

Cape Verde: Poverty Reduction and Growth Strategy Paper – II

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REPUBLIC OF CAPE VERDE
Ministry of Finance and Public Administration
General Planning Directorate

POVERTY REDUCTION AND GROWTH STRATEGY PAPER – II

May 2008

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1. INTRODUCTION

1.1 ASSUMPTIONS OF GPRSP II PREPARATION

In a long-term perspective, Cape Verde has made huge strides forward in a development process marked by outstanding achievements, as attested by a wide range of indicators in the economic, financial, social, institutional, infrastructural, environmental, and other areas. Admittedly though, the country still displays vulnerabilities, related to its context as a small developing country made up of islands, that hamper its development. Indeed, despite the above-mentioned achievements, weaknesses continue to weigh on Cape Verde's development. On the one hand, there is enormous poverty in the country, associated with a high unemployment rate; on the other hand, the country is extremely dependent on foreign assistance, as indicated by the low coverage of imports by exports, the huge current account deficit, and the large share of concessional external financing it receives.

Another significant mark of the progress the country has made is the expanding role of the private sector and market mechanisms in the thrust toward development, with emphasis on tourism and foreign direct investment.

Although the government no longer plays a dominant role in the economic functioning of Cape Verde, it performs—and will have to continue performing—a key role, especially as regulator and as promoter of the country's development strategy. The framework for this action by the government has been a process of strategic and participatory discussions, reflected in reference documents describing the Government Program, the Major Planning Options, the National Development Plan, and, more recently, the Transformation Strategy and the Poverty Reduction and Growth Strategy Paper (GPRSP), focusing on economic growth, poverty reduction, and resource mobilization with the country's development partners, in close coordination with the Millennium Development Goals (MDGs).

In the preparation of the GPRSP II, the [Government Program for the Seventh Legislature](#) (2006–11), the [GPRSP I](#), the MDGs, and the [Economic Transformation Strategy](#) (ETE) assume particular importance.

In the context of the GPRSP preparation, it is important to note the most important aspects of the Government Program, from the standpoint of its coordination with economic growth and poverty reduction.

For its part, the GPRSP I is, in the sense of “lessons learned,” an important reference, albeit succinct and currently under assessment, along with the MDGs, given its focus on growth, poverty reduction, dialogue, and resource mobilization with the country's development partners.

Last, the Transformation Strategy is seen as a defining instrument for a prospective approach to the development of Cape Verde, anchored on a push toward growth dominated by the transition from a paradigm of development based on comparative advantages to another, much more demanding, based on competitive advantages.

The point of departure of the GPRSP II is the above-mentioned reference framework, with emphasis on the experience gained and the results achieved with the GPRSP I, and the prospective approach of the Transformation Strategy. It adopts a medium-term outlook, covering the period 2008-11, also characterized by major challenges for Cape Verde at the international level, namely, the transition to middle-income country (MIC) status and accession to the World Trade Organization (WTO) and to the Special Partnership with the European Union. It addresses the overall objective of Cape Verde's "achievement of sustainable human development based on a strong, dynamic productive system, on the enhancement of its human capital, technological training, and its culture, in the context of balanced regional development, solidarity, social justice, democracy, and environmental awareness."

To that end, the GPRSP II is formulated with reference to five major strategic aims concerning good governance, human capital, competitiveness, infrastructure building, and social cohesion. In identifying and pursuing these aims, the country seeks—in accordance with a holistic approach to development based on the methodology outlined in the logical framework and in a participatory process—to improve its performance with respect to the established objectives and targets and to build on past gains in a logic of sustainability and consolidation of the process of enhancing the well-being of its people, based on a principle and a strategy of social inclusion and with emphasis on positive discrimination in favor of the most underprivileged segments of the population.

The central objective of poverty reduction rests primarily upon structural policies linked to the promotion of inclusive economic growth, complemented by redistributive policies that are socially compensatory and focused on groups with high vulnerability.

1.2 PARTICIPATORY PROCESS FOR GPRSP PREPARATION

Because of its all-encompassing nature, the PRS requires a broad framework of dialogue and concertation, which is indispensable for ownership of the process by all the public- and private-sector entities responsible for implementing national policies, members of civil society, and even development partners.

Indeed, for consensus building and for the gathering of contributions, working sessions took place at the initiative of: (i) the Minister of Finance and Public Administration, with her colleagues in government and on various occasions with ministerial staff responsible for planning and management; and (ii) the Technical Secretariat for Development Support (STAD), with government departments, in particular for defining the logical framework, budgeting, and indicators, as well as with municipal chambers, civil society, and the private sector.

Also, for preparation of the various contributions, government departments held consultations internally and with the respective partners, so that the GPRSP II would be constructed from the base to the top of the various sectors and levels of participation.

Special attention will be paid to the formulation of a **Communications Plan**, which, from a restorative standpoint, will help especially to: (i) raise public awareness of the principles underlying the GPRSP and of the objectives and targets it is intended to achieve/attain; (ii) mobilize the various official and private communicators, encouraging them to help

disseminate information on the GPRSP; and (iii) manage expectations, on the assumption that not all the established objectives and expected outcomes of GPRSP implementation will necessarily be achieved within the desired time frame.

Also, steps will be taken to socialize/form/train those responsible in the various research units of government departments and private organizations operating in sectors with a recognized impact on the creation of jobs and income, so as to ensure that the best use possible is made of the new instruments (GPRSP II, logical framework, and monitoring and evaluation system).

1.3 STRUCTURE OF THE GPRSP

Following the introduction, the paper is divided into three major sections:

- **Current context**, encompassing both the macroeconomic framework and the real economy, the socioeconomic dimension, the structure and dynamics of poverty, progress made in the central aspects of the political situation, and the vulnerabilities;
- **For a Transformation Agenda** that, given the progress the country has made, the lessons it has learned, and the challenges it faces, as well as the new requirements generated by its graduation to MIC status and its accession to the WTO and to a strategic partnership with the EU, creates a vision for the future based on: (i) the challenges of transformation; and (ii) medium- and long-term strategic objectives, consisting of: (a) transformation of the government as a whole; (b) modernization of the public administration, fundamental for the competitiveness of the economy; (c) the imperative of permanent gains for democracy; (d) the imperative of a modern, competitive economy; (e) a knowledgeable society made up of highly skilled human resources; (f) promotion of the country's cultural fundamentals, (g) active social solidarity, (h) continuous efforts to reduce poverty and guide economic growth; and (i) the creation of strong abilities to manage development; and
- **Major strategic development aims**, presented in five pillars, as follows:
 - **Pillar I – GOVERNMENT REFORM**: This is the **framework of the macroeconomic outlook** for 2008–11 and deals with **good governance**, covering from good conduct and transparency in fiscal management to economic openness, regional development and political representation, the reform of justice, and civil protection, thus remaining a defining characteristic of the organs of governmental and other institutional power;
 - **Pillar II – HUMAN CAPITAL**: This covers the human resources that are essential for the country's economic and social development, including the need for modernization of the educational system from pre-school to higher education, science and technology, technical and vocational training, culture and civic awareness, health, youth affairs, and gender equality and equity in the development process;
 - **Pillar III – COMPETITIVENESS**: This crosses all sectors, from the primary to the tertiary, with special emphasis on the latter as the sector that generates services and

employment, especially tourism, and it stresses the role of the private sector in the vitalization of the economy;

- **Pillar IV – INFRASTRUCTURE BUILDING:** This has an impact because of its close link with economic development, from territorial organization to aspects such as urban growth, transportation and communications, the energy sector, and the management of hydraulic resources as an economic function; and
- **Pillar V – SOCIAL COHESION:** This covers a number of areas of social life where the umbilical relationship between all the public and private players in the development process is evident, as they are called upon to assume an important role of social responsibility as a basic factor in the exercise of democracy and economic and social civic awareness.

Poverty deserves to be treated across policies and policy measures, within an integrated view of the development process, in a context of globalization, economic openness, and the reservation of a major role for the private sector in economic growth, in the creation of productive, employment- and income-generating enterprises, as a prerequisite for poverty reduction.

The paper is accompanied by documents that interpret the logical framework and the monitoring and evaluation system, covering budgeting, the indicators, and the targets for projects whose priorities were set by government departments.

An attempt is generally made to keep the paper brief, but it has to be concrete and objective, with a view to being useful to those reading and interpreting it, especially the communicators, from the standpoint of either the logical framework and budgeting or the monitoring and evaluation system.

The option was taken to create a database for the electronic organization of sectoral contributions and supporting documentation (strategic plans, action plans, and similar records), to which access can be obtained from links to the respective subjects treated.

2. CURRENT CONTEXT

This chapter describes the situation as regards the major aims that inform economic and social activity in the country, identifying progress made and the constraints that hamper policy formulation and implementation.

Particular attention is paid to the real economy, the dynamics of which have created new challenges, especially for the private sector in its capacity as engine of the economy.

Regarding the socioeconomic context, the education sector, unemployment, vocational training, and the structure and dynamics of poverty are deservedly highlighted.

Coverage of the political context addresses political stability, good governance, parliamentary modernization, human rights, freedom of the press, participation, justice, and the gender

dimension, all defining factors in the dynamics of the country's development, as well as responses in terms of reorientation and/or updating of policies and policy measures.

A discussion on vulnerabilities closes the chapter, pointing to the territorial discontinuity resulting from the country's being made up of a number of islands, the environmental risks, demographic pressure, reduced agricultural production, and the heavy dependency on imports, among other things, which, though not jeopardizing the country's development, are hugely important in the structure of costs, whether of financing or of management and operations.

2.1 POLITICAL CONTEXT

The country is making increasing progress toward democratic consolidation, as can be seen from the following demonstrations of the exercise of power:

2.1.1 Political stability

Cape Verde has a multiparty democracy, with free and fair elections. Governance is receptive, political freedoms are observed, the press is free, civil society is active, tolerant, and open, and the political mechanisms are transparent and flexible.

The gains of [good governance](#) are evident in the country's macroeconomic stability, in the stringency of fiscal management, in more intense diplomatic actions and increased participation by the country in international and subregional forums, in the establishment of new partnerships as a result of a greater presence and credibility with the political community and international financial institutions, for example. This will therefore remain a **strategic resource** for the development of Cape Verde, especially in **transparent fiscal management consistent with the Laws of the Republic**.

2.1.2 Parliamentary modernization

The central role of **Parliament** has clearly been strengthened. Also, the purpose is clearly to enhance the efficiency and effectiveness of Parliament through the planning of work, the establishment of links with parliamentary subjects, the development of the Special Commissions and their increased closeness to civil society and interest groups through hearings and decentralized meetings on specific topics, in addition to more participation by elected officials and parliamentary groups in the government system and greater closeness of elected officials to their constituents.

The role of Parliament in the dissemination of information and results has become even clearer in the production of data on the impacts of policies and policy measures, inasmuch as parliamentary sessions are starting points in the processes of decision-making on important instruments, such as the government budget.

2.1.3 Affirmation of human rights

The pertinent international bodies have impartially stressed the performance of Cape Verde as relates to the defense and promotion of **rights, freedoms, and guarantees**, which are, moreover, central to the very essence of democratic government by rule of law.

Indeed, conditions are in place for ensuring the conduct of fully transparent, smooth elections. The logistics and the electoral roll have been the subject of in-depth reorganization. The process of electoral polling has been revived. We now have survey posts, and electoral administration staff have been given more resources.

A movement was successfully launched to promote, protect, and strengthen human rights and a culture of peace, and steps have been taken to honor the active exercise of civic awareness. Significant initiatives in this regard have been the National Human Rights and Civic Awareness Program, the National Human Rights and Civic Awareness Commission, already fully operational, and the formulation of the project to introduce the teaching of human rights, civic awareness, and a culture of peace, from pre-school to the secondary level.

Cape Verdeans live in an atmosphere of greater freedom and tolerance, the exercise of civic awareness is broader and more skilled, there is more freedom of expression and more freedom of the press, and more mechanisms are in place for controlling the exercise of power. **The Opposition expresses itself freely and has the whole range of rights without any type of constraint.**

The government renews its permanent undertaking to defend and affirm human rights. It puts forward strong policies against domestic violence, whether inside or outside the home, and for defending the rights of children and adolescents.

Similarly, policies are promoted in defense of the rights of those with deficiencies, so as to preserve their dignity, well-being, and equality of conditions and treatment. For instance, support is given to the continuous national campaigns on the rights of persons with deficiencies, for the prevention of deficiencies, with special attention to medical and social issues, in partnership and coordination with the NGOs, ensuring social acceptance of persons with deficiencies in the labor market.

2.1.4 Social communication

Social communication is one of the anchors of a democratic society and have been seen as such. Conditions of freedom and exemption have been granted to professionals in this area, and since 2001, major investments have been made for modernizing the sector and for countrywide information coverage. All reaches of the archipelago come on an equal footing to the national information spaces, and the technological skills in the country make it possible for our radio to reach emigrant communities in real time, thus enabling them to remain close and to participate in discussions on national life.

Indeed, the current economic situation in the sector, where freedom of the press and pluralism are increasingly upheld as values dear to the country's democratization and good governance

processes, shows the progress made, which it is important to consolidate. The appearance and growth of the private sector and media autonomy and the attribution of a major role in Government Programs to this sector by democratically elected officials with the executive power to do so, are warranted, as a way of sustaining the process of democratizing the Cape Verde society and institutions, as well as training Cape Verdeans for the full exercise of participatory civic awareness, good governance and transformation of the country.

The framework of the Cape Verdean press (organs of mass dissemination) has evolved satisfactorily over the past 10 years, with the regulation of only a few areas of activity. This has facilitated private intervention. The private sector has earned a name for itself by creating the current panorama of five television stations, four of which were licensed to operate as of 2007; 15 radio stations; seven private periodicals in newspaper form, and seven online publications. We have also witnessed the birth of several journals.

Taking the social communication sector as a whole that includes the organs of mass dissemination (public and private), the national panorama was supplemented over the past 10 years, with the emergence of publicity and image agencies, audiovisual production agencies, groups of publicity adjusters, and photography agencies providing services for institutions and enterprises. Some of these agencies are not registered as part of the social communication sector, the legal basis of their operations or registration being that of commercial enterprises in notarial units.

In the public sector, the government acts as owner and manager, in its capacity as trustee for the two enterprises, RTC and Inforpress, through the attendance of two government delegates at their general meetings of shareholders. State enterprises are organized along the lines of the stock corporation organizational model, where the government is still the only shareholder. A set of reforms is already under way in the technological, organizational, and financial areas, with a view to introducing elements of modernization and quality, and guaranteeing their sustainability.

2.1.5 Participation spaces

Heavy investment is being made in **civic education**, to ensure there is a better assumption of quality civic rights and duties, greater and improved civic, political, economic, and cultural ownership and enjoyment of the gains of development and of the excellent results of the exercise of democracy and leadership at the local and national levels.

There are, indeed, civil society organizations effectively involved in decision making on economic and social changes in the country, formal spaces for concertation and for piloting development programs, and initiatives related to gender, youth, human rights, security, the environment, water and sanitation, microfinance, HIV/AIDS, etc. NGOs often organize themselves in networks, as a way of improving member involvement, seeking financing, and implementing projects of interest to grassroots communities.

2.1.6 Justice in the service of citizens and development

In-depth actions are under way in the sector of **justice and civic awareness activities**. Noteworthy among the conditions created are those related to operational matters and those that

ensure consistency of the laws with constitutional requirements. Concrete results have followed the passing and implementation of the new Criminal Code, Criminal Process Code, and Law on the Constitutional Court and the Ombudsperson.

Nonjurisdictional procedures have been defined that will speed up conflict resolution through two legislative mechanisms for mediation and arbitration, and judges have been trained to ensure the rapid functioning of the pertinent institution. Courts will thus be decongested, ensuring quicker responses to the needs of citizens and enterprises.

In the registration, notarial, and identification areas, in-depth reforms were made with the process of modernization. Staffing and service units were increased, heavy investment was made in computerization, response times were drastically reduced in the case of some instruments of civil and commercial registration, and initial steps were taken to implement a totally new system for providing service, with the modernization of premises and the creation of an image and a corporate identity.

2.1.7 The gender perspective

Cape Verde has ratified the two core instruments for gender-based activities, namely, the principles of the Action Plan of the Cairo International Conference on Population and Development (1994) and of the Platform for Action adopted at the Fourth World Conference on Women (Beijing, 1995), establishing strategies and paths to change for the promotion of gender equality. It also subscribed to Goal 3 of the MDGs (2004) – “Promote gender equality and empower women.” At the subregional level, Cape Verde observes the directives adopted by the various bodies of the African Union and the Economic Community of West African States (ECOWAS). At the national level, the Constitution of the Republic, the Criminal Code, the Electoral Law, the Labor Code, and the Family Code all uphold gender equality, and considerable progress has been achieved in recent years, especially as regards pertinent education.

The planning instruments used by the government include strategies that call for the development of conditions for the full exercise of citizenship and the promotion of specific integrated and multisectoral programs designed to reduce the existing inequalities between the genders.

Noteworthy are the drafting and approval of the National Plan for Gender Equality and Equity (PNIEG), aimed at greater democratization of the system of relationships of power, the improvement of opportunities at all levels, the changing of behaviors and attitudes, and, possibly, positive discrimination in favor of women whenever this proves necessary. In light of the improvement in the situation as it relates to the education of women, the PNIEG places a forceful emphasis on capacity building, especially in favor of poverty reduction, employment, sex and reproductive education, the exercise of power, gender-based violence (GBV), and social communication. Also, in 2007 the Council of Ministers approved the Plan to Combat GBV. Constraints persist in the area of gender relations, including: (i) an imbalance among those in positions of power, at both the public and private levels; (ii) low relative representation of women in positions of leadership and in national politics; (iii) inequality in terms of income and opportunities for economic inclusion; (iv) still limited access to technical and vocational

education; (v) insufficient consideration of gender in the design of policy planning, monitoring, and evaluation instruments; and (vi) a high incidence of gender-based violence. Given the new needs and the new opportunities sought by the country, policies related to gender and family equality and equity must be formulated and implemented.

2.2 GOVERNANCE

“Good conduct and transparency in fiscal management, economic freedom, regional development and political representation, the reform of justice, and civil protection thus remain defining characteristics of the organs of governmental and other institutional power.”

With the aim of creating the conditions for the sustainability of its economic development process through sustained economic growth in a basic private market economy operating within the global economy, and thereby reducing poverty, the government began by implementing an Economic Transformation Strategy.

2.2.1 Reform of the government and the public administration

The country now has an administration that is closer to its citizens and economic agents, more transparent and equitable, with more skilled, motivated human resources aware of the importance of public service. The administration promotes and regulates public and private partnerships.

The ICT Task Force (NOSI) has been formed, clearly adopting new technologies as an option in public policy. As a result, there is more electronic control, leading to better management of educational data, better management of the electoral process, and greater and improved control of finances and taxes, cartography and the cadastre, road transport, and municipal management. Registration and notarial requirements have been simplified, and the time needed for the issuance of birth certificates and the registration of companies and automobiles has been reduced from days to minutes. The registration of births has been decentralized to hospitals, with fee exemptions; the elimination of Customs bureaucratic red tape has been deepened; and a Citizen’s Guide has been drafted.

2.2.2 Decentralization

Decentralization is a process in motion, constantly being adjusted to ensure greater integration and equilibrium in the regional and local development process. It is therefore an integral part of the government reform.

As a result of broader consultation, important measures are under consideration to strengthen the means and the skills of local governments and to ensure the necessary coordination of the deconcentrated public administration departments.

Within the framework of the program to modernize the government and municipal administrations, and in keeping with the ICT Strategic Program and the Electronic Governance Action Plan, work continues on the process of integrated computerization of municipal offices using the Municipal Computerization System (SIM) project, with a view to making the processes

of management, stringency, and management planning more efficient, with a greater flow of information and speed in the provision of services to users.

The Local Finance Law 79/VI/2005 has been passed, giving municipal authorities more power to mobilize financial resources.

The Decentralization Framework Law has also been passed. In addition to defining the concept of local autonomy and the levels of administrative decentralization, it provides guidelines, regulations, and harmony to the decentralization process.

2.3 HUMAN RESOURCE DEVELOPMENT

The education system consists of the pre-school, school, and out-of-school education subsystems.

The rapid expansion of secondary education has been accompanied by an improvement in the school infrastructure, with the construction and repair of more schools and classrooms. The situation that persists in some circumscriptions with the cohabitation of elementary and secondary education should be overcome with the planned construction of new secondary schools.

Currently, midlevel education is devoted to the training of basic education teachers by the Pedagogical Institute (IP). Still, one of the prevailing concerns is to raise the IP to the status of an Associated Unit of the University of Cape Verde, which would require amending the rules governing the IP and restructuring the courses administered.

Higher education is typified by a huge demand from students completing secondary education. That demand is all the more pressing because of the decline in opportunities to obtain higher education abroad, in addition to the fact that the supply of courses in the country is still insufficient and does not always correspond to the real socioeconomic development needs.

The actual establishment of the University of Cape Verde requires resources and the guarantee of its operation in favor of sustainable scientific, technological, economic, social, and cultural development for Cape Verde.

- The net enrollment rate in elementary education has stabilized, rising from 71.5 percent in 1990/91 to 95.1 percent in 2005/06;
- In elementary education, the parity index is one girl to one boy; this places the country within the targets set by the EPT/OMD;¹

¹ Source: INE, 2006 QUIBB.

- Of new enrollees in elementary education, 80.6 percent attended pre-school, which points to a trend toward widespread access to this subsystem;
- Secondary education records an increase in the enrollment rate, at 58.1 percent in 2005/06, with a slight advantage for girls, at about 61.8 percent;
- The percentage of trained teachers rose from 67.2 percent in 2000/01 to 81.4 percent in 2005/06;
- The rate of transition from elementary to secondary education increased by 10.1 percent, from 70.7 percent in 2000/01 to 80.8 percent in 2005/06;
- The percentage of passes at this level of education grew from 62.1 percent in 2001/02 to 65.2 percent in 2005/06;
- The dropout rate increased slightly, from 9.4 percent in 2001/02 to 10.6 percent in 2005/06, 8.6 percent being girls and 13 percent boys, and was markedly higher in secondary education, with 15.8 percent among girls and 23.5 percent among boys;
- According to data from the 2006 questionnaire on the core indicators of well-being (QUIBB), the literacy rate in Cape Verde is 78.7 percent, with 71.9 percent for women and 86.5 percent for men, and by region, 84 percent in urban areas and 74 percent in rural areas.²
- The juvenile literacy rate is over 93 percent in all constituencies;²
- Public education and training expenditure represented nearly 23 percent of the government's 2007 general budget expenditure;
- **As regards vocational training**, supply in the areas related to civil construction, where an enormous shortage of manpower is already evident and which has a huge potential for generating short-term employment, covered one-third of all vacancies.

The areas most directly related to tourism, namely, catering, touristic guides, and languages, where there is a major shortage of skilled manpower to meet the needs of the sector, only about 17.1 percent of all vacancies were filled. No training was offered in the areas of room, table, and bar services, restauration, cooking, entertainment, etc.

In 2001 there were about 86 establishments continuously in operation, 17 of which were devoted permanently, and 69 intermittently, to technical or vocational training. Of these, four were technical schools, and 13 were vocational training centers/institutes.

² Source: 2006 QUIBB.

Two more employment and vocational training centers were opened, in Assomada and Fogo/Brava, and training units were established in each of the technical schools (Praia, Mindelo, Santa Catarina, and Porto Novo). The training centers in São Jorginho and Variante as well as the vocational training center at the former IFAP were upgraded. The response capacity of the vocational training center in Pedra Badejo was enlarged, and the center began its activities in 2002. Six vocational training development units were created and staffed, and a vocational training center is under construction in Fogo (São Filipe).

The Porto Novo technical school opened, and the Mindelo technical school was remodeled, enlarged, and equipped. Technical education was reformulated to present the third cycle as a vocational, specialized one, and is staffed by over 400 teachers and monitors.

Employees generally have a low level of formal education: 61 percent with elementary education, 29 percent with secondary education, and only 4 percent with higher training. “Agriculture and fishing,” which manages about one-third of all employment, occupies mainly unskilled workers (54 percent). On the other hand, “health” and “education” services account for nearly 32 percent and 26 percent, respectively, of specialized employees.

Moreover, the shortage of professional skills has been one of the main defining factors of poverty, particularly affecting women who are heads of households and young persons. This, along with the problems of access to credit, is a major cause of impoverishment, especially in rural areas.

2.4 ECONOMIC CONTEXT

2.4.1 Macroeconomic situation

Cape Verde has experienced robust economic growth in recent years. GDP increased by 5.7 percent during the period 2000–05, reaching 10.8 percent in 2006, and for 2007, the projections indicate growth of about 7 percent. This has led to a significant improvement in the average standard of living.

Economic growth is propelled especially by strong growth in the tourism, telecommunications, financial services, civil construction, and fishing sectors.

Sustained economic growth in recent years has had a positive fiscal impact. With respect to total **revenue**, disposable resources have increased annually in absolute terms, even though there was a slight decline in relative terms. Regarding **expenditure**, the position was less linear, although expenditure has tended to increase since 2003 because of the strong upturn of public investment within the framework of GPRSP implementation. Current expenditure has been generally steady in relative terms since 2001, even though the annual change remains positive and relatively high.

Budget policy continued to be geared toward maintaining budgetary discipline so as to ensure the **budgetary and financial sustainability of government finance**, consistent with sound macroeconomic policy. This was reflected in the containment of operating expenditure, aimed at

freeing up resources for public investment, reducing government pressure on domestic credit, and making resources available for the private sector.

The **fiscal position** improved considerably in 2007, as a result of an increase in tax receipts, itself resulting from the sound performance of VAT and the single income tax (IUR), as well as from inflows of revenue from the privatization of Enacol, the national tobacco company, and the sale of land during the reference period.

The **public debt** ratio reached 69.2 percent of GDP at the end of the first half of 2007, or 3.5 percent below the value recorded at the end of the first half of 2006. Meanwhile, in absolute terms, it continues to rise, given the need for budgetary financing, with a larger increase for external financing.

At the same time, **inflation** remained below 2 percent a year over the period 2002–05. However, exceptional moments of pressure were noted from time to time, with the rate reaching 5 percent in 2006. The current external deficit narrowed considerably, from 11 percent of GDP in 2002 to 2.6 percent of GDP in 2005 (5.1 percent in 2006). External debt (43.5 percent in 2005 and 38.3 percent in 2006) is deemed sustainable.

2.4.2 The real economy

Most recent data suggest a positive evolution of the real economy over the past three years. From the standpoint of demand, this trend was sustained primarily by the momentum of private investment, driven by inflows of foreign direct investment. The growth of private investment resulted essentially from increases in gross fixed capital formation (GFCF) in construction and in capital goods. In 2007 the investment rate rose to 20 percent, or four percentage points of the values reached in 2006.

These performances are based on the evolution of a set of indicators, such as imports of construction materials, capital goods, and transportation materials, as well as cement sales. Similarly, the evolution of some economic indicators published by the national statistics institute (INE), particularly in the portfolio of orders in the subsectors of housing and construction of nonresidential buildings, which reveals a general rising trend, explains the expected growth of private investment.

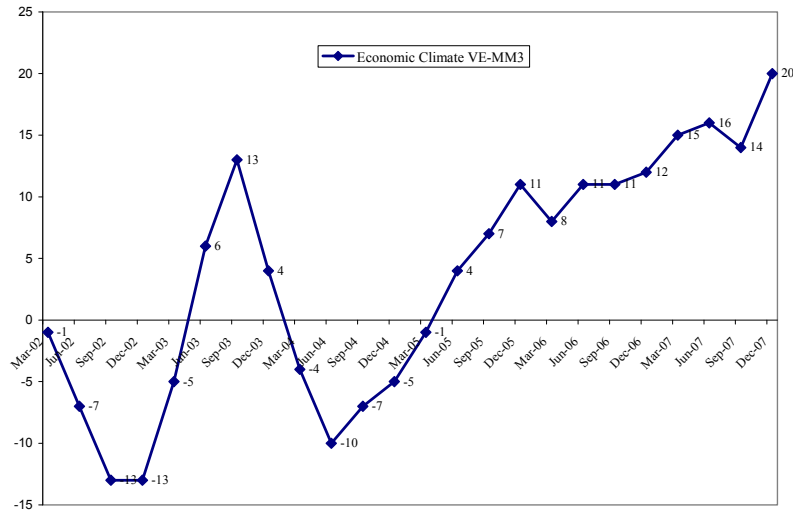
Investment Indicators Annual rates of change, in percent

	2005	2006	2007
Construction			
Imports of construction materials	16.9	34.1	19.4
Cement sales	27.6	6.7	38.5
Capital goods			
Imports of capital goods (equipment)	14.3	54.4	31.2
Transportation materials			
Imports of transportation materials	-41.1	9.5	93.1

Source: Customs General Directorate (DGA); Cape Verde Central Bank (BCV).

This positive evolution of the principal indicators has helped improve the business climate and create greater momentum in the real economy. The “economic climate” indicator³ has evolved positively since March 2004, having gained 30 percentage points and changed from a negative assessment to a positive assessment of the business climate.

Chart. Economic Climate Indicator



Source: INE, *Investigation of Economic Developments-Economic Summary*.

The Cape Verdean private sector’s positive reaction to the challenge of [competitiveness](#) is the result of better organization of entrepreneurial affairs, the microeconomic structure of the country, in which privately owned firms have been adopting a dominant position over public enterprises and enterprises with sole owners; they are more competitive, more productive, and more open to foreign capital.

