

Nova School of Business and Economics



Support for Agricultural Development and Agribusiness Exports
in São Tomé and Príncipe: Lessons and Policy Options from
Dominican Republic

with CESO Development Consultants

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Abstract

This study examines the agricultural sector in São Tomé and Príncipe, with a focus on the commercial development of its SMEs. The country faces constraints that prevent their products from accessing international markets. Combining existing literature, interviews with relevant stakeholders, and a benchmark of best policies using the case study of Dominican Republic, the paper provides three practical policy recommendations: (i) to create incentives for cooperative development; (ii) to provide holistic business services with one-stop-shops; and (iii) to implement trade departments in diplomatic institutions. These policies are expected to provide a favorable environment for agri-business development and facilitate access to international markets.

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Keywords

Agricultural products; Small Island Developing State; International trade; Export sector

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1. Introduction

1.1. PAP Organization Overview

1.1.1. CESO

CESO is a consulting company in the field of international development with more than forty years experience. The company provides technical assistance services in various fields related to economic, social, and organizational development, mainly in international markets. CESO has implemented over 500 contracts and provided technical assistance in 117 countries.

The services provided include (i) consultancy and studies, (ii) institutional strengthening, (iii) monitoring and evaluation, and (iv) training. The consultancy services and studies usually consist of policy formulation, design strategies, identification and formulation of plans, programs, and projects, and include feasibility, baseline, and technical assessments to support policy-making. The institutional strengthening services provide technical assistance to support public organizations in improving their effectiveness and efficiency, as well as to implement and manage policies, strategies, plans, programs, and projects. Moreover, the monitoring and evaluation services aim to design and implement monitoring and evaluation systems and studies as a key element to guiding programs and projects towards the achievement of results, whereas the training services focus on individuals to promote the transfer and ownership of knowledge, skills, and competencies as a result of curricula design, development of training methodologies, and implementation of training of direct beneficiaries (public managers, civil servants, private sector managers), as well as of trainers that can later act as training multipliers (CESO, 2022).

CESO provides services throughout multiple sectors of intervention, including: Partnerships and Financing for Development (definition and implementation of strategic partnerships and management

of development financing); Macro Economy, Statistics & Public Finance Management (forecasting and economic planning, public investment, national statistical systems); Trade and Private Sector (regional economic integration, international trade facilitation, SME Development, industrial development policy); Social Affairs (educational and vocational training, employability, social policies, health planning, culture); Public Sector and Governance (modernization of public administration, decentralization and local development, civil society and democratization); Rural Development (agriculture and agribusiness, food security, land management); Transport, Energy & Environment (transport infrastructure, natural resources management, environmental management, energy, water and sanitation, climate change) (CESO, 2022).

The company is a reference in the development consultancy sector, for whom the impact and sustainability of public policies are only possible when, alongside partners, they design solutions that last beyond the duration of each project, such as the one conducted to support the Small and medium-sized enterprises (SMEs) of the agriculture sector in São Tomé and Príncipe.

1.1.2. Project in São Tomé and Príncipe

CESO's project in São Tomé and Príncipe - Tailor Made Business Services to SMEs for the Successful Development of Agro-processing Value Chains - was tendered by the United Nations Development Program (UNDP), and aims to address some of the most pressing bottlenecks faced by local SMEs engaged in agro-processing value addition, for the successful development and export of their products. One of the strategic approaches is to develop value chains that are demand-driven, through the identification of - and whenever possible partnering with - leading buyers and distribution networks that are active in highly segmented markets for bio and eco-

labeled agricultural products. After assessing the attractiveness of the agriculture products of São Tomé and Príncipe through the demand-driven approach, the consultancy identified some products and value-chains as key for development: namely, (i) pepper, (ii) vanilla, (iii) cocoa and chocolate, (iv) coffee, and (v) coconut (both fresh and oil).

The objective of developing the value-chains is facilitated in CESO's project through two interlinked sets of action: (i) the project aims to support local SMEs to identify export markets (and networks/buyers potentially interested in their agricultural products, and then support them to achieve the required levels of quality and standards required by the end markets), with the underlying objective of increasing the quality of national agribusinesses, the production of high-value crops, their marketing and promote export; and (ii) the project will contribute to addressing some of the most pressing governance impediments to trade by helping to create a more predictable business operating environment in São Tomé and Príncipe, with more robust legal and regulatory frameworks, a reduction of "red tape" to improve ease of doing business, and by encouraging investors to choose São Tomé and Príncipe as a producing market for premium agricultural processed products. In that sense, the objective is to allow SMEs to increase the quality of their agriculture outputs, supporting them to navigate export procedures and requirements while also improving the business environment through the adoption of trade mechanisms and expansion of business development services. Through this paper, students from the Masters program in International Development and Public Policy at Nova School of Business and Economics support CESO and contribute to this project by formulating policy options that may be implemented by the government of São Tomé and Príncipe to support the development of the agriculture sector.

1.2. Background and Problematization

1.2.1. Context of São Tomé and Príncipe

The Republic of São Tomé and Príncipe is an island state located in Equatorial Africa, around 300km off the coast of Gabon and Equatorial Guinea (INE 2018). Its territory of just 960 km² makes it the second smallest country on the African continent (World Bank n.d.), composed of two main islands that are 140km away from each other (WFP 2022). The country's population is around 210,000, of which 95% reside on the island of São Tomé (INE 2018). The average age is 20 years old (INE n.d.), and 61% of the population are under the age of 25 (UN 2022).

Similar to other Small Island Developing States, São Tomé and Príncipe experiences challenges due to its size and insularity, making it susceptible to shocks and hampering economic stability (World Bank n.d.). Its remote location, insularity, and limited land and labor hinder economic diversification, increase reliance on imports, and raise export prices. A limited working population further restricts the supply of goods and services necessary to satisfy local and export market demand.

Driven by agriculture, tourism, foreign direct investment, government expenditures and foreign aid, the GDP growth of São Tomé and Príncipe has been decelerating since 2014 and the COVID-19 pandemic has seriously affected its economy (CESO 2021). In 2021 the real GDP of São Tomé and Príncipe stood at \$478,2M, and its GDP per capita at \$2,144. About one-third of the population lives below the international poverty line, and two-thirds of the population is poor (World Bank, n.d.). Additionally, the economic capacity for social and development investment has been restricted by a continuous decline in tax revenue over the past decade (IMF 2022). Furthermore, the International Monetary Fund (IMF) estimates that the government would need an extra 14%

of GDP per year to achieve the human capital and infrastructure SDGs by 2030, for which additional international aid would still be needed (IMF 2022).

In reality, in 2020 official development assistance (ODA) accounted for 19.5% of the country's GDP, an increase of nearly 7.5% compared to 2019 (OECD n.d.). Yet, the Committee for Development Policy of the United Nations scheduled São Tomé and Príncipe's graduation from the Least Developed Countries (LDC) classification for 2024, which indicates progress in all LDC indicators but also foresees a reduction of ODA following graduation (UNCDP 2022).

Nevertheless, the Santomean authorities have maintained their efforts at stabilizing its economy, having kept its inflation rate at a moderate 9,5% in 2021. In terms of social indicators, 2021 saw continuous improvement, as access to basic infrastructure (water and electricity) and education increased (CESO 2022; World Bank n.d.).

The outlook for 2022 seems uncertain. The impact of the war in Ukraine on the global food supply chain will most likely affect São Tomé and Príncipe in a significant manner, where 10% of the population is food insecure. In fact, the country is an important food importer and has one of the highest shares of food items in household expenditure, thus an increase in food costs will have important repercussions on household purchasing power (UN 2022), which further highlights the importance of improving its agriculture sector.

1.2.2. Agriculture in São Tomé and Príncipe

São Tomé and Príncipe is a former Portuguese colony, having gained independence in 1975. After almost five centuries of colonial rule, the Santomean government inherited an economy mostly

based on the exportation of cocoa, with an aging base of production and a considerable lack of qualified workforce (Yoso 2009). Following independence, the state nationalized agricultural production, and cocoa remained the main export product (Yoso 2009). Attempts to diversify production failed for a number of reasons, including the poor management of state-owned companies (Yoso 2009). In recent history, the last two decades of the 20th century were marked by the signature of agreements with the FMI and the World Bank, as well as the privatization and redistribution of agricultural land (Santos and Carvalho 2021).

