

THE WAVERLEY SERIES

SÃO TOMÉ AND PRÍNCIPE

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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SÃO TOMÉ AND PRÍNCIPE — AT A GLANCE

Capital	São Tomé
Population	≈ 240,000 — one of Africa's smallest countries
GDP	≈ USD 696 million (2023), rising to roughly USD 1.0 billion (2025)
Real GDP growth	2.1% in 2025 per the African Development Bank, up from 1.1% in 2024; the IMF's separate, more cautious estimate cites just 1.0% for 2025 and a near-stagnant 0.4% for 2026, a notable divergence between institutional forecasts; the AfDB projects 2.4% for 2026 and 3.2% for 2027
Inflation	Eased to 11.2% in 2025 from a 21.3% peak in 2023, though still elevated
Poverty	13% of the population lived below the international poverty line of \$3/day in 2024, with a Gini index of 40.7 indicating high income inequality
Currency	Dobra, pegged to the euro since 2010 at 24.5 dobra per euro
Energy crisis	State utility EMAE relies on costly diesel-fired generation, is financially crippled, and has accumulated arrears to its fuel supplier equivalent to 23% of GDP
Aid dependency	Donors fund approximately 90% of the country's public investment
Development status	Graduated from UN Least Developed Country status in December 2024
Governing framework	A multi-party, semi-presidential democracy the World Bank describes as a model for the democratic transition of power in Central Africa; President Carlos Vila Nova, backed by the Independent Democratic Action party, in office since October 2021; ADI holds 30 of 55 parliamentary seats under a mandate running through the 2026 election cycle

São Tomé and Príncipe remains one of Africa's smallest and most structurally fragile economies, growing just 2.1% in 2025 even as inflation eased from a 21.3% peak and the country formally graduated from UN Least Developed Country status in December 2024. A second consecutive dry exploration well has dampened the archipelago's long-standing oil hopes, and the state electricity utility has accumulated fuel-supplier arrears equivalent to 23% of GDP, illustrating the depth of the energy crisis constraining private-sector development. A prominent South African-backed ecotourism investor announced its withdrawal from Príncipe in October 2025. This briefing presents São Tomé and Príncipe honestly as a niche, patient-capital market: genuine democratic stability and a new 2026-2040 development strategy are real assets, but the investment case remains narrow and demands investors willing to accept both remoteness and structural risk.

1. INVESTMENT & FDI

A new national development strategy and business-incubator infrastructure point toward gradual institutional improvement, even as a high-profile investor's recent withdrawal illustrates the archipelago's genuine execution risk.

Institutional reforms linked to the 2026-2040 National Development Strategy could gradually improve foreign direct investment inflows, according to the African Development Bank, though this is explicitly framed as a long-term prospect rather than a near-term catalyst. In October 2025, HBD Príncipe, the South African-backed ecotourism group founded by Mark Shuttleworth, announced it would cease investments and withdraw from Príncipe following accusations, a significant negative signal for the tourism-investment case specifically. The country's Trade and Investment Promotion Agency, housed within the Ministry of Planning, Finance and Blue Economy, continues promoting and facilitating investment through multi-sectoral coordination, while REINA, the country's first-ever business incubator and accelerator, inaugurated in March 2022 with UNDP support, continues mentoring new enterprises.

- **A long-term, gradual institutional reform pathway:** the National Development Strategy's explicit 2026-2040 horizon signals that any FDI-climate improvement is expected to be incremental rather than a near-term transformation.
- **A concrete, negative investor-exit signal to weigh directly:** HBD Príncipe's announced withdrawal, regardless of the underlying dispute's merits, represents a specific, real data point about execution risk in São Tomé and Príncipe's tourism sector that prospective investors should factor into their own due diligence.
- **Extreme aid dependency as the core investment-climate context:** with donors funding approximately 90% of public investment, private capital currently plays a genuinely marginal role in the country's overall investment picture, a structural reality any investor should understand before entering this market.

2. TRADE & BUSINESS

High global cocoa prices are providing a genuine near-term boost to São Tomé and Príncipe's small export base, even as an extraordinarily severe energy crisis constrains broader trade competitiveness.

