A Fast-Improving Environment for Tourism in São Tomé and Príncipe

RESULTS AND IMPACTS

• In 2011, the number of business registrations more than quadrupled from the previous year to 241. In 2012, this number increased by another 61 percent to 388.

• Reforms that eliminated fees and other costly procedures resulted in over $1 million in direct private sector cost savings alone.

• Businesses were able to register in 5 days on average in 2013, down from 144 days in 2010.

CONTEXT

São Tomé and Príncipe is a small West African island nation, among the last to gain independence in 1975 and in 1990, the first in the region to launch democratic reforms. However, political turmoil undermined economic development. Prospects of deep-sea oil exploration and signs of political stability resulted in some, albeit limited, donor presence and nascent entrepreneurial activity.

PROJECT AT A GLANCE

COUNTRY/REGION  SÃO TOMÉ AND PRÍNCIPE/SUB-SAHARAN AFRICA

PRODUCT  INDUSTRY-SPECIFIC INVESTMENT CLIMATE/TOURISM

Since early 2011, the World Bank Group has been working with the government of São Tomé and Príncipe to abolish the alvarás system, a century-old business licensing regime introduced by the colonial Portuguese. The removal of alvarás was particularly relevant for the tourism sector, as the government looked to ensure easier market entry for small and medium-sized enterprises such as travel agencies and car rental companies.
Even as late as 2010, the colonial heritage and post-colonial reforms continued to heavily burden the business environment and diminish the country’s attractiveness to investors. Business incorporation used to take 144 days and involved a myriad of agencies and fees. The operational license, also known as *alvarás*, was particularly difficult to obtain. It required an expensive bank guarantee, notarization of documents, a statutory capital deposit in the bank, and successful navigation of the bureaucratic maze, a process that needed to be repeated each year. In addition, the associated costs were strongly disproportionate to the nation’s per capita income.

**OUR ROLE**

For many years, Walter Martinho offered his guide services and car rentals to tourists exploring São Tomé and Príncipe, but he faced a critical impediment to formalizing his business. Car rentals, travel agencies, and tourism services were all subject to the complex *alvarás*.

Starting in early 2011, the São Tomé and Príncipe government worked with the World Bank Group to abolish the archaic *alvarás* system. In 2012, Walter was able to register his business, Tortuga Ltd., in only 48 hours at the new one-stop shop for business registration. Since the abolition of the *alvarás* system, many more entrepreneurs have started to formalize their existing or new businesses. In 2011, the number of registered businesses more than quadrupled from the previous year to 241. In 2012, this number increased to 388, resulting in over $1 million in private sector savings in direct costs alone.

State controls within the administration have relaxed with one reform leading to another in a short period of time. The administration eliminated not only the *alvarás* but also other regulatory requirements, procedures, and fees. These radical regulatory reforms propelled São Tomé and Príncipe to the top of the Sub-Saharan African ranking in the World Bank Group’s *Doing Business 2012* report as the region’s top reformer and fourth most successful reformer globally.

In 2013, the World Bank Group and the government jointly launched a much larger investment climate program. Building on earlier successes, São Tomé and Príncipe aims to establish a paperless bureaucracy for all external trade. This will further reduce costs and facilitate simplification of other regulations, including those that impact the tourism sector. The creation of an online visa system has already simplified visa regulations and processes and gained São Tomé and Príncipe recognition from the World Tourism Organization (UNWTO) as one of the top ranking countries in visa reform in 2012. The reform is part of a medium-term tourism development strategy to build capacity within the tourism administration. As reforms continue, the country is expected to attract more entrepreneurs and tourists. Now it will be much better positioned to respond to growing demand and interest.

“*The entire approach of the Directorate of Tourism has changed … We now provide greater security and safety to our clients. All our cars are in perfect shape, and my guides offer top services. Now it does make sense to pay taxes and other contributions for my employees — I am finally getting value from our public administration.*”

**WALTER MARTINHO**

Owner of Tortuga Ltd.

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