Currently, small and medium enterprises (SMEs) represent the majority of agricultural and agribusiness firms in São Tomé and Príncipe. The main crops in São Tomé and Príncipe are: cocoa, coffee, pepper, palm oil, chocolate, and bananas. Among these products, cocoa, crude palm oil, and chocolate are the ones that are exported the most. Nonetheless, average export commodity and local food product yields in São Tomé and Príncipe are much lower than those in comparable nations (World Bank 2019). FAO reports that the average cocoa production per hectare in São Tomé and Príncipe is just one-fifth of the average for West Africa and one-fourth of the average for small island developing nations. Several factors contribute to this large productivity gap, including: (i) low-quality agricultural research, education, and extension services; and (ii) high and unpredictable costs of agricultural logistics, including high fixed domestic transportation costs and variable international costs (World Bank 2019).

Despite São Tomé and Príncipe's recent growth, exports have become more concentrated. Cocoa output had risen rapidly until 2018, and exports increased at a considerable rate. From 2005 to 2015, São Tomé and Príncipe's exports of cocoa beans increased faster than global exports of

cocoa beans, enabling the country to expand its global market share (World Bank 2019). Based on the revealed comparative advantage¹ (RCA) index, São Tomé and Príncipe has a strong comparative advantage in cocoa beans, with RCA indices for 2005 and 2015 above 1,800. In 2005 and 2015, São Tomé and Príncipe also had a RCA in coconuts, dried fruits, prepared cocoa, and coffee (World Bank 2019).

Furthermore, according to the World Bank (2019), multiple sources of risk to the agricultural sector must be addressed by public policy. The main areas that call for action are: (i) poor agricultural logistics; (ii) a lack of agricultural trade promotion; (iii) the lack of a unified agricultural policy; (iv) the lack of information and data to guide public policy and de-risk private investment; (v) uncertain property rights and land tenure insecurity, as described in earlier sections; and (vi) the lack of adequate agricultural innovation support, including research, education, and technical assistance (World Bank, 2019).

1.2.3. Openness to Foreign Markets

As previously mentioned, international trade has relevant weight in the economic activity of São Tomé and Príncipe as a whole. However, it has been losing weight in the country's economic activity in recent years, as its trade-to-GDP ratio decreased from 54.4% in 2013 to 37.5% in 2019. The trade balance of São Tomé and Príncipe is in high deficit, although it improved by 2.2% between 2020 and 2021 (INE 2021). In 2019, exports from São Tomé and Príncipe reached a total value of USD 9.71 million (World Bank n.d). Among the exported products, cocoa stands out, with a relative weight of 71% in total exports, and palm oil, with a relative weight of 5.4% in total

¹ RCA is based on Ricardian trade theory, which postulates that trade patterns are regulated by nations' relative difference in productivity. An RCA metric can be calculated using trade data to reveal productivity differences, and a country is said to have a revealed comparative advantage in a given product when its ratio of exports of the specific product to its total exports of all products exceeds the same ratio for the world as a whole (UNCTAD n.d.).

exports (World Bank n.d). The main destination for exports from São Tomé and Príncipe is the European Union, with a relative weight of 85.6% in total exports, whereas the Benelux market stands out, with a relative weight of 68.8% in total exports (World Bank n.d). The other target markets have residual relative weights (CESO 2021).

Total exports have increased in São Tomé and Príncipe, although "good exports" remain highly concentrated in cocoa exports to the EU (Signore 2019). Export trends tended to sustain this dependence, despite the comparative advantage of other crops such as coconuts, dried foods, and seafood (Signore 2019).

Moreover, the country remains highly dependent on imports, although it saw a decrease of 5.3% between 2020 and 2021 (INE 2021). Products imported the most are petroleum, rice, stamped paper (banknotes), and wheat, which originate from different regions, with Portugal, Angola, China, and Nigeria being the most relevant (WITS n.d.).

However, structural limitations, such as the country's island status, remote position, and distance from shipping centers, severely impede the country's connectivity. São Tomé and Príncipe is dependent on connections to a single nation, Angola, because the maritime transportation sector lacks economies of scale and the European Union's security accreditation of exports (World Bank 2019). In fact, trade costs in São Tomé and Príncipe are high even when compared to those of other Small Islands Developing States (World Bank 2019).

In addition to remoteness, maritime and air transport connectivity and logistics performance are other reasons for the high costs of trade in São Tomé and Príncipe (World Bank, 2019). The

country has low performance in both the Liner Shipping Connectivity Index (LSCI) and the Air Connectivity Index (ACI). Regarding the first, only three small developing island states fare worse than São Tomé and Príncipe, whereas Mauritius and Cape Verde score five and twice higher, respectively (World Bank 2019). As for the ACI, São Tomé and Príncipe ranks 148th out of 154 countries (World Bank, 2019). Thus, both air and maritime trade connectivity present a major constraint on the development of the private sector.

Furthermore, unlike many Small Islands Developing States, São Tomé and Príncipe has no free-trade agreements (World Bank, 2019). In addition, São Tomé and Príncipe, and Comoros are the only two that are not WTO members, despite the country's expressed interest in joining in 2005 (World Bank, 2019).

1.2.4. Institutions and policies supporting the agro-industry of São Tomé and Príncipe

In São Tomé and Príncipe, there are different institutions responsible for agro-industry support. According to the qualitative research conducted by this work, the main entity is the Ministry of Agriculture, Fisheries and Rural Development, which coordinates, monitors, and regulates the whole process of planning, implementation, and follow-up of public policies within this scope, always intending to maximize producers' earnings. The institution also plays a role in food security and the safety of implemented projects. Another relevant institution for the agri sector is the Ministry of Tourism, Culture, Commerce, and Industry. The Ministry's purpose is the promotion of economic growth through international trade, tourism, and industrial improvement.

The São Tomé and Príncipe's Agronomic Research and Technology Center (Centro de

Investigação Agronômica e Tecnológica, CIAT) also plays a role in the industry, as it is responsible for providing farmers with public subsidies to stimulate the use of agricultural technology (World Bank 2019). However, the center's initiatives are restricted by its low budget and manpower. Currently, CIAT concentrates on creating agronomic expertise and investing in institutional improvement, whereas agricultural research and extension services are delivered mostly through donor-funded initiatives with an emphasis on family farming (World Bank 2019). There is no involvement of the private sector in establishing priorities for agriculture innovation investment or capacity building (World Bank 2019).

Finally, another key body for agribusiness is the Agency for the Promotion of Commerce and Investment (APCI). According to the qualitative research conducted, the purpose of APCI is to promote, facilitate, and monitor national and international private investment, as well as the export of goods and services in all sectors of the national economy, following national legislation and regulations, and government guidelines. The agency has three main purposes: guarantee assistance for import-export businesses in São Tomé and Príncipe, provide government decision-makers with the required information and resources, and facilitate the opening of the São Tomé and Príncipe market to foreign direct investment. One of APCI's initiatives is the "*Balcão Único de Investimentos*" (single window for trade), which supports foreign investors in establishing themselves in São Tomé and Príncipe (APCI 2019). However, the agency fails to support São Tomé and Príncipe's products in export markets or assist agribusinesses in overcoming export challenges or exploiting new opportunities (World Bank 2019).

In addition to governmental institutions, a number of intergovernmental and non-governmental

institutions operate in São Tomé and Príncipe. In the field of agriculture, agribusiness, and/or export promotion, these initiatives include: six agriculture investment projects by the International Fund for Agricultural Development (IFAD 2019); three projects directly promoted by the Food and Agriculture Organization (FAO), as well as support and financing to a number of government initiatives, including the transition to blue economy (FAO n.d.). The African Growth Bank (AFDB) supports São Tomé and Príncipe's economic development through policy discussion, economic sector work, and grants and loans (AFDB n.d.). This support has as its first pillar support to agriculture value chains (AFDB n.d.). Furthermore, Instituto Marquês Valle de Flôr, the main NGO operating in São Tomé and Príncipe, has ongoing project support for the export-driven agriculture value chains, amongst others (IMVF 2021).