2.4.2.1 [Agriculture](#)

The agricultural sector has limited natural resources (e.g., water and soils) and is adversely affected by climatic unpredictability and inappropriate production practices that make their ecosystem weak. Agriculture is of the family subsistence type, performed in small farm units that are fragmented by the sharing of inheritances. A large number of farmers do not own the fields they merely cultivate, and plots are typically farmed indirectly (leasing and partnerships).

While the presence of both men and women in agriculture has generally declined, the decrease is more obvious among women (from 24 percent to 12 percent). Between 1998 and 2004 there was a substantial change in the profile of farm heads. In 1998, the head of the farm was basically

³ This analysis of economic developments is a summary of assessments forwarded by entrepreneurs in construction, businesses being established, tourism, the processing industry, and transportation and auxiliary services. (This assessment is measured by an indicator called “end response balances” that reflects the difference between positive responses and negative responses, divided by the total number of responses.)

male (64 percent), whereas in 2004 the opposite was true, with 50.5 percent of farms run by women. Irrigated agriculture is performed by only 17 percent of all farm households, to various degrees depending on the gender of the head of the farm: only 10 percent of women possess irrigated fields, compared with 25 percent of men.

Despite the low share of livestock farming in the formation of GDP, it plays a particularly important role in meeting the needs of the population for protein and animal fat, supplying the market with almost 100 percent of its meat, eggs, and, to a lesser extent, milk. It is thus a source of supplementary income for rural households, generating savings and employment. Innovations of dry farming in humid and subhumid areas at high elevations, such as the integration of horticulture, including tubers and roots, and the introduction of orchard planting, has yielded results, as reflected in the higher visibility of participating producers. The production, multiplication, and importation of a significant portion of materials for vegetative propagation (seedlings and cuttings), and other production factors are being adopted by individual producers and their associations and by private farmers, thus facilitating the government's gradual withdrawal from the provision of these services.

Another notable achievement is that recorded in combating desertification and with respect to the forest cover rate (± 22 percent) and the erection of CSA mechanical structures that support forestation. Community associations participated enormously in the erection of agro-forestry infrastructures and CSA structures between 2001 and 2006, which positively affected a surface area of approximately 2,730 hectares.

The Environmental Law is being amended, and the Food and Agriculture Organization (FAO) provided the necessary technical and financial assistance for three studies: (i) Analysis of Legislation on Environmental Policies, (ii) The Environmental Management System in Cape Verde, and (iii) Correlation Between Food Security and Environmental Security From A Poverty Reduction Standpoint, which have already been approved.

The General Agricultural Census (RGA) shows that between 1988 and 2004 there was a 25 percent increase in irrigated farmland, which was supported by the adoption of new technologies (improved seeds in 44 percent of farms) and the practice of localized irrigation (drop-by-drop) that had a positive impact on agricultural production and the saving of irrigation water. Application of the study and the training provided for producers and technicians in the sector, in addition to the implementation of works to capture, store, and distribute water, were defining factors in these achievements. The volume of water mobilized for localized irrigation thus increased considerably from 2003 on, reaching 1,697,974 cubic meters in 2006. According to the 2004 RGA, localized irrigation is practiced in 10 percent of irrigated areas. This achievement is 15 percent short of the percentage targeted for 2005 in the GPRSP.

Irrigated water mobilization capacity increased with the construction of more infrastructures for capture (dykes) and storage (various reservoirs and one dam). Cape Verde's first dam, the Poilão Dam, was built in this context.

2.4.2.2 Fishery

With a fishery potential of about 36,000 tons, the country's fishery resources can be considered generally undertapped, although resources such as lobster, which are costly demersals, are considered fully or even overtapped. Only a portion of this fishery potential has been tapped by the national fleet or a foreign fleet (artisanal and industrial), the catch of the national fleet in 2006 being estimated at 9,950 tons.

Artisanal fishing is carried out by a large segment of the Cape Verde labor force. According to data from the last general census carried out in 2005 (still provisional) in the 77 disembarkation ports, this activity involved the use of 1,036 artisanal fishing boats by 3,087 fishermen, most of whom (46 percent) operate in the islands of Santiago and Sal. Artisanal fishing catches have been stable, remaining at 5,000-6,000 tons a year; the average yield is about 35kg per trip.

Concentrated in the islands of S. Vicente, Sal, and Santiago, industrial fishing is carried out from about 60 boats, with catches of tuna, lobster, and small pelagics. In 2006 the total catch was 4,048 tons, 35 percent of which was tuna and 73 percent pelagics. Lobster represented only 1 percent of the total catch.

Fishery product exports declined between 2000 and 2003 mainly because of the embargo imposed by the European Union in 2000. But once Cape Verde was placed, in October 2003, on List I showing countries authorized to export to the European Union, in 2004 fishery product exports totaled 353 tons, valued at Esc 109 million; this increased sharply in 2005 and 2006 to 9,124 tons and 15,707 tons respectively. Efforts are being made by the government in the areas of motorization, construction of deep-freeze and disembarkation infrastructures, the addition of new boats, and the implementation of a system for monitoring and inspecting fishery products.

2.4.2.3 Manufacturing

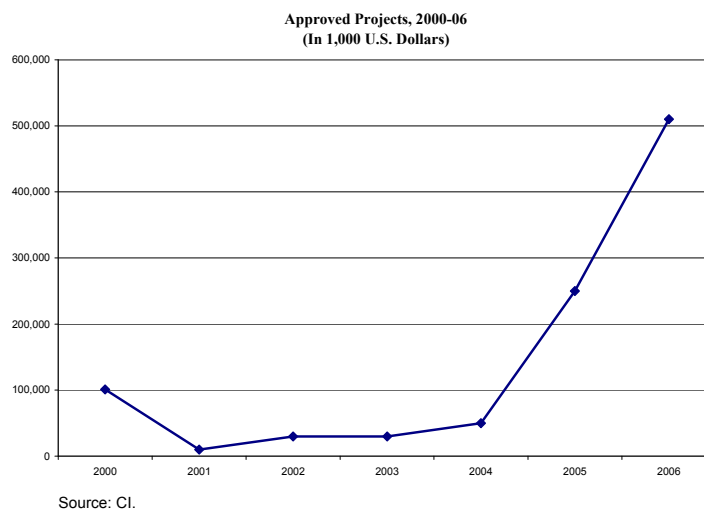
National industrial development policy is focused on exporting. One of its objectives is to promote strong industrial development and an entrepreneurial sector able to stimulate growth and create the conditions necessary for its modernization and competitiveness.

Enterprises duly registered in Cape Verde receive numerous incentives, such as exemption from customs duty, consumption tax, and general payments on imports of construction materials, machinery, equipment, tools, and load transporting materials, for use in authorized industrial projects. In addition, industrial enterprises benefit from an exemption from direct taxes for the first three years of their existence. (Decree-Law 108/89 of December 30, 1989, *Boletim Oficial* (Official Gazette) 52, of 1989, Series I).

2.4.2.4 Services

The share of the services sector in the economic structure of the country has been rising increasingly and now represents about 65 percent of GDP, generated especially by tourism and related services. This is important for the mobilization of foreign capital, investment of which is governed by the Foreign Investment Law, the Tourism Law, and Industrial Rules and Regulations.

Foreign direct investment has been the major engine of growth and may have already assumed, in 2006 or in 2007, the major share in GFCF and income generation while becoming a **major employer**. Efforts to attract FDI have led to an improvement in the standard and quality of foreign investment, particularly in manufacturing and tourism. The major investors in Cape Verde are of Portuguese, Italian, and German origin.



In terms of FDI, the volume of approved projects, preponderantly in the tourism sector, went from about US\$44 million in 2004 to about US\$509 million in 2006, with an annual implementation rate of 25 percent and the creation of 9,427 jobs. In 2006, FDI in the tourism sector contributed about 37.9 percent to the real GDP growth rate; revenue represented 18 percent of GDP in 2006, compared with 12 percent in 2005, as a result of the 23 percent increase in the demand for Cape Verde as a tourist destination. The huge growth of gross tourism receipts (75 percent) and in air transport-related service exports (21 percent) contributed to the increase of service exports.⁴

The **air transport and airport services sector** underwent in-depth transformations that created the conditions for Cape Verde to aspire to becoming a regional hub for cargo and passenger air transport. The following initiatives placed Cape Verde in a unique position: (i) installation of a regulatory and supervisory system for air transport operational security led to Cape Verde's classification in civil aviation Category 1; (ii) signing of the open sky agreement with the United States; (iii) ETOPS certification for the national airline, TACV; (iv) signing of an air agreement with Nigeria, the largest market generating traffic to the United States in our African subregion, and a new agreement with Portugal; (v) approval of new legislation allowing for the licensing of additional inter-island air transport operators; (vi) establishment of a program for the quick expansion and modernization of the airport network, which means that Cape Verde will have four international airports; and ([vii]) inauguration of modern communications, navigation and

⁴ See the BCV 2006 Annual Report.

surveillance systems for air traffic management (CNS/ATM) in the Sal FIR, thus enabling Cape Verde to provide quality service.

The contribution of public investment has been significant, as can be attested by: (i) efforts to build up the road infrastructure and improve water supply and urban sanitation systems, especially in S. Nicolau, Assomada, S. Domingos, Sal, Boa Vista, and Santa Cruz; (ii) trends in energy production, which recorded five years of growth, at an average of 10.6 percent a year; and (iii) the increase, between 2001 and 2004, in the number of customers linked to the water supply network, from 16,558 to 47,149, and to the electricity network, from 25,102 to 71,243.

Regarding **fiscal affairs, the introduction of VAT** followed by its revision and waiver, the expansion of the range of exemptions on a number of plant and equipment items in strategic sectors such as transportation, the streamlining of the customs tariff leading to a reduction of customs duty, and the reformulation and approval of a new system for at-source IUR withholding using the adjustment method created clear benefits for scales of diminishing returns and generally increased the disposable income of households.

As regards the **business climate and the reduction of administrative barriers to investment**, steps were taken to: (i) computerize records and notarial certification at the national level, thus facilitating company registration in less than 24 hours; (ii) computerize the roll of taxpayers; (iii) improve the customs information and management system; and (iv) introduce electronic transactions and payment systems, with the attendant reduction of costs for services, in coordination with the Citizens Bureau.

2.4.2.5 [Trade](#)

Cape Verdean exports continue to show positive behavior, despite a slowdown recorded in 2007 (from 30.9 percent to 12.2 percent, in real terms) as a result of the deceleration of service exports from 41 percent to 23.4 percent, in nominal terms, and a sharp drop in merchandise exports (-27.2 percent).

As regards destination markets, the euro zone continues to be dominant, importing about 79 percent of Cape Verdean products. The share of Japan, for its part, has risen to about 7.4 percent of Cape Verde's export market. National exports to the United States fell sharply, however, perhaps partly as a result of access problems faced by Cape Verdean products, given the stringent U.S. market requirements.

Geographical Distribution of Merchandise Exports
(Millions of Escudos)

	2004	2005	2006	2007	Structure (%)
Exports	1,334.4	1,571.0	1,819.0	1,547.0	
The Netherlands	2.0	9.0	10.5	3.7	0.2
Portugal	1,044.4	810.2	905.9	901.7	58.3
Spain	4.7	335.0	496.8	322.6	20.9
United States	259.1	193.8	25.0	21.5	1.4
Morocco	0.0	202.1	161.4	113.0	7.3
Japan	0.0	0.0	9.3	114.3	7.4
Others	24.2	223.0	380.8	297.4	4.5

Source: DGA and BCV.

Imports also slowed, increasing in real terms to 12.1 percent (14.3 percent in 2006). Import trends result from the behavior of domestic demand, especially its most dynamic components: household consumption and investment. Indeed, in nominal terms and by category of goods, an extremely sharp hike was recorded in imports of capital goods (71.5 percent), fuel (55.4 percent), and intermediate goods (18 percent). Imports of consumer goods, for their part, grew more slowly, to 8 percent, after increasing by 17 percent in 2006. In volume terms, imports of consumer goods rose by 29 percent (0.4 percent in 2006).

Merchandise Imports, c.i.f.
Millions of Escudos

	2005	2006	2007
Consumer goods	16,081.8	18,898.1	20,497.7
Intermediate goods	9,553.3	12,063.2	14,066.0
Capital	6,536.2	8,302.1	14,235.4
Fuel	3,322.5	4,110.1	6,387.8
Others	3,422.3	4,205.4	4,964.0
TOTAL	38,916.0	47,578.9	60,150.9

Source: BCV *Boletim Económico* (Economic Survey), February 2008; and DGA.

In the import market, Portugal remains the principal supplier with 45 percent in 2007, followed by The Netherlands (16.2 percent) and Brazil (6.2 percent).

Geographical Distribution of Merchandise Imports
(Millions of Escudos)

	2004	2005	2006	2007	Structure (%)
Imports (c.i.f.)	38,459.9	38,924.8	47,578.9	60,135.3	
Germany	355.3	279.0	545.6	853.9	1.4
Brazil	1,757.2	3,130.3	3,024.7	3,743.3	6.2
Spain	1,475.9	2,954.4	2,668.3	2,666.5	4.4
United States	5,091.6	1,056.7	659.9	697.8	1.2
France	940.3	772.4	1,184.1	5,721.7	9.5
Italy	1,143.2	1,548.1	2,267.2	2,275.1	3.8
The Netherlands	5,281.0	6,119.6	5,315.8	9,771.2	16.2
Portugal	16,336.5	17,729.3	23,878.1	27,059.3	45.0
Others	6,078.9	5,325.0	8,035.3	7,346.5	12.2

Source: DGA; BCV

Goods and services pricing policy is governed by the law and is based on principles of macroeconomic stability and the guarantee of convertibility of the Cape Verdean escudo with the euro. As a result of the abolishing of a number of monopolies (importing of millet, rice, sugar, wheat, and wheat flour), ceiling price rules remain in effect for essential foodstuffs such as rice, millet, sugar, wheat, wheat flour bread, potatoes, and onions.

Competition is governed by Decree-Law (2/99), and there is a Competition Council, a quasi-legal independent government body that is not yet in operation, whose function is to conduct inquiries and resolve issues relating to unfair competition.

2.4.2.6 Credit to the economy

In 2006 credit to the economy increased by about 31 percent, compared with 17 percent in 2005,⁵ thus financing the increase in economic activity resulting from implementation of a budgetary policy that freed up a large amount of financial resources that were channeled to the private sector.

The growing buoyancy of the economy is closely linked to the confidence of operators about depositing funds in Cape Verde. Proof of this can be seen in the confidence indicators for the processing industry, transportation and auxiliary services, tourism, and trade, which have all been showing upward trends.

⁵ See BCV 2006 Annual Report.

2.4.2.7 Economic regulation

With the 2003 passing and publication of the general legal rules for independent regulatory agencies, the groundwork was laid for economic regulation. The public institutions that until then had been regulators—for example, the Civil Aeronautics Institute—were transformed into regulatory agencies under the new law, with obvious gains in terms of functional, equity management, and financial autonomy. Progress continues to be steady in regulation consolidation in Cape Verde.

There are currently six regulatory agencies in operation:

1. Civil Aeronautics Agency (AAC);
2. National Communications Agency (ANAC);
3. National Food Security Agency (ANSA);
4. Economic Regulation Agency (ARE);
5. Pharmaceuticals and Food Product Regulation and Supervision Agency (ARFA); and
6. The Cape Verde Central Bank (BCV).

Another regulatory body, the Maritime and [Port Management] Institute (IMP), will soon be converted into an agency, to operate under the above-mentioned general legal system.

The AAC, ANAC, ANSA, ARE, and BCV are already more or less sound institutions that carry out their appointed tasks efficiently. They are helping to improve the functioning of the markets under their respective jurisdictions, promoting efficiency and competition.

For all practical purposes, the ARFA and the IMP are still being established and deserve special attention from the government and its development partners. The ARFA has received financial support under the Growth and Competitiveness Project that has already exceeded half a million U.S. dollars

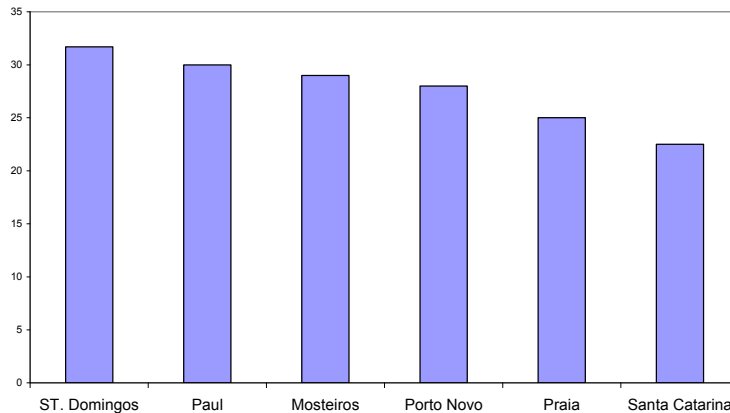
For the time being, the country has no effective mechanisms for the regulation of competition, which should not be confused with the economic regulation performed by the above-mentioned agencies. Whereas the latter relates to issues such as market access and efficient price formation, the former examines restrictive practices in competition that may have an adverse effect on the collective well-being. Over time, the government will have to promote the creation of a competition supervisor.

A. *Regulation and Supervision of Pharmaceuticals and Food Products*

1. The food sector

In 2005, 21 percent of rural households were in a situation of food insecurity, and especially so in the constituencies of S. Domingos, Paul, Mosteiros, Porto Novo, Praia, and Santa Catarina.

**Chart 2. Situation of Food Insecurity in Some Municipalities
(Percent of population affected by food insecurity)**



Source: 2006 Annual Report on MDGs.

By contrast with situations of extreme poverty, many of these households do not prioritize the absence or insufficiency of food in the listing of its immediate needs.

The country has various instruments for combating food insecurity, as follows: (i) National Food Security Strategy (ENSA), 2002–15; (ii) National Food Security Program, 2007–11; (iii) National Strategy for the Development of Agriculture and Fisheries, Outlook 2015, and the respective 2005–08 Action Plan.

Put into operation since July 2002, the ANSA has the core mission of ensuring food security for the country under the best possible conditions of quantity, quality, and price, and with direct intervention as regards the following food products, considered essential: millet, rice, sugar, wheat and wheat flour, beans, cooking oil, and powdered milk.

Within this framework, the agency has been ensuring balanced regional distribution of essential foodstuffs, in the commercial context of liberalization, with the private sector having the sole responsibility for commercial operations.

2. The pharmaceuticals sector

As regards supplying the national market, this sector has evolved considerably, considering its contribution; essentially, the country now has its own production capacity, which is large. Also, the gradual expansion of the number of pharmaceutical distribution units (pharmacies and points of sale) is such, that the sector is now ready to guarantee adequate coverage of the entire national territory.

At the same time, the national pharmaceuticals market remains largely dependent on supplies from abroad (nearly 70 percent of consumption needs) and is penalized by parallel imports that, in addition to promoting self-medication and the consumption of unsafe medication and drugs of doubtful effectiveness, with serious health risks for the consumer, also affect the economic interests of legally established distribution units.

The pharmaceuticals market continues to be characterized by the activity of a single import and wholesale distribution enterprise, which trades directly with its customers on the basis of fixed margins. This operating method is also used among retailers and their users.

B. Consumer protection in the consumption of food and pharmaceuticals

In Cape Verde, regarding foodstuffs, the situations of major risk for the health of consumers arise from: (a) unsafe hygienic and sanitary conditions at the locations for the slaughter, processing, and marketing of meat, as well as at the locations of offloading, processing, and sale of fish; (b) the quality of water consumed by the bulk of the population; (c) the possible presence of residues of pesticides and chemical fertilizers in vegetables consumed raw, as well as residues of veterinary drugs in meat and milk; (d) cases of consumption beyond the term of validity of canned foods; and (e) foods that, for a combination of reasons having to do with unfavorable temperature and humidity, or other reasons, are adulterated.

With respect to pharmaceuticals, the greatest risks for consumers are those inherent in their importation and sale on the parallel market, as they are not subject to any quality, safety, or effectiveness controls.

Apart from the risks associated with the very characteristics of food and pharmaceuticals on the market, Cape Verdean consumers are in a position marked by weaknesses, including: (a) insufficient information and education; (b) unfair situations in commercial transactions and a lack of laws and regulations and technical means to reverse the situation; (c) problems in managing consumer-related disputes; and (d) delays in implementing the Consumer Protection Law and the absence of measures for enforcing the existing laws and regulations.

Meanwhile, recent institutional reforms have prescribed that quality be placed on the country's agenda at the levels of institutions, the private sector, and consumers. In this regard, it is worth noting that: (a) a member of the current government has been made responsible for consumption-related issues; (b) activities have begun and are developing at the ARFA; and (c) there is a dynamic consumer-organization movement, with emphasis placed on the activities being carried out by the Association for the Defense of Consumers (ADECO). The most important development has been the decision to liberalize the pharmaceuticals market; this will make it more competitive and more accessible.

The path to the regulation of foodstuffs and pharmaceuticals shows that it is not enough to adopt the market option without ensuring proper functioning of that market, based on the ratio of quality to price, which must be reasonable for both vendor and purchaser.

C. Defense of Consumer Rights

The country is witnessing the growing vitality of civil society which, organized in associations for defense of the consumer in a generic and specific way, has been taking action, either from the standpoint of the information, education, and sensitization of consumers, or through cooperation with the public authorities and regulators but also exerting pressure on them to assume fully their duty of protecting consumer rights and denouncing negative economic and market practices, defective quality of products and services, and situations in which consumer rights are violated. In so doing, they are building on the legal mechanisms that exist in the country and making use of the right to be heard and access to the social communication media available in the country for the promotion of those rights.

On the other hand, the new information and communications technologies have been making a valuable contribution to the creation of a culture that, although incipient, is evolving in a most positive way in its demands for quality in the provision of public and private services to citizens and in the products made available to them. Cape Verde is a country that is increasingly open to the rest of the world; its citizens have full access to knowledge about best practices in this regard, either through the Internet or through the social communication media. The services economy is moving to speed up the introduction of standards and practices from social spaces that are economically more developed, and our situation as a country with a vast diaspora also exerts positive pressure for changing standards and practices and replacing them with others that are more in keeping with those prevailing in the developed world.

Clearly though, much remains to be done for the government to perform fully its duty to protect consumer rights, by improving the legal framework, creating mechanisms to ensure it is observed, and repositioning or eventually restoring consumer rights whenever they are violated, creating bodies to mediate consumption conflicts, with the capacity to establish effective information, education, and communications mechanisms for the protection of consumer rights, with respect to the environment, and the common good in the consumption relationship, among other weaknesses.

Some steps have been taken to produce legislation on cyber security, protection and security of personal data, and publicity and security; and to create bodies for external quality control and to formulate public policy on important essential services such as health, education, vocational training, the environment, and information that guarantees the consultation and participation of citizens.

2.4.2.8 Privatization

There have been clear gains in this area, as follows:

- **A positive fiscal impact:** (i) more than US\$82 million accumulated on the government accounts, (ii) US\$8/9 million a year in additional benefits, and (iii) US\$6/8 million a year in savings with the absence of government subsidies;

- **The economic environment:** (i) a decline in the percentage contributed to GDP by the enterprises that have been sold, and (ii) overall, an increase in their growing asset volumes, except in the case of ELECTRA;
- **GDP growth:** (i) a higher rate than the yield from the privatization of enterprises, and (ii) an increase in foreign direct investment;
- **Employment:** (i) a decline at the privatized enterprises, (ii) absorption of sacked workers by mitigation and resizing programs, and (iii) working conditions and labor relations improved; and
- **Structural impact:** (i) stronger competition in the productive sectors, and (ii) strengthening of the competitiveness of the privatized enterprises, even though they are still weak in exports.

2.5. BUILDING THE COUNTRY'S INFRASTRUCTURE

2.5.1. Land-use planning and urban and rural rehabilitation

The Basic Cartography exercise represented a significant step forward, and the country now has a set of digital maps at the service of land-use management, urban planning, infrastructure development, private operators, professional occupations, and civil society in general. However, there is still a lack of maps of suitable scale for planning urban expansion zones and the placement of new productive and basic infrastructure.

The critical assessment of the country's infrastructure reveals glaring inadequacies in material and technical terms, as revealed by the shortage of funds for preparing and implementing planned investments. As a result, projects run behind schedule. There is also a general lack of supervisory capacity, especially on the part of the municipalities, and the planning, administration and management of projects and programs have often been haphazard and uncoordinated at the national, regional and municipal levels.

2.5.2. Port, airport and road infrastructure

The strategic guidelines for infrastructure development are designed to reduce poverty, to boost economic development, and to unify the country physically, through efficient and sustainable transportation systems.

2.5.2.1. Port facilities and infrastructure

There has been healthy growth recorded in the movement of merchandise and passengers, and the movement of containerized cargo, in particular, has grown at an average annual rate of 19.2 percent since 1995.

Table 1. Total movement in the ports of Cape Verde: 1995, 1996 and 2006

	1995	1996	2006	Growth ⁶ 2006/1997
Total Movement of Vessels (n.º)	3,985	4,766	6,202	6.4%
Coastal shipping vessels	3,313	3,861	5,087	4.8%
Long-haul shipping vessels	672	905	1,115	21.4%
Movement of merchandise	655,550	848,300	1,712,405	9.5%
Coastal (tons)	256,059	365,778	596,667	8.1%
Long-haul (tons)	399,491	482,522	1,115,738	10.4%
Movement of Passengers	273,914	450,673	676,646	11.7%
Movement of containers				
Number of containers	6,390	18,512	48,321	17.3%
Movement of containers (tons)	49,242	137,875	403,901	19.2%

Source: ENAPOR

This growth in shipping activity has revealed a number of weaknesses:

1. Shortage of wharf space suitable for docking different types of vessels used in domestic and international trade.
2. Insufficient port space for the movement of merchandise, in particular containerized cargo.
3. Inadequate equipment for handling different types of cargo
4. Operational shortcomings with port infrastructure, particularly in terms of port procedures and red tape that slow the passage of merchandise through the ports and consequently increase overall transport costs.

These constraints are particularly severe in the case of international container traffic at the port of Praia on the Island of Santiago and the big port on São Vicente, but they also exist to a lesser degree in the inter-island transport of goods and passengers.

2.5.2.2. Airport facilities

Major works have been undertaken in recent years to modernize airport facilities: the runway, passenger and freight terminals have been modernized at the International Airport of Ilha do Sal (Amilcar Cabral International Airport); the Praia Airport was recently remodeled with new runway and passenger facilities; work has been completed at the São Pedro Airport on São Vicente Island, and certification is now awaited; and the Airport on Boa Vista Island was recently inaugurated.

⁶ Average annual growth rate

The network of air transport facilities includes a further five airfields, three of which are non-operational for security reasons: Mosteiros on Ilha do Fogo, Ponta do Sol on Santo Antão and the Brava airfield.

Along with the refurbishing of airport infrastructure, there has also been strong growth in air traffic (passengers, freight and mail) at the airports and airfields of Cape Verde. Passenger traffic, in particular, grew at an average annual rate of 7.5 percent over the last 7 years.

Table 2. Air traffic statistics

	ATM							TCMA
	1999	2000	2001	2002	2003	2004	2005	
Air traffic ⁷	28,631	34,780	38,350	35,444	34,519	33,192	33,034	2.87 %
Passengers ⁸	917,560	1,138,772	1,243,343	1,276,269	1,317,304	1,495,211	1,380,513	7.50 %
Freight ⁹ (tons)	4,885,963	5,605,682	6,248,660	5,207,718	4,924,928	4,990,133	4,879,223	0.54 %
Mail ¹⁰	442,026	389,912	384,678	370,941	336,646	334,537	457,182	1.68 %

Source: Civil Aviation Authority

In institutional terms, major steps have been taken to formulate a legal, technical and commercial framework consistent with international standards.

Despite the significant efforts to modernize airport facilities, there are still a number of constraints overhanging the strategic goals of placing Cape Verde in a key position to provide air transport services between West Africa and North America, and between Europe and South America. Among others:

- Airport facilities on some islands are inadequate to meet the desired safety conditions (Brava) and quality standards (Fogo and Santo Antão).
- The passenger terminal at Praia Airport is too small to handle two international flights at the same time.
- There are problems with navigation aids, particularly meteorological information (winds).
- There is no ILS [instrument landing system] at Praia Airport, and most airfields lack PAPI [precision approach path indicator] systems.

⁷ Air traffic = takeoffs and landings

⁸ Passenger statistics at CV airports and airfields

⁹ Freight traffic statistics at CV airports and airfields

¹⁰ Mail traffic statistics at CV airports and airfields

2.5.2.3. Road infrastructure

The recent assessment of the country's road infrastructure shows the tremendous progress that has been made under the Highways Sector Support Program (RSSP).¹¹

Institutional developments include: (i) creation of the Highways Institute, a public body responsible for planning and managing the road network, and representing the State as its Highways Authority; (ii) creation of a second-generation Road Maintenance Fund (the FMR), funded directly from fuel tax proceeds, which it uses for road maintenance. This same program also re-equipped the National Civil Engineering Laboratory, a key element for improving the overall quality of public works, and paid for the review of legislation governing public works through the IGOP, the Ministry's agency responsible for licensing construction firms and regulating and supervising the sector.

The RSSP has also launched pilot projects involving contracts for road maintenance by level of service, and their ongoing implementation is now being assessed.