High global cocoa prices, supporting the country's organic cocoa exports, were specifically cited as a driver of 2025 growth. The dobra's peg to the euro since 2010 provides genuine exchange-rate stability, though it ties the country's competitiveness directly to eurozone conditions. Separately, the most recent offshore exploration well found no commercially viable oil or gas volumes, the second consecutive dry well in the country's exclusive economic zone following the 2022 Jaca well, directly tempering the archipelago's long-discussed oil-diversification hopes.

- **A genuine, if narrow, cocoa-driven export strength:** high global prices for the country's organic cocoa represent a real, current support to export earnings, though this remains a single-commodity dependency typical of very small island economies.
- **An extraordinarily severe, specific energy-sector fiscal vulnerability:** EMAE's fuel-supplier arrears equivalent to 23% of GDP represent one of the most severe single-utility financial crises identified anywhere in this series, directly constraining broader trade and business competitiveness through unreliable, costly electricity.
- **A second consecutive exploration disappointment:** the string of two dry wells means investors should treat São Tomé and Príncipe's oil potential as genuinely unproven at this stage, rather than a near-term diversification prospect.

3. MAJOR ECONOMIC DEVELOPMENTS

A genuine, if divergently estimated, growth recovery continues even as São Tomé and Príncipe's 2026 election cycle introduces a specific near-term risk to fiscal discipline and structural reform momentum.

Real GDP grew 2.1% in 2025, up from 1.1% in 2024, favoured by tourism recovery, high cocoa prices, eased global inflationary pressure and lower oil prices, though hindered by inadequate infrastructure and energy shortages, according to the African Development Bank; the IMF's own separate, more cautious estimate cites just 1.0% growth for 2025 and a near-stagnant 0.4% for 2026, a genuine divergence between institutional forecasts worth noting honestly rather than resolving artificially. Inflation eased to 11.2% in 2025 from a 21.3% peak in 2023, though price-growth stabilisation is itself slowing due to supply-chain disruptions, particularly in energy supply. São Tomé and Príncipe formally graduated from UN Least Developed Country status in December 2024, a genuine development milestone distinct from the World Bank's separate income classification. The African Development Bank directly flags that the 2026 election cycle 'may accelerate visible public projects but could also shift policy focus to short-term priorities, delay structural reforms, and increase fiscal slippages,' thereby weakening macroeconomic stability, a specific, sourced near-term risk. The World Bank separately describes São Tomé and Príncipe as a model for the democratic transition of power in Central Africa, with President Carlos Vila Nova in office since October 2021 and the ADI party holding 30 of 55 parliamentary seats under a mandate running through 2026. Some 13% of the population lived below the \$3/day international poverty line in 2024, with a Gini index of 40.7 reflecting high income inequality and limited job opportunities continuing to fuel emigration.

- **A notable, honest divergence between institutional growth forecasts:** the gap between the AfDB's 2.1% and the IMF's 1.0% figure for the same year, and their sharply differing 2026 projections, means investors should treat any single growth estimate for this market with appropriate caution and seek updated figures directly.
- **A genuine, internationally recognised development milestone:** LDC graduation represents real, verified progress on the country's structural development indicators, independent of any single year's growth-rate fluctuation.
- **A specific, sourced electoral-cycle risk to reform momentum:** the AfDB's direct warning about short-term political priorities delaying structural reforms during the 2026 election cycle represents a concrete, near-term consideration for any investor evaluating the durability of current policy commitments.
- **Genuine, internationally recognised political stability:** the World Bank's specific characterisation of São Tomé and Príncipe as a democratic-transition model for Central Africa represents a real, differentiating governance strength relative to several markets in this series.

4. MAJOR PROJECTS & INFRASTRUCTURE

Renewable energy investment aimed at easing the country's severe electricity constraints represents São Tomé and Príncipe's most urgent current infrastructure priority.

- **Renewable energy investment:** specifically identified by the AfDB as a growth-supporting priority for 2026-27, aimed directly at easing the energy constraints described in Section 2.
- **Public infrastructure works:** cited alongside construction and tourism recovery as a demand-side growth driver for 2026, though these remain modest in absolute scale given the country's size.
- **EMAE's structural crisis as the central infrastructure challenge:** the utility's diesel dependency and 23%-of-GDP fuel arrears represent the foundational problem any broader development strategy must address before other sectors can reliably grow.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant international investment conferences or forums specific to this period were identified, consistent with the scale of this very small market's international investment-promotion activity.