Notwithstanding, according to the World Bank (2019) São Tomé and Príncipe remains unsuccessful in promoting its agriculture business worldwide, especially when compared to other nations with export-oriented agriculture industries. The absence of free trade agreements and WTO membership is one of the obstacles to this promotion. In addition, not enough is spent on advertising their products internationally, finding new markets, and controlling the risk of tariff and nontariff barrier adjustments in existing export markets (World Bank 2019).

Moreover, policy in São Tomé and Príncipe has mostly prioritized hard infrastructure, such as rehabilitating and expanding the rural road network and enhancing irrigation systems, as opposed to agricultural logistics, including port and airport services, warehousing, cold storage, safety standards for transport and storage (World Bank, 2019). Meanwhile, the government's agricultural R&D and education initiatives focus on specific value chains and areas, sometimes lacking

coordination and relying on aid supply (World Bank 2019). Finally, the lack of statistics and updated data affect investor decisions by increasing uncertainty, whilst also preventing impact evaluation of public policies (World Bank 2019).

1.3.Problem Discussion

According to theory, there are two motivations for government involvement in the economy. The first one is the existence of market failures, a problem that causes the market economy to deliver an outcome that does not maximize efficiency and the second one is redistribution. Sometimes, government intervention is justified by an unequal redistribution of resources, with the role of the government being the shift of resources from some groups in society to others (Gruber, 2009).

This work applies a Strength, Weakness, Opportunities, and Threats (S.W.O.T) analysis to support the rationale and reasoning for recommending interventions to São Tomé and Príncipe’s government. A S.W.O.T analysis of 3 areas is presented below, which are grouped into Insularity, Structural and Sectoral according to the determining characteristics of business development. Those have long been identified in many documents analyzing the problems of São Tomé and its relationship with the production and sale of goods, some food, and others non-food.

	Weaknesses / Threats	Strengths/Opportunities
Insularity	<ul style="list-style-type: none"> - Difficulty in transporting goods - Dependence on imports of packaging, equipment, machinery - Dependence on tourism (uncontrollable factor e.g Covid) 	<ul style="list-style-type: none"> - Single zone and potentially exploited as “unique” - Foods more easily of “biological” and sustainable origin - Tourism is a revenue driver with great potential`

Structural	<ul style="list-style-type: none"> - Roads in poor condition and areas of difficult access - Absence of logistical support for companies (port and airport) - Lack of freight flights and deep water port = high costs - High electricity costs + recurrent lack of supply of electricity - Lack of water in many places, compromising food safety, etc 	<ul style="list-style-type: none"> - For higher-value products and without transport temperature requirements, the boat solution is competitive. - Agricultural exports exempted from custom fees - Increase in food diversity in domestic trade, decreasing food imports. - With the increase in the export of high-value products, it is possible to increase the air export cargo with the carrier TAP or others.
	<ul style="list-style-type: none"> - Complex organization of export processes feed - Needs for equipment and staff training for some tasks 	
Sectoral	<ul style="list-style-type: none"> - Weak organization and integration of public measures at the ministries' level to support agribusiness entrepreneurs - Weak relevance of value chains, unstructured and not strong - Lack of financial support and credit to companies - Absence of a single organization of food entrepreneurs - Food Program is not consistent with food sector support policies - Unclear rules regarding the formal and informal market 	<ul style="list-style-type: none"> - Government plan to place São Tomé as an organic production country - Agribusiness entrepreneurs are resilient to all the difficulties they go through making them more robust in case of support - Entrepreneurs can provide public canteens and cafeterias as a preference for location and cooler (public purchases) - Several NGOs, Institutions, Entities, and Civil Community organized and working for the development of the country, which should constitute a division of efforts.

Source: CESO, 2022

Thus, the SWOT analysis identifies many aspects that seem to justify government intervention and policy initiatives to promote the growth and exports of SMEs. There are the market failures, such as inadequate public goods provision (e.g. ports, airports, roads, water, electricity), imperfect information (i.e. SMEs lack the knowledge to grow and export products), and externalities (e.g. knowledge spillovers and network externalities). There are also government failures, such as weak organization and integration of public measures at the ministries' level to support agribusiness entrepreneurs or unclear rules regarding the formal and informal market. Finally, the government

of São Tomé and Príncipe can also intervene to promote economic growth. In fact, São Tomé and Príncipe has great potential in developing a unique offering and feasible exporting opportunities. The government ought to find solutions to help smallholder farmers and processors that lack financial support and know-how to get the help they need to grow.

2. Methodological Considerations (Group work)

2.1. Research Approach

In general terms, this research aims to benchmark and identify the best practices and policies that support the development of small and medium enterprises from the agriculture sector for exportation, with an emphasis on inclusive growth. To assess the context of Small Island Developing States, especially the scenario of São Tomé and Príncipe, the first efforts were directed to (i) understand the challenges and opportunities of SIDS, in general, and (ii) comprehend the specificities of São Tomé and Príncipe, and its main obstacles towards sustainable growth. Both tasks were conducted with the support of robust qualitative research, especially those prepared by International Organizations, such as the World Bank, and internal intelligence documents from the partner organization, CESO Development Consultants, which had already conducted an extensive diagnosis of the island. Qualitative interviews with stakeholders were also conducted. After assessing the diagnosis and identifying development obstacles, some challenges that are supposed to be addressed by public policies arose: namely, (i) difficulties for SMEs organization; (ii) difficulties of access to raw materials; (iii) uncertainties and complexities of access to land; (iv) insufficient access to capital and financial products, including insurance; (v) insufficient regulation

concerning standards and certification schemes; (vi) difficulties of access to distribution channels; (vii) insufficient access to technology and innovation; (viii) inhibited trade environment and organization; (ix) debilitated infrastructure; (x) unfit economic diplomacy; and (xi) debilitated state capacity (especially concerning data availability).

The following stage was centered on literature review: this work briefly summarizes findings concerning SIDS, inclusive growth in agriculture, growth opportunities from export, and government support of SMEs. After appreciating these first findings, and better grasp the main elements to be comprehended by the benchmark, this work then dwelled on data collection: namely, the design of the interview of stakeholders, alongside their identification, and the benchmark options, which are further discussed in the next section.

After interviewing stakeholders and improving the robustness of the diagnosis, and after collecting data from the benchmarked countries (further discussed in the next session), the work then identified the main policy options to tackle the challenges faced by São Tomé and Príncipe and its agricultural sector. Following the identification, alongside sorting common efforts of Small Island Developing States, this work investigated which policy options were supported by evidence, with a special interest in those supported by quantitative papers. However, given the specificities of the context of SIDS, finding quantitative papers that evaluated policies in their context proved to be a challenge. Thus, and considering the relevance of recommendations supported by evidence, this work supported the policy options by identifying quantitative impact evaluations from countries that are not Small Islands Developing States, and robust qualitative papers on both SIDS and non-SIDs.

Finally, after assessing the evidence of the policy options, and after identifying the best practices

and cases of impact, this work recommended a set of policies to the government of São Tomé and Príncipe, which are settled considering the specificities, challenges, and existing structures of São Tomé and Príncipe.

2.2. Interview Design

This work designed qualitative interview guides to engage with the identified stakeholders. The interview guide consists of open questions that aim to better grasp the reality of São Tomé and Príncipe, especially in terms of the roles and relevance of the main actors, their perceptions of challenges and opportunities, and of the possible public policies to support the agriculture sector. The stakeholders were divided into cluster groups of: (i) government organizations, (ii) private sector (SMEs and non-SMEs), (iii) cooperatives, and (iv) NGOs.