In the road transport sector, the total number of vehicles registered in the country and circulating on the highways rose by 317 percent between 1995 and 2005. By category of vehicle, it was the light vehicles that showed the greatest growth rate (332 percent). This growth reflects a rapid renewal of the vehicle fleet.

Table 3. Vehicles in circulation

Category	1995	2005	% change
Light vehicles	8,048	26,741	332.3%
Heavy vehicles	2,004	5,739	286.4%
Motorcycles	931	2,358	253.3%
TOTAL	10,983	34,838	317.2%

Source: Direção Geral de Transportes Rodoviários, Ministério dos Transporte

Despite the great progress that has been made in highways and roadwork management, a number of threats to the sector have been identified: (i) the road system continues to deteriorate; (ii) road accessibility in some areas has not improved, or has worsened; (iii) uncontrolled automobile use threatens to increase road maintenance costs; and (iv) accident rates have risen.

¹¹ This program was signed in 2005, with a budget of US\$45 million. It has two main components: improving road management, and undertaking road works where justified by (i) their social impact in terms of combating poverty, and (ii) their socioeconomic effect (reflected in the ex-ante internal rate of economic return, using a cost-benefit analysis).

2.5.2.4. Logistics and intermodal transport

Cape Verde lags far behind in terms of logistics and intermodal transport. Catching up will require efforts to increase the supply of adequate infrastructure and equipment.

In terms of planning for the country's principal ports, we have already analyzed the gaps and the opportunities for development of logistics services, whether in merchandise transport or in value-added services, and priority areas for logistics development have been identified.

It is also important to develop smaller platforms in the secondary ports in order to rationalize and facilitate the inter-island shipment of goods.

The government's concern with logistics development also extends to airports, where it has already announced its intention to create conditions that will attract economic activities to make airport facilities profitable and to foster the development of production and employment.

A fundamental aspect for the efficiency and viability of logistics facilities is to create conditions for intermodal transport, i.e. places that will allow for the smooth transfer of goods between modes of transport. This will require a provision of parking space for vehicles and properly equipped cargo transfer areas, as well as good road connections to and between ports and airports.

When it comes to the road transport of goods, current volumes do not yet justify the construction of goods sorting and distribution centers, given other pressing priorities.

2.5.3. Energy

2.5.3.1. Energy production

Water and electricity supply in Cape Verde is in the hands of the licensed utility concessionaire, Electra, which produces desalinated water as well as electricity, and still has exclusive distribution rights.

Between 2003 and 2006, electricity generation grew by 8.1 percent per year, reaching 250,921 MWh at the end of 2006. On the face of it, this would suggest that power generation is keeping pace with economic growth (6.5 percent per year).

Yet this figure needs to be examined in conjunction with the increases in power losses (15 percent per year) and power sales (7.5 percent per year). The analysis indicates that a significant portion of increased output is not being paid for by users, and this limits the investment capacity of Electra.

Table 4. Electricity production over the last five years

	2002	2003	2004	2005	2006	Annual rate 2003/2006
Energy production	178,971	198,653	218,813	236,058	250,921	8.1%
- growth rate		11.0%	10.1%	7.9%	6.3%	
Energy losses	n.a	35,559	40,586	40,885	54,069	15.0%
- % of production		17.9%	18.5%	17.3%	21.5%	
Water production	n.a	n.a	21,218	22,426	23,350	4.9%
- % of production			9.7%	9.5%	9.3%	
Internal consumption	n.a	n.a	9,703	9,442	8,727	-5.2%
<i>As % of production</i>			4.4%	4.0%	3.5%	
Electricity sales (MWh)	117,612	132,500	147,306	161,667	164,775	7.5%
- growth rate		12.7%	11.2%	9.7%	1.9%	

Source: Electra: *Evolução dos Resultados 2002 e 2006*

Table 5. Average power rates (Electra)

	2003	2004	2005	2006	Change 2005/2006
Average rate (€/MWh) Received per MWh Sold	153	151	153	167	9,15%

Source: Electra

Also to be borne in mind is the fuel import bill, which absorbs considerable financial resources and exerts steady pressure on the country's finances, both in macroeconomic terms (via the trade balance) and in microeconomic terms (production costs of businesses). Fuel costs account for between 85 and 90 percent of Electra's variable costs.

The contribution of alternative energy sources (wind and thermal) in Cape Verde's energy power supply is still modest, at less than 4 percent of the total: 96 percent of energy is still produced with diesel generators.

In the face of sharply higher international oil prices, the power rates charged by Electra are an item of prime concern on all the islands of Cape Verde, both for consumers, who always find the price too high, and for the utility itself: Electra is in fact unable to cover its operating costs at current rates, which are in effect fixed and authorized by the government.

Access to the power system

In 2006, it was found that 70 percent of households have access to electricity: the ratio is 88 percent in urban areas, and 45 percent in the countryside. Nationwide, coverage has increased over the last six years by around 20 percentage points: 16 in urban areas and 24 in rural zones.

Yet the trend is not so favorable with respect to energy used for food preparation, and there is still heavy dependence on primitive sources of comfort and well-being. In 2006, 62.5 percent of households relied primarily on gas for cooking food, while in 2000 the proportion was 62.9 percent. The proportion of households using firewood as their main fuel rose from 33 percent in 2000 to 35 percent 2006. In the countryside, 71 percent of families rely mainly on wood, a figure that is 5.2 percentage points higher than in 2000

Table 6. Main source of energy for food preparation and lighting (percentage proportion per household)

	FOOD PREPARATION						LIGHTING						
	RURAL		URBAN		CVERDE		RURAL		URBAN		CVERDE		
	2000	2006	2000	2006	2000	2006	2000	2006	2000	2006	2000	2006	
Wood	65.5	70.7	8.2	11.1	32.9	35.1	Electricity	29.7	44.9	80.4	87.5	58.6	70.4
Gas	31.2	27.6	86.9	86	62.9	62.5	Gas	4.5	1.5	1.8	0.6	2.9	1.0
Other	3.3	1.6	4.9	2,8	4.2	2.3	Oil	49.1	26.7	10.4	3.3	27.1	12.7
							Candles	16.7	26.6	7.4	8.1	11.4	15.6

Source: INE – (IDRF 2001/2002 and QUIBB-2006)

According to the 2006 CWIQ [Core Welfare Indicators Questionnaire, QUIBB in Portuguese] household survey, the lowest coverage rates were to be found on the islands of Fogo, Santo Antão, Santiago and Brava, where the proportion of families with access to gas was below the national average (62.5 percent), with the exception of the municipality of Praia (87 percent). Sal had the highest indicators of infrastructure development among all the islands of the archipelago (92 percent).

The most pressing situations in terms of energy infrastructure are to be found in the municipalities of São Salvador do Mundo and Santa Catarina do Fogo. There, the proportion of families using electricity is less than 15 percent, and only 22 percent use gas for cooking.

2.5.3.2. Rural electrification

Rural electrification was selected as one of the strategic instruments for achieving development objectives in rural areas. In fact, the country has invested significantly in rural electrification in recent years, and the nationwide electricity coverage ratio is now 70.5 percent.

To meet electricity demand in sparsely settled rural areas, a rural electrification project was designed using solar photovoltaic panels and mini wind turbines to supply 12,000 isolated homes

that it would be technically impossible over the long term to connect to the conventional power transportation and distribution networks.¹² Work is now progressing on the project to provide home connections for low-income families: equipment is being purchased and installed to connect some 4,000 households on the outskirts of the country's major urban centers.

2.5.4. Water

2.5.4.1. Production

In 2006, Electra produced 4,309,769 m³ of water, including 3,797,875 m³ of desalinated water (88 percent of total) and 511,894 m³ of groundwater (12 percent). In comparison to 2005, total output grew by 1.1 percent, or 47,168 m³.

The trend in water output by centers of production can be appreciated in the following table.

Table 7. Electra water production in the last five years (000 m³)

Production center	2002	2003	2004	2005	2006	Change 2005/2006
S.Vicente	1,145	1,121	1,088	1,285	1,379	7.3%
Sal	519	551	594	668	744	11.5%
Boavista	67	57	60	64	63	-2.2%
Praia						
Wells	484	474	504	449	430	-4.4%
Tunnels	128	131	103	108	82	-23.7%
Desalination	1,296	1,717	1,737	1,688	1,612	-4.5%
Total Praia	1,908	2,322	2,344	2,246	2,124	-5.4%
Total Electra production	3,639	4,050	4,086	4,263	4,310	1.1%
Of which desalinated	n.a	3,446	3,480	3,707	3,799	3.3%
<i>As % of Production</i>		85.1%	85.2%	87.0%	88.1%	
Internal consumption (m3 000)	n.a	24	24	27	20	8.7%
Sales (m3 000)	2,605	2,845	2,849	2,932	2,999	1.8%
Losses (m3 000)	n.a	1,179	1,211	1,313	1,283	2.9%
- % of production	n.a	29.1%	29.6%	30.8%	29.8%	

Source: Electra, *Evolução dos resultados Electra entre 2002 e 2006*.

¹² The initial strategy for the project proved ineffective, and the World Bank was asked to reformulate the methodology.

Of the four islands, it is Sal that has seen the greatest increase in desalinated water production (11.5 percent), followed by São Vicente (7.3 percent).

The rate of water loss between production and distribution is high, averaging 29.8 percent of total output by volume.

Because Electra faces serious difficulties in meeting the growing demand for water and electricity, it is asking the larger-scale hotel operators to include facilities for producing desalinated water in their investment plans.

2.5.4.2. Infrastructure access

According to data from the 2006 CWIQ survey conducted by the National Statistics Institute, 44 percent of the population is supplied through household connections, 37 percent through public standpipes, and 6 percent relies on domestic water tanks: in total, 84.9 percent of the population has access to a more or less secure water supply system, and 25.1 percent relies on relatively precarious sources. The situation is worse in rural areas, where only 28 percent of people have piped water and 23 percent rely on less secure sources such as wells, watercourses, cisterns and springs.

Table 8. Access to water

	RURAL		URBAN		CVERDE	
	2000	2006	2000	2006	2000	2006
NETWORK	10.0	28.3	49.7	54.4	32.7	43.9
SPRING	47.3	45.2	26.6	31.6	35.5	37.1
WATER TANK	3.6	4.0	11.2	6.9	7.9	5.7
NON-POTABLE WATER	39.1	22.5	2.5	7.1	23.9	13.3

Source: INE – (IDRF 2001/2002 and QUIBB-2006)

In only six of Cape Verde's 22 municipalities are more than half of households connected to the public water system. São Domingos, Ribeira Grande de Santiago and São Salvador are the only ones where the proportion of families with piped water is well below the rural average of 22 percent.

2.5.5. Water management

With the exception of desalinated seawater, fresh water is taken from underground sources and/or surface runoff.

Groundwater is the easiest source to exploit and use, although the associated investment costs are high. The technically exploitable potential is between 44 and 65 million m³ per year. The volume actually exploited each year ranges between 36 and 40.3 million m³. Generally speaking, groundwater is produced through exploitation systems compatible with domestic know-how, such as (i) springs/tunnels, producing 62,668 m³ per day, (ii) wells (29,548 m³ per day) and (iii) boreholes (18,548 m³ per day) (source INGRH).

Springs and wells account for a significant portion of exploited groundwater resources, which are used primarily for farming and livestock purposes. According to INE (IDRF), roughly 10 percent of households use such water for consumption.

In general terms, the volume of water derived from boreholes represents a smaller proportion (compared to springs and wells), yet these sources are very important in supplying people in the country's secondary urban centers and in rural zones (the entire interior of Santiago and 5 of the 10 islands). In addition, a good part of this water is consumed in irrigated farming (3,320,180 m³ per year) and by industry (data available only for Praia: 74,378 m³ per year).

2.5.6. Basic sanitation

The assessment of basic sanitation facilities shows that some progress has been made through the Energy, Water and Sanitation Program (PEAS). Data from the 2006 CWIQ survey, when compared with information from the 2001/2002 IDRF, demonstrate that in urban and rural areas like, access to sewage and wastewater systems has improved, as can be seen in the following two tables.

Overall, the situation nationwide is fairly precarious according to the latest CWIQ survey.

Table 9. Basic sanitation

	RURAL		URBAN		CVERDE	
	2000	2006	2000	2006	2000	2006
Bathroom with toilet	21.9	32.9	62.0	68.2	44.8	54.0
Bathroom with no toilet	9.1	8.0	6.5	3.9	7.6	5.5
Toilet/ Latrine	3.5	2.5	1.5	0.9	2.4	1.6
No bathroom, no toilet/latrine	65.5	56.6	30.0	27.0	45.3	38.9

Source: INE – (IDRF 2001/2002 and QUIBB-2006)

Nationwide, 38.9 percent of households lack access to minimally acceptable sewage facilities, and must resort to nature to meet their physiological needs. The situation is even worse in rural centers (56.6 percent).

Only 54 percent of the population has a bathroom with a toilet; the concentration is highest in urban areas (60.2 percent).

In 2006, only 34.5 percent of households were disposing of wastewater through a septic disposal well or sewer pipe: about 66 out of every 100 families dispose of wastewaters improperly, pouring them out near the house (30.4 percent) or in nature (26.5 percent).

Table 10. Method of wastewater evacuation

	RURAL		URBAN		CVERDE	
	2000	2006	2000	2006	2000	2006
Disposal well	4.7	5.9	23.7	32.5	15.5	21.8
Sewer	0	0.3	17.5	21	10	12.7
Near house	66.9	52.2	43.4	29.2	53.5	38.4
Nature	28.4	41.1	15.3	16.7	20.9	26.5

Source: INE – (IDRF 2001/2002 and QUIBB-2006)

Even in the towns, only 53.5 percent of families said they were disposing properly of wastewater, although the majority (68.2 percent) have a bathroom with a toilet or are connected to a disposal well or sewage system. Only 7 percent of rural families dispose of wastewater through sewers or disposal wells.

When it comes to the system for collecting domestic solid wastes (garbage), only 59.7 percent of families use garbage containers or carts, while 27.3 percent dispose of their garbage in nature. The situation is worse in rural centers, where only 21 percent of households dispose of solid wastes in garbage containers or carts, while the majority (53.4 percent) release it into nature.

In order to address the serious problems of water supply and sanitation, which have recently become more intense, a number of rural water supply and sanitation projects have been launched in the context of bilateral cooperation involving various international partners. Such projects are now in place on the islands of Santo Antão and Santiago, among others, with direct involvement by municipalities and NGOs, in order to give rural people the means to dispose of excreta hygienically and thereby to help improve health conditions in these areas.

Yet there are still serious shortcomings in the evacuation of excreta, exacerbated by the scarcity of community wastewater drainage systems and poor hygiene practices on the part of the population. These factors constitute potential risks to public health and to the environment, through proliferation of diffuse pollution sources, and they also pose a major obstacle to the country's economic development, signifying a serious decline in living standards and the perpetuation of poverty.

2.6. THE SOCIOECONOMIC CONTEXT

2.6.1. Population dynamics

According to the INE (Summary of Main Demographic Indicators 2000-2020), the country's population is estimated at 499,796 for 2008: 51.6 percent are women, and 60 percent are younger than 25 years. Over the planning period of the GPRSP II, the population in 2011 is estimated at 527,269. The island of Santiago accounts for about half of the national population, and the city of Praia, the national capital, for about one-quarter of the total.

Progress in the areas of health and education has improved social indicators, such as life expectancy, which in 2008 will reach 68.5 years for men and 76.3 years for women; the average

annual rate of natural increase, which is 1.97 percent; and the synthetic fertility index of 2.88 children per woman.

Cape Verde has traditionally been a country of emigration, although the exodus has slowed as a result of restrictions imposed by the traditional host countries: between 1990-95 and 1995-2000, net emigration dropped from 9,900 to 8,900, and a negative balance of 1,355 is expected in 2008.

In recent years, Cape Verde has in fact become a country of net immigration. Most of these immigrants are "irregular", and reception conditions are nonexistent, a situation that is made worse by the low wages for which they must work. The result is a set of social and human problems that demand answers, so that these people can be integrated into the country under acceptably humane conditions.

2.6.2. Health

There has been considerable progress on the health front, confirmed by indicators showing that Cape Verde will achieve the millennium goals for reducing infant mortality and improving maternal health.

In fact, 74 percent of households had ready access to health services in 2006. Between 2000 and 2007, the infant mortality rate declined from 29.8 per thousand to 25.3, against the target of 18.7 per thousand in 2015. Over that same period, the infant/child mortality rate dropped from 39.6 to 32.8 per thousand.

With respect to maternal mortality, it is not yet possible to state whether the trend is rising or not: it declined from 30 per 100,000 in 2003 to 14.5 in 2005.

Table 11. Maternal mortality trend

Year	Number of births	Maternal deaths	Maternal mortality rate
2001	12,550	5	39.8
2002	12,345	1	8.1
2003	12,120	4	33.0
2004	11,862	5	42.2
2005	11,554	2	17.3
2006	11,925	5	41.9

Source: WHO Report 2006

The prevalence of HIV/AIDS was estimated at 0.8 percent in 2005. It was 1.1 percent for men and 0.4 percent for women, who remain more exposed than men to sexually transmitted diseases (72 percent of men and 46 percent of women report using condoms). The situation on the island of Santiago was of greatest concern: it accounts for 69.2 percent of cases of infection detected in the country. The priority groups for intensive care services are drug addicts, prisoners, juveniles between 15 and 19 years, and pregnant women. The principal manner of transmission (90 percent of cases) is via sexual contact, and women appear more vulnerable (58 percent of cases).

The prevention strategy was reinforced in 2004 with an integrated approach to treating the disease through psychological counseling, the treatment of opportunistic infections, and the free supply of antiretroviral (ARV) drugs, with a notable impact on behavior. In addition, the incidence rate of tuberculosis declined sharply between 1989 and 2002, thanks to screening and short-term treatment, and this disease may now be said to be under control.

Malaria is not very endemic in Cape Verde, but tuberculosis remains so, as a result of attitudes and behavior as well as socioeconomic conditions, while diseases preventable through vaccination are diminishing in frequency.

Table 12. Malaria: incidence and mortality, 2005 and 2006

Year	2005	2006
Population	475,465	483,090
Cases	68	80
Incidence (per 100,000)	14.3	16.5
Deaths	1	7
Mortality rate (per 100,000)	0.21	1.5
Case fatality rate (%)	1.5	8.8

Source: WHO Report 2006

An analysis of the situation, however, highlights the staffing shortages in health institutions. Accordingly, the Strategic Plan for the Development of Human Resources in Health thus calls for improvements by 2011, particularly in the numbers of physicians, nurses and intermediate-level health technicians.

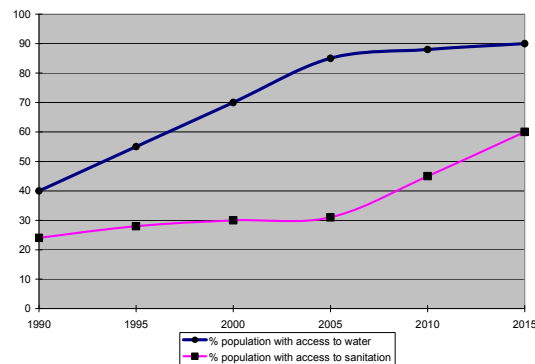
Regional disparities persist, and the growing resort to specialized care is raising costs due to evacuations within the country and abroad.

In institutional terms, there is little articulation between the public and private sectors. The government has yet to create the conditions needed to exercise its regulatory role and to supervise private establishments in a way that would avoid shifting burdens to the public sector.

2.6.3. Water and sanitation

Improved access to water and sanitation services has been one of the factors behind the improvement in health and living conditions. As the following figure shows, the percentage of people with access to drinking water rose from 42 percent in 1990 to around 85 percent in 2006 (77 percent in rural areas and 93 percent in the towns). There are still disparities with respect to rural areas, and resources and means and not being properly used.

Figure 3. Percentage of population with access to water and sanitation



Source: WHO Report, 2006.

With respect to sanitation: (i) there is no adequate treatment of wastewater; (ii) only 30.5 percent of households have access to a sewer system or disposal well, and the rate is only 9 percent in rural areas; (iii) only about 50 percent of households have a bathroom and toilet.

2.6.4. Employment/unemployment/disposable income

In 2006, the active population (workforce) numbered 183,254, which was 61,190 higher than the figure for 1980, and 11,941 above that for 2000. Of this number, 149,680 were employed and 33,574 were unemployed, for an unemployment rate of 18.3 percent, versus 24 percent in 2005. The unemployment rate among women, at 23 percent, is double that for men (14 percent) (ISE/IEFP 2006).

Around 64 percent of family incomes in Cape Verde derive from wages. Employment is thus a determining factor of income, and consequently of living standards. Employment policies must take into account not only the scale of unemployment but also the need for decent pay, as around 29 percent of the working population is poor. This is most obviously true for those working in the primary sector, followed by commerce and civil construction, three sectors that account for about 56 percent of nationwide employment.

Informal work occupies an important place in the labor market. Of the 149,608 persons employed in 2006, about 70 percent (105,295) were working without any formal contract. Among domestic employees, that rate is 95 percent. The importance of informal work suggests that employment policy should be guided by the ILO's agenda for decent work, with a view to promoting fair pay and social protection for formal and informal workers alike.

The increase in employment has brought with it an increase in the overall volume of pay, as well as a notable increase in wages. Average yearly pay per worker rose from 94,164 escudos in 1990 to 215,986 escudos in 2006. The growth in average pay per worker reflects not only higher wages, but also the impact of higher skills levels in the workforce. In fact, 35 percent of the employed population had secondary schooling or more in 2006, versus 29 percent in 2000.

Around 33 percent of the unemployed are young, and of these 52 percent are relatively well-educated. About 44 percent have completed secondary school (41 percent) or beyond (3 percent), a rate that is nearly nine percentage points higher than that for employed persons. Unemployed persons who have already held a job are younger but also better educated than those currently employed. There are great gender disparities between young people aged 15 to 24: the unemployment rate among females is 47.6 percent, while it is 35.5 percent among males.

Women represent about 48 percent of the workforce and (45 percent) of persons working. Roughly 36 percent of low-income wage earners are female. Around 42 percent of unskilled workers employed by others are women. On the other hand, women constitute a majority (55 percent) of low-income people working for their own account, and of these women about 8,000 are unskilled. Of the unemployed workforce, 61 percent are females, and of these 10,293 were previously employed, representing 57 percent of unemployed persons with previous work experience. The greatest discrepancies, to the detriment of women, are to be found in access to employment, where the gap between heads of family is particularly great (16.4 percent for women and 10.3 percent for men).

2.6.5. Poverty: structure and dynamics

In terms of the Millennium Development Goals, Cape Verde faces the challenge of lifting 47,000 people out of extreme poverty. To do so it must continue to rely on the Program to Combat Rural Poverty (PLRP), which has done much to create employment and incomes and to provide vocational training.

Highlights of the PNLP (National Antipoverty Program) include: (i) construction and upgrading of community facilities to provide basic services in the fields of education, health, water supply and sanitation; (ii) support for local initiatives; (iii) promotion of training for self-employment and income generating activities, through microcredits.

Surveys conducted by the World Bank, INE and DGP in 2004 and 2007 point to a decline in the population living in absolute poverty, from 49 percent to 37 percent, between 1988-89 and 2001-02.

As the following chart shows, poverty as measured by assets declined by 11.7 percentage points, from 36.5 percent in 2001-02 to 24.9 percent in 2006.

Chart 1. Incidence of poverty, as measured by alternative methods, Cape Verde 2001/2006¹³

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
	<i>National</i>			
<i>2001-02</i>	<i>36.7</i>	<i>36.7</i>	<i>36.5</i>	<i>36.5</i>
<i>2006</i>	<i>28.7</i>	<i>26.9</i>	<i>24.9</i>	<i>28.0</i>
<i>Difference</i>				
<i>(2001-2006)</i>	<i>-8.0</i>	<i>-9.8</i>	<i>-11.7</i>	<i>-8.5</i>
	<i>Urban</i>			
<i>2001-02</i>	<i>25.0</i>	<i>25.0</i>	<i>24.9</i>	<i>24.9</i>
<i>2006</i>	<i>17.5</i>	<i>16.0</i>	<i>17.2</i>	<i>19.3</i>
<i>Difference</i>				
<i>(2001-2006)</i>	<i>-7.6</i>	<i>-9.0</i>	<i>-7.8</i>	<i>-5.7</i>
	<i>Rural</i>			
<i>2001-02</i>	<i>51.1</i>	<i>51.1</i>	<i>50.8</i>	<i>50.8</i>
<i>2006</i>	<i>42.5</i>	<i>40.3</i>	<i>31.3</i>	<i>28.6</i>
<i>Difference</i>				
<i>(2001-2006)</i>	<i>-8.6</i>	<i>-10.8</i>	<i>-19.5</i>	<i>-22.2</i>

Source: Authors' calculation, using IDRF (2001/02) and QUIBB (2006).

[Column headings:]

1. Predicted poverty rate in 2006 based on consumption distribution and per capita GDP growth in 2001
2. Predicted poverty rate in 2006 based on consumption distribution and per capita consumption growth in 2001.
3. Reduction in asset poverty between 2001 and 2006.
4. Growth component of the reduction of asset poverty between 2001 and 2006.

.....
Poverty remains significant, and reflects essentially the weakness of the productive fabric and its low capacity to generate employment, incomes and well-being for the country's people.

2.6.6. Labor, family and social protection

Some of the programs that were implemented under the first GPRSP (2005/2007) were designed to improve interventions in the fields of labor administration and social security, so as to help reduce poverty levels in the country, and they established a set of strategic objectives to be met through various projects that would enhance performance significantly these fields.

¹³ See: World Bank: *Sair da situação de pobreza em Cabo Verde (2001-2007): Comparação das avaliações quantitativas e qualitativas*

An analysis of this area, however, reveals a number of constraints of varying kinds that have prevented achievement of some of the objectives defined. The analysis points to the need to have a greater institutional capacity for intervention, especially in important areas such as labor administration and inspection and social security and integration services.

2.6.6.1. Labor relations and working conditions

The country's currently strong development performance has sparked growth in the world of work, with new business initiatives (up by more than 100 percent on some islands), new forms of work organization, and new approaches to labor relations. These demand a legal and institutional framework more in accordance with the requirements and challenges of the process.

In the field of labor relations and conditions, the following actions and projects deserve note: (i) the revision, preparation and approval of various legal provisions, including preparation of draft legislation on maritime and aeronautical work, on student workers, and on foreign workers; (ii) preparation and approval by parliament of the new labor code, which is to come into force at the beginning in 2008; (iii) steps for prevention, monitoring and mediation of labor disputes; (iv) inspection activities covering various enterprises; (v) other steps to enforce and publicize the basic law on workplace hygiene, health and safety and prevention of workplace accidents and occupational illnesses; (vi) the promotion of dialogue among the social partners, within the Social Cooperation Council.

This is a sector of great importance for the country's development, and in particular for improving the working conditions and relations of Cape Verdeans, and promoting the decent work championed by the ILO. Yet it suffers from a series of organizational and institutional constraints: current structures are inadequate, especially those concerned with enforcement and supervision; with the cutbacks in the number of inspectors, there is a shortage of human resources; and technical resources are insufficient for conducting proper inspections.

2.6.6.2. Social security and integration

The following key programs have been launched with a view to reforming the social security system and combating poverty:

a) Reform of social security

A number of projects and measures have been introduced to overhaul the social security system with a view to making it sustainable and universal, and enhancing social justice. They include: (i) revisions to the basic law on social security; (ii) analysis and strategy for the development of social security in Cape Verde, focusing on the noncontributory system; (iii) preparation of a "Social Charter" and "Social Atlas"; (iv) approval of Decree-Law 24/06 creating the Social Pension; (v) increase, diversification and improvement of social allowances on the basis of solidarity and social justice; (vi) bringing employees of the public administration and the banks, as well as independent workers, into the social security system; (vii) preparation of a medium-

term expenditure plan for the sector, with a new approach to planning and strategic management by results designed to enhance program efficiency and effectiveness.

The scope of coverage of the social insurance program for employees has been broadened to include some 15,000 workers in the government and municipal administrations. In 2006, the number of contributors rose 4.7 percent over 2005, to 15,560, and the number of insured workers increased by 20.7 percent to 62,940.

With the minimum social security floor established in 1995 under the noncontributory system, there are now 21,361 persons covered by pension programs, resulting from the merger of the Minimum Social Pension and the Social Solidarity Pension. Beneficiaries are primarily the elderly, the chronically ill, persons with disabilities, and former FAIMO workers. Benefits take the form of a monthly pension, which has increased significantly over the years to a current range of \$3000-\$3150.

With the pension increases in recent years, the annual cost of the program now amounts to around \$790,058,000.

b) Social integration and access to social services

Action in the following areas has been taken or is under way to enhance access to basic social services: (i) health services, including patient evacuation, medical assistance and drugs, to guarantee the right to health for the most vulnerable people not covered under any other protection system; (ii) education for students from low-income families, through an education grant: the program currently covers 230 students at different levels of instruction (technical and vocational, intermediate or higher education); (iii) rehabilitation and integration of persons with disabilities, to help address their health and education problems, and establishment of a national plan for persons with disabilities; and (iv) a network of community social workers to support initiatives sponsored by civil society organizations for combating poverty and social exclusion.

