



## São Tomé and Príncipe and Millennium Challenge Corporation

# Millennium Challenge Corporation Working with São Tomé and Príncipe to Develop and Implement Sound Fiscal Policies

The Millennium Challenge Corporation's (MCC) two-year, \$8.66 million threshold program with São Tomé and Príncipe seeks to improve the country's performance on MCC's Economic Freedom indicators. Specifically, program will help the Government of São Tomé and Príncipe to improve its performance on the Fiscal Policy indicator by increasing revenue as a result of improved tax and customs administration and enforcement. It also seeks to improve performance on the Days to Start a Business and Cost of Starting a Business indicators by streamlining business registration procedures.

## **Increase Tax Revenue Through Higher Voluntary Compliance with Tax Laws:**

- Provide technical assistance to develop and implement new tax legislation and regulations;
- Improve the integrity of the taxpayer registration system; and
- Strengthen the taxpayer accounting system.

## **Increase Tax Revenue Through Strengthened Tax Enforcement:**

- Establish information technology infrastructure to connect ministries in order to identify unregistered taxpayers and non-filers
- Improve collection procedures and management;
- Provide technical assistance to improve auditing procedures; and
- Improve the ability of tax officials to conduct on-site canvasses, audits and collections activities.

## Increase Customs Revenue:

Modernize the Customs Service by:

- conducting an assessment of all facilities,
- upgrading Customs Service software by installing ASYCUDA World,
- analyzing and supporting implementation of new legislation and regulations,
- conducting training activities,
- establishing a customs cooperation council along with the local trade community to encourage compliance,
- providing support for entry into the World Customs Organization, and
- providing basic inspection, communications and transport equipment

Enhance customs operations and procedures; and

Enhance professionalism in the Customs Service by:

- implementing procedures to limit discretionary actions,
- developing and implementing a Customs Code of Ethics and Conduct,
- establishing, and providing training for, an Ethics Council in the Ministry of Planning and Finance.

## Improve the Business Environment:

- Draft legislation and identify administrative procedures necessary to streamline business registration, to include the establishment of a “one-stop shop” for business registration and other regulatory reforms;
- Develop recommendations for implementation of new business registration procedures;
- Draft work procedures and recommendations for organizational restructuring required to implement new business registration legislation.

## Highlights of Expected Results of the São Tomé and Príncipe Threshold Program:

- Increase tax revenue by 15 percent;

- Increase customs revenue by 20 percent;
- Reduce the time to start a business to 32 days or less; and
- Reduce the cost of starting a business to 18 percent of income per capita.

## Implementing Partner:

The United States Department of the Treasury Office of Technical Assistance will oversee implementation of the São Tomé and Príncipe threshold program on behalf of MCC.

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*Millennium Challenge Corporation (MCC), a United States government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty.*