Within the (i) government organizations, the Ministry of Agriculture, Fishery and Rural Development, and the Ministry of Commerce, industry, and Tourism were interviewed. Within the Ministry of Agriculture, the coordinator of COMPRAN, a project focused on commercialization in São Tomé and Príncipe was also interviewed. Additionally, the testimony of the Agency for Commerce and Investment Promotion (APCI) was collected. In the (ii) private sector, the interviewed company was Valudo, a private actor that exports coconut oil from São Tomé and Príncipe. Within the (iii) cooperatives, this work gathered the testimony of CEPIBA, the cooperative of biologic peppers' exportation, and, within the (iv) NGOs, Instituto Marquês de Valle Flor, and ALISEI, relevant NGOs that act on the development of the agriculture sector, were interviewed.

The interviews were conducted remotely by the group members via video calls, recorded with the

authorization of the interviewees, and not covered by confidentiality. The individual interview summaries can be found in Annex 1. The gathered insights will be discussed in chapter 4: Interview Analysis.

2.3. Policy Benchmark

To identify policy options that support the development of the agriculture sector, the benchmark approach is a relevant tool to pinpoint best practices. As previously discussed, this was conducted to leverage possible policy options to be recommended to São Tomé and Príncipe's government. To support the inclusive growth of the agriculture sector, CESO Development Consultants identified key agriculture products that are an opportunity for São Tomé and Príncipe: namely, coconut (fresh and oil), pepper, vanilla, cocoa/chocolate, and coffee. Considering that insight, the choice of the country to be benchmarked was supported by two elements: (i) of being, like São Tomé and Príncipe, a SIDS, considered thus a peer country; and (ii) of performance of exportation of those key agriculture products, which were assessed by their correspondent CAGR between 2017 and 2021 (5 years). The first criterion was established to guarantee a certain level of groundedness to the research, and a certain level of similarity to the challenges faced by the sector of the benchmarked countries and São Tomé and Príncipe. The second criterion was established to sort out, from the list of SIDS provided by the United Nations, which ones seem to have better developed the agriculture sector through public policies. To identify a country, this work relied on the data provided by the website Trade Map, which consolidates data on international trade of multiple products. After identifying the SIDS that have performed well in key product exportation in the years of reference, this work chose one from the analysis:

Dominican Republic (which increased exportation on 5 of the key products: coconut oil in 63%, pepper in 38%, coffee in 8,6%, and cocoa and chocolate, in 4,8% and 1%, respectively). Even though Dominican Republic haven't increased the exports of vanilla, this work understands that agriculture policies are mostly transversal, and supports multiple key products at once, with very few evidence-based policies directed to back out the improvement of a specific agriculture product. Likewise, given the challenges faced by this work to identify quantitative impact evaluation papers of policies implemented in SIDS, finding quantitative papers that support a specific agriculture product was considered not feasible, which reinforces the approach of choosing countries that performed well in exportations of more than one product. Thus, the criteria are expected to improve the quality of the benchmark choice, the robustness of the findings, and the feasibility of the main insights.

After identifying the country to be benchmarked, this work came across the challenge of identifying the policies in a structured and academically robust manner. Considering that, the chosen methodology was to make use of the SIDS government's planned agenda and, whenever possible, identify if the intervention indeed took place. This was done to guarantee the collection of reliable and public information, which is expected to improve the quality of the work.

3. Interview Analysis (Group work)

The interviews covered a wide range of topics that allowed for the gathering of information on how these different actors operate across the value chain. They provide a clearer picture of the main constraints and challenges faced by these stakeholders. Amongst the common themes covered in all interviews were the existence and effectiveness of government support to farmers and agricultural products exports, which include access to materials, provision of infrastructure,

investment in labor skills, access to information, development of cooperatives, and organization of trade policies.

Regarding the perception of the public sector, the Ministry of Agriculture clarified that there were a number of strategies developed in São Tomé and Príncipe since 2000. An agriculture policy strategy was developed between 2000 and 2004 and improved in 2007. However, implementation appears to have not followed through, and public stakeholders seem to be unable to pinpoint the reasons.

Regardless, one additional important step is being undertaken since 2013 with the development of a national strategy of agricultural investment and food security (PRIASA - *Projecto de Reabilitação de Infraestruturas de Apoio a Segurança Alimentar*) as part of an initiative from the African Development Bank. Nevertheless, its implementation has also faced many challenges, since it is mostly dependent on external financing. It was pointed out that the fact that these policies are developed externally and by multiple organizations makes their implementation challenging, since they require large coordination efforts to be effective, and projects and organizations many times pursue different objectives. Moreover, the fact that most of these programs are applied as *pilots*, with a limited number of beneficiaries, makes them less comprehensive and effective.

Meanwhile, regarding the work of the Ministry of Commerce, it was stated that the ministry is working on a regional plan that will define the strategic axes of the development of commerce. The stakeholder clarified that, even though there are multiple initiatives to join international trade organizations, such as the WTO, most of them fail because of a lack of resources, with the country being unable to fulfill requirements and pay the correspondent quotas. The lack of resources, which

include both lack of financial sustainability and expertise in procedures, was pointed out as the main element that prevents the government from accessing those organizations and, thus, having facilitated access to international markets. However, it was also stated that acquiring membership has been considered a priority, though no new measures are being undertaken.

Apart from the lack of resources and access to international trade organizations, the public stakeholders also identified the lack of coordination between the actors as a major challenge to overcome. Even though the Ministries of Agriculture and Commerce comprehend substantially different scopes and activities, coordination between the government (both within and outside the public structure) and private actors is of pivotal importance. Only by working together towards the objective, of proposing holistic policies, can the government efficiently support the agriculture sector and exportation. Considering this, the Ministry of Commerce is proposing, as a priority of its agenda, to structure a National Trade Negotiation Commission, which would be translated into the meeting and alignment of relevant stakeholders in agricultural value-chains. According to the stakeholders, this Commission is also essential to fulfill the requirements of the WTO and the African Free Trade Zone.

Despite those government failures, through the interviews, this work also identified successful initiatives: namely, the provision of the one-stop-shop (called “guiché único”), which facilitates business registration and tackles issues of red tape. These one-stop-shops allow farmers to register their business without needing to go through multiple departments and procedures, which could be considered complex and, thus, costly. The government implemented this structure to incentivize registration and formalization of business and refrained from providing additional services.

Likewise, another one-stop-shop is provided by the Customs department, which is supposed to provide information and procedures on trade. In fact, one of the stakeholders identified the issue of lack of knowledge of international markets as one of the main obstacles to the development of the export sector since a relevant part of producers is not able to assess requirements and procedures to access foreign markets. However, the public stakeholders stated that the implementation rate of this specific initiative is considered low and that the structure does not yet provide services as planned, with political discontinuity being pinpointed as the main root.

The existence of two different one-stop-shops, with disconnected services, can be perceived as an analogy of the level of misalignment of public policies, given that it is highly likely that joining those services and providing a holistic perspective on business to small and medium enterprises could be more efficient, especially considering the Governments' intention on overcoming red tape and facilitating processes. However, according to the stakeholder, unifying the system is considered an attractive option to move forward with the agenda of developing the agriculture sector towards exports.

Notwithstanding the misalignment, positively, the Ministry of Commerce and Trade stated that the government's agenda will be further directed to placing support to SMEs at its core:

The top priority is that this direction moves from being only for trade to grasp the issues of small and medium-sized companies - this because they are the ones who make the exports. Products for the niches we know. Now, we should promote companies. It should also be a direction that focuses on consumer protection, as well as competition. It would no longer be a general Direction of Commerce, but one that supports domestic trade, consumer protection, and competition. All of this while fostering small and medium-sized enterprises.

However, when questioned about the specific initiatives directed to SME's support, the stakeholder explained that there is not much being done: the initiatives are limited either to COMPRAN or to the APCI level. COMPRAN is a project directed at the support of commercialization and agricultural productivity. For this purpose, it structured two main programs: financing of micro-projects that aim to improve the quality of life of São Tomé and Príncipe citizens, with multiple initiatives directed to the improvement of the export sector, and support for bio and fair trade certification schemes, considered pivotal to improve exportation prospects, though a requirement to the provision of this service is of minimum quantity, which poses as a challenge for individual farmers and small business.