With all the activity in this area, including various initiatives by civil society organizations, and the variety of coverage now provided by the social services, there is a need to set operating rules and regulations, and to establish a licensing and inspection authority for the services to ensure that activities are properly monitored and coordinated and to guarantee the quality of service to public. The coverage of social services is inadequate to meet the growing needs, in particular those of female heads of family caring for children and for disabled and elderly persons.

c) Children and adolescents

Activities in this field are targeted at two broad areas: (i) promoting and publicizing the rights of children, and (ii) protection and social reintegration, an area that involves a number of projects targeted at children in a position of personal and social risk.

Protection for the rights of children is being translated into campaigns of solidarity, awareness raising and education about children's rights; a study of various problems facing children and adolescents; and the provision of direct services, including psychosocial care and support for children in a position of personal and social risk, in partnership with other agencies and civil

society organizations. The coverage and accessibility of social services have been greatly expanded in all municipalities; they are targeted primarily (68 percent) at younger children [to the age of 12].

To defend and promote the rights of children, 16 municipal committees for the defense of children's rights have been created, covering nearly all municipalities: the last one, in Tarrafal, island of Santiago, is awaiting establishment.

Despite the rising number of problem cases, progress has been made in this field, with the strengthening of legislation protecting children, studies on the various problems affecting them, and the establishment of various support services and institutions, counseling, and guidance for children and their families.

d) The family

Unemployment, poverty, gender inequality, and poor housing conditions are all associated with phenomena that have serious implications for the future of younger generations—family instability and breakdown, alcoholism, domestic violence, juvenile delinquency, and child prostitution, and the situation of street children. These problems prevent families from exercising their functions, and this is a serious constraint on the country's development. Women are most severely affected, as increasing numbers of households are headed by women, who are the mainstay of the family from the economic, educational and social viewpoints.

Under family support policies a number of social programs, services and facilities have been established, involving the municipalities and civil society organizations in an effort to address situations of need. Yet despite the progress made in various areas, and the positive impact on families, it must be admitted that the responses have been insufficient to reduce the poverty and marginalization in which many families, rural and urban alike, find themselves.

2.7. YOUTH

As part of the National Youth Policy, great efforts have been made to encourage youth associations, with the creation of the National Youth Council, juvenile leagues, youth centers and telecenters, and social volunteer work, through the Law on Juvenile Associations.

There has been noteworthy progress in implementing policy measures, especially in the fields of education (notably the University of Cape Verde), vocational training, employment, culture and recreation, the environment, and agriculture, all of which hold out prospects for young people to achieve higher levels of knowledge and culture in general. These efforts must be supported by policies to raise the quality of instruction and vocational training in order to achieve higher levels of specialization in specific areas of knowledge and know-how.

Now that the new training units are in place (point 2.3), young people have a choice of quality technical education vetted, revised and coordinated with the FP [the vocational training program]. The number of students enrolled at this level of education has more than doubled, from 1,031 in 2000 to 2,598 in 2004, to which may be added the hundreds of young people who are sent abroad for technical and vocational training.

The promotion of young microentrepreneurs has received attention, and almost 13,500 contos [a “conto” is 1000 escudos] has been earmarked for financing income- and employment-generating activities for youth.

Despite all these measures and activities, data for 2005 show that 48 percent of persons between the ages of 15 and 24 years were unemployed, representing 38.6 percent of the economically active population. It is interesting to note that the profile of unemployed youth comprises essentially persons with general primary or secondary education, demonstrating the need to put further emphasis on technical and vocational training and to encourage entrepreneurship to create jobs, including emergency incentives for young entrepreneurs.

2.8. CULTURE

There have been significant cultural advances on many fronts. The defense and affirmation of our identity has been pursued through a policy to promote, preserve and appreciate our heritage: an application has been filed to have the Old City [of Sal] declared a World Heritage site; research work has been conducted into the country's history, anthropology and oral traditions; work is under way for the transfer, cataloging, conservation, treatment, preservation, microfilming, computerization and dissemination of the national archives; the library system is expanding steadily; archaeological and underwater research is becoming more important; and there is great activity in the book fairs, in the publication of significant works, and in library and bookselling services.

Cultural promotion activities have paid great attention to fostering dialogue and the sharing of experience, to encouraging cultural sustainability, and to creating synergies.

Government authorities and the artistic and cultural community have made efforts to promote and disseminate our culture abroad. This policy of international openness, of tolerance and appreciation of cultural diversity, means that we are sensitive to the achievements of humanity and to the rich legacy of humanism.

2.9. SPORTS

Significant sums have been invested in sports facilities. The "Young Athletes" scholarship has been established, and support has been granted to sporting clubs and to schools for launching sports initiatives, along with the negotiation of program contracts with sports federations.

The international scene has been marked by the successes of the national soccer team, and the medals awarded in rhythmic gymnastics, boxing, taekwondo and basketball. Of particular note are the medals won by wheelchair athletes in the Zone 2 international competitions.

2.10. ENVIRONMENT

The low degree of rainwater infiltration and retention means a shortage of groundwater. Improper farming practices are contributing heavily to soil degradation. The rural exodus of recent years has led to uncontrolled squatter settlements in the towns, with implications for

pollution of the soil, air and water from the accumulation and dispersal of solid wastes and sewage. The massive removal of rock and sand along the seashore is allowing the infiltration of seawater, with the loss of biodiversity, a decline in the quality of the scarce groundwater, and deterioration of tourist areas.

There is a very pronounced interdependence between the environment and poverty. Thus, growing demographic pressures in the countryside have sparked an exodus toward the main cities and secondary towns, with the resulting saturation of infrastructure, rising urban poverty, and environmental problems that affect public health and living conditions.

The National Action Plan for the Environment I and II has been adopted as the strategic framework for the rational and sustainable management of natural resources and of economic activities to combat poverty, with a view to protecting the environment, making water available, creating jobs and assuring food security. The priority areas are: (i) sustainable management of water resources, (ii) basic sanitation, (iii) biodiversity, and (iv) land-use planning.

The strategic plan for agriculture, the municipal environmental plans, and the environmental information action plan have been prepared and are in implementation. Steps have also been taken to insure the efficient management of water resources, to provide training for farmers, and to promote drip irrigation systems, through a special program for food security.

2.11. PERSISTENT VULNERABILITIES

Despite the progress made on the socioeconomic front, a number of vulnerabilities persist, both structural and cyclical:

Serious drought problems: agro-climatic analyses show that the wet season has become shorter and that periods of drought are becoming more frequent, with a devastating impact on fragile ecosystems and biodiversity.

Territorial discontinuity: this is one of the principal constraints on productivity in the ports and on the competitiveness of all sectors of the economy. It is also a development challenge, particularly in terms of sea and air transport linkages and the cost of the basic factors for boosting economic activity.

Heavy dependency on imports: this applies in particular to fuel and food imports, which are highly vulnerable to external economic shocks caused by constantly changing prices. In 2004, the adverse impact of rising oil prices was buffered to some extent by the combined effects of lower tariffs, the rationalization of indirect taxes, the reform of the oil sector, deregulation, public subsidies, and growing transfers and private capital inflows. However, the persistence of higher oil prices affected the macroeconomic situation, in particular the inflation rate, financing needs, and the terms of trade. The energy sector was especially affected, because oil accounts for 93 percent of total energy consumption.

Dependence on remittances and official development assistance: this is one of the country's most glaring vulnerabilities. These flows account for 34 percent of GDP, and a significant portion of development efforts is based on transfers.

Major and unpredictable fluctuations in output: together with the cyclical and structural factors mentioned above, these fluctuations constitute enormous risk factors for rural people, and are responsible for the intensity of poverty in the countryside, where nearly half of the population is poor.

3. AN AGENDA FOR CHANGE

3.1. Outcomes

The country has undergone swift and profound changes as the result both of its internal development dynamics and of the phenomenon of globalization, which together are placing new and complex demands on the capacity to innovate, to adapt plans constantly, and to reconfigure domestic and external policies.

- Income per capita stands at US\$2,316.
- Literacy rate: 79 percent for adults and 97 percent for juveniles.
- Human Development Index: .736.
- Life expectancy: 76.1 years (women), 72.3 years (men).
- GDP has been growing steadily, exceeding 10 percent in 2006.
- Exports have performed very well, with a year-on-year increase of 43.5 percent in 2006 versus 17.7 percent in 2005.
- Foreign direct investment has been growing strongly, and now exceeds ODA.
- Tourism has grown sharply, and for the first time outpaced emigrant remittances.

This encouraging performance has taken concrete form in a number of recognized advances, especially in the following fields:

- Political governance, as witnessed by political and social stability, the changeover of government through direct, free, transparent and democratic elections.
- Economic governance, reflected in the macroeconomic stability resulting from a sound record of economic management and sustained economic growth.
- Education, with a record of strong and persistent commitment to enhancing human development.
- Health, as demonstrated by a life expectancy at birth of 72.3 years in 2006, the percentage of the population (76.1 percent) with access to drinking water, and the prevalence rate of HIV/AIDS, calculated at 0.8 percent.
- Poverty reduction and social inclusion: between 1988 and 2002, the number of Cape Verdeans living in poverty declined by one-quarter, to 36.7 percent of the population; the remaining poor are also closer to the poverty line, and inequality among them has declined.
- Lower unemployment: according to INE data, the unemployment rate was..... percent in 2007, versus..... percent in 2006.

Yet there remain a number of weaknesses:

- (i) Low domestic productivity with high production costs, inadequate markets, and an ineffective quality control system.
- (ii) The need for further improvements in the quality of primary and secondary education, beyond the achievement of universal access to education: expansion and improvement of technical and tertiary education to create capacities in the key development sectors and to increase entrepreneurial capacities.
- (iii) The need for sustained progress in pursuing the MDG, especially at the local level; to strengthen planning, management and administration capabilities; to strengthen the health-care system so as to meet the demands of tourism development; coping with the spread of communicable diseases that may be associated with development in general.
- (iv) The need for a set of basic policies to consolidate macroeconomic stability, decentralized decision making and delivery of public services, to promote employment through the development of productive sectors with a multiplier effect on employment, to improve income distribution, and to enhance social security and environmental protection.
- (v) The need for affirmative action on gender, recognizing the systemic nature of gender inequalities.
- (vi) The cost and availability of electricity; water supply; labor costs and labor market inflexibility.
- (vii) High taxes and customs duties.
- (viii) Expensive and faulty telecommunications.
- (ix) Shortage and high cost of financing.
- (x) Lack of specialized human resources.
- (xi) Poor performance of the ports.
- (xii) Rudimentary economic regulation

3.2. The new challenges of modernization

This brief overview suggests that the challenges arising from the country's growing responsibilities include the following:

Accession to the WTO

As a WTO member, Cape Verde is committed to rationalizing its trading system. That commitment includes a reform of the legal framework and the reduction of tariffs, as well as acceptance of WTO rules and the negotiation of concessions with its main trading partners, this challenge has to do with the national capacity to take advantage of emerging opportunities and to recognize the potential of other competitors.

Graduation to middle-income status

Cape Verde meets two of the three essential criteria for graduating from the LDC [least-developed] group: they are Gross National Income and the Human Capital Index. The key

questions involve effective implementation of the strategic vision of Cape Verde for transforming the country so as to ensure effective and sustainable graduation, while at the same time mobilizing the financial support of the international community to combat the country's poverty and vulnerability.

Strategic partnership with the European Union

The strategic partnership agreement, anchored in a dynamic, structured space with deep and strong historic, social and cultural linkages, is designed to generate alternative flows essential for reducing the structural vulnerabilities of Cape Verde, and to establish income-generating activities that will support growth, allow the internal accumulation of capital, and help the country integrate itself more thoroughly into the international economy, while at the same time boosting political dialogue and economic convergence between the parties.¹⁴

Hence the concern to identify and map out the key domains of the country's development, with proposals for strengthening and adapting policies so as to meet the challenges of the future. This will require a vision and the capacity to change, keeping as the constant common denominators economic growth, a significant cut in unemployment, and the greatest possible reduction in poverty.

3.3. Vision

The vision of national development will be achieved by implementing development strategies that include the mainstreaming of gender issues, shaping an agenda for economic transformation¹⁵ that will finally do away with poverty by creating wealth, increasing the productive capacity of the poor, and targeting antipoverty programs at the most vulnerable segments of the population.

The elements of this vision reflect the importance of development for the country, and are considered long-term objectives, with the following dimensions:

A nation opened to the world

The world, including Cape Verde, is changing rapidly. Competition is mounting and is becoming global, with ever greater challenges for developing countries. In this hypercompetitive world that is emerging, it is very clear that countries such as Cape Verde, with no natural resources, will have to rely heavily on their innovative capacity, so that they can position themselves competitively in the global market.

Globalization and trade liberalization have the potential to make national economies more competitive, and consequently to increase productive employment, reduce poverty and, in

¹⁴ EU Council of Ministers.

¹⁵ See Appendix 2.1 for a Matrix of Policies and Activities of the Economic Transformation Agenda.

general, improve living standards. Thus, Cape Verde must seek to create wealth and shared prosperity, through active participation in the global market.

A dynamic system of production

Beyond the recognized structural constraints, Cape Verde's vulnerability is also reflected in its heavy dependence on external funding, primarily remittances and development assistance, which means that it is severely exposed to external shocks such as oil price hikes and exchange rate fluctuations.

Thus, the economy must be transformed to face the challenges of globalization and to reduce vulnerability. We must have a dynamic production system to insure the sustained growth needed to create jobs and improve the lives of our people.

Well-developed human capacities

We must persevere in building the human capacity to operate at high levels of knowledge and excellence, an essential condition if we are to develop and implement strategies, policies and programs to achieve the vision of a prosperous future for our people.

Emphasis on technological and cultural development

Science and technology must play an important role in the transformation agenda, which is crucial for long-term economic development and growth, by implementing effective strategies and policies that will support economic growth and job creation and will have a positive impact on living standards.

Sustainable development and a flourishing culture are interdependent. Achieving harmony between culture and development, respect for cultural identities, gender equality and equity, tolerance for cultural differences within a framework of pluralistic democratic values and socioeconomic equality are some of the prerequisites.

One of the principal objectives of human development is the social and cultural satisfaction of the individual. Development and cultural vitality must include support for artistic and cultural creation and dissemination as a dimension of the nation's daily life.

Economic growth with social solidarity

Economic growth must go hand-in-hand with social solidarity. This is an important element of the programs that countries are developing to combat social exclusion and improve social cohesion. Generally speaking, social cohesion is achieved through social policies that include the gender perspective, employment policies, income redistribution, and access to education, health, water and sanitation, information and culture. The country intends to implement appropriate strategies for addressing the challenges of social exclusion so as to guarantee a decent life for all its citizens.

Continuous strengthening of democracy

The country enjoys a climate of trust, freedom and security, thanks to the achievements in consolidating and strengthening democracy, promoting and protecting human rights, freedoms and guarantees, ensuring smooth political succession, and reaching consensus on important national issues, with broader spaces for the exercise of citizenship.

Cape Verde will therefore continue to offer a benchmark in terms of building democracy and promoting the rights of all citizens. The electoral code was recently revised, and there are plans to establish in the near future a *Provedor de Justiça* [Office of the Chancellor of Justice or Ombudsman] and a Constitutional Tribunal, as further moves in strengthening democracy and citizenship.

3.4. Strategic objectives for the medium and long terms

3.4.1. Transformation of the State

To lay the conditions for sustainable economic development through sustained economic growth, firmly rooted in a private-based market economy that is integrated into the global economy, and thereby to reduce poverty, the government has chosen the route of an Economic Transformation Strategy.

The country is confident of its capacity to meet the challenge of strengthening the State in its three basic functions: (i) providing security, (ii) guaranteeing justice, and (iii) fostering economic prosperity.

This transformation is being supported by an ambitious program that involves reevaluating the current role and dimensions of the State. Future interventions will be essentially in the dual realms of governance (at the central and local levels) and in the three branches of State (executive, legislative and judicial), which will entail the strengthening and rationalization of the three essential areas it must guarantee: security, justice and the socioeconomic dimension.

3.4.2. Reform of the public administration

We have an administration that is closer to the citizens and to economic agents, more transparent and equitable, with better-qualified human resources who are motivated and aware of the importance of public service, and an administration that promotes and regulates public-private partnerships.

For the future, the objective is to bring public administration even closer to the citizens and businesses, and this will require the strengthening of management functions, and motivation and upgrading of human resources, by strengthening the regulatory and supervisory role of the State and ensuring greater capacity at the local level to manage local development.

3.4.2.1. Strengthening municipal administration

Municipal governments are about to take on greater responsibilities, which means that their resource planning and management must become more rigorous.

It is therefore essential to adopt and implement policies that will reinforce trust in the local authorities in their task of promoting local development, by helping them achieve constantly higher levels of efficiency and effectiveness in meeting local needs.

In addition to the policy measures called for in the National Development Plan (PND), a partnership strategy will be developed between public entities (government and municipalities) and civil society organizations, with a view to strengthening citizen participation in the decentralization process.

A local administration policy will be pursued, based on administrative decentralization as one way to correct certain regional asymmetries, through measures that will bring power closer to the citizens, relying on public-private partnerships and the transfer of skills and resources to municipal entities, especially in the areas of education and health.

The strategic partnership framework with the European Union offers great room for local government participation, in the sense of reconfiguring and consolidating decentralized cooperation. The municipalities as will be called upon to design and develop policies and programs consistent with the demands of graduation. This is a process in which the responsible government department will need to establish synergies with the local authorities.

3.4.3. Permanent benefits of democracy

Cape Verde is a viable country. Democracy is understood as a set of principles and values that are undergoing constant improvement to ensure:

- ***Continued, sustained economic growth***, based on the modernization of the country, increased knowledge, innovation, and an accelerated effort to upgrade human resources and public services in support of development and progress;
- ***Ongoing enhancement of national cohesion*** to reduce poverty and to increase solidarity and equal opportunity;
- ***A better quality of life for Cape Verde citizens***, with reduced unemployment, an upgraded environment, meeting of more basic requirements (housing, access to drinking water, energy, health, and education), further improvement in human development indicators, and better territorial organization and cohesion.
- ***More participation areas***, where qualitative ownership of democracy and citizenship can be promoted, to steadily enhance and strengthen the credibility of the government and other

sovereign bodies, the political system, individual and community security systems serving the people, and a more effective dialog with the political parties, economic transactors, workers, civil society, and the relevant representative and religious organizations;

- ***Full, substantive affirmation of status as a global nation***, integrating, in space and time, the Atlantic Islands and communities scattered throughout the world, to affirm Cape Verdean nationality, to develop the international framework for Cape Verde's foreign policy, emphasizing its economic and cultural position in support of Cape Verde's integration and increasing affirmation in the international community:

Good governance is a basic factor in consolidating Cape Verde's progress, in establishing conditions for the permanent, increasing credibility of the central government and its institutions. For that purpose, it will continue to be a strategic resource for Cape Verde's development, particularly in transparent management pursuant to the laws of the republic.

Governance ethics will continue to guide the government's actions, all of which will support the approval and implementation of the by-laws for public office, to hold these persons accountable for managing public assets.

The proper balance of power and institutional cooperation will be ensured among the branches of government, in accordance with the Constitution, through the strengthening and consolidation of institutions, the deepening of democracy, and the achievement of a broad consensus in areas of most interest to the country as a whole.

3.4.4. A modern, competitive economy

Robust growth and competitiveness of the Cape Verde economy are the public authorities' main activity aims, in the context of strengthening and developing the private sector, to drastically reduce the unemployment rate. There are two major economic policy objectives for that purpose:

To reduce unemployment to below 10 percent: poverty reduction will be the necessarily result of more and better employment, as a priority, for women. Economic growth will create more income-generating activities and more employment at ever higher levels of remuneration.

To achieve double-digit GDP growth rates: in light of the country's economic performance during the past five years (GDP grew 10.6 percent in 2007, according to the IMF), current trends, those forecast in particular by the IMF, and the public and private investment outlook, measures will be adopted and actions taken to support and consolidate the upward trend.

Cape Verde adopted a broad strategy to promote competitiveness, foster economic development, and create jobs. The main points of the strategy are provided below:

- To develop the market economy through stimulus to Cape Verde micro, medium, and large-scale enterprises, and to promote partnerships with foreign investors;

- To promote public/private partnerships and launch a policy of competition to promote the establishment of better institutional conditions for the entry of new businesses and enterprises in all economic sectors;
- To increase efficiency in supplying goods and services through implementation of the privatization program.

As a result of Cape Verde's accession to the World Trade Organization, productivity must be increased to face competitive pressure in the country's new economic environment, primarily with relation to its new **status as a medium-developed country**. The aim is to increase and enhance production to raise the national economy to the desired level of competitiveness, thereby increasing value added and employment opportunities.

The key to the Cape Verde's economic competitiveness lies in **highly skilled human resources and new information and communication technologies**, that will impact innovation in processes, products, and services. And the process of innovation is no accident. The innovation dynamics of a country such as Cape Verde cannot be the random result of individual efforts. It is the product of a system entailing institutional involvement and management of the country's economic transactors—in other words, the “innovation system.”

By contrast, the Labor Law requires reform, and to address the real situation in the labor market, it must be sufficiently flexible to avoid disruptions in economic growth and to accommodate informal labor relations, which account for 25 percent of employment in Cape Verde, and self-employed labor, which represents 40 percent of employment. The reforms to be introduced should aim at enhancing flexibility, promoting employment, and increasing productivity.

3.4.5. The knowledge society for innovation, qualification, and employment

This is the ultimate modern approach, of knowledge and intensive technology, requiring highly skilled human resources in science, technology and innovation—key factors in meeting the demands of globalization. It is therefore important to define the legislative framework, to guide the overall education system for that purpose, and to support the transformation of sciences and technologies into a national innovation system, as one of the pillars for real economic development, increased growth rates, generation of productive employment opportunities, and promotion of a knowledge-based economy.

The University of Cape Verde should be supported through the creation of infrastructures: construction of university campuses, strengthening of physical and technological capacities, and human resource development in higher education institutions operating in Cape Verde.

Such policies will also be reflected in the organization and building of an integrated education, training, and employment system, development of a national professional skill and qualification system, establishment of ongoing education opportunities for initial vocational training at all levels and in a variety of forms, promotion and development of continuing education, establishment and implementation of training activities and continuous retraining for managers, trainers, and instructors in vocational education, as well as the organization of a statistical information system on employment and occupational training.

3.4.6. Information and communication technologies (ICT) to develop human resources and stimulate innovation

The superior technology institutions and the future University of Cape Verde will be essential factors in training and increasing the level of qualification of human resources in ICT areas, and in supporting new enterprises in the development of business plans, technical infrastructure plans, management and maintenance of computer resources, and the design and calibration of applications.

In this framework, policies and mechanisms will be defined to mobilize ICTs to upgrade human resources in Cape Verde, in two areas: (i) better quality and greater access to the educational and training system; and (ii) ICT training for Cape Verde nationals.

These efforts will focus on promoting equitable conditions for access to ICTs in the primary and secondary schools, promoting virtual campuses and distance learning, continuing education for teachers, development of new ICT curricula, and ICT training for different population sectors.

In this framework, a new, innovative, and ambitious approach will be adopted in capacity building for resources and in the training of new generations to optimize all advantages and opportunities offered by new information and communication technologies, consistently with the three action aims, each designed to meet specific requirements of different population sectors in terms of educating, graduating, and providing continuing education: (i) ICT in the schools; (ii) ICT in higher education; (iii) ICT in civil society.

3.4.7. Culture and development

The efforts in the area of education are substantial, and must also be made in the cultural area. In other words, harmonized human development and globalization require citizens to have a thorough knowledge of history, culture, environment, and matters specific to Cape Verde. The best vehicle for this knowledge is now systemic, systematic education and training.

Policies must be adopted and procedures established to bring Cape Verde culture up to the requirements of an internationally competitive economy, and to make it possible to implement the strategy for the country's harmonious economic liberalization.

The challenges in the sector entail the following: (i) promotion of a cultural policy to strengthen the national identity and be receptive to modernization; (ii) focusing on culture in Cape Verde's planning; (iii) upgrading and promotion of cultural products; and (iv) development and promotion of Cape Verde's cultural and historical heritage. A further challenge is to develop a cultural industry supported by and related to the sustained development of the tourism industry and poverty reduction.

3.4.8. Active social solidarity

To address the constraints and ensure greater efficiency and efficacy in implementing sector policies in the areas of labor, security, and social integration, in strengthening poverty reduction strategies and promoting social balance and cohesion, we observe the following major challenges in the sector:

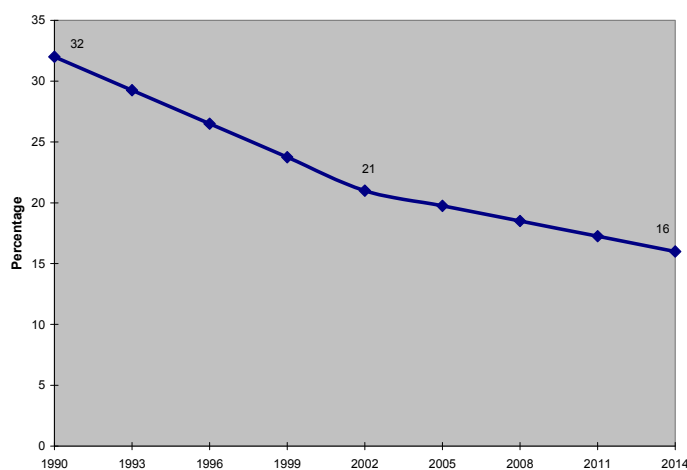
- To help reduce poverty and social inequalities by promoting the establishment of conditions to improve the quality of life and well-being of the people, especially the most disadvantaged sectors, guaranteeing them access to income and basic social services.
- To establish an institutional capacity to help strengthen and consolidate the labor and social security administration system, to have a substantial impact to correct the country's vulnerability, leading to change in the sector and the development process that is under way.

3.4.9. Poverty reduction and ongoing integration

When average growth rates exceeding 5 percent are sustained, the goal of poverty reduction will be in reach, as the trend shows in the graphic below. The authorities must therefore build on the dynamics of liberalization already in progress and advance to a higher level of development based on the new growth and competitiveness models:

- Robust growth to generate wealth, driven by the private sector;
- A competitive economy based on the development of competitive advantages, supported with innovation, productivity, quality, and skills;
- Growth to generate employment and reduce poverty.

Chart 1. Proportion of population living in extreme poverty



Source: National Statistics Institute (INE), 1990 and 1992.

Public development policies—and particularly active social policies—will be pursued. For that purpose, the current policies will be improved and expanded, and innovations will be introduced to address the many complex social issues persisting in Cape Verde society that affect broad

sectors of the population (primarily the most vulnerable sectors), and to respond and adapt to the challenges and demands of Cape Verde's development process.

Having already defined in the framework of social policy an institutional framework and strategy encompassing a number of poverty reduction instruments, including the National Poverty Reduction Program (PNLP), the Growth and Poverty Reduction Strategy Paper (GGPRSP), and the National Gender Equality and Equity Plan, efforts must now focus on the **coordination and linkages between various sector plans and programs in progress in Cape Verde** in support of this objective, targeting individuals, groups, households, and the least favored communities.

3.4.10. Strengthen national development management capacities

Development management capacity-building strategies and programs include the *sine qua non* of **institutional capacity building among the local authorities and decentralized units of government.**

A national survey of capacities completed in December 2004 highlighted a number of issues related to national development management capacities. Among the issues identified were insufficient institutional and human capacities, as well as the lack of a unified framework and strategy for capacity building in Cape Verde. Without a unified strategy and approach, capacity-building efforts in Cape Verde have lacked consistency and their results have fallen short of expectations. As a result, a key recommendation from the survey highlighted **the need for a strategy to guide and coordinate capacity-building activities in Cape Verde.**

In addition to highly skilled human resources to manage national development, an acute need was identified for coordination, monitoring, and assessment mechanisms. Two specialized agencies, the Center for Strategic Policies and Government Reform Coordination Unit, were established under Resolution 36/2006 of August 21, 2006 and Resolution 34/ 2006 of August 14, 2006, respectively.

In the framework of GGPRSP II and with a view to a new national planning system, there is an effort in progress to design an appropriate monitoring and assessment system, that initially will monitor and assess physical and financial project execution, and the second phase, in cooperation with the INE, will involve the design and implementation of impact assessment. On this activity, see Title 7 of the present document (***Implementation, Monitoring, and Assessment***).

The capacity to manage development requires regular access to objective factors to assess policy execution from the adoption of measures to the subsequent stages where projects and programs are formulated and implemented, based on reliable impact indicators and criteria.