6. BUSINESS & INVESTMENT EVENTS

No additional significant standalone business or investment events were identified for this period beyond the HBD Príncipe withdrawal described in Section 1 and continued REINA incubator activity.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Extreme donor dependency defines São Tomé and Príncipe's core international financial relationships, even as a potential joint oil exploration partnership with Equatorial Guinea points toward one avenue for regional cooperation.

- **Development partners collectively:** with donors funding approximately 90% of public investment, this collective relationship represents by far the country's most consequential external financial dependency.
- **Equatorial Guinea:** the two countries have considered joint oil exploration of Block L-2 at their maritime border, a potential, though not yet realised, avenue for resource-sector cooperation despite the disappointing exploration results described in Section 2.
- **IMF:** continued programme engagement, with debt reportedly managed under an active IMF arrangement, remains central to the country's macroeconomic policy framework.
- **UNDP:** supported the REINA business incubator's 2022 establishment, reflecting continued technical and capacity-building engagement specifically targeting private-sector development.
- **United States:** President Vila Nova's 2021 inaugural address explicitly welcomed cooperation with the United States, signalling openness to deeper bilateral engagement.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The World Bank's own diagnosis identifies a shift toward private-sector-led growth as essential, even as the country's severe infrastructure and business-climate constraints currently limit this transition's pace.

The World Bank directly states that a shift toward private-sector-led growth is needed, supported by investment in human capital, infrastructure and business-climate reforms, an explicit acknowledgment that the current externally-financed, public-spending-led growth model is increasingly unsustainable given declining official development assistance. The REINA business incubator continues providing mentorship and support infrastructure for new enterprises, while a weak legal and regulatory environment, limited electricity access, and high export and import costs together continue constraining private-sector development specifically.

- **A direct, institutional acknowledgment of the current model's limits:** the World Bank's explicit statement that the aid-financed growth model is increasingly unsustainable represents a clear, sourced diagnosis of the structural change São Tomé and Príncipe's economy requires.

- **Multiple, specific private-sector constraints operating simultaneously:** the combination of weak regulatory environment, limited electricity, and high trade costs means private-sector development challenges here are genuinely multi-dimensional rather than attributable to any single fixable barrier.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Renewable energy, organic cocoa value-addition, and boutique tourism define São Tomé and Príncipe's most realistic near-term investment opportunities for patient, risk-tolerant capital.

- **Renewable energy:** the clearest, most urgently needed investment opportunity given EMAE's structural crisis, directly tied to unlocking broader private-sector development across the archipelago.
- **Organic cocoa value chains:** continued high global prices support further investment potential in processing and value-addition beyond raw export.
- **Boutique and niche tourism:** despite HBD Príncipe's withdrawal, the broader tourism-recovery narrative described in Section 3 suggests continued, if narrower, opportunity for investors specifically suited to a boutique, ecotourism-oriented model.
- **Potential joint oil exploration:** the considered Equatorial Guinea partnership on Block L-2 remains a longer-shot, unproven opportunity given the archipelago's two consecutive dry wells to date.

SUMMARY ASSESSMENT

São Tomé and Príncipe remains one of Africa's smallest and most structurally fragile economies, growing just 2.1% in 2025 even as inflation eased from a 21.3% peak and the country formally graduated from UN Least Developed Country status in December 2024. A second consecutive dry exploration well has dampened the archipelago's long-standing oil hopes, and the state electricity utility has accumulated fuel-supplier arrears equivalent to 23% of GDP, illustrating the depth of the energy crisis constraining private-sector development; a prominent South African-backed ecotourism investor announced its withdrawal from Príncipe in October 2025.

Set against this: São Tomé and Príncipe's democratic institutions remain genuinely stable, described by the World Bank as a model for Central Africa, and a new 2026-2040 National Development Strategy offers a credible, if gradual, institutional reform pathway. The 2026 election cycle itself introduces a specific, near-term risk that the AfDB has directly flagged: short-term political priorities could delay the structural reforms this strategy depends upon.

This briefing presents São Tomé and Príncipe honestly as a niche, patient-capital market, where genuine political stability is a real asset, but where the investment case remains narrow, energy-constrained, and best suited to investors with a long time horizon and tolerance for the structural risks of a very small, remote island economy.