Recently, the project has also been funding the participation of producers in international trade fairs, which can be considered a complimentary service to the support of certification schemes, and also support the penetration of foreign markets by providing services of commercial prospection. Furthermore, it was stated by the interviewees that COMPRAN played a crucial role in the creation of cooperatives that still exist today, which is considered until this day one of their main successful projects

The other organization that provides support to Small and Medium Enterprises is the APCI, the Agency for the Promotion of Commerce and Investment in São Tomé. According to its statutes, its mission is the promotion, facilitation, and monitoring of private investment and the export of goods and services in all sectors of the national economy. Currently, the agency has been focusing on attributing credits, specifically for agribusiness projects (production and processing of cocoa, vanilla, soy, and chocolate), and to SMEs directly.

However, alongside those isolated efforts, there are no financial (more specifically, tax) incentives that support SMEs. Currently, even the smallest of businesses must pay a tax rate, considered “minimal” by the government, while bigger players, with higher revenues, count on tax incentives. This means that the tax system of businesses in São Tomé and Príncipe can be considered regressive, which entails equity concerns and might pose a systemic challenge to be addressed by the government.

Other stakeholders, such as NGOs and cooperatives, pinpointed the “flawed” tax system as one of the biggest elements that impede the development of Small and Medium enterprises, and the agriculture sector. Even though the tax is of small value, in relative terms, it may pose a barrier to the development of the private sector, given the small revenues of most businesses and the relatively high weight of tax obligations. Withal, payment of taxes of Land usufruct was also identified as a challenge towards development by both the cooperatives and NGOs interviewed.

Furthermore, since one relevant aspect in adding value to agriproducts and making them more competitive in the international market is considered ensuring biological and fair trade certifications, and as it is one of the main concerns of both companies and cooperatives interviewed, supporting schemes is a priority according to members of the Ministry of Agriculture. Given the space and land constraints of São Tomé and Príncipe, the interviewees in both public and private sectors agreed that economies of scale are not a viable strategy to promote agriculture products exports, which in turn pinpoints the importance of differentiating products by certifying their quality, process, and origins.

Thus, one important element that was highlighted by all stakeholders is the role of cooperatives in

supporting the development of the agriculture sector and enabling market opening to exports. The Government incentivized and enabled the creation of cooperatives between 1996 and 2004, with a number of programs in partnership with FAO and IFDA that provided cooperatives with the necessary financial means and material support (such as buildings for headquarters) to develop their activity. The regulation, however, is now considered outdated, with room for improvement, especially concerning incentives to join the organization, support for certification schemes, and access to agriculture and financial inputs.

Cooperatives play a key role in São Tomé and Príncipe: by acting on the provision of multiple services to farmers that are members, including training and support on certification schemes; by providing access to agriculture inputs and even financial products; and by merging small farmers products quantities to access markets that require a minimum scale. Even though not all cooperatives provide the same range of services, with some being broader than others, the centrality of these stakeholders in the support of the development of the agriculture sector was considered of the highest level by most of the stakeholders interviewed, and other stakeholders, such as government and NGOs, rely on their existence to coordinate small and medium enterprises towards the objective of maturing and professionalizing the agriculture sector.

There is, however, an issue of ownership and affiliation: as some cooperatives projects were undertaken by international cooperation programs, the top-down approach prevented the perception of it as a community-oriented organization, which distanced farmers from engaging and participating in its development. Likewise, most cooperatives require payment of a quota or the fulfillment of organic preconditions, which entails costs to prospective members, and

consequently turns enrollment less appealing as farmers are not always conscious of the importance of the services that will be provided to them by the organization, and of the long-lasting opportunities that are expected to unfold after a period of enrollment, such as an increase in value-added of products and access to external markets.

Furthermore, from the side of the cooperatives, the low level of adherence and community engagement entails a shortage of resources to carry out their activities. Thus, support of the government and international organizations on funding is perceived as essential to its existence, and its withdrawal as a challenge for its economic sustainability while a maturity stage is not yet achieved. Interviewees recognized that CEPIBA, the pepper cooperative, has suffered because project salaries and production volume could not keep up with its operational costs and that when IFDA stopped financing its activities, the cooperative was unable to adapt to this new context. Despite that, stakeholders from the third sector considered that pulling back funding is of fundamental importance to push cooperatives to further professionalize and develop their strategies for leveraging resources.

Regarding private sector development, cooperatives and businesses consider that finding buyers and promoting their products to external markets is one of the main challenges. Participation in international fairs for biological products was seen by the parties as one promising mechanism to promote their products. This element further enhances the centrality of the cooperatives in the context of the agriculture sector development in São Tomé and Príncipe. However, the presence of producers at these fairs has also recently started being funded by both the government and international organizations, though producers are expected to take initiative to apply for this specific support.

Moreover, the lack of information regarding the administrative processes and bureaucracy of exports was yet another constraint that the company faced in the early stages, regardless of the efforts of the government on providing an integrated service to overcome red tape and facilitate both registration and information. Concerning that matter, one of the SMEs interviewed asserted that the business structured a specific team dedicated only to dealing with these steps. Considering that the business environment in São Tomé and Príncipe is yet extensively informal, it is assumed that most of the small and medium enterprises do not have the resources to attain this type of structure, and, even though cooperative association might be presented as an alternative to facilitate synergic activities and resources, for another interviewee, this intelligence represents one of the current difficulties to them, as a result of the lack of manpower, namely of skills and people.

Yet another constraint relates to a total lack of control over who has titles to land, which entails uncertainty concerning property rights, and poses a challenge for both activities, investment, and even access to financial products. Furthermore, the absence of a census on plot size was considered by the interviewees to be an element that prevents the government from assessing the level of income of farmers, which aggravates the government's capacity to support evidence-based policies.

Regarding other pressing issues, almost all stakeholders mentioned infrastructure constraints (e.g. no deep water port, high costs of transport, lack of warehouse at the airport), the cost of materials, including packaging (especially considering the taxes that are imposed on these products), as one of the challenges faced by the sector.

4. Benchmark of Best Practices (Individual work)

The work now will dwell on the benchmark findings, structuring, whenever possible, the policy options to address the main identified challenges (both government and market failures) for the development of the agriculture sector in São Tomé and Príncipe, providing insights on multiple clusters, namely, (i) coordination of SMEs; (ii) access to materials; (iii) access to land; (iv) development of labor skills; (v) access to capital and financial products; (vi) regulatory and certification schemes; (vii) access to and development of technology and innovation; (viii) improvement of the trading system; (ix) provision of infrastructure; (x) structure of economic diplomacy; and (xi) refinement of state capacity. Whenever a cluster is missing under the specific benchmark, it is indicative of a shortfall of policies to address the issue within the benchmarked country.

4.1. Dominican Republic

Over the past 25 years, and according to the World Bank, the Dominican Republic (DR) has enjoyed a solid economic growth rate. Among other factors, this can be linked with **stable values of foreign direct investments in the country** and with an increasingly successful **insertion of Dominican products into international markets**. Indeed, except for the year 2020, due to the pandemic, the exports of Dominican goods and services have been rising steadily. This was one of the reasons that made us believe that the Dominican Republic, a SIDS such as São Tomé and Príncipe, would constitute a suitable case study from which we can take important insights. Furthermore, **the production and export structure** of the Dominican Republic presents

similarities to the same structures in São Tomé and Príncipe, with the Agri sector being a mainstay of both economies.

In terms of DR exports, the main exported products are bananas, cocoa beans, unmanufactured tobacco, and tropical fruits such as avocados, coconuts, and mangoes. These have different destinations, with one-quarter of the production going to the United States and with European markets also constituting a relevant percentage, mainly the United Kingdom, the Netherlands, and Belgium, by this order of relevance (OECD, 2020). **The destinations of Dominican agricultural products** represent another similarity with São Tomé and Príncipe since the Netherlands and Belgium are two of the main importers of the country's agricultural products. As a result, it is possible to state that the two countries face common barriers when entering foreign markets. For all the reasons mentioned above, it seems relevant to analyze the policies the DR government has been implementing to support the development of agribusiness.