In the framework of national development and economic transformation strategy, national capacity-building programs for development should achieve the following **results**:

- (i) Substantially strengthened institutional capacities to manage development;
- (ii) Establishment of capacities to formulate and implement strategic policies;

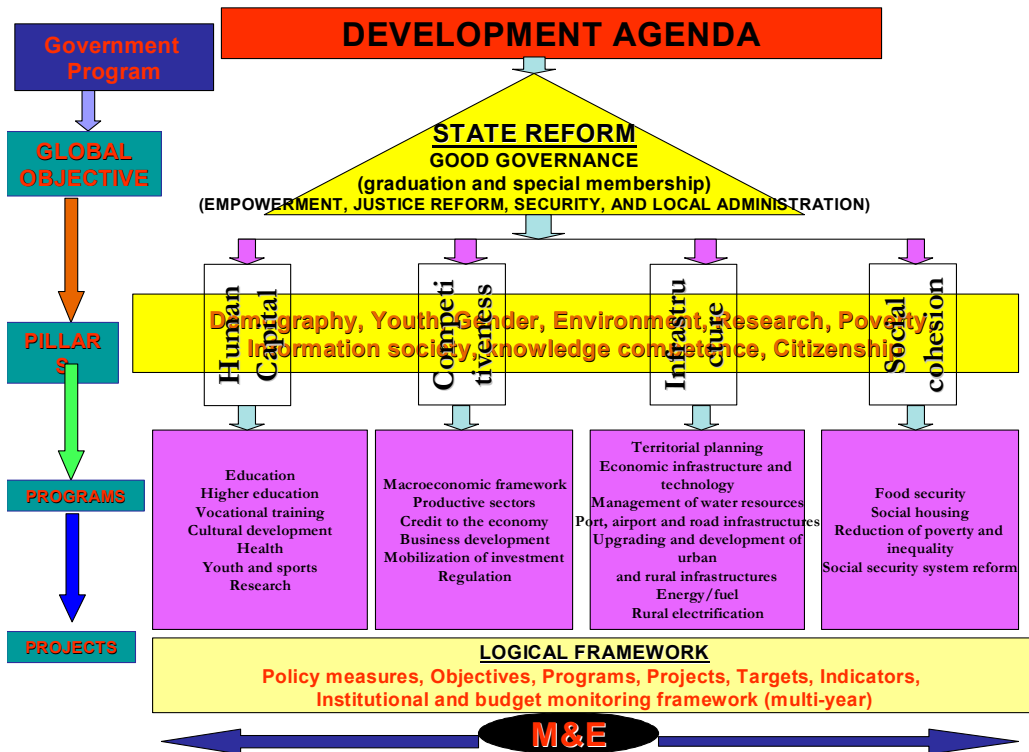
- (iii) Strengthened planning capacities at the national, sectoral, and local levels;
- (iv) Strengthened business capacities with external partners;
- (v) Thorough knowledge of the structure and operation of key development partner organizations;
- (vi) Improved capacities of the National Assembly in its policy making and oversight functions.

4. STRATEGIC DEVELOPMENT PILLARS

The dynamics of Cape Verde's economic development in recent years have led to profound changes in the social and economic fabric, and globalization has brought new, specific requirements for the country's international political and economic integration. For example, Cape Verde's graduation from Less Developed Country status, accession to the WTO, and strategic membership in the EU have made it an essential matter to consolidate the country's policies as indicated in Chapter 3.

The major government policy areas focus on double-digit economic growth and single-digit unemployment, leading to a significant decrease in unemployment and poverty indicators.

The present strategy confirmed in GGPRSP II is based on the agenda for development and the Government's five pillar development program as shown in the flow chart below:



First, **Government reform** covers important good governance areas for Cape Verde, such as rationalization of government structures, modernization of the public administration, ethics and transparency in public asset management, decentralization, participation and citizenship areas, individual and community liberties, the judicial system, economic freedom, etc.

Next we observe **Human resources**, covering the essential areas of education, research and vocational training that are vital to reach levels of excellence in accordance with the required levels of development as discussed above, as well as the status changes in reference. This pillar also addresses areas such as culture, health, and youth as essential human resources factors needed to meet the desired development challenges.

Largely as the result of skilled human resources, there will be a high degree of **competitiveness** entailing policies and policy measures that will clearly lead to profound changes in attitudes and behaviors in political, civil, and private society.

As infrastructure development is the foundation for relationships and complementarities between all areas of activity, it is considered a substantial economic stake, particularly where business, job creation, and income opportunities are concerned.

The **social cohesion** pillar covers essential areas in the government's commitments in terms of the essential goods and services to which all citizens are entitled, in coordination with macroeconomic policies, especially in the area of poverty reduction.

4.1. Pillar I – Government reform

Cape Verde is going through a transition in which development players are joining and forming the democratic state of law in achieving two major national objectives to meet the challenges of globalization and the demands imposed by the levels of development the country has attained.

It is insufficient to acknowledge this desire. Profound organizational and behavioral changes are required in the ways institutions and their staff address current and future development challenges.

While the government system should be adapted in its eminently normative and regulatory functions, it is imperative to modernize the administrative machinery to enable Cape Verde's government authorities to issue efficient, effective policies and political measures.

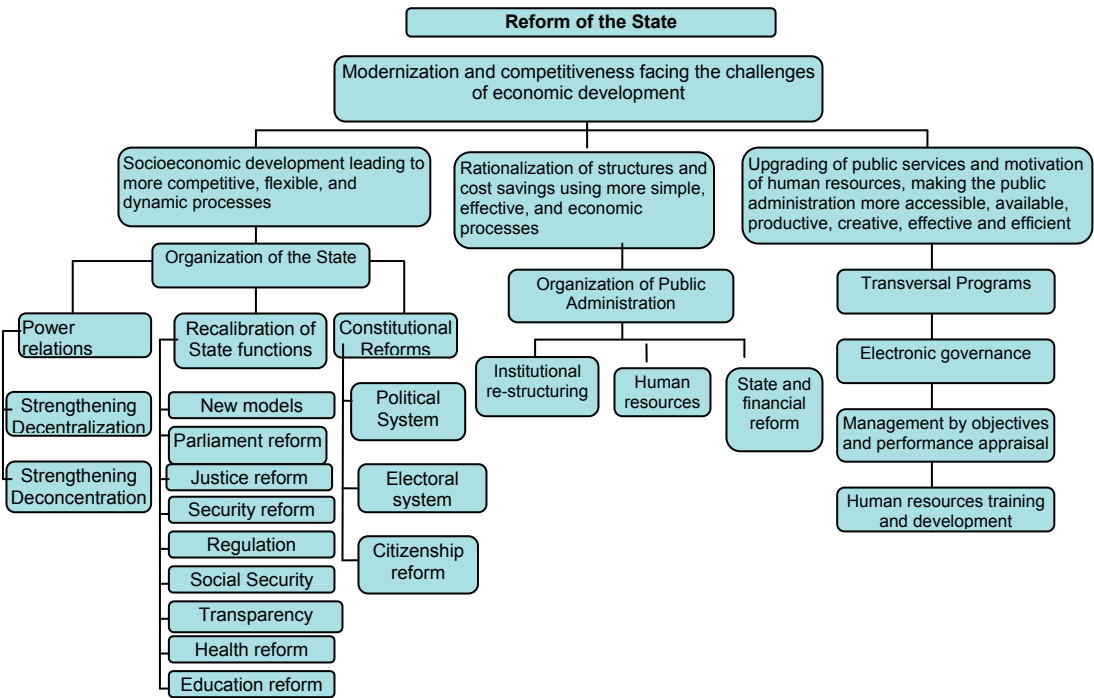
Good governance should emerge as the *modus operandi* for all units of central government and public administration, from relations with citizens and users in general, to public asset management, and promotion of the free exercise of citizenship and democracy, as indicated in items 4.1.3-4.1.10 below.

4.1.1. Rationalization of government structures

The following lines of action have been established to reach the objectives recommended in the program to rationalize government structures:

- Strengthening of strategic functions, research, and assessment/control of results to support governance;
- Strengthening of the government's normative, regulatory, and oversight functions;
- Concentration of research and development functions within the University of Cape Verde's institutional catchment areas;
- Rationalization and potentially tertiarization of productive functions and services;

- Development and sharing of common instrumental services at the ministerial and inter-ministerial levels, in the areas of support for budget and financial management, staff, and assets, in order to reduce redundant structures and processes.
- Streamlining, reduction of bureaucracy, and increasing horizontal and vertical communication by reducing the chain of command and establishing horizontal and matrix project structures, and through substantial use of information and communication technologies.
- Improved qualification of the processes, tasks, and therefore the staff of the central government through the implementation of new structures in accordance with a gradual strategy and pilot testing.



4.1.2. Modernization of the public administration

The actions in progress will be continued with a view adopting important public policy steering instruments for the reform, with a medium and long term outlook, and specifically research on human and institutional capacity building for Cape Verde, strategic human resource management for the public administration, and institutional coordination of reforms—instruments that, along with the information society strategic program and the action plan for electronic governance, will lead to important progress in the modernization of the public administration.

At the same time, measures will be pursued for the following purposes:

A. More and better availability of the public administration to citizens and enterprises;

- Implementation of the network of citizens' centers in Cape Verde;
- Establishment of the Cape Verde government portal and the citizenship portal;
- Continuous promotion and updating of the WebPages for all of the ministries, with current information on citizenship, enterprises, and civil society in general;
- Continuous improvement in the quality of accommodation and service for citizens and business persons in the public services while phasing in the Law on Administrative Modernization;

- In the ministry responsible for the public administration, establishment of an administrative inspection service specifically designed to monitor the application of measures applied by the various public services at the national level and in all embassies;
- Continued effort to further develop public services and civil servants, specifically focusing on the United Nations day to highlight African functions and the UN Public Service Day designed to honor the best workers, projects, and activities to help improve the public service.

B. Qualification of management functions and motivation and development of human resources

- Giving the National Administration and Management Institute (INAG) status as a government academy, and incorporating it into the University of Cape Verde;
- Development of an integrated human resource training plan in the public administration at the national level;
- Establishment of a training department in the ministry responsible for the public administration, with coordination, diagnostic, and planning functions
- Implementation of the public workers' training fund;
- Execution of the public administration training program with respective career approvals;
- Approval of a new posts, careers, and salaries plan (PCCS) and new instruments for merit and performance-based assessments;
- Gradual implementation of staff recruitment targeting level III management by competitive process, with improved transparency, merit, fairness, equity, and equality in treatment and opportunities for management positions in the public administration;
- Improvement in interdepartmental coordination, specifically in planning, budget, and management functions, and strengthening and modernization of decentralized government services;
- Implementation of the reform to integrate civil servants into the social provident scheme for workers employed by others.

C. Strengthen public/private partnerships and the government's regulatory and oversight function

- Strengthen the qualification and operating capacity of the private investment promotion and regulatory agencies;

- Simplify the rules of financial administration in the area of public goods and services procurement;
- Strengthen government auditing and financial control by coordinating education, transparency, and accountability; and specifically by reinforcing CT skills by promoting the timely review of inspection and audit reports that include information on irregularities in public asset management.
-

4.1.3. Ethics and transparency in public asset management

- **Stringent budget policy**

The government program under the heading "Sound Fiscal Management" emphasizes governance focused on modernization, transparency, efficiency and efficacy, and stringent fiscal management policy, maintaining the overall budget deficit and public debt at sustainable levels throughout the economic cycle.

In this connection, it is important to undertake a program of public expenditure classification and efficient, rationalized revenue management, which should lead to increased quality, efficiency, and efficacy in public expenditure, or "**value for money**," by increasing the weight of public investments in total expenditure, guaranteeing a sustained upward trend in public investment based on multi-year programming and enhanced financial forecasting capability. By contrast, the philosophy of preparing the central government budget should occur in the framework of the new budget aid mechanisms and in the arrangement signed by the government of Cape Verde and the IMF for an economic and financial policy support facility.

This program requires continuity and perseverance in implementing the new generation of fiscal management instruments in the context of the reforms in progress, and in particular:

- (i) The new Budget Management Law;
- (ii) The new National Public Chart of Accounts;
- (iii) The new Public Contracting Code;
- (iv) The new Law on Planning Foundations;
- (v) The medium-term expenditure framework, at the global and sectoral levels, as a resource allocation instrument, duly supported with the public expenditure review exercise.
- (vi) Consolidation of the various aspects of the budget and financial management system (SIGOF): (1) Decentralization of budget management (programming, reprogramming, execution, assessment, etc.), and in this context the implementation of the financial disbursement officer and controller; (2) Computerization of the tax administration and the resulting improvement in revenue management; (3) Implementation of an asset management system; (4) Adoption of technological cash management platforms (enhancing the treasury's banking functions);

(5) Adoption and rapid dissemination of electronic payments; (6) Adoption and commissioning of a new national planning system based, in due course, on the monitoring and evaluation system, both pillars of results-based public resource management; (7) Building capacities for inspection and oversight of the public apparatus (The Court of Audit/IGF/Public administration Inspectorate); and (8) Dissemination of the SIGOF in all departments of the public system, including the FSA and sovereign bodies.

- **Containment and classification of operating expenditure**

- (i) Implementation of policy to rationalize various aspects of the structures (organic, missions, powers, size, and human resource profile);
- (ii) Urgent implementation of new human resource management mechanisms: new PCCS;
- (iii) Prioritize obligatory expenditure and adopt only new expenditure justified by its relevance and positive impact on reaching the established objectives, based on the need for a primary current account surplus.
- (iv) At the functional level, successive annual budgets should reflect the allocation of resources to the departments of the public system having oversight and regulation functions;
- (v) A more equitable allocation of interdepartmental and inter-sectoral resources should be achieved.

- **Capital expenditure classification**

The preparation of the investment program should be guided by the government program policy aims and major options of the plan, combined with the economic development strategy.

The multi-year public investment program should help strengthen the design of budget consolidation, specifically by giving priority to the sectors driving the country's development of socioeconomic capital and infrastructure, will achieve the millennium objectives and ensure economic and environmental sustainability of Cape Verde's integrated growth.

The medium-term expenditure framework (QDMP) as a guide for forecasting revenue and allocation of expenditure compatible with sustainability and support for economic growth should serve as a reference for levels of expenditure in the framework of the multi-year public investment program.

The main objectives of the multiyear public investment program for the period 2008-2011 aim to support GDP growth of approximately 10 percent while maintaining sustainable inflation and budget deficit levels and reducing unemployment from 18.3 percent in 2006 to single-digit figures by 2011.

4.1.4. Decentralization and regional development

In addition to political and administrative regionalization, it is important to consolidate and enhance the local powers, which requires a program of overall reforms, activities, and public initiatives to foster the institutional development of the municipalities, training of their human resources, consolidation of municipal autonomy, modernization of municipal administration, development of municipal solidarity, and consolidation of legal oversight.

New requirements are appearing on the horizon for municipal action, implying financial, human, technical, and logistic capacities. New planning stringency is now a prerequisite; a new, bolder approach is required in complementarity and sharing of resources and equipment; and the municipal bodies must be adapted and their relations with the people must be strengthened;

In this framework, it is now imperative to adopt and implement policies capable of strengthening confidence in the local autarchies in their task to promote local development, leading to constant enhancement of their efficiency and efficacy in meeting local requirements.

The government proposes to implement the following measures to continue the decentralization policy:

- (i) Consider the specific features of the municipality of Praia, which, in addition to the traditional municipal functions, also serves as a political seat and metropolitan center;
- (ii) Implement the Framework Law on Decentralization;
- (iii) Stimulate processes of the peoples' participation at all stages of municipal management, creating new fiscal and social control processes and mechanisms;
- (iv) Promote grassroots solutions, the presence of the administrative authorities, and the resolution of problems affecting day-to-day life at the local community level;
- (v) Approve the law on decentralized cooperation, aiming to establish an information and management system, monitoring and assessment of decentralized cooperation projects, and definition of the rules and modalities for partnerships between the municipalities and the private sector;
- (vi) Adopt effective mechanism for strategic coordination in the area of decentralization, peripheral central government administration, and territorial coordination of public policies;
- (vii) Regulate the new local finance law to promote municipalities' access to credit, introduce technical cooperation mechanisms between the municipalities and the government, and implement the municipal development fund;
- (viii) Promote research aiming at the adoption of municipal personnel by-laws based on the civil service by-laws and incentive policies to establish qualified staff in the municipalities;

- (ix) Establish legal conditions to create municipal policy and define a framework of central government support for the municipalities in the structuring and implementation of this service;
- (x) Review the current by-laws of the municipalities and local elected officials;

A policy of local administrative decentralization will be pursued as one of the ways to correct certain regional imbalances, through measures that bring the power closer to the people, based on public-private partnerships and the transfer of authority and resources to municipal agencies, specifically in the areas of health and education.

4.1.5. Expanded areas for participation

Substantial investments will be made in **citizenship education**, so that the people can more effectively assume their rights and duties as citizens, and own and enjoy the civic, political, economic, and cultural benefits of development, for a more effective exercise of democracy and power at the local and national levels.

The strengthening of the role of organized civil society in the process of Cape Verde's development will continue to receive attention, and **more areas will be created for participation and cooperation**, so that citizens can become more involved in direct management of community interests in the various areas of economic, cultural, social, and civic affairs, to emphasize training for young people, women, economic players, cultural and athletic agents, and those involved in community development, for the day-to-day exercise of democracy and citizenship.

The **regulatory framework governing the organization and operation of civil society organizations** and relations with the public authorities will be subject to regulation and the establishment of new instruments in order to adapt them to changes in the dynamics of private nonprofit associations being introduced in Cape Verde, and worldwide, during the last 10 years.

The following measures are proposed in this framework:

- Approval of the non-governmental development organization (NGO) by-laws;
- Establishment of the support fund for social projects and programs by civil society organizations;
- Establishment of a registration system for civil society organizations;
- Establishment of a frame of reference based on which nonprofit civil society organizations can establish their respective charts of accounts;

Participation in and ownership of development processes by young people continue to merit more support as a privileged mechanism to achieve higher levels of economic and social development.

Even greater importance should be given to **juvenile associations** in connection with the fight for political, economic, social, and cultural democracy that defies the expectations of all Cape Verde young people.

The **Youth Association Support Fund** should be implemented as soon as possible.

Among other measures and activities aiming at young peoples' participation, the expansion of the **Cape Verde Voluntary Youth Corps** will be pursued with greater impetus throughout the country, along with its quality operations in productive, social, and cultural areas.

The installation of **Youth and Telecenters** in all municipalities will continue owing to their importance as meeting places, in the establishment of youth initiatives, exchange, leisure, access to new information and communication technologies, training, etc.

Similarly, the opening and operation of **youth hostels** will be pursued owing to their importance in youth exchange and mobility among the country's islands and regions, and in the development of initiatives aiming to create youth employment.

The establishment of municipal **holiday camps**, which respond to concerns to increase youth participation, exchange of ideas, and discussion, will continue.

4.1.6. Human rights and individual and community liberties

Based on the ongoing and renewed commitment in keeping with the Constitution in its defense and affirmation of human rights, policies to fight gender-based violence, in and outside of the home, will receive steadfast support to protect the rights of children and adolescents.

Similarly, policies will be promoted to defend the rights of disabled persons as a mechanism to restore their dignity, well-being, and equal treatment. Ongoing national campaigns will be conducted on disabled persons' rights and prevention of disabilities, focusing particularly on the medical and social areas, in partnership and coordination with NGOs to enable/ensure integration of disabled persons into the labor market.

Substantial attention will be devoted to protection and social and family rehabilitation, with the following activities:

- Operations specially designed to assist with difficulties related to the economic, social, and cultural vulnerability to which many households are exposed;
- Promotion of gender equality and equity
- Strengthening of social action in the schools, aimed particularly at correcting social inequalities;

- Accountability for young persons in conflict with the law;
- Promotion and dissemination of Children's Rights.

4.1.7. Free, upgraded social communication

Effective management of the sector requires a modern legal framework; independent, credible, and competent regulation; professionals who support good practices in their professional activities with impartiality, objectivity, social commitment, and a sense of responsibility; and public information services must be provided with clear public service concession agreements, by public mass media enterprises focusing on economic culture in the true sense of the word: promotion of rational use of scarce available assets to provide or improve services to citizens.

In this framework, the authorities intend to restore the social communication sector to continue to make significant contributions to the main aims of Cape Verde's poverty reduction strategy, in partnership with social institutions working to reduce poverty and social exclusion, and to promote the democratic participation of citizens in political, economic, and social affairs.

The public agencies, which by law are the public service providers or concession holder, will work in a difficult framework in terms of organization, finance, technology, and human resources required for sustainability, in an increasingly competitive and commercial environment where demanding high levels of quality.

Accordingly, we must do our best to provide public social communication services through high-quality, diversified programming, and by eliminating gaps in radio and television broadcast coverage.

Public television and radio signals should reach countrywide—a hitherto unfulfilled public service duty. A number of isolated, poor communities, particularly in rural areas, still do not have access to public information services.

The upgrading of human resources and more equitable distribution throughout Cape Verde is another major challenge for the sector.

Cape Verde is also a country of emigration, with a substantial dispersed community that participates actively in the country's development through solidarity benefits and remittances to their families, financial investments, participation in political and social processes, and the affirmation of Cape Verde's culture throughout the world.

Accordingly, public social communication services should ensure that the country remains connected with the vast community of Cape Verdean residents throughout the world.

The financial and human resources available hitherto in the budget framework and mobilized from development partners have proved insufficient to cover the sector with higher service quality and extended coverage, and to meet the challenges and requirements of this sector of Cape Verde society.

In connection with the poverty reduction and growth strategy for 2008-2011, policies and instruments should therefore be adopted to enable national social communication to be used as a support and partnership mechanism with institutions from the public sector and civil society in their efforts to foster growth, reduce unemployment, and reduce poverty.

4.1.8. Economic freedom

The variables underlying the construction of the index are divided into 10 categories: trade policy, tax burden, government economic intervention, monetary policy, capital flows and external investment, banking and financial system, wages and prices, property rights, and informal market regulation and activity.

In this connection, the work will continue for Cape Verde's graduation from least developed country status, to support its strategic partnership with the EU, as well as its increased macroeconomic, social, and political stability.

Substantial investment and commitment to human resource qualification is a *sine qua non* for Cape Verde's economic development strategy.

4.1.9. An ongoing effort to enhance democracy and political representation

Democracy and political representation are under constant scrutiny owing to their influence on corporate, economic, and social life, in the effort to reach higher standards of living.

To strengthen the democratic culture and develop representative democracy from the citizen's standpoint, through its participative dimension in all aspects, requires a reform of the electoral system. In addition, to make full use of the information society, a consistent program must be defined and executed to ensure greater citizens' involvement, in Cape Verde and those located abroad, in political affairs, to improve their relations with the institutions representing the republic.

For the GGPRSP II period, the following measures will be identified as fundamental to the development of democracy in Cape Verde:

- A new general census must be conducted following the reform of the electoral code;
- Electronic voting should be tested at various levels with a view to its future generalized use, and to facilitate the exercise of voting rights;
- The technical capacities of the electoral administration (DGAE) must be strengthened;
- New information technologies must be used as a way to ensure transparency in the census and electoral processes, to increase citizens' confidence in these processes and the creation of an e-democracy;

- The system for updating the electoral census should be revised to facilitate the exercise of suffrage, and the current legal barriers to the transfer of census registries owing to voter mobility should be eliminated.
- A database should be established of Cape Verde citizens registered abroad;
- Cape Verde's participation should be promoted in international and regional organizations to defend the development of democracy.

4.1.10. Justice reform

4.1.10.1 Improve and expedite the judicial response

The penal process will receive special attention to ensure an open outlook for the reforms to create more expeditious criminal justice and to fight the sense of impunity.

The fight against gender-based violence will receive priority, requiring a revision of the juridical and legal framework governing this area, to strengthen the penal and proceeding system, to ensure full protection from the jurisdictional authorities to the prioritization of gender-based violence proceedings.

Facing the new challenges in connection with growing sophistication of organized crime, the strengthening of the Public Prosecutor's Office's resources will be a priority, and specifically the establishment of a specialized office to fight economic and financial crime and corruption, for more expeditious, efficient investigations of the related criminal activities.

The rules of civil proceeding will be simplified, red tape will be reduced, and accessibility will be increased as a priority on the legislative agenda in this sector, along with administrative contentious matter reforms.

Priority will also be placed on the review of the by-laws for justices and the reassessment of the magistrature management system. Accordingly, technical consulting will be available to the organic units of the Supreme Court of Justice, the Office of the Attorney General, Superior Councils of the Judicial Magistratures, and the Public Prosecutor's Office to enable these bodies to make more expeditious and effective decisions in exercising their powers and responsibilities.

In light of the need for more constant improvement in the conditions for the courts to exercise their sovereign function to administer justice in a timely manner, the number of judges on the Supreme Court will be increased, while they will operate in specialized sections.

Professional training will be a key factor to optimize the overall legislative reform and the material and technological logistics that have already been implemented.

The need for capacity building in the judiciary system will receive special attention, specifically through adoption of the following measures:

- Finalization of the judiciary organizational reform including the introduction of small claims courts.
- Implementation of the reform of the Judicial Secretariats and the Public Prosecutor's Office;
- Continued upgrading of the existing legal system;
- Adoption of a consistent policy on upgrading and continuing education for officers of justice in the area of proceedings and new technologies;
- The development and completion of the effort to computerize the courts and place them on line, internally and with the rest of the systems in the justice sector;
- Strengthening of the fight against gender-based violence for a swift judicial response and disaggregation of statistical data on gender-based violent crimes;
- Promotion of access to the law will continue from the standpoint of fundamental legal information. To that end, law offices will be established in all municipalities in Cape Verde.

4.1.10.2. Enhanced security conditions in prisons and promotion of effective social rehabilitation policies for prisoners and youth in conflict with the law

In the area of penitentiary services, a specific strategic program will be launched for the continued adjustment of existing prison facilities to accommodate the increasing prison population, to adapt them to the need for more effective separation of prisoners by age, whether they are detained for preventive or punitive purposes, and the danger levels applicable to certain prisoners. In this area, coordinated projects will also be executed to promote social rehabilitation of prisoners based on the existing institutional conditions.

Special attention will be devoted to consolidation of the existing legal and institutional measures for the supervision and social rehabilitation of children and young persons in conflict with the law and the conclusion of the juvenile justice system reform, in connection with the current revision of the legal and institutional framework for children and adolescents.

4.1.10.3. Better notarial register service and identification of citizens and enterprises

The process of modernization and computerization of notarial register and identification services will be generalized to the entire country and new services will be established where required by increased demand, focusing primarily on differentiated access to services, on line or at diversified outlets, including the Chambers of Commerce and Industry and citizens' centers.

For the modernization of vocational areas in connection with enterprises, projects will be completed in the area of commercial legislation to adapt the system to the increasing demands and complexities of modern companies. The process of establishing enterprises on the same day,

in the final stage of implementation, will be completed soon. The table of fees will be revised to be consistent with the different services offered.

Special attention will continue to be devoted to promote the registration of children at birth through coordinated activities with interested partners.

At the same time, programmed training will be promoted for officers in the sector, to be extended to all personnel where required.

4.1.10.4. Security of persons and property should be promoted while affirming the government's authority

The first integrated approach to Cape Verde's security situation identified the following “threats” to the country's future, to its development, and to the security of the people:

- Where sovereignty is concerned: illegal trafficking (persons, narcotics—especially cocaine—and weapons) and activities of transnational criminal organizations;
- At the social level: the various forms of violence, and particularly those manifested through urban criminal activity, existing relationships between drug trafficking and HIV/AIDS, urban criminal activity and violence, deterioration of families, and facilitation of terrorist activities as a result of social vulnerability;
- Environment: pollution and environmental degradation;
- At the economic and commercial levels: illegal fishing, overexploitation of fishing areas, money laundering, and smuggling.

To effectively meet the new emerging challenges, the strategy aims to respond to the problems and priority requirements based on three fundamental components:

- **Reduction in the drug supply** through strengthened activities to control the entry and transit of drugs, strengthened law enforcement services and more effective exploratory, detection, and deterrent mechanisms for trafficking in a context of international cooperation to fight transnational criminal activity.
- **Reduction in demand** through new primary prevention programs at the decentralized level; development of the prevention system, in the education, recreation, and leisure areas; assessment of trends and features of the situation of drugs and drug addicts; and adaptation of the treatment and social rehabilitation program to new requirements and consumption trends.
- **Strengthening the state of democratic law** and the fight against transnational organized crime, encompassing activities to fight corruption, money laundering, and organized crime activity.

In the sequence of reforms already in progress, a national security system was instituted to ensure peace and public order and subsequently to promote development, based on three fundamental pillars: the police forces (National Police and Judiciary Police as discussed above), the national information system (SIR), and the armed forces.

The qualification and specialization of different police forces under the National Police should be enhanced. The system of coordination and the linkages between these forces aiming to dismantle organized crime networks and to enhance national security will be an objective to be pursued.

At the same time, the National Police will continue to receive resources to improve its action to preserve public order and democratic law.

In conformity with the constitutional rules and regular control regulations of a state under democratic law, a **national information service (SIR)** should be established and implemented to provide data for systematic assessment of national risk and danger levels that may exist and their reporting to specialized agencies legally competent to address key national security risk factors.

The **Armed Forces** should continue to be adapted to the real situation in Cape Verde and to a growing sense of its practical, rather than purely doctrinal, utility, while its constitutional function should continue to be consolidated to preserve peace, sovereignty, democratic stability, and national and territorial unity.

The priority aims of military defense policies must reflect the ongoing qualification of human resources and improved strategic management of the resources required to carry out its missions.

4.1.10.5. Civil defense

It is important for Cape Verde to implement measures to minimize dangerous situations, focusing on preventive and awareness activities for the people, and providing the National Civil Defense Service (SNPC) with adequate resources and competence required to effectively discharge its mission.

The following measures will therefore be adopted:

- To take action to provide the civil defense sector with legislation to further facilitate implementation of the National Civil Defense System;
- To work in ongoing coordination with the local authorities for the ultimate purpose of establishing municipal civil defense agencies. The municipalities would serve as the main pillars of the National Civil Defense System;
- To continue the efforts made to date, and to survey, forecast, assess, and prevent risks from natural or technological sources;

- To stimulate and strengthen awareness, information, and training activities for the populations using new instruments, fostering the adoption of individual and community self defense and preventative measures in times of emergency;
- In close collaboration with the Ministry of Education, to include actions in support of the rules and procedures to be adopted in the event of serious accidents, disasters or calamities, and specifically in the area of self defense, in education programs at various levels and scholastic institutions in Cape Verde;
- To expand cooperation with international organizations and partners related to civil defense, and particularly the International Civil Defence Organisation;
- To establish the National Platform to Reduce the Risk of Disasters according to the recommendations of the United Nations Secretariat of the International Strategy for Disaster Reduction);
- To prepare the Strategic Action Plan for the National Disaster Reduction Platform.

