering and monitoring committee by end-December 2000 to ensure the success of the antipoverty action plan. In addition, the government will design and implement a poverty monitoring system by (i) strengthening national, regional, and local capacity to gather, process, analyze, and monitor quantitative and qualitative information on poverty; (ii) and keeping civil society and the public at large informed of the poverty situation and policy outcomes. Annual surveys to monitor household standards of living and living conditions will be conducted for this purpose, with assistance from the World Bank and the AfDB. The existing information systems, including those related to public expenditure and social indicators, will be strengthened in the central and local governments. In addition, to associate the communities more closely with the development of their region, the government will deepen the decentralization process, reinforce local municipalities, and strengthen the mechanisms of civil participation. It will also encourage and sustain the improvement of farmers' organizational capacities and support the establishment of interprofessional associations. By improving the monitoring of social indicators at the local and national level, and by delegating to local governments responsibility for preparing and implementing economic and social policies and programs, the government is convinced that it will help broaden public support for poverty reduction programs and increase the effectiveness of its economic and social activities.

VI. ROADMAP

45. This interim PRSP serves as the starting point for the preparation of a poverty reduction strategy, that the government, in consultation with civil society and local governments, hopes to complete by end-2001. The authorities will prepare a methodology and a draft outline of the full PRSP by May 2000. They will also continue consultations with each of the local communities in the rural and urban districts during April-June and October-December 2000, under a timetable adopted following the launching of the consultative process in November 1999, to seek a consensus on national views and strategies, and to prepare regional programs for reducing poverty and improving living standards. Consultations will continue at the national level with meetings of the government and civil society during April-June and September-October 2001 to prepare a strategy paper that incorporates grassroots contributions from the local and regional levels. Representatives of the municipalities and associations, the national headquarters of labor unions, the chamber of commerce, and national and international NGOs will be invited to participate actively in the consultations. The process will also include the preparation of sectoral development strategies and the production of a poverty profile, to be carried out with the assistance of the World Bank and AfDB, as well as comprehensive household surveys, to be conducted under the poverty monitoring project financed by the AfDB. The PRSP resulting from the consultations of April-June and September-October 2001 will be discussed with the Fund and the World Bank as the basis for the third year of the program. The detailed timetable for the preparation of the PRSP is contained in the roadmap (Table 5).