For the analysis, a particular focus was given to **three main plans** promoted by DR public institutions. These were **The National Plan for Systemic Competitiveness (2017)**, a public management tool that establishes the guidelines of the competitive policy promoted by the National Council of Competitiveness; **the Sectoral Strategic Plan for Agricultural Development (2010-2020)**, promoted by the Ministry of Agriculture; and the **National Multiannual Plan for the Public Sector 2021-2024**, promoted by the Ministry of Economy. Official declarations of the Dominican Republic government and reports from OECD and the World Bank were also taken into consideration.

4.1.1. Enabling SMEs organization

One of the main goals of the DR government has been the strengthening of the participation of the country in international commerce, through a particular **focus on SMEs enablement**. The main guidelines were defined in the National Plan for Systemic Competitiveness.

For the achievement of this goal, DR has been betting on the **modernization and provision of extension services**, which can include private, public, and semi-public agents. The main provider of this type of service is the Ministry of Agriculture, which allocated 6.2% of the total ministry budget to extension services in 2020 (OECD, 2020). In parallel, other institutions and the private sector provide ad-hoc extension services related to specific thematics and/or products.

Agricultural cooperatives also play an important role in the strengthening of SMEs, which is why the Institute of Development and Credit to Cooperatives works to **incorporate more and more cooperatives in the country**. The Institute has the main goal of fostering the creation of cooperatives and following up on the already existing ones.

4.1.2. Access to land

Access to land has been another matter addressed by the DR government, with the Ministry of Agriculture has shown concerns regarding the real estate expansion in agricultural land. Consequently, the Minister of Agriculture (2021) assured that the central government is working together with several municipalities with an agricultural vocation in the territorial order to **avoid real estate expansion towards productive areas**.

4.1.3. Labor skills

The **capacitation of farmers through technical assistance** has been a centerpiece of the Ministry

of Agriculture of DR. Hence, the government has been promoting capacitation programs that foster constant professional qualification. These include a digital platform that connects the experts and the producers, promoting regular meetings between both.

In addition, the main private association of agriculture producers in the country offers support and direct technical assistance on themes such as integrated pest management, protection of natural resources, agricultural reforestation, and special projects and programs to support organic agriculture (OECD, 2020).

4.1.4. Access to capital and financial products

The DR government has been **expanding access to capital and financial products**, particularly for SMEs. There is the National Council for the Promotion and Support of Micro, Small, and Medium Enterprises aims to promote and consolidate financial schemes and instruments that **facilitate access to credit for SMEs**. Here, SMEs can access loans with preferential interest rates and terms.

Furthermore, a project conducted by the Savings and Credit Bank sought the **financial inclusion of low-income rural areas**. The project developed a mechanism to trace the senders and receivers of remittances, to channel the flows of remittances for projects turned to production and conducted by poor women in rural areas. The bank developed other specialized credit and support products based on remittance flows and directed to the needs of remittance senders and recipients, for example, loans to start businesses and support plans for education. In only one year, the value of remittances considerably exceeded the project goal for 3 years (Pérez, Stezano and Villarreal, 2020).

Finally, policies relating to the **agricultural insurance system** in the DR have been implemented. The credit programs of the Agricultural Bank, the responsible institution for financing the sector, have been restructured to **expand financing coverage for small and medium producers** (plans of the coverage from 1.5 million tasks to 3.2 million tasks). This policy action is comprehensible since the main threat to agricultural production in the DR are hurricanes, floods, earthquakes, and droughts (Inter American Development Bank, 2015).

4.1.5. Standards and certifications

The country's ability to comply with the United States and the European Union's Sanitary and Phytosanitary measures is low, undermining its export penetration (OECD, 2020). On this matter, and according to the Technical Center of Agricultural and Rural Cooperation, a project on labor skills helped producers adhere to good agricultural practices (GAP) and, consequently, on achieving global GAP certifications, which allowed them to meet the demands of local and foreign markets.

4.1.6. Distribution channels

According to the National Plan for Systemic Competitiveness, the current articulation of production chains is insufficient in the country. As so, a Productive Articulation Program was developed by the government, with the main purpose of **promoting productive articulation between SMEs**, and larger companies and clusters, to increase both competitiveness and productivity, as well as response and learning capacity. Within this scope, an **online platform for Dominican businesses** that still operate nowadays - **Portal ProDominicana** - was created. It serves as a virtual market for the exportable supply of Dominican goods and services in free trade zones, local industries, and supply from foreign markets.

4.1.7. Technology and innovation

According to both the National Plan for Systemic Competitiveness and the Strategic Plan 2010-2020, SMEs in the Dominican Republic possess low levels of innovation. Hence, the DR government believes that policies that boost research, technological development, and innovation are a priority. Therefore, a program - **Business Incubators** - was implemented, with the mission of providing entrepreneurs with the necessary assistance for their projects to survive and grow. The incubators offer businesses, for a certain time, physical space, technical advice, management advice, training, consulting, financing, business contacts, and access to equipment, among others. When the incubation time has come to end, businesses can become independent.

Furthermore, a **Program for Technological Support in the Agricultural Sector** (PATCA 4) was promoted to increase the efficiency of the agricultural sector mainly through the support for technology adoption. Resources were used to support producers in the implementation of different technologies. An evaluation of the project was conducted and found that PATCA effectively improved the productivity of producers and, in some cases, increased incomes (Aramburu et. al, 2019).

4.1.8. Trade environment enablement

According to the Ministry of Agriculture (2021), the government has been focusing on agro exporting. To this, a national platform - **National Institute for Price Stabilization** - develops programs with the main purpose of advising agricultural organizations that participate in sector development. Furthermore, to facilitate international trade and investments in the country, a **one-stop shop for investment** exists in the Dominican Republic. It simplifies the processes and

reduces the time required for bureaucratic procedures and certifications.

4.1.9. Infrastructure

In DR, some key areas of infrastructure require special attention, with the National Plan for Systemic Competitiveness considering that it is necessary to support the construction and rehabilitation of small infrastructure works. Two of the main problems the country faces are poor quality roads and a lack of bridges. This makes it difficult for farmers to transport their products. Hence, the government has been **investing in upgrading the already existing and constructing new roads**.

Water availability also constitutes a challenge, with the country undergoing a drought period. The government considers that the improvement of the irrigation canals' infrastructure to reduce resource losses and the continuity of services' coverage is a priority.

In this sense, the DR government **created a water cabinet that built projects for dics and canals**. However, to overcome the problem in the short run, **the government has been building wells and reservoirs**, and connecting hoses for the drip and micro-sprinkler irrigation system (Government of Dominican Republic, 2022).

Ultimately, the electric power sector accounts for one of the biggest problems in the country. DR experiences electrical outages that can last from several minutes to several hours. Because of this an **electric sector reform - Electricity Pact** - was approved in 2021. This pact highlights the government's commitment to reducing losses in the distribution network and promoting the financial reliability of energy distributors. The DR President (2021) has also encouraged investments in natural gas and renewable energy, particularly solar and wind energy, consolidating an existing trend towards diversification of the energy matrix.

4.1.10. Economic Diplomacy

In 2021, DR established an increase in exports and foreign direct investment through commercial diplomacy as one of the main foreign policy objectives. For this, DR is currently in the process of **turning its diplomatic and consular officials into true agents of the promotion of trade, businesses, and investments**. Along with the objectives, the Ministry of Foreign Affairs and Export and Investments Center of the Dominican Republic (CEI-RD), launched the **Commercial Promotion Plan** to optimize the service of promotion of trade and attraction of investments. The plan includes the main actions that DR representatives must develop at the international level to promote and strategically position the exportable offer of the DR and make it known to the world the high-quality products with added value that our country offers, as well as the detection of business opportunities and market research. In fact, in 2019, CEI-RD, in cooperation with different Ministries, started the process of **defining a national brand strategy** to support the promotion of an exportable offer in international markets and to position the country as an investment destination par excellence.