4.2. Pillar II – Human resources

While truly important progress has been made in Cape Verde's development, as a result of substantial efforts in the government budget for education, the levels reached, the challenges of globalization, and the new demands that go hand in hand with the development process require the support of highly skilled human resources with advanced levels of scientific, technical, and technological knowledge, as the only approach to fight the competitiveness battle and to win.

Moreover, culture and citizenship are essential factors in the model for attitudes and conduct.

4.2.1. Modernizing the education system for higher quality, more equitable development

In addition to the establishment of a structured system enshrining the right to education, a generalized, well-established sentiment should be instilled in public opinion that further effort is urgently required to improve the system.

In this context, quality improvement and equity programs in education will be established with the following guiding principles:

- (i) Quality, shifting the focus to the process and results of education;
- (ii) Equity, involving broad institutional sensitivity to the local and social differences in access to education, placing special emphasis on less favored regions and social groups;
- (iii) Social and economic relevance, reflected in constant social and economic progress for Cape Verde and its citizens;

- (iv) Sharing costs, management, and decision-making with households;
- (v) Responsible, gradual decentralization of education system management reflecting the potential and capacities of the local authorities;
- (vi) Social partnership through support for private initiatives at all levels of education, including higher education.

Without replacing or limiting the role of the central government in the definition and implementation of sector policies, **development of private education** will be promoted as an option and supplement to public education, with adoption of quality assurance measures and the inevitable involvement of partners, specifically churches, NGOs and CSOs.

To ensure that the system is modernized sustainably, founded on the principles defined above, studies should be developed, program options assessed, and alternative scenarios devised to lay the groundwork for a human resource development program through an ongoing dialog with society and various social players.

For more efficient, efficace education services to reach the goals of the education system and its modernization, **a sound institutional capacity is required in the areas of management, planning, assessment, and of course, technical capacity to implement programs and projects to develop the system.**

Proper system implementation will be dependent on the quality of service provided to the public and clients of the system. To that end, the **decentralization and enhanced autonomy of schools** constitute further challenges that will inevitably arise. By contrast, supervision and assessment mechanisms essential in guiding the system will have to be perfected.

4.2.1.1. Preschool education: quality and partnership

Despite the progress made during the past five years and an increasing acknowledgement of its social importance, the subsystem continues to lack a holistic approach for children, and therefore an integrated approach to early childhood. This factor is a serious impediment to the effectiveness of the actions undertaken, greater involvement of different partners, and better use of available resources.

Designed for children 4-6 years of age, preschool education is not mandatory and the costs are paid by the households, the central government, local authorities, and various other nongovernmental organizations. More than 65 percent of the children in Cape Verde attend this subsystem, in which imbalances remain in service and quality, particularly in more disadvantaged areas.

Accordingly:

- Coordination activities will be developed at the institutional and policy levels and transverse programs will be implemented to promote a climate where all parties involved in

the education process participate: the family, the community, and the child as the center of the entire process.

- Efforts to assess educational, economic, and health conditions in kindergartens initiated under prior legislation will be continued, and rules and corrective measures will be introduced to consolidate and expand family services and participation.
- The policy of training monitors and other educational officers will be continued and educational support and orientation provided.
- Conditions will be created for social and labor training for educational officers at the preschool level, in partnership with the municipalities, private entities, and NGOs, to make preschool education a desirable career and to encourage its expansion.

4.2.1.2. Basic education: obligatory high quality education

This effort entails a consistent approach with the adoption of measures to strengthen education quality, reduce geographic and social imbalances in terms of access, and to develop attitudes, values, behaviors, capacities, and skills, while promoting the acquisition of technical knowledge.

The quality of education provided at this level will continue to be the main objective, with the most important measures indicated below:

- Assessment of the quality of the basic education subsystem, with a view to its optimization so that measures can be taken for its improvement;
- Implementation of measures to revise the curriculum and to improve coordination with secondary levels of education;
- Strengthening and consolidation of the structures and diversification of education activities available for teaching staff to eliminate unqualified teachers and to improve pedagogic monitoring and assistance;
- Strengthening of measures to develop distance learning activities;
- Improvement and expansion of the existing schools, through preventive maintenance activities, rehabilitation, expansion, and equipment of schools with materials adapted to educational projects;
- Strengthening of special education with emphasis on scholastic integration of children who have special educational needs;
- Strengthening of promotion policies and gradual reduction of repeater rates in basic education;

- Enhanced education, pedagogic, and academic conditions to promote training of professionals qualified in management, pedagogic coordination, and innovation at the level of the basic education subsystem;
- Establishment of conditions for an effective increase in school hours in basic education at the municipal levels;
- Gradual extension of basic education to eight years, in observance of quality, equity, and financial sustainability criteria.

4.2.1.3. Secondary education: efficacy and sustainability

A universal approach to basic education has led to a rapid increase in secondary education, basically focusing on continued studies.

We should consider, however, that, at this level of education, the **acquisition of learning techniques** (learning to learn) combined with a **solid base in languages, technologies, and sciences**, will provide a high quality general education with a common core curriculum.

The following actions will be taken:

- General and technical secondary education will be fine-tuned in coordination with vocational education. **Supplementary occupational training programs will be implemented in close coordination with the vocational training system and in partnership with the business community;**
- Generalized access will be provided for the first cycle and will be gradually expanded and controlled at the second and third cycle levels;
- The entire curricular structure of each secondary education cycle will be reformulated;
- Values such as citizenship, democracy, environment, culture of peace, solidarity, and social justice will be reinforced in the curricula and in pedagogic practices;
- Language education issues will be revisited;
- Special education will be strengthened with emphasis on scholastic integration of children who have special education needs;
- Integrated resource and skill centers will be implemented in support of innovative distance learning methodologies to train managers and teachers;
- The school charter will be revised and dynamically used to improve management of school flows, to program investments in infrastructures and equipment, particularly in laboratories, computers, and didactic and pedagogic materials, and in the rehabilitation of existing educational facilities;

- The development of secondary or private education will be regulated and supported.

Another concern for the sector is to consolidate progress and scientific and professional development in professional teaching careers, which, among other measures provided, would require the rehabilitation of institutions and systems for training, monitoring, updating, and assessment of teacher education.

There are also plans to reinstate scholastic and professional orientation mechanisms to support students with clear information in respect of the schools and training options (general secondary or technical and higher education).

4.2.1.4. Higher education: increasing the critical mass for development and sustainability

Higher education in Cape Verde is characterized by a substantial social demand for a multiple framework of public and private intuitions, the tendency for foreign institutions to open in the country, and the establishment of public universities. However, we must acknowledge that the strategic, legal, and institutional framework is insufficient to accommodate this new reality.

Considering Cape Verde's political option for high-quality education, the definition of higher education as an instrument for the country's sustainable development and the driving force of its competitive integration into the world market, the following measures are proposed to develop this subsystem during the next five years:

- Preparation, approval, and implementation of regulatory standards for the operation and financing of higher education, and specifically, the by-laws for public, private, and cooperative higher education, the regulation and operation of the National Equivalency Commission, and measures related to the financial sustainability of the system of stipends;
- Accreditation of higher education institutions and courses according to the quality control standards and criteria defined in coordination with the technical and scientific community.
- Redefinition and strengthening of socio-educational policy and financing of higher education to reflect the new realities present in higher education;
- Establishment and installation of a regulatory body for the quality of education, authorized to carry out and promote periodic performance assessments of institutions;
- Promotion of research and dissemination of results;
- Development and stimulation of distance learning activities;
- Implementation of measures for social and academic monitoring of students in Cape Verde and abroad.

Efforts must therefore continue to be made to establish conventional infrastructure conditions based on new information and communication technologies, to build a higher education system focusing on distance learning as a mechanism to reduce imbalances.

Where higher education abroad is concerned, the authorities expect to continue to analyze the academic results and quality of life of students abroad and organization and financing for such studies, in order to define and negotiate new agreements with the host universities to optimize cost efficiency ratios.

4.2.1.5. Adult education: promoting personal and social development

The extrascholastic subsystem includes adult education, continuing secondary education and apprenticeship and vocational training activities, with a view to providing training for vocational practice.

One of the major challenges in the next few years is the implementation of a national adult distance learning system by radio as a special educational mechanism to broaden the available opportunities for socio-professional courses, from the workplace, and to provide apprenticeship opportunities for young people and job opportunities for adults, through innovative educational approaches adapted to the participants and the demands of knowledge and professional activities. A number of distance learning courses will be available in special units related to the service sector, with special emphasis on tourism, environment, and civic education.

These measures will rely on new information and communication technologies, and Education Radio, an institution that will be developed into a Radio Institute.

4.2.1.6. Science and technology versus innovation in support of development

The establishment of the public university system will provide organization mechanisms, products, and services to support the emergence and consolidation of a modern scientific culture to meet the challenges of globalization, through the dissemination, adaptation, and use of new processes.

To that end, partnerships in the private sector and international scientific community will be essential, as well as the establishment and promotion of a national scientific and technical elite to reflect Cape Verde's development priorities.

To obtain tangible results from such a policy, the activities will focus particularly on the following priority areas:

- Formulation of a national science and technology policy in accordance with human and technical resources.
- Gradual generalization of Internet links for schools at all levels of education.

- Promotion of science clubs and other initiatives in the schools in knowledge areas that focus on the sea or the environment, for example.
- Establishment of conditions to develop an endogenous capacity for research and innovation.
- Availability of resources to implement advanced training and communication and technology support programs.
- Mobilization of the people to support the information and knowledge society.

4.2.1.7. **Technical and vocational training for employment**

Vocational training will be systematically viewed as a factor in development and upgrading of human capital, and a vital instrument for Cape Verde's socioeconomic development in general. Accordingly, such programs should provide the domestic market with skills and qualifications consistent with the defined growth and competitiveness strategies.

In this connection, efforts will be made to establish the institutional, human, and financial conditions required to structure the national training system through the implementation of the Strategic Vocational Training Plan for the period 2006-2010 according to the following six strategic aims:

- Structuring and building of an integrated education, training, and employment system;
- Development of a national system of professional skills and qualifications;
- Establishment of a permanent supply of introductory vocational training;
- Promotion and development of continuing education with participation of enterprises and other social partners involved in vocational training;
- Establishment and implementation of a continuing education and retraining center for teachers and tutors;
- Organization of a statistical information system for vocational training, specifically through the establishment of an occupational training observatory. This observatory would aim to produce vocational training statistics and to monitor and analyze changes in this activity, especially the impact of training activities carried out, to produce reliable, credible statistics in support of sector policies.
- Development and support of dissemination activities for technical and vocational training.

Priority measures for the implementation of approved policies and execution of the relevant instruments, specifically the **development of entrepreneurial capacities**, especially in young people, will entail the following:

- Institutional reconfiguration of the vocational training system;
- Establishment and definition of mechanisms to support the vocational training fund, under partnerships with other public and private, domestic and international institutions;
- Establishment of a network of vocational training centers to guarantee satisfactory coverage of the national territory, diversified access to education, and a more appropriate response to the requirements of the economy and society.

4.2.2. Culture, education, and citizenship

The strategies defined for the sector are reflected in the requirements to:

- Adopt a language policy adequate to address the national language situation;
- Develop a policy for sustainable cultural infrastructure development, optimized use of these infrastructures through the reinstatement of outreach, defense, and cultural promotion activities;
- Design and apply an increasingly dynamic policy for the book and archive sector;
- Implement an appropriate cultural policy for emigration;
- Develop and promote education, training, and qualifications in the areas of history, the arts, and particularly music, as well as cultural anthropology in general; and
- Adopt incentives for the establishment of more diverse areas of art and culture.

As a key component of Cape Verde's development is tourism, and to develop a cultural policy to give tourism the required authenticity, tourism legislation should consistently reflect cultural factors. Tourism infrastructures should be designed to reflect the culture and should therefore be subject to incentives. Culture-based tourism consumption should adequately reflect the local cultural market, a percentage return on tourism from cultural investments should be defined; and tax incentives should be provided for tourism and economic transactors investing in cultural areas.

4.3 Pillar III – Competitiveness: Meeting the Challenges of Sustainable Development and Globalization

The approach to the competitiveness strategy pillar applies the integrated methodology based on the logical framework which underpins the preparation of the GGPRSP II. In this context, it deals with the issue of competitiveness from a systemic and multidimensional perspective. It reasserts the fundamentally microeconomic nature of competitiveness without neglecting the macro- and meso-economic valences of competitiveness in the horizontal and sectorial levels. It must be stressed that the systemic perspective of competitiveness has permitted the establishment

of international rankings, of which Cape Verde is part, namely the index of economic freedom and the World Bank's "doing business" index.

From the standpoint of consolidation and sustainability of the development process in the country, the next few years will be crucial due to the challenges of the accomplishment of (i) a robust and sustainable growth – inserted in a context of macroeconomic stability - which is able to create wealth, employment and which is conducive to the reduction of poverty and to social inclusion; (ii) a competitive economy supported by trained human resources, productivity and quality and innovation.

The framework of economic policies geared towards the accelerated and sustainable economic growth in an environment of macroeconomic stability on a two-digit level and the reduction of the unemployment rate towards the 10% figure requires, necessarily:

- The safeguard of the macroeconomic stability, based on guided action for the preservation of the major macroeconomic balances, and as part of an integrated and consistent policy of public finances, the monetary sector, the real economy and the balance of payments;
- The implementation of policy measures of horizontal nature to the different sectors, coupled with the dynamic factors of competitiveness, the reduction of the contextual costs, the strengthening of the inter-sectorial relations and connections, which will contribute to the leverage of the dynamic sectors of the economy and to the promotion of private investment as well as of entrepreneurial development;
- The promotion of the dynamic sectors of the economy, where the opportunities for the creation of added value based on competitive advantages is coupled with the tendency to create jobs.

4.3.1 Macroeconomic Stability as a Precondition to Sustainable Growth and Development

Macro-economic stability is clearly considered in the Government Program as a fundamental condition and a permanent pre-requisite to sustainable competitiveness, growth and development in the country, and is recognized as an element which improves the living conditions of the more vulnerable social groups, not only at the level of economic growth, but also as regards the crimping effects of inflation on the purchasing power of those groups and the negative effect of high interest rates on their access to credit. From that standpoint, the macro-economic scenario of the GGPRSP II is inscribed in a context of stability, largely resulting from the articulation and coherence of the policies in the four main macro sectors of the economy.

The Cape Verdean economy shall pursue its ascending path in the course of the GGPRSP II (2008-2011), and shall maintain the two-digit growth rate, approximately 2 percentage points above the average recorded for 2004-07, the period covered by the GGPRSP I.

Likewise, for 2008-11, the period covered by the GGPRSP II, a relatively prudent macroeconomic scenario was chosen, taking into account the importance of the credibility of the GGPRSP for the success of the country's development strategy, especially as regards the mobilization of external resources and an international context characterized by a high level of uncertainty, due to the increase of fuel prices and the risks it imposes.

At the domestic level, a set of different factors contributes to the anticipation of a favorable scenario of accelerated economic growth.

First of all, the gross internal investment, from the perspective of gross fixed capital formation, will reach an average of 60,7% of the GNP, compared to 40% in 2004-2007, with an average growth rate of 25.5% in nominal terms. A more disaggregated analysis of the gross fixed capital formation of increasing importance, private contribution, shall account for an average of 50.5% of GDP, and 83.2% of the total, resulting in an average growth rate of 27.6% in current terms.

In nominal terms, it should increase to approx. CVEsc 94.3 billion, in average, and approx. CVEsc 124,4 billion at the end of the period, which clearly confirms the driving role of the private sector in the growth dynamics of the national economy. The public component shall also increase as a proportion of the GDP, accounting for an average of approx. 10.2% of GDP, or 16.8% of the total, and CVEsc 15,7 billion in nominal terms, reaching the level of CVEsc 20,4 billion in 2011. This scenario reflects, thus, the investment effort carried out by the public sector, stressing the building of the country's economic and social infra-structures, both indispensable to the fulfillment of the goals set in the poverty reduction strategy and in the transformation agenda.

Analyzing the product from the standpoint of the supply, economic growth is expected to accelerate in the period 2008-11, with the following average annual growth rates: agriculture, forestry and livestock: 4.5%; fishing, 4.4%; industry and energy: 7.7%; construction: 17.8%; trade 8.07%; hotels: 13.6%; transport and communication: 7.7%; banks and insurance: 5.4%. All of the above-mentioned sectors shall register an acceleration of the average growth rates, as compared with 2004-07, the period covered by the GGPRSP I.

4.3.1.1 Public finances

The budget policy shall continue to play a fundamental part – as the main economic policy instrument in the context of the exchange rate peg to the euro – in the maintenance of a relatively stable macro- economic environment; the public finances sector shall continue to promote, in its areas of intervention, the structural reforms aiming at a robust and sustainable economic growth. The management of the **public finances** shall be oriented towards better prioritizing of the public expenditures, namely the evolution of the primary current balance and an added effort on the execution of public investment.

As far as **revenues** are concerned, the totals in the period shall be in the neighborhood of 31.7% of the GNP, increasing to approx. CVEsc 55,7 billion at the end of the period. Tax revenues shall be approx. 23.3% of GDP, reaching CVEsc 41,5 billion in 2011, which reflects the increase collection capacity resulting from, on the one hand, greater fiscal efficiency and, on the other hand, from the continuation of the favorable economic dynamics in Cape Verde. Donor contributions, taking into account the development of contributions and the country's graduation from least-developed-country status, shall have a reduced weight in the GNP and shall account for approx. 5.6%, or 1.3 percentage points below the average in the previous period, totaling approx. CVEsc 6,2 billion in 2011.

Expenditures shall account for a total of approx. 33.3% of GDP, in a declining trend in relative trends, accounting for approx. CVEsc 58,2 billion at the end of the period. The current expenditures shall also account for a lesser weight in the GDP, at an average of approx. 19.3%, accounting for approx. 18.6% of GDP in 2011, or approx. CVEsc 32,4 billion in nominal terms.

Investment expenditures shall account for an average of 112.5% of GDP, 0.2 percentage points about the amount registered in the previous period, 2004-07. The average annual growth rate projected is 10% in nominal terms, and investment expenditures shall be directed, as a priority, to the areas which are decisive in terms of growth and poverty reduction.

Notwithstanding the efforts to contain current expenditures in relative terms for the release of resources for public investment, the **mobilization of external resources** in favorable terms from a perspective of cost-benefit analysis, still constitutes an indispensable element in the implementation of the public investments program and, in this macro-economic scenario, continues to play a vital role in the fulfillment of the goals of poverty reduction envisaged in the GPRSP II, which constitutes one of the priorities of GPRSP II.

The **overall budget deficit** including donations, in the period under analysis, shall continue to taper off in relative terms as in the last few years, and shall account, in average, for approx. 3% of GDP. However, it is important to stress the need to mobilize complementary resources, preferably in the form of donations and concessional loans to cover the differential in financing rising, essentially, from the public investment effort.

The management of the **public debt** shall be oriented by the principles of sustainability and inter-managerial equity, for both the internal and the external component. The domestic debt shall continue its downwards trend in relative terms, pursuant to the agreement reached with the IMF's Economic and Financial Policies Support Instrument, and shall stabilize, on average, at around 20% of GDP. The total public debt shall follow a course compatible with the sustainability of the public finances and within a reasonably consolidated macro-economic environment; the ratio of the total public debt to the GDP shall decrease, aided by the growth of the GDP in the same period.

4.3.1.2 Monetary Situation

In the macro-economic scenario envisaged by the GPRSP for 2008-11, the objectives and monetary goals reflect the close link with the macro-economic stability policy, emphasizing the budgeting policy and consistent with the continuity of a policy of price stability, credibility in the exchange rate regime, and the channeling of internal financial resources chiefly toward the financing of the private sector. In this context, during the course of GPRSP II, the foreign exchange reserves shall strengthen their weight with regard to the imports of goods and services; the same is estimated to occur with regard to the credit to the private sector in total net internal credit structure.

Growth in the **broad money** is expected to be approx 14% during the period, 1 percentage point above the nominal GDP annual growth rate, at a constant velocity of circulation. During this period, thus, based on an ascending trend, the money supply will evolve from approx. CVEsc 111 billion in 2008, to CVEsc 167 billion in 2011.

The pursuit of a consistent macro-economic polity, the strictly linking of the budgeting policy to the monetary policy and with the real and external sectors of the economy shall translate into price development pursuant to the objectives of monetary stability and higher external competitiveness, with an **inflation rate** of approx. 3% during the period.

As to cash holdings in foreign assets, the average in the period shall reach approx. CVEsc 50,4 billion, in the context of regular growth, ascending to CVEsc 59,8 billion in 2011, a growth of 50.4% compared to the start of the period. In relative terms, the positive trend foreseen shall result in an increase of international reserves compared with imports of goods and services, based on a moderately upwards trend, taking an average in 3,4 months of imports in the following year, with a maximum of 3,5 months of imports in 2011. The continued positive performance of the export of services and of the foreign direct investment shall be of particular importance in this regard.

4.3.1.3 Balance of Payments

Notwithstanding the positive behavior expected on the part of the **balance of services** which, in average terms, shall account for an annual surplus of approx. CVEsc 32,9 billion, the current account shall continue to be characterized by a structural deficit which, along the period, shall account for an annual average of approx. 8% of the GDP.

With regards to the **export** of services, the expected trend shall reflect a higher degree of internationalization of the country's economy. From that perspective, with an average growth rate in current terms of approx. 18.2%, the average of export of services in the period shall reach CVEsc 68,1 billion. From this expected favorable development in the export of services associated to foreign direct investment, the total of export linked to tourism for the entire period shall reach approx. CVEsc 45,5 billion as a yearly average, and CVEsc 15,7 billion of exports associated to transport, two sectors seen as strategic in the transformation agenda.

In global terms, the balance of payments shall reflect an average surplus of approx. 2,9% of GDP, thus contributing to the strengthening of the country's foreign exchange reserves.

In conclusion, the **foreign exchange reserves** shall, in average, account for approx. 3,4 months of imports of goods and services forecast for the following year, a situation which is compatible with the credibility and stability of the foreign exchange regime characterized by the peg to the Euro.

Table 13. Main Economic Indicators

	2008	2009	2010	2011
GDP (real growth rate)	7.8	8.4	10.2	10.2
Inflation	3.0	2.8	3.3	3.1
Broad Money (growth rate)	12.6	13.5	16.1	14
Overall Budget Balance (CVE 10 ⁹)	-3,4	-2.0	-1,4	-2,5
Overall Budget Balance (as % GDP)	-2.7	-1.3	-0.8	-1.4
Overall Budget Balance (CVE 10 ⁹)	9.4	11.6	15.3	19.8
Overall Budget Balance (as % GDP)	7.5	8.3	9.4	10.9
Public Investment (CVE 10 ⁹)	11.8	13.6	17.7	19.9
Foreign Exchange reserve (months of imports)	3.2	3.3	3.4	3.5

Table 14: Other Economic Indicators

	2008	2009	2010	2011
Nominal GDP (CVE 10 ⁹)	129.6	144.6	160.7	178.9
Total Revenue (% GDP)	31.4	31.7	31.9	31.7
Tax Revenue (% GDP)	23.1	23.3	23.7	23.3
Total Revenue (% GDP)	34.1	33.1	32.7	33.3
Investment Expenditure (% GDP)	12.2	12.1	13	12.5
Weight of Credit Economy in Net Internal Credit (%)	72.4	75.6	76.7	78.6

4.3.2 Horizontal Measures and Reduction of Contextual Costs

The policy initiatives of horizontal nature associated to the reduction of the contextual costs are often directed towards intangible factors, normally considered dynamic factors for competitiveness. GGPRSP II stresses the need to improve productivity and quality in services, in the private sector and entrepreneur development, fostering the development of information and communication technologies, the development of a fiscal policy which maximizes competitiveness and the strengthening of regulation.

4.3.2.1 Fostering Productivity Gains and Improved Quality of Services

Productivity is a pre-condition to ensure the country's sustainable competitiveness and, as such, the Cape Verdean businesses are assigned an increasingly more important role as the major sources of wealth generation. This means moving from "doing more of the same" to producing more and more, better, higher quality, at lower cost and faster. Alongside labor and capital, productivity is a fundamental factor for growth and is decisive for sustainable growth. Furthermore, the sustainable remuneration of the factors, particularly of the production of labor, is closely linked to better productivity, as stated in the strategic three-party (Government, Unions and Businesses) agreement in force in the country, and as such, the promotion of productivity plays an essential role in the framework of the GGPRSP II, as it bears directly impact on the income of families and on the improved performance of the country, which, in turn, reflects in the quality of life of its population.

Human capital¹⁶, technological innovation and quality of economic policy, particularly the fiscal and regulatory policy, play a crucial role in the issue of productivity.

The growing importance of productivity, at a point where Cape Verde joins the WTO and faces the need to significantly strengthen the weight of its tradable goods and services in its productive structure – with a view to the development of a diversified, vigorous and competitive production base – leads to promotion of an Innovation Policy, based on the new information technologies, on the protection of Intellectual Property and on Quality Management founded on the adoption of norms and standards for goods and services of Cape Verdean origin, according to the best international practices.

¹⁶ Due to its importance, it constitutes one of the strategic axes of the GGPRSP II.

In that respect, it is necessary to overcome or minimize certain constraints to productivity and to the competitiveness of the economy associated to the following:

- **Dimension** – This measure aims at facilitating the creation of businesses and groups in dimensions conducive to successfully facing competition in key sectors such as tourism, civil construction, transport, telecommunications, energy and financial services.
- **Cost and access to factors of production** – those costs have been reduced due to lower interest rates, and the government shall strive to maintain that trend. On the other hand, the progressive improvement in Cape Verde's rating in terms of country risk will contribute to improved access to more competitive sources of financing on the part of the government and the private sector. Implementation of the programs of Infrastructuring and modernization of the country will continue with a view to improving the cost of production factors.
- **Contextual Costs** – the public policies for the modernization of the Public Administration will continue to be implemented for (i) improved access, quality and effectiveness of the Justice, to ensure a predictable business climate, to open the way to the establishment and management of businesses and to attract new companies and (ii) for the deepening of the public administration reform, namely through capacity building of the civil servants, focus on the user/client and on results, simplification of procedures, computerization, launching and consolidation of structure-based initiatives such as the Citizen's Center and the Business in a Day.

The competitiveness of the Cape Verdean economy in both the internal and international markets rests on an option towards those sectors which offer comparative advantages, transforming those into competitive advantages. It means also doing better than the competitors and having a focused strategy, in the framework of the transformation strategy, doing well that which the conditions allow for.

A case in point is the example of the products of the Cape Verdean culture which are, by definition, unique (music, literature, cuisine, pilgrim celebrations, material assets); the geographical location and the climate are also unique, as are unique the characteristics of our people and the geography of the islands. It is therefore important to confer high competitiveness in the sectors of economic activity which stem from this advantage, by fostering specific public policies for capacity building and promotion.

In the field of quality, the new Quality Management Department will be charged with the tasks of and organizational agency, to implement and manage issues related to quality, that is, the preparation, registration and publication of national standards, the creation and implementation of the National Quality System and the management of issues related to metrology, certification and accreditation, with the objective of promoting products and services "made in Cape Verde".

4.3.2.2 Promotion of the Private Sector and Business Development

As the dominant sector in the economy, the private sector plays an increasingly more important role as the driving force behind the economic growth, particularly considering the weight of private investment in the country's global investment and in the overall job creation. Private investment has been focusing on the most dynamic and competitive sectors of the economy and,

as such, maximizing resources which impact positively on the productivity and technological modernization.

The State is charged, above all, with the regulation of the economy and with the fostering of conditions for its development. Therefore, the government aims at supporting the development a business fabric which is vigorous and dynamic.

Good Governance, emphasizing Macro-economic Stability, is a strategic resource for the country's global competitiveness and for fostering of private investment. It is however imperative that specific and pro-active policies are in place to promote private investment.

The main obstacles to the development of the private sector remains the difficult access to credit, the reduced dimension of the market, training and professional capacity building, entrepreneurship, technical assistance for the conception and implementation of projects and modern management.