4.1.11. State capacity

In DR, **the National Office of Statistics (ONE)** is responsible for the planning, compilation, analysis, and dissemination of the official statistics of the country. However, there is a lack of data on important topics like population and agriculture. To mitigate this, the DR government created the **Single Registry of Agricultural Producers (RUPA)**, a database that allows knowing the number of producers in the province, what they produce, and where they sell their products. Being registered makes it easier for the producer to file claims and thus be able to access Agricultural

Insurance coverage and lines of credit for modernization.

Additionally, the DR government created another online service - **Mercantile Registry** - which standardized and facilitated the process for businesses' registration and formalization.

5. Policy Options (Individual work)

5.1. Access to inputs

Access to inputs has always been a key issue for the agricultural sector and its stakeholders. The price and the quality of the inputs have a direct impact on the comparative advantage of agricultural production among regions and types of production. Hence, these affect the income of farm households and can have implications beyond the farm level (European Parliament, 2015).

Input interventions focus mainly on the development and adoption of improved crop varieties, improved seed technology, and innovative fertilizer application techniques. Such technologies produce higher-yielding crops that can bring enormous benefits to producers through reduced risks in cases of adverse weather or geographic conditions and enhanced efficiency that leads to higher incomes and lower food prices (World Bank, 2011).

In the specific case of São Tomé, and similarly to what occurs in Mauritius and Fiji, the country faces problems not only in terms of available quantities of fertilizers but also in the knowledge and access to information on its use. According to IMVF, even though the government purchases fertilizer and distributes it to producers, the amount of the product does not seem to be enough. Furthermore, another problem affecting the country is the lack of knowledge on the use of the product. Commonly, producers are not aware of the recommended quantities to apply, besides not knowing when to not apply any product and when to leave the yields fallow.

Hence, the government of São Tomé could **increase the supplied quantities of fertilizers and contribute to the provision of information on its use**, following the example of an intervention conducted in Kenya. Evidence shows that the combination of both the provision of fertilizers and information on its use increases the farmers' propensity to use the right amount of fertilizer, which leads to productivity gains (Duflo, Kremer and Robinson, 2011). São Tomé could follow the innovation brought by this intervention in Kenya and provide information through a demonstration feature, designed to give farmers incentives to use a hands-on approach to learn.

5.2. Trade environment enablement

The existence of a favorable trade environment is crucial for businesses, with different policies having the possibility of positively contributing to it. In this regard, a policy that has been introduced by different countries in recent years is **one-stop shops**, as mentioned before in section 6.6. Indeed, as reported by OECD (2020), if built correctly, one-stop shops can provide positive outcomes for governments and businesses. With them, citizens and businesses can more easily locate forms, access information for multiple purposes and, consequently, do business more easily. For governments, these shops are also beneficial, since it allows them to receive better quality information, and improve compliance rates, reducing the number of resources needed for enforcement.

Furthermore, a study conducted by the World Bank (2008) on the creation of a one-stop shop in Portugal confirms the effectiveness of these types of shops and the impact they can have on businesses' development and prospering (Ramos, Camille, 2008). The success of this one-stop show has inspired other countries, with Angola and Cape Verde having requested legal and

technical assistance based on the Portuguese model. Due to their great potential, these shops can assume different forms and pursue different endings. Fiji has a one-stop-shop service for all Fijian SMEs where they can access information on markets, trade agreements, and requirements for commerce. DR and Mauritius possess an online platform with a similar purpose. The platform collects information on procedures for import, export, and transit of goods, providing businesses with a means to access all the information in one single place.

In the case of São Tomé, two one-stop shops take place in the country - **One Stop Shop for Investment and Guiché Único**. According to one of the interviewed stakeholders, **both had a positive impact on the country**, with the shops working effectively. However, the first is mostly oriented toward investment in the country and the second one toward business registration and creation. This means that these are **not capable of mitigating one of the main obstacles to São Tomé exports** - the lack of knowledge on which markets to access and how to access them - as mentioned by COMPRAN. Hence, the existence of a place in São Tomé where businesses can fully access the requirements for international trade would be of extreme importance.

Therefore, and following what has been discussed in section 6.6 on standards and certifications, São Tomé and Príncipe could take advantage of the fact that the infrastructure already exists and **expand the services provided by the existing one-stop shops**. These could start to include the provision of essential information to international trade, providing services of a holistic nature: from business registration to information for certificate schemes and exportation. This would be cost-efficient and would also ease red tape incidence, as well as tackle any asymmetry of information on the business environment. Likewise, this policy would also support the improvement of the expertise of the business itself by supporting market expertise. Thus, it could

indirectly incentivize SMEs to professionalize, increasing their expertise in dealing with market demands, and, thus, potentially increasing profits and promoting growth.

Moreover, another policy known for fostering a beneficial business environment is **International Trade Fairs**. International trade fairs are one of the oldest and most popular forms of marketing, constituting the place where an organization can be known to the world (Koirala Ganesh, 2011). Here, Fiji has been promoting and supporting the participation of businesses in these events, through the financing of the expenditures associated with this participation (travel, accommodation, and participation costs).

Entering international markets is very important as it is difficult in today's competitive world, but international trade fairs held around the world make it easier. Therefore, international trade fairs can be considered one of the gateways to international trade (Koirala, Ganesh, 2011). According to a study conducted on trade fairs in Nepal (2011), the country has made new customers, ordered placement, and increased its exports due to its participation in these types of fairs. It also facilitated the introduction of Nepalese products to foreign markets.

In the case of São Tomé, International Trade Fairs are also becoming popular, with stakeholders increasingly participating in them. Recently, the producers of the country attended a Bio Fair to market their products and leverage awareness of the country's products and brand on international markets. Those fairs also help farmers to have a better understanding of the competition and raise intelligence on exportation requirements. However, according to APCI, **the participation of São Tomé producers in these is still low**. This can be explained by the high costs associated with participation, with producers not always being able to carry them. Hence, and following the example of one of the projects of COMPRAN, **financial support for the participation of**

producers in international trade fairs could contribute to business prosperity. This support could be made through the covering of travel, accommodation, and participation cost expenses. Given the cost of these endeavors, one policy option would be to **select representatives of value-chains to attend the fairs**, being that heads of cooperatives or the Federation of Small Farmers of São Tomé and Príncipe. However, in this project producers are the ones who have to take the initiative to ask for financial support to go to the fair, which is why **raising awareness of the existence of international trade fairs and the benefits associated with the participation of producers in them** could constitute an important addition.

5.3. Economic diplomacy

The Minister of Foreign Affairs of São Tomé and Príncipe (2021) stated that economic diplomacy is undoubtedly one of the fundamental axes of this governance. Indeed, economic diplomacy has the potential to minimize the impact of trade barriers and of having an impact on trade and investment. (Moons and Bergeijk, 2016). It can identify possible sales or investment opportunities, provide information on markets and their consumers, or aid with bureaucratic processes (Segura-Cayuela and Vilarrubia, 2008).

In São Tomé and Príncipe, a relevant player in the promotion of economic diplomacy is APCI, already mentioned above. Hence, to strengthen the position of the country in international trade, **improving and expanding the services provided by APCI** appears as an option for the country. A tool of economic diplomacy that is becoming popular is **trade missions**. As mentioned before, countries like DR and Fiji have been betting and allocating funds to them. In regards to literature, these missions are considered key tools for governments to assist national businesses,

multinationals, and SMEs in expanding their businesses, internationalization, and accessing foreign markets (OECD, 2004).

In an attempt to measure the impact of trade missions on businesses, numerous studies were made. A study on trade missions in the Netherlands found that firms that participate in international trade missions are significantly more likely to start exporting than their non-participating peers while exporting firms do not engage in significantly more trade after their mission. It also shows that these effects are durable since new traders are typically still active 3 years after first entering the international market (Boutorat et. al, 2019). Furthermore, another study conducted in the State of Victoria found that, on average, trade missions increased participating firms' export value by more than 170%. The study also states that trade missions are particularly useful for SMEs since they are more likely to be affected by the cost barriers related to incomplete information when trying to establish and expand in the export markets (Palangkaraya and Webster, 2019).

Currently, São Tomé does not perform trade missions, even though APCI stated in the interview that the agency is getting ready for them. Therefore, the **promotion and funding of trade missions** by APCI could work as a good complement for São Tomé. As these are becoming popular and evidence shows they can be effective on trade enablement, an allocation of funds to them in São Tomé would be relevant for businesses. Besides the financial support, **helping producers to prepare for these trade missions** would also be key to maximizing the added value that missions can have. For efficient use of resources and to maximize the benefits associated with trade missions for São Tomé, those trade missions could be directed to strategic markets, which, in this case, would be the **markets that São Tomé and Príncipe aim to increase their share** or towards those the country decided to further penetrate. Another option for the country would be to

establish permanent missions in strategic locations, taking advantage of Embassy structures that already exist. This would constitute a bundle of economic diplomacy.

Moreover, another tool of economic diplomacy that different countries, including DR, have been implementing are **national branding strategies**. These aim to recall the territorial uniqueness of a country. The literature considers nation brand attractiveness as a necessary condition for a country to achieve influence and to effectively compete for global resources and it can be steered by both public and private initiatives (Masango and Naidoo, 2018). In terms of evidence, Peru's national branding is considered a great case of success. According to OECD (2020), the country has successfully developed a country brand, enabling the rise of exports of traditional products. The case of *Marca Peru* shows that awareness and communication with citizens and national companies and consumers, in addition to foreign promotion, is key to success. In addition to traditional promotional activities abroad, through fairs, trade missions, and special events, a national campaign has encouraged Peruvians to use the brand. The brand is used to signal an asset that relates to quality, status, price, and distinction. Peruvian authorities deliver information and organize workshops to monitor the correct use of the brand. (OECD, 2020).

Taking into account what has been said in the conducted interviews, São Tomé has been working on the creation of a national brand in the last couple of years and, hopefully, it will be prepared to be projected in 2023. Certainly, a focus on the **development and solidification of the brand** could have great potential for São Tomé. Taking advantage of other tools like international fairs and trade missions as mentioned in the case of Peru could extend the reach of the brand and, consequently, maximize its benefits.

Summary of Policy Options

Policy Area	Description	Expected Output	Feasibility	Costs	Benchmark References
Access to Materials	Provision of fertilizers and information on its use	Correct use of fertilizers by producers that leads to production gains	High	Medium	Duflo, Kremer and Robinson (2011)

Trade environment	One Stop Shop for trade requirements	Improve the access to information on trade requirements; Facilitate the exporting process and the penetration of foreign markets; Increase on exports	High	Medium	OECD (2020); World Bank (2008); Ramos (2008)
	Governments support businesses to participate in International Trade Fairs	Increase the number of customers and the number of exports; Make valuable contacts and promote knowledge sharing Facilitate the introduction of products in foreign markets.	High	Medium	Koirala, Ganesh (2011); Ministry of Commerce, Trade, Tourism and Transport of Fiji (2022)

Economic Diplomacy	Promotion of trade missions	New trade opportunities in foreign countries; Increase the knowledge of products and businesses through contact with local business people and government representatives Increase in exports; Business expansion, internationalization, and better access to foreign markets.	High	Medium	Boutorat et. al (2019); Palangkaraya and Webster (2019)
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	National Brand Strategy	Raise exports of traditional products; Improve the country's image internationally	High	Low	OECD (2020)
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6. Policy Recommendations

As discussed in the policy options section, there are many available and evidence-based solutions to support the development of the agriculture sector that could be implemented by the government of São Tomé and Príncipe. There are many pressing issues, namely government and market failures, to be addressed: the lack of coordination between small and medium businesses, difficulties in accessing agriculture inputs, uncertainties concerning property rights on land and its consequences, the gap in labor skills and technology, the lack of access to financial products and support of certification schemes, and the failure of services that support access to international trade.

This work, thus, proposes three policy recommendations that, together, have the potential to address many of the failures that were identified. Those policies are: (i) to create incentives for cooperative development; (ii) to provide holistic business services with one-stop-shops; and (iii) to implement trade departments in diplomatic institutions.

As mentioned in the interview analysis chapter, cooperatives play a key role in São Tomé and Príncipe for a number of reasons. They facilitate access to inputs, support labor skills development, provide access to credit, support quality control and certification schemes, and reduce trade costs by combining farmers' products when exporting to reach economies of scale. Thus, cooperatives have the potential to tackle multiple market failures at once - a potential that can be unlocked and expanded by adequate government support. As discussed in the interview analysis, cooperatives are facing sustainability challenges because of two main reasons: first, due to financial constraints,

and second, due to insufficient engagement by farmers, given the community's perception of a top-down approach and lack of ownership. To ease the first issue, one option would be to update the regulatory framework of cooperatives, providing them with the necessary support from the government. This would mean granting tax exemptions to both the organization and farmers that are enrolled, for a period of between 5 to 10 years as identified in the benchmark, but to be defined according to government budgets. This work understands that, even though this means reducing the tax base and contributions, the lasting benefits of having many operating and sustainable cooperatives would, in the long run, overcome any deficits that may arise, especially considering the multiple benefits that cooperatives can provide to farmers. The tax exemption would also be expected to increase farmers' interest in joining the organization which would, in turn, create a virtuous cycle. Furthermore, the regulatory update could also include other support for cooperatives, such as training for managers and decision-makers, and other professionalization projects. It is thus assumed that, once the cooperatives are financially sustainable, they will widen the scope of services provided.

Besides tackling the issue of community ownership by incentivizing enrollment and cooperation among farmers via tax exemptions, another option would be to support NGO training on pilot farms, such as the Farmers Field Schools previously discussed. As Farmers Field Schools are based on farmer-to-farmer interaction, and because NGOs already partner with cooperatives to conduct such training, an improvement in the alignment of stakeholder interests would be beneficial. Besides being resource efficient, farmer-to-farmer interaction would also enhance the feeling of community ownership in these projects. The support from the government, as discussed in the policy options section, could take the form of campaigns that incentivize farmer enrollment. The

government could also help coordinate stakeholders, thus facilitating efficient resource allocation for NGOs and avoiding overlapping of activities from the different actors on the ground.

The second policy, which is expanding the services provided in one-stop shops (Guiché Únicos), could first be structured from the unification of the services provided by the trading and commerce authorities. After having these current structures merged, a second step would be to broaden the scope of the shops. This would mean providing new services that would complement other supporting activities, namely, providing information on international markets, procedures, and requirements, especially regarding strategic countries with export potential. Other services could include providing support and advice for certification schemes for businesses or cooperatives that wish to export their products. Thus, the one-stop-shop would provide end-to-end business services: from registration to facilitating access to export markets. It is the understanding of this work that this policy would tackle the issue of imperfect information and access to markets, while also unlocking the potential for network externalities and knowledge spillovers. Furthermore, an indirect effect would be to improve the government's capacity for diagnosis as it could enhance business registrations by reducing red tape. An additional and interesting step the one-stop shop could also provide would be the structuring of an online marketplace, where farmers could insert and sell their products to prospective buyers, which would also ease distribution channel constraints linked to ICT.

The third and last policy would be to structure economic diplomacy and trade commissions in strategic countries. One possible approach would be to create an international trade department in Embassies in key partner countries. This department could promote and negotiate the Santomean products for prospective buyers, establish long-lasting relations, and also have a better grasp of the

constraints the products might be facing on exchange agreements. Consequently, trading would be facilitated, challenges would be better identified, processes could be simplified, and awareness of the uniqueness and quality of the Santomean products could be enhanced.

To conclude, this paper uses a holistic approach to present the different policy opportunities that are available for the government of Sao Tome and Principe in developing the agricultural sector of the country. Together, those policies would be expected to provide an adequate environment for the development and success of São Tomé and Príncipe products on international markets. Nevertheless, this systematic analytical exercise presents an overview of what has been done and what works better in policy-making, rather than providing a real attempt at policy design. While we believe this approach is important in policy-making, future policy analysis exercises could focus on some of the specific options presented in this paper, specifically the recommended ones, to build a more thorough policy design and implementation analysis

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