Thus, policies for the promotion of the private sector shall have the following objectives:

- Creation of the Agency for Business Development and Innovation, working in partnership with the private sector, in the promotion of the sector, facilitating the development of a competitive and innovative private sector, focusing on areas such as financing, through the establishment of lines of credit, development of leasing and factoring and management of finance funds; the strengthening of capacities focus particularly on training (e.g., in management, leadership, finance and strategy), coordination with institutions such as the IEFP and the University of Cape Verde, business consulting, quality certification, productivity, innovation, the creation of a suitable regulatory environment which contributes to the reduction of cost of the factors and facilitates “doing business”, the development of business incubators, training in the field of entrepreneurship and the dissemination of the best practices in the area of management; policy and strategy in the framework of management of privatization, growth and competitiveness projects, public/private partnerships, carrying out strategic studies, publication and dissemination of information on the business environment; and process of business linked to the value chain and to the sectorial inter-relations, the business incubators, productivity, innovation and identification and dissemination of best practices.
- Strengthening of the Growth and Competitiveness Fund, particularly through the financial resources generated by the revenues resulting from the privatization processes, mainly geared towards the most competitive sectors of the economy. The Fund seeks to meet the training and technical assistance needs of the SMEs;
- Implementation of the “Competitive Cape Verde” Project, primarily aimed at informing the business community specifically, and the society in general, on the government's major structural policies and investment opportunities;
- Implementation of an institutional and incentive framework for the establishment of leasing operations. The policies in this field seek to provide tax incentives and institutional simplification to allow the inclusion of such operations in the banking activity. Leasing is one of the attractive options to overcome the obstacles met by the domestic businessman as regards own funds, and meets the needs of the SMEs as well;

- Likewise, incentive measures will be taken to establish risk capital operations, including their functional insertion into the banking operations;
- Transformation of the Sociedade de Desenvolvimento Empresarial (Business Development Association), SDE, into a financial or para-financial institution geared to the financing of PME projects. This transformation gives rise to the increase of the Association's capital and reinforces its institutional and operational capacity;
- Strengthening of the link between Cabo Verde Investimentos (CI) and SDE, with a view towards the integration of the offer of financial services to the offer of counseling and technical services to SMEs. In this regard, the government will implement measures aiming at maximizing the synergies between SDE, CI and the services offered by the Chambers of Commerce;

The policy of incentives shall be revised in order to render a higher degree of rationalization and orientation towards the target sectors, and to align them with the WTO principles.

The process of privatization in course will continue, and shall be completed during the period covered by the GGPRSP II. Special attention will be given to the more complex and sensitive issues, namely ENAPOR, CABAVE, TAVC and EMPROFAC. Concomitantly, the process of modernization of the public companies will continue, to prepare them to offer better services to the economy and to increase their competitiveness.

Privatizations shall contribute to rendering the Cape Verde Stock Exchange more dynamic. In this respect, the shares earmarked for the employees in the privatized companies and for the small investors (including emigrants and the public in general) shall be quoted on the Stock Exchange, following the recent example of the process of public offering of shares in the sale of the Sociedade Caboverdiana de Tabacos. Furthermore, the residual participation of the State in the companies such as ENACOL or INPHARMA shall be quoted on the Stock Exchange, provided there are no purchase options are held by present shareholders, or when those rights are waived.

4.3.2.3 ICTs: Element of Competitiveness in the Economy and Source of New Development Opportunities

An adequately educated youth, attracted to the field of the ICTs, along with telecommunications infra-structures, a successful experience carried out by the State in the field of electronic governance linked to the political will and to initiatives from the private sector aiming at the development of the ICTs – namely in the framework of higher education in Cape Verde – together with the relocation of production fostered by the knowledge-based economy are all factors favorable to the development of a ICT industry in Cape Verde, based on the creation of competitive advantages. The objective is to transform the ICT sector into one of the vectors of specialization in Cape Verde, alongside Tourism, Fishing, Light Industry, and Transportation, associated to the project of installation of an International Financial Market in Cape Verde and to the existing capacity in the field of telecommunications.

Thus, the actions will seek to:

- a) Support the modernization and the increase in the level of competitiveness of the business fabric, while lending dynamism to the internal competition and preparing the business in the key sectors of the Cape Verdean economy which have a vocation for export to compete in the global market;
- b) Lend dynamism to the development of electronic business, which gains importance in the access to world markets and helps overcome the hindrances associated to the Cape Verdean territory, namely its insularity and remoteness;
- c) Support the emergence of a new economy based on measures of support to the private sector with the objective of facilitating the establishment of new companies, serving the internal market and inserted in world networks, which may contribute to the broadening of the Cape Verdean production base while minimizing the limitations deriving from the remoteness of Cape Verde;
- d) Adopt vertical measures within the Public Administration for the promotion of the follow-up by the businesses and social groups in the utilization of the ICTs;
- e) Build capacity and mobilize the private sector to offer services associated to the Public Administration modernization projects and social services;
- f) Define an integrated intervention model, addressing all the critical success factors, in complementarity and synergy in terms of concrete and specific actions.

4.3.2.4 Fiscal Policy that Maximizes the Competitiveness of the Cape Verdean Economy

The fiscal policies shall contribute to the emergence of Cape Verde as a dynamic and competitive area and, to that intent, efforts will be directed towards the reduction of the global tax burden by ensuring the balance between the tax level as a share of the GDP, fiscal efficiency, public investment and the pursuit of budget consolidation.

In the framework of the strategic pillar of competitiveness, tax policy between 2008-2011 shall be oriented towards:

- Dynamization of the business activity, particularly of the small and medium size enterprises, which will contribute to the emergence of a robust and competitive business fabric, able to seize the business opportunities deriving from the economic growth.
- Development of the financial system by creating conditions for the gradual insertion of Cape Verde in the International Financial Market;
- Dynamization of national savings by developing the capital market;
- Development of environmental policies as well as policies aimed at combating climate change (Kyoto Protocol) prioritizing the (i) rationalization of the energy consumption; (ii) incentives to the generation and use of renewable energy; (iii) preservation and optimization, from a sustainability point of view, of the natural resources such as natural construction materials, the ocean, etc.

A. Fiscal Policy Measures

Fight against Fraud and Fiscal Evasion

The strategy to combat fraud and fiscal evasion and, consequently, the action of the Tax Inspection addresses three fundamental aspects:

- (i) Improvement of the division of most relevant taxpayers, for a more effective permanent follow-up, with adequate resources and tools for risk analysis;
- (ii) Focus on the taxpayers' actions outside the "system", that is, those who are in the so-called "informal economy", specifically through the dynamization and strengthening of the Fiscal Inspection Directorate;
- (iii) Development of external auditing.

Rationalization of the Tax Incentive System

Following a new evaluation of the existing tax benefits in the field of income and assets taxation, the tax exemptions or incentives considered inadequate or unjustified will be subjected to a new analysis prior to the creation of the Tax Incentive Code, which will privilege those incentives which are aligned with the pursuit of the strategic objectives defined in the GGPRSP II.

Reduction of the Tax Burden in the Framework of Budget Consolidation

The tax burden for the families will be reduced in the different brackets, which in turn will be submitted to a revision as a result of inflation. A new policy for the progressive reduction of Income Tax on Corporations (IUR-PC) will be formulated, and the simplification of the fiscal regime will render it more equitable, transparent and efficient, while underlining the incentives and tax exemptions.

Improved Fiscal Equity

This policy embodies the principle of tax fairness, whose application is a major task of the fiscal administration.

The government's major challenge consists, precisely, of determining the fair measure of this capacity and the gauging criteria, ensuring that the interests of the State and of the taxpayer are met through the comprehensive application of tax fairness in all of its aspects.

This challenge requires the installation of a system whereby taxes – each one individually but also comprehensively – be adequately integrated and adjusted. In other words, the substantial legal and fiscal regulations shall be integrated as a consistent, coherent and organized system based on fundamental principles and freed of gaps, overlapping or contradictions, while coherently coupled and integrated into the overall legal system.

An Efficient Fiscal System Focused on the Taxpayer

Fiscal systems should allow individuals and corporations to fully benefit from the real possibilities and potential in the domestic market. This entails rendering those systems simpler and more transparent to the taxpayer.

The New General Tax Law shall contribute to a sounder relationship between the tax administration and the taxpayer, while allowing the Cape Verdean tax system to reflect those of the more advanced democratic societies.

B. More efficiency Tax Administration/Modernization of the DGCI

In order to achieve the goals outlined by the Tax Administration, namely improved tax collection, the DGCI, together with the NOSI and the CFAA project shall continue the computerization process (SIGOF Project) as well as the modernization of the Fiscal Administration:

- (i) Revision of the existing DGCI site, reflecting a more efficient management of its contents and ensuring updated information;
- (ii) Introduction of management of the notifications sent to the taxpayers according to the capacity of the Decentralized Finance Departments (Concelhias), while allowing for the follow-up of all procedures (taxpayers' and services) up to the closing of the processes and providing statistic data at various stages, which will be valuable to the management function;
- (iii) Reduction of the costs for both the taxpayer and the Tax Administration through the installation of mechanisms which reduce the need for taxpayers to personally appear before the Finance Departments.

C. Simplification of the tax system

In this area, dematerialization and rationalization of tax procedures will be continued with the objective of reducing contextual costs. The simplification of the Fiscal system through the adoption of Information and Communications Technologies is one of the major vectors of the government's fiscal policy and consequently of the Fiscal Administration and, as such, a fundamental matter.

D. Legislative Provisions

In 2008, the Direcção Geral das Contribuições e Impostos (General Directorate for Contributions and Taxes) shall experience a significant improvement in its human resources and in the strengthening of the institutional dimension as a result of a review of the:

- General Tax Code,
- Fiscal Procedure Code,
- Regulation of Costs and Fees,
- Stamp Duty Code,

- Tax Incentive Code
- Tax Inspection Regulation.

The Tax Administration shall introduce the above-mentioned structural codes for the entirety of the Cape Verdean tax system as the conclusion of the projects for the new Fiscal Procedure Code, Judicial and Fiscal Execution Code, Personal Tax Code and Corporate Tax Code are essential instruments for clarifying the regime applicable to the Tax Administration and to its officials, and for the efficiency and optimum execution of the legal tasks and the for enhanced management and control of the revenue collection phases in all finance divisions.

4.3.6 Improved Regulation

The Cape Verdean economy, whose development dynamics is based on strategies favoring market mechanisms and private production activity, assigns a pivotal role to economic regulation to ensure the proper functioning of the market mechanisms, while safeguarding the interests of the public and of the society, for whom the mere functioning of the market is evidently insufficient.

Accordingly, Chapter I of the Government Program for the 2006-2011 legislature, “New Paradigms for Growth and Economic Competitiveness” advocates the *“strengthening of the national regulation capacity, both at the level of consolidation of the legal framework of the activity and at the level of regulation of the various economic sectors under regulation.*

For the sake of consolidation, efficiency and efficacy of the regulation, the government shall apply the following measures:

- training of highly qualified technicians
- Implementation of an assessment of the impact of the regulating activity on the economy
- Development of information/communication initiatives directed to the economic operators, the State apparatus, the media and the society in general, with the objective of disseminating the justification for and mechanisms of the regulation
- In order to strengthen the national capacity for regulation, provisions will be made on the basis of the forecasted revenues from the privatization process, which should account for some tens of millions of dollars in 2006-2007, as foreseen in the addendum to the Framework Law on Privatizations
- Special attention will be paid to the conclusion of the technical regulation of the sub sectors of fuel, electricity and water, the strengthening/capacity building of the State central administration in the areas of strategic planning, supervision and effective control of the sector, the consolidation of the implementation of the Economic Regulatory Agency, fostering a Center for Technology Transfer which will operate as a service of operational character by the State in the field of research, applicability testing, adequacy and adjustment of new energy technologies to the country’s reality.”

Despite the sectorial specificities, it is important that the regulatory policy options be inserted in the framework of an integrated perspective, anchored on a strict concept of independent

regulation – market-friendly, in line with the liberalization and promotion of competition, and of general interest – under the scope of a framework law establishing the main lines of its institutional concept, standardizing and rationalizing the main solutions and establishing a minimum legal base common to all regulatory entities.

Enhancing the regulatory capacity is one of the major challenges in the process of modernizing the country and improving its competitive position.

A few achievements have already been registered, namely the approval of the Legal Regime for the Regulatory Agencies (Law no. 20/VI/2003 of April 21) and the creation of the Agency for Economic Regulation (DL n.º26/III/2003, of August 25).

Today, the Cape Verdean Regulatory Framework has secured significant expressiveness, comprising Banco de Cabo Verde, the regulatory entity for the financial and insurance activity, and of several other Agencies: Agency for Economic Regulation (ARE), Civil Aviation Agency (AAC), National Communications Agency (ANAC), Food Safety Agency (ANSA) and Agency for Regulation and Supervision of Medical and Food Products (ARFA). Furthermore, the Maritime and Port Institute (IMP), is another regulatory entity, soon to be transformed into an agency, pursuant to the above-mentioned general legal regime.

AAC, ANAC and ARE are already somewhat consolidated agencies, effectively fulfilling their respective mandate, contributing to the better functioning of the markets under their jurisdiction and promoting efficiency and competitiveness.

For all practical purposes, ARFA and IMP are still in the installation phase, and shall be the object of special attention on the part of the government and the development partners. ARFA has received financial support from the Growth and Competitiveness Project of over half a million dollars.

At the present time, the country lacks effective mechanisms for the regulation of competition which, in its horizontal nature, differs from economic regulation. In addition, while the latter is focused on issues of access to the market and effective price formation, the former concentrates on those competition restricting practices which may have an adverse effect on the collective well-being. Eventually, the government shall promote the creation of a competition authority.

The enhancement of the regulatory capacity is a priority in the horizon of the GGPRSP II, with special emphasis on the guarantee of universal operation and supply of essential public goods and services to the less favored strata, based on a concept of inclusive public service and interventions promoting the sustainability of the services, allocation efficiency, production efficiency and equity or efficiency of distribution.

4.3.3 Promotion of the Dynamic Sectors and Improved Standard of Specialization of the Economy

From a sectorial standpoint, the service sector continues to be important in the Cape Verdean economy, with prominence of the tourism activity, particularly in the identification of the need to improve the standards of specialization of the economy to introduce greater diversification and lend more soundness to the activity.

4.3.3.1 Tertiary Sector, Growth and Employment Sector

One of the most distinguished characteristics of the Cape Verdean economy has been the structural changes resulting mainly from the ascending trend in the tertiary sector as regards the participation in the GDP and job creation. The continued evolution of the tertiary sector has been dictated by the strong performance in the areas of tourism, transport, banking and insurance, which has contributed to changes to the country's productive structure.

The tertiary sector, particularly tourism, offers great potential of upstream and downstream interaction with other sectors or elements thereof, in "clusters": civil construction, which is a source of job creation; the primary sector, which can secure an expanded market for its fishing and agricultural products; road, air and surface transport - internationally and inter-island - and, finally, financial services.

The economic policy framework shall take into consideration further important manifestations of the sectorial development dynamics in their relation to job creation. In that light, the following situations must be stressed:

Development of Competitiveness in Tourism

Tourism will continue to be the main drive of the economy. Policies shall be identified and introduced to better respond to the problems and to offer answers to the new challenges resulting from changes in the market situation, namely:

- The significant increase of international competitiveness of the Cape Verdean tourism;
- The promotion of development of integrated and higher-end tourist projects.

Improvement of the Quality of Accommodations Offered

Up to 2002 investment in tourism was directed to the construction of auto-sufficient "all inclusive" "resort" type hotels equipped with their own basic infra-structures.

More recently, new types of investors have sought Cape Verde, offering different products. Essentially, those real estate operators are interested in large tracts of land to develop a product "mix" which, as a rule, combine the construction of homes, hotels, golf courses, marinas, all geared to clients with greater purchasing power.

This new trend brings advantages in the form of new multiplier effects to the economy, such as increase in the products and services from the domestic market and the promotion of quality in tourism. On the other hand, this trend also presents greater challenges with regard to the efficiency and quality of water supply, energy, sanitation and road and airport infra-structure.

In this context, a set of measures directed to responding to this new market phenomenon include:

- Establishment of a set of incentives, positively discriminating those integrated projects combining real estate products with tourism, and which promote the quality of the destination. Those incentives could consist in favorable conditions in the concession of exploration of tourist activity;
- Establishment of a regulatory framework for the construction of recreational harbors and marinas and golf courses, coupling tax incentives with environment standards and licensing procedures;
- Introduction of competition in the production and distribution of water and electricity in the tourist development areas; definition and implementation of regulations of the relations between the concessionaires and producers and the independent distributors;
- Establishment of a contractual framework for public-private partnerships for the management and development of special touristic zones and touristic protection zones, introducing management contracts and establishment conventions taking into account private investment.

Diversification of the Tourism Products

Today, tourists begin to seek agro tourism in Cape Verde. Moreover, the country's reputation in the field of music is recognized internationally. It is therefore important to foster a policy of diversification anchored on those two products: rural and cultural tourism, combined with or dissociated from the traditional products: sun and beaches. The policies for the promotion of those two types of products of significant impact on the local economy must be pursued in coordination with the local authorities and representative civil society organizations and the central authority responsible for the environment. Programs for job creation in the rural areas and for fostering young entrepreneurship shall also be inserted into this framework.

Support to Domestic Private Investment in Tourism

The sector's competitiveness is also a result, to a great extent, of the quality and products offered. In this respect, the professional profile of the investor and his financial and entrepreneurial capacity are of vital importance. The government has plans to raise the level of Cape Verdean tourism to levels above the medium and low levels.

In order to facilitate the access of domestic entrepreneurs to this type of projects, specific policies to support the private sector through the association with external capital and know-how will be developed.

Still in the area of promotion of domestic private investment in the sector, the government plans to develop a set of policies integrating the gender approach, with the aim of encouraging business and financial capacities to allow participation in projects and activities developed in various downstream and upstream segments of this sector, such as catering, transportation to hotels, car rental, local crafts, agricultural production, maintenance services and mechanical and electrical services, among others. The above-mentioned policies will include professional training, incentives for leasing operations and technical assistance and the opening of specific credit lines with public support. Those policies aim at promoting those economic activities which

tend to create jobs, particularly among the young and independent workers, and are therefore included in the government's priority agenda.

Greater efficiency in the promotion of tourism

The importance of tourism for the country's economy requires specialization and a high degree of professionalism in the field of promotion. This requirement shall be met, on the one hand, by lending autonomy to the tourism promotion function at Cabo Verde Investimentos, and by outsourcing specialized services, on the other hand.

4.3.3.2 Internationalization of services and their competitiveness

In the Tertiary Sector, other segments have to be highlighted for their role as growth drivers and job creators.

Transport, telecommunications and financial services are segments associated with dynamic growth and of job generation. Thus, in the framework of economic policy centered on accelerated growth and reduction of unemployment, and also for their importance in the support to the development of tourism, those segments shall be the object of special intervention through public policies which increase their efficiency and facilitate the transformation of Cape Verde into a competitive center for international services.

Policies and programs focus, particularly, on commercial and industrial warehousing services, air and surface cargo transshipment, warehousing and marketing of fishing products based on international and domestic catches, international registry of vessels, aviation services, telecommunication services, financial services, ship repair, bunkering and supply of specialized labor to the merchant marine and international fishing.

The **transformation of Cape Verde into a center for international services** shall be anchored on the following strategic pillars:

- **Policies and programs promoting the inter-modal exploitation of the port/airport complex for rendering of international services.** The existing and projected adequate port and airport facilities on the islands of Sal, Santiago e S. Vicente are essential elements for the implementation of those policies. In this context, the infra-structures either under construction or planned shall be geared towards the accomplishment of such strategy. Particularly relevant are the harbors of Praia and Palmeiras, which should be adequately dimensioned and equipped; further, improvements shall be made to the Praia airport.
- **Supply of integrated international services**, so that the competitive advantages of some of the services make up for the disadvantages of others, and so that the synergy among them result in global competitive gains. For example: the maritime port services shall be supplied in coherent packages including other port products such as ship repair, supply of specialized labor, refrigerated warehousing, international vessel registry and passenger transport and international air cargo.

- **Relative specialization of the international service centers according to their competitive advantages.** From this standpoint, Mindelo shall concentrate on maritime services, but shall not neglect the advantage represented by its international airport; Sal shall concentrate on air services, but should also strive to diversify the supply of products taking advantage of the Palmeiras harbor and other tourism products; Praia shall take advantage both of direct air links to the African continent, Brazil and the United States, and of the harbor, which is scheduled to undergo expansion and modernization.

4.3.3.3 Modernization and internationalization of the financial system

The transformation of Cape Verde also requires a modern, dynamic and efficient financial sector, as the development of efficient and effective financial services shall, in time, become one of the foundations of the national economy.

In the last few years, with the adoption of the new BCV organic law, the reduction of government internal financing, the pursuit of the modernization of the payment system, the increase of foreign exchange reserves and the introduction of new institutions, the country's financial system has been substantially enhanced in its institutional profile. Further to the consolidation of the policies resulting in improved institutional structure, the main objective for the financial sector is the increased competitiveness and the deepening of the sector, particularly with the entrance of new financial institutions and the creation of specialized financial products and services, better adapted to the specific needs of the domestic business community.

Sound foundations have been created for the consolidation and deepening of the development process of the financial system during the period covered by the GGPRSP II. In that regard, a set of specific initiatives founded on five structural pillars will be developed and implemented:

- i. **Promotion of competitiveness of the financial system** – based on this principle, and to render the sector more competitive, the consolidation of the process of overture of the financial system to other operators will be consolidated. In the same lines, the conditions for access of investors to long-term capital and the access to the international capital market will be improved and facilitated.
- ii. **Promotion of the Cape Verdean Financial Center** – policies aiming at promoting the complete installation of the activities of financial institutions in Cape Verde will be developed, as their establishment in the country will result in improved gains in terms of specialized jobs, knowledge transfer and financing of the national economy. In this context, and based on public-private partnerships, projects for real estate development and re-urbanization projects will be carried out to favor the construction of modern buildings to be occupied by the international financing institutions in Praia and Mindelo; the installation and expansion of telecommunication infra-structure will be promoted based on avant-garde technology which will result in a considerable reduction of the cost of telecommunications; the Cape Verde Stock Exchange shall be improved and rendered dynamic, and the Cape Verdean financial center will be the object of an international promotional campaign.

- iii. **Improved credit risk management** – this objective is associated with the improvement of the regulatory framework, capacity-building of the financial mediators, and the launching of a program of “Credit Guarantee”, duly supported by the international financing agencies.
- iv. **Better SME access to financing** – In this context, the policies will center on the promotion of capacity-building for the businessmen and the corporations, the strengthening of the catalyzing nature of the Competitiveness Fund, which will allow SMEs to contract the necessary technical assistance in the preparation and negotiation of investment projects and of restructuring of the organization, as well as the restructuring of the Sociedade de Desenvolvimento Empresarial (Business Development Association, SDE) as an alternative for the financing of SMEs, namely through the promotion of risk capital and the strengthening of the technical capacity of the institution in issues of development and supervision of investment projects.

4.3.3.4 Integrated rural development

The modernization and diversification of the productive activities and the integrated development of the rural communities is under way, through the improvement of catchment areas, as well as the expansion of the network of infrastructures and essential services, with special emphasis on the rural electrification and roads.

The goal is the sustainable and rational utilization of the comprehensive resources “in the territory”, combining integrated intervention for the promotion of production, the development of socio-economic infrastructures and strengthening of the management capacity by users and community organizations.

The “new agriculture” shall foster the creation of competitive activities, including the supply of services, particularly agro-tourism, first and foremost through coupling with the process of development of natural parks and the preservation of the environmental resources and nature. In that regard, interventions in the areas of training, rural extension and credit to create new opportunities and minimize the imbalances in the access to resources will be strengthened.

The development of the tourism sector opens new perspectives to the agriculture and livestock production. Thus, improvements in quality and in the distribution circuit and the strengthening of the entrepreneurial capacity of the producers shall be the focus of special attention.

The integrated development of the rural communities will continue in pursuit of the following objectives:

- a) Ensuring sustainable conditions of existence to producers;
- b) Optimization of the integration of the agricultural and non-agricultural activities, based on the sustainable exploitation of the natural, human and economic resources.

For the fulfillment of the above-mentioned objectives, the interventions shall be complementarily coupled with the following elements:

c) **Sustainable management of the natural resources** – water, land and biological resources – with a view to intensified and diversified agricultural production;

d) **Optimization of agricultural products**, by strengthening the conservation, transformation, marketing activities, and the promotion, in an integrated fashion, of income-generating rural activities;

e) **Strengthening of the extension and investigation/development services**, based on the production and protection approach integrated in a inter-sectorial orientation towards: the strengthening of the link between investigation/development and extension/advisory services; the development of capacities in specialized services, the analysis of the socio-economic dimension of the production systems, based on a close link between the public, private and community services.

f) **Establishment of a favorable socio-economic and political environment**, through: strengthening of supply of the water and sanitation infrastructures, roads, rural electrification, health, among other supplies; the development of conducive promotional and support services (production factors, micro-credit, training, marketing); strengthening of entrepreneur capacity of the agricultural producers; creation of businesses and producer associations; training/capacity-building for producers and fostering of professional qualification of workers in modern agriculture; strengthening of the capacity for follow-up and evaluation, including sectorial statistics; quality and safety of the food chain.

g) **Sustained fight against the unreliable food supply and malnutrition**, including: development of alert and rapid intervention systems, based on an information system on food security; complementarity between investment projects and protection actions, particularly for the more vulnerable strata of the population. In this regard, the programs of public employment, namely through the labor intensive work fronts carried out in the fight against poverty shall be development to ensure the link between the needs to guarantee in the short-term, a stable income and, in the long term, the issue of the global rural development, with a view to establishing the basis for the sustainable economic development, particularly in regard to the poorer rural population.

In the sectorial plan, the government recommends:

a) **Crop production:** adapting the production systems to the potential of the agro-ecological zones, through the agro-silvo-pastoral integration; higher productivity and diversification of production in the humid and sub-humid areas, based on the mobilization and improved management of the water resources, the promotion of technological packages with high added value in irrigated production, the increase of the areas covered by micro-irrigation for the market garden crops of high added value.

b) **Animal production:** Integration of the stock-farming sector in the intensive agro-silvo-pastoral production systems, with the resulting adjustment of the capacities of natural resources in the different agro-ecological zones; restructuring of the farms in the semi-arid and arid zones; promotion of agriculture and livestock complementarity in the humid zones and the

diversification and optimization of the products, to render profitable the livestock sector in a sustainable manner, both for peasants (improved livestock activity) and the investors (intensive semi-industrial livestock activity).

c) Forestry: Durable management of the resources, based on the improvement of catchment areas, the development of agro-forestry systems and the participative management of the forest perimeters, aiming at the substantial improvement the following: (i) soil and water conservation; (ii) fodder production, (iii) sustainable crop production; (iv) energy availability. Particular attention will be focused on the prevention of forest fires and to the restoration of the degraded ecosystems.

d) Other income-generating activities will be fomented at the heart of the rural communities, through incentives to the implementation of a network of associations and of micro and small enterprises in areas such as: (i) environmental protection and conservation (ii) socio-cultural entertainment, (iii) establishment and management of community infrastructures; (iv) fomenting credit associations (v) local crafts, (vi) transformation , packaging and marketing, (vii) small-scale fishing, (viii) agro-tourism.

4.4 PILLAR IV – THE COUNTRY’S ECONOMIC INFRASTRUCTURING

Infrastructuring encompasses a variety of sectors whose services – electricity, transport, telecommunications, water, sanitation and environment – impact directly both in the quality of life of the families and in the economic activity, stressing the competitiveness of the country. Empirical studies reveal that an increase of infrastructures by 1% will result in a GDP increase of 1%.¹⁷

In the framework of growth and poverty reduction, infrastructuring has been assigned a relevant position, which will continue in the GGPRSP II. In fact, among the challenges posed by the country’s development, investment priority is given for investments in the areas of land use planning, the economic infra-structure and the decentralization and regional development policies to maximize the local resources, promote the complementarities and insure the integrated and harmonious development of the country. In other words, the economic growth of the country and its impact on the quality of life of the population hinges greatly on the infrastructures for the organization of the national productive base and on the fluidity which is conferred to the circulation of persons and good in the various fields of activity.

¹⁷ World Bank Report on World Development 1994

4.4.1 Land use planning

4.4.1.1 Policy instruments

Land use planning is essential to an efficient and parsimonious management of the territory and its natural resources, for the good of the sustainable social and economic development, of the defense and safeguard of the environment and the improvement of the quality of life of its citizens.

Further to the Lei de Bases do Ordenamento do Território e do Planeamento Urbanístico (Basic Law for Land Use and Urban Planning) and Lei das Expropriações (Law on Expropriations), already approved, and to the support of the municipalities in the preparation of their own urban plans, the following instruments shall be adopted:

- Law on Land Use,
- Law on Land Register and Law on the Mapping Production
- Integration of the urban planning issue into the Municipal Environment Plans, as well as the GPS observations for the modernization of the National Geodesic Network and the calculation of the transformation coordinates for the production of the national cartography.
- Setting-up of a National Land Register System allowing for a better understanding of the national territory and of the municipal territories, as well as the updating of the collectable revenues for the calculation of the IPU (Real Estate Tax), lending greater legal certainty to real estate transactions.
- Regulation of the planning instruments already approved;
- Preparation of the National Directive on Land Use Planning and Development, DNOTD, as an instrument of higher level hierarchically in the Planning and Development Plan, as foreseen in the new Basic Law on Regional and Urban Planning;
- Preparation of Land Use Planning Summaries, EROT's, for Santiago, Santo Antão and Fogo, as instruments of the Land Use Planning Plans of regional scope, (more than one Municipality) which will produce urban guidelines for the Municipal Urban Plans;
- Preparation of EROT for São Nicolau;
- Creation of a Central Land Service and the installation of municipal land registry cells to set up an authentic National Land registry System;
- Cartography production at national level (1:10.000 for the whole country and 1:2.000 for all urban centers);
- Setting up of a Territorial-based Geographical Information System – SIT.

Land use planning will focus on the especial planning zones, such as the urban and rural areas, the catchment areas, the special tourism zones, the costal strip and industrial parks, as a means to optimize the territory as an element of well being of its citizens and of economic competitiveness; from another perspective, the issue has a bearing on the fight against poverty and on the creation of sustainability, equity and social justice.

4.4.1.2 Regional development and territorial cohesion

Territorial cohesion must have its foundations on the adequate and gradual development of the country's strategy for sustainable development, through mechanisms which optimize the resources of the region through regional clusters such as the zones of integrated tourism development and the zones of tourist reserve and protection, the material and immaterial cultural products, the biodiversity resources, the protected areas, etc.

With this intent, the following policy measures will be development and implemented:

- Adoption of a Regional Development Plan based on the diagnosis of needs for public or private investment as a contribution to the strengthening of territorial cohesion;
- Compilation of prospective and analytical studies on the country's social and economic development which may supply elements on which to support the set of reference frameworks on public investment priorities at the regional level;
- Strengthening of the country's infrastructure to overcome regional asymmetries;
- Distribution of drinking water, waste water treatment, and treatment of solid and industrial waste at regional level;
- Optimization of the environment dimension; strengthening of the policy for the development of the rural economy as a tool to retain the population in those regions of the country.

4.4.1.3 Environment and sustainable development

Efforts should continue to promote durable development with environment quality, integrating in a harmonious fashion the economic, environmental and socio-cultural dimensions of the sustainable development, based on the following assumptions: (i) protection and integrated management of the natural resources, vital to the economic development; (ii) fight against poverty; (iii) adjustment of the production methods and consumption patterns.

The interventions will rest of the following strategic pillars:

- a) Sustainable management of the natural resources;
- b) Conservation and optimization of nature and the territory, protection of biodiversity and the landscape;
- c) Strengthening of the integration of the environmental dimension in the sectorial and regional and local development policies;
- d) Strengthening of environmental awareness and training.
- e) Optimization of the human resources

At the sectorial level, the actions will be target towards the (i) strengthening of the integration of the environmental dimension into the sectorial policies, through the review of PANA II and the instruments of pluriannual planning; (ii) land use planning, including the drafting of different plans, the installation of a National Land Registry System and the creation of a Territorial Information System.

The implementation of the United Nations conventions on the environment, particularly those related to the Biological Biodiversity and the fight against desertification and the effects of draught and climate changes shall be the object of special attention by the public authorities.

4.4.1.4 Urban rehabilitation and housing

In order to provide an answer to the accelerated growth of the urban centers, policies, programs and interventions will be designed and implemented in the field of housing projects, urban rehabilitation, urban development, urban and life quality management and administration, in accordance with the following strategic intervention areas:

- Establishment of harmonized urban spaces, with emphasis on the organization and rehabilitation of the districts, introducing dynamism in street layout and paving, water and sanitation, rehabilitation of the coast line, squares and green areas, painting and coating of facades, public lighting and waste collection and treatment.
- Focusing the urban policies on the issues on environmental sustainability, a decisive factor for the space, social and functional integration of the territory.
- Management of the territory as a process of change, social cohesion and deepening of the mechanisms based on population participation in the area of urban quality.
- Response to new demands in various fields such as open areas, culture, recreation and leisure.

As far as urban rehabilitation and renewal is concerned, in addition to the historic areas and areas of high cultural and architectonic interest, attention will be concentrated on the critical areas of recovery and rehabilitation, particularly the Degraded Housing areas in the periphery of the urban centers, providing them with habitable conditions, equipment and means of accessibility.

4.4.1.5 Basic Sanitation

The government intervention will be geared towards the basic infrastructuring and the implementation of procedures and practices ensuring increasing improvements of the life conditions and fostering a sound environment, adopting the following strategy:

- Expansion and modernization of the sewage system infrastructures, namely in the areas of collection and treatment of discharges, collection, treatment and recycling of solid waste.
- Establishment of new partnerships for the implementation of modern units of treatment and management of waste, particularly in the urban centers, with a view to greater efficacy in the system of collection and disposal or treatment of solid waste at the national and local levels.
- Development of simpler access by the population to water and sanitation, through an effort to modernize the infra structure for drinking water distribution, collection of waste water and incentives to connection of household to the water and sewage grids,
- Incentives to investment in modern systems of treatment and recycling waste water, in the perspective of integrated management of the water resources and the increase of water supply.

With regard to the implementation of the National Action Plan for the Environment, specific measures for technical and financial assistance will be made available to the Municipalities and the Autonomous Services in the area of management of sanitation systems.

4.4.1.6 Migration

The dynamics of development has been creating an intense flow of population groups, both in the direction of the main housing areas, and in the direction of those islands where a major construction boom in the tourism field takes place; as a result, serious social problems have already been detected, mainly due to lack of reception conditions (response to primary needs such as access to housing, energy, water) and to precarious employment.

The following strategies and interventions have therefore been devised:

In the area of internal mobility

- Central and local government efforts to better recognize the communities of origin of those flows to define intervention measures and productive activities aiming at stimulating the respective populations, particularly the young people, to remain the area by responding to their basic needs.
- Take into account the fact that many of the poorer areas are located in protected areas, potentially able to offer services and products which create jobs (self-employment) and sources of income associated to the traditional activity of rain crops, animal husbandry or forestry. This will insure that the regions which, in the future, may be the target of important development programs and projects are not deprived of their capital.
- As the need exists to receive workers to the projects on the islands of lower population density, both the local and central governments shall, in partnership with the tourism operators, create and implement actions namely in the field of housing and professional training, in order to provide the indispensable social framework and to ensure minimum living standards.

The immigration issue

In light of the complexity and the weakness that characterize the country's economic and social fabric as a result of the significant segment of the population affected by poverty and unemployment, and living in precarious housing conditions; in light of the fact that Cape Verde advocates the human dignity and the right of every individual to seek peace, security and well-being, on the one hand, and the responsibilities of the State and its institutions to ensure the compatibility of those rights with internal stability and the necessary social balances, on the other; in light of the manifest need to adjust the solutions provided in the legal system for entry to and residence of foreign citizens in the country to the current demands for a definition of an authentic immigration policy which couples the need to quicken the process of legal residence of foreign nationals with the needs felt by the labor market, the determinate fight against the phenomenon of illegal immigration and the fight against the employment of foreigners with an irregular status, the government has decided to establish an Inter-departmental Commission mandated to fulfill the following mission and objectives:

- Recognize the past and present situation of immigration in Cape Verde, analyzing its decisive aspects which condition it in terms of legal requirements and the internal and external environments;
- Gather the opinion of institutions, partners and social and economic actors, interest groups, specialists and prominent figures on the national immigration policy;
- Carry out a survey of the obligations agreed upon by the State of Cape Verde on the international, regional and community plans, and gather all the legislation in force in the country in matters of entry to and residence of foreign nationals in the country, contracting of foreign labor, and management of immigration flows.
- Formulate a final report which, taking into account the conclusions gathered, offers reflection and recommendations by the Interdepartmental Commission and leads to the preparation of the following documents:
 - Guidelines for a National Policy on Immigration.
 - Draft of framework legislation for the National Policy on Immigration.
 - Proposal of institutional framework for the implementation, follow-up and evaluation of the
 - Definite policy measures

4.4.2 Transport and communications

The basic elements for the specialization of the Cape Verdean economy in the field of international services of excellence have already been established. Transport is a vital element in the success of this strategy and, for this reason, the infrastructure and modernization dynamics for the sector shall be pursued and consolidated.

4.4.2.1 Air transport and airport services

In the field of **civil aviation**, the following actions will be in the center of the interventions to produce an important impact on the consolidation of recent achievements:

- Strengthening of ASA's role as a regulatory and supervisory instance for the national aviation activity;
- Promoting the continuous development of national systems of airports, air circulation and aviation communications;
- Creating favorable conditions for a safe, regular, effective and economical air transportation service, responding to the ever increasing expectations of the public;
- Promoting an environment of sound competition between the national operators;
- Promoting aviation safety, with the coordination of the National Safety Program for Civil Aviation;
- Implementation the National Airport System Plan;
- Rehabilitating the runways in the different airports, particularly on Maio and S. Filipe;
- Launching Phase II of the expansion of the passenger terminal at the Praia Airport;
- Launching the expansion of the passenger terminal at AIAC;

- Offering conditions for the development of private activities in the airport areas, namely the concession of space for maintenance and technical assistance to civil aircraft;
- Promoting Cape Verde as a platform for air transportation.

With the conclusion of the extensive S. Pedro airport expansion project in S. Vicente, the minimal conditions will have been created to launch a new cycle of international operations, a very important element, particularly for the development of tourism not only on that island, but also on Santo Antão.

4.4.2.2 Maritime transport and port services

The **modernization and expansion of the maritime and port sector** are under way. The introduction of the first units of horizontal transport opened a new age in inter-island maritime transport, with a highly positive impact on the level of passenger and goods transport.

The following major **airport infra structure** projects are included:

- The transformation of S. Vicente's Porto Grande into a maritime transport hub is progressing.
- The modernization and expansion of the Praia Harbor includes three dimensions (land - construction of road access to the harbor; the extension of the pier and construction of the container park; and, finally, the offshore dimension, comprising the construction of the breakwater along the bay);
- Expansion and modernization of the Palmeira Harbor, encompassing the expansion of the pier, the construction of a container park, bottom dredging to allow for handling of large vessels, construction of an access road, construction of administrative buildings, warehouses and maritime terminal and renewal and expansion of the equipment yard;
- Expansion of the harbor in Porto Novo;
- Restructuring of the Sal Rei harbor;
- Restructuring and expansion of the harbor in Vale de Cavaleiros;
- Creating conditions for the construction of a new pier on Maio island;
- Creating conditions for the development of a Master Plan providing the most adequate technical solutions for the restructuring and expansion of the piers.

The following actions are envisaged for **maritime transport**:

- Restructuring and strengthening of nautical training, in all levels, to be coupled with the training provided in the fishing sector;
- Increasing the number of marinas, fostering dynamism in the field of nautical sports activities;
- Reintroducing dynamism in the merchant marine, attracting domestic and international investment rendering the domestic equipment an element of advantage, capable of maximizing the development of the Cape Verdean economy;
- Promoting the construction and operation of the control system of coastal maritime traffic, modernization of a maritime rescue and safety system, maritime communications and a navigation support network, all of which will increase navigation as well as maritime safety;

Considering the enormous gains in terms of efficiency, swiftness and mobility of passengers and goods resulting from the gradual introduction of the horizontal transport in the inter-island system, special efforts will be dedicated to inter-modality in transport. To that effect, an attempt will be made to encourage domestic shipbuilders to make a clear choice for the acquisition of roll on-roll off vessels suitable for the existing type and volume of traffic, and to create the conditions, in all ports, to install build ramps to make possible that type of operation in the whole country.

Another objective to be addressed in the conception of new projects is the fast link between the airport-port on all the islands, a concept evident in the design selected for the integration of the Praia Ring way/Praia Airport and in the expansion and modernization of the Praia Harbor.

4.4.2.3 Transport and Road Services

The strategic goal is to trigger population groups and zones with particular economic potential to develop important touristic projects, in close complementarity with air and surface transport, for efficient and effective services.

The major objectives in the areas of **infrastructures** are:

- Maintenance to the existing road network, conducting rehabilitation work and implementing management and maintenance of the roads by levels of service;
- Continuation of the program of improved access to the rural areas, with the objective of providing each island with local road network which ensures the quick and safe access to markets, services and to the main road network;
- Providing each island with a main road network connecting the administration centers, markets, ports and airports;
- Modernization and extension of the national road network;
- Implementation of an efficient, transparent and sustainable system of management of the main and local road network.
- Institutional reinforcement, through the implementation of a planning and management system, the consolidation of the Road Institute and the rendering operational the Road Maintenance Fund;
- Improving the legislative and regulatory framework for the road system, with a view to increase road safety and regulation of the sector.

All structural work initiated or awarded on the islands of Santiago, Santo Antão, S. Nicolau e S. Vicente shall be concluded; likewise, the necessary conditions will be provided for the continuation of the program for structured roads on all islands, namely the Fogo Ring way and the Praia-Tarrafal expressway.

With regard to **means of land transport**, interventions will be directed to the:

- Establishment of an adequate legislative and regulatory framework;
- Support to the private sector, particularly the operators in the area, to ensure the organization of specific services arising from the touristic activity;

- Promotion of quality in urban and interurban transport, in cooperation with the municipalities and the operators in the sector;
- Improvement of road safety and limitation of the negative impact on the physical and social environment

4.4.2.4 Economic and financial sustainability of the transport sector and of transport infrastructures

Ensuring the economic and financial sustainability of transport is crucial. Rendering transportation more effective in terms of cost and benefit, and ensuring its continuous response to shifting demands require enhancing competitiveness in the fields where a commercial market may operate without significant adversities. The competitiveness shall be facilitated through regulation to allow private businesses to enter and leave the market freely.

An increase in the response capacity in terms of the supply of transport to users needs entails stimulating competitiveness and fostering user participation. That could be achieved through:

- A. Intensification of the utilization of the competitive market structures in transport
- B. Increase of efficiency in the use, supply, financing and management of the transport infrastructures
- C. Promotion of a framework favoring competitiveness
- D. Development of the necessary capacities in terms of strategic planning and management of the System to complement the market

In summary, infrastructuring is an excellent base on which to address some of the qualitative needs of the different economic and social sectors. The conciliation of efforts and the strengthening of the different sub-sectorial objectives and interventions is a challenge that must be met.

4.4.2.5 Telecommunications

In the field of **telecommunications**, the intent is to improve the options to the end consumer, adopting the underlying philosophy of market liberalization, that is, the establishment of full-fledged competition in the sector;

The most important objectives are:

- Implementing the sector’s liberalization pursuant to the “Telecommunications Policy Declaration”
- Reinforcing the technical and economic regulation, namely through the creation of the telecommunications regulatory agency;
- Consolidating and reinforcing the institutional framework;
- Introducing effective management of the rare resources (spectrum, numbers, orbital space, top level domain CV, etc.);

- Developing and introducing new services, namely VoIP;
- Enabling the future transformation of Cape Verde into an international telecommunications transit center for the African region.

4.4.2.6 Energy Sector

The new configuration of the energy market requires a legal and institutional framework which provides the balance between the demands of the free market, the interest of the “energy users” and still the government’s priorities.

Thus, the core objective of the Energy Policy is to provide the country with a Modern and Efficient Energy System, which ensures the supply of services necessary to the development process, growth and competitiveness of the Cape Verdean economy, as well greater comfort and quality of life to its population.

The strategy aims at fulfilling the following objectives:

- Greater comfort and better quality of life for the population;
- Increased competitiveness of the domestic economy;
- Security of supply and reduced external dependency;
- Preservation of the environment;
- Rural electrification;
- System of support to the economically less favored groups with reference to connection to the grids;
- Diversification of the production set-up, with the entry of new operators (auto-production and independent production) and production technologies as well as diversification of fuels.

A clean option has been made towards the use of **renewable energy sources** and of new technologies, the upgrading and expansion of infra structure, ensuring greater access by the population to energy and water services, and facilitating access to energy and water at satisfactory levels of quality and price for a sustainable development and the improvement of public health and reduction of poverty.

The participation of wind energy shall be increased to 25% of the rate of penetration of electro-wind energy into the grids; furthermore, solar energy shall represent 22% of the energy balance by 2010.

Approval is expected for measures seeking to introduce the environmental dimension, combined with interventions and incentives for units and producers who innovate in terms of efficacy and energy rationalization.

The **fuel sub sector** has been and will continue to be an area subject to important restructuring interventions. In the framework of economic reforms, the establishment of a new pricing mechanism shall be one of the most relevant tools.

The programs, plans and projects to be implemented aim at:

- Creating a strategic reserve mechanism to be triggered by the State in case of emergency or crisis;
- A new and modern tariff mechanism and the establishment of a new formula for pricing of petroleum products;

- Rationalization of the fuel reception, transport and distribution system, through the creation of a logistics entity and the regulation of its operation;
- Conclusion of legislation and regulation for the sector and operational consolidation of the independent regulatory agency.

Seawater desalination and the recovery of waste water in the water resources planning, with a view to ensuring, on one hand, the access to drinking water to all inhabitants and, on the one hand, to ensure the supply of water to new and modern farms using avant-garde technology.

Public-private partnerships (PPP) will be created to seek solutions to the issue of investment and operation of new industrial systems for the production and recovery of water.

4.4.2.7 Integrated water management

The availability of water to carry out economic activities – agriculture, tourism, etc. has increased significantly.

Limitations, however, still exist in the face of the increasing demand from different sectors; for this reason, measures will be taken with a view to the integrated management of the water resources as well as the increase of the installed capacity in the areas of desalination, better use of drainage water, the expansion of the treatment systems and the use of waste water, through the fulfillment of the following **objectives**:

- Sustainable exploitation of water and all other resources attached to it
- Upgrading of the living conditions of the populations
- Introducing dynamism in the economic activities

Government action will be oriented according to the following **lines**:

- Compilation and implementation of a National Action Plan for the Integrated management of Water Resources;
- Introduction of dynamism to both public and private investment, associated with the promotion of the business culture in the different levels of intervention and with the establishment of public/private partnerships for the mobilization of resources for the financing of investments in modern water production systems for population supply and for economic activities including agriculture;
- Expansion of the collection and storage of water infrastructures, including the construction of new dams and large reservoirs, in the framework of the optimization and planning of catchment areas;
- Reinforcement and modernization of infrastructures for drinking water distribution, collection of waste water and encouraging the connection of households to the water and sewage grids, both in the urban and in the rural areas;
- Reinforcement of the utilization of renewable energy sources for water mobilization/production;

- Upgrading the quality and control of water for public use and of the treated waste water, encouraging the setting up of treatment and control units at the national and local level, and developing applicable legislation, regulation and standards;
- Consolidation of sectorial legislative, institutional and regulatory reforms.

4.5 PILLAR V – Social Cohesion

This chapter describes the logical consequence or the strict relationship between economic growth and vital areas of life in society, a precondition to ensuring high rates of human development and social peace based on social cohesion. The objective proposed is to deepen the concept of social solidarity, through consensus by the citizens and public and private institutions around compromises that help shape the daily economic activity for a society based on a strong sense of initiative, responsibility and society participation, in an environment of solid partnership between the State and the civil society.

Among other important aspects, GGPRSP II (i) takes into account the need to enhance the means of strengthening the social capital; (ii) proposes a coherent and universal system of social security and social action adapted to the new economic and social reality; (iii) sets a goal to reduce the levels of poverty or exclusion, building a humane and solidary society, with no room for exclusion from institutional credit; (iv) introduces employment as one of the conditions for social integration and better quality of life; (v) places the gender dimension in the center of the public policies with a view to achieving equality between men and women as an element of modernity and development; (vi) highlights the importance of ICTs in ensuring digital inclusion, against the risk of info-exclusion.

This challenge imposes, among other things, due attention to equal opportunities, namely equality of gender and of the least favored groups in society, as an instrument to foster mobility and social cohesion.

As such, to build a society based on social cohesion, the following strategic priorities have been considered:

Sectorial priorities	Vectors
Reduction of the poverty and social exclusion levels	<ul style="list-style-type: none"> • Fight against poverty and safeguard of social and inter-generational cohesion • Strengthening of the role of the social economy in the optic of reduction of poverty levels
Sustainability of the social protection systems	<ul style="list-style-type: none"> • Strengthening the sustainability of the general social security scheme • Strengthening of the interconnection between the social protection system and active policies in the labor market
Employment dynamics, quality of life at work and social integration	<ul style="list-style-type: none"> • Prevention and fight against unemployment increasing employability • Development of active employment policies • Enhancing the role of the small and medium enterprises in the generation of wealth and employment • Improvement of work conditions • Reform of labor relations and of the social dialogue framework
Strengthening of the gains in the field of health	<ul style="list-style-type: none"> • Improvement of primary health care and promotion of public health • Rationalization of the network of health units • Coupling of continued care programs
Gender equality	<ul style="list-style-type: none"> • Fostering a society based on effective equality in all of life's essential domains
Inclusive society	<ul style="list-style-type: none"> • Inclusive policies for the handicapped, risk groups and the less favored individuals • Communities more engaged with the elderly population

The above priorities shall be materialized in the following areas of intervention:

4.5.1 Substantial reduction of poverty

The implementation and deepening of the economic transformation strategy will continue, coupled with the macroeconomic and social policies, with a view to the increase of productivity, the generation of wealth and a more equitable distribution of the resources among all citizens of Cape Verde.

Attracting foreign investment for the financing of the major investment projects, particularly in the areas of the country's infrastructuring, the reinforcement of the business fabric and projects in the social field, among others, will make possible the increase of competitiveness in the country, the substantial growth of exports, and creation of jobs, which in turn will contribute to the reduction of the unemployment and poverty rates, culminating in the well-being of the population.

Priority will also be given to the **incentive to initiatives in the field of the informal economy and of the solidary economy**, promoting credit associations as a form of ensuring the self-organization of communities in the area of medical care, assistance for medication, funerals, schooling and professional training, assistance in the event of loss of a job or family income,

among others, together with activities which generate income for the less favored strata, particularly in the rural areas, the fishing communities and in women-headed households, promoting and attempting alternative forms of social protection and co-responsibility.

In this regard, measures will be taken for the **regulation and standardization of the micro-financial sector**, concession of credit and creation of opportunities for training in order to strengthen the technical and professional capacity in those areas.

In order to fulfill this objective, it is essential to develop **partnerships between the public and private sectors as well as the civil society**, which will allow not only the emergence of a network of small and medium enterprises active in the fields of production and commercialization of goods and services, as but also the immediate solution to problems pertaining to this vulnerable group by means of the development of the respective communities, and the country in general.

The institutional and strategic framework in which the various instruments to combat poverty, among which the National Program for Fight against Poverty – PNLN , and the Growth and Poverty Reduction Strategy Paper – GGPRSP has already been defined in the areas of social policy. Now, efforts should be directed to the **coupling and coordination of the various sectorial plans and programs** under way in the country and which have the same objective and are directed towards the poorer individuals, groups, families and communities.

Thus, the effective participation of all actors intervening in the process to combat poverty will be guaranteed through optimization of the resources and synergies and the resulting desired impact, namely, the change in the quality of life of the groups most directly affected by poverty, and their involvement in the country's development process.

4.5.2 Improved work conditions and work relations

The adoption of the market economy model and the resulting development of the private sector implies a shift in the competences of the State, which acts primarily in the regulation and supervision of the functioning of the labor market, fostering the prevention of job-related accidents, occupational diseases and labor conflicts, as well as the dialogue and social concertation with a view, on the one hand, to the improvement of labor conditions for workers and the strengthening of justice and social cohesion and, on the other hand, to enhanced competitiveness and sustainable socio-economic development in the country.

In this respect, special relevance is assigned to the redefinition of a labor policy which better reflects the country's reality and prioritizes the adjustment of labor legislation, regulation and adjustment to ILO's conventions on workers' safety and health, as well as the strengthening of the relations of cooperation between employers and workers and/or their representatives.

A legal framework adapted to the current requirements becomes essential, and shall include:

- Approval of a new Labor Code, to become an instrument regulating the relations between the various partners in the labor environment, contributing to the improvement of the workers' professional conditions.

- Regulation of all legislation in the field of Safety and Health at Work;
- Implementation of specific training for capacity building of personnel in the area of Inspection;
- Creation of conditions for the control of application of the policies in the field of safety and health at work.

Likewise, attention should be directed to the increase of capacity in the sub-sector, by providing technical and human resources, training and capacity-building for technicians, as well as the awareness and involvement of the social partners.

4.5.3 Improved Social Protection system

In the field of Social Protection, the following intervention dimensions have been addressed:

- i) Redefinition of the public institutional framework for the coordination and implementation of social protection policies;
- ii) Stepping-up of the process of decentralization of the social protection policies
- iii) Definition of a regulatory and institutional framework for public-private partnerships in the field of social protection

With regard to the **Basic Law on Social Protection** and the reform process currently under way, the following priorities are worth highlighting:

- Upgrading of benefits and social coverage;
- Effective integration of workers in the public administration and banks into the social protection system as regular employees;
- Extension of the number of beneficiaries in the solidarity network (Non-contributory scheme) to ensure the universality of the system;
- Increase, diversification and upgrading of the social benefits based on solidarity and social justice;
- Improved management of the pensions in the Non-contributory scheme;
- Effective integration of housemaids in the social protection system.

Furthermore, with the intent of offering better quality service to the beneficiaries of the Non-contributory scheme and to overcome many of the existing problems in the area, the National Center for Social Pensions will be created, to ensure a comprehensive management of pensions at national level pursuant to a modern management philosophy.

Association with different partners will ensure the continuation of implementation of programs which contribute to the integration and insertion of the above-mentioned groups, among which are the **Support Programs for:**

- Orphans and other vulnerable children;
- Handicapped persons;
- Students in very poor families;

- Women-headed households;
- The elderly;
- Integration and social insertion of returnees and other individuals in risk;
- Psycho-social assistance to persons affected by HIV/AIDS;
- Community development initiatives, namely the availability of suitable alternatives for care of children and other persons depending on poor women working outside the home.

As far as interventions in the field of **infancy**, the objective is the development of a system protecting the rights of the children; the major lines of intervention seek to consolidate the entire process of legal and institutional reform in the area of infancy and youth already under way, focusing on three major areas:

- a) Promotion and dissemination of the Children's Rights, with a view to the:
 - a) Protection, Social Family Reinsertion
 - b) Socio-educational intervention for the accountability of youth in conflict with the Law
 - c) Promotion of co-responsibility of men in the family and the dignification of all forms of family organization

4.5.4 Introducing dynamics to employment

Partnerships with businesses and other private institutions will be established by providing specific measures to foster and encourage the participation of all actors with a view to development the offer throughout the country, through:

- Strengthening of the dialog and concertation with the social partners on issues of employment and training, and upgrading the mechanisms of their participation in the system, specifically through: their participation in the management of the public training centers and involvement in the planning, programming, implementation and evaluation of the professional training programs;
- Stepping up the concertation and integration between the professional training system and the educational system, providing a smooth transition from the school to the labor environment;
- Offering incentives to job creation, namely through the concession of credit for financing of small-scale projects; the establishment and development of micro-enterprises and other income-generating activities, based on cost-benefit criteria ensuring their sustainability; and implementation of local job initiatives;
- Providing job services, municipalities and other non-profit local institutions with technical and financial support instruments geared towards the development and optimization of job opportunities
- Producing and publishing periodical statistics on employment/unemployment
- Disseminating the available information, at national and local levels, on new employment areas and new conditions of employability;
- Enhancing the support to mobility and flexibility and to the functioning of the local job markets, based on a reform of the local job services, in the information functions, job placement and professional counseling and follow-up and intervention at the local level;

- Introducing rationalization of the legislation on specific employment policies;
- Developing a strategic concertation with the social partners with a view to promotion of employment.

4.5.5. Food security

Today, agricultural product prices are rising excessively at a global level, rendering food security a critical issue. Some of the causes behind this evolution may be found in: (i) increased demand, insufficient supply and increased costs as main indicators of the current situation, alongside trends of reduction of grain oilseeds as a result of the production of bio-fuels; (ii) improved living conditions, which bring with them increased consumption of food products; population growth; (iii) not to mention financial speculation and precautionary buying.

Cape Verde does not escape the phenomenon. In addition, some of the country's structural features and conjunctural factors render it particularly vulnerable to external shocks: (i) the more pronounced lack of rain; (ii) scarce resources in terms of arable land; (iii) total energy dependence; (iv) over 80% of food consumption dependent on imports; (v) elevated costs of the production factors.

Availability and possible evolution of grain prices in the domestic market

Product	Time-frame availability	Market prices
Rice	Including imports, coverage of needs guaranteed until mid-November 2008	A significant increase in prices may occur in June/July as a consequence of the increase in the international market
Maize	Including imports, coverage of needs guaranteed until mid-November 2008	No price increases are forecasted
Wheat	Including imports, coverage of needs guaranteed until mid-July 2008	Following price increases in the international market, prices in the domestic market may rise by approx. 10%

ANSA has been conducting negotiations with MOAVE (in which government takes part) to identify solutions which may insure a certain degree of price stability. The possible scenarios, taking into account the prices of the last two lots purchased by the corporation, indicate price stability in a first phase, and then an increase of approx. 10%, in a second phase.

In this scenario of significant price increases from June/July, policy measures must be identified to mitigate the impact of the sharp increases in grain prices, which could be grouped as follows:

- **Tax and stabilization measures**

- ⇒ Exemption of Import Duty and VAT on Grain
- ⇒ Realignment of prices for domestic products
- ⇒ FESA – Fund for Stabilization and Food Security (In the current context, it may be necessary to restore and adjust its functions)

- **Measures aiming at improving the efficiency of the internal distribution system**
 - ⇒ Reduction of inter-island transport costs
 - ⇒ Reduction of the cost of port services
- **Measures aiming at improving the efficiency of the import system**
 - ⇒ Upgrading of the grain supply system (Silos)
 - ⇒ How can Import Prices be made more Competitive?
 - ⇒ Seeking sustainable solutions to grain supply (medium/long-term)
- **Measures aiming at optimizing the international community's mobilization on the issue of generalized price increases**
 - ⇒ Strengthening of Food Aid, in Emergency situations
 - ⇒ Financial Stock for Food Security (SFSA)
 - ⇒ New FAO's Initiative on Soaring Food Prices (IFPA)

ANSA is the authority charged with ensuring food security in the country; it is therefore urgent that its regulatory capacity be enhanced, particularly in the following areas: (i) dissemination of information to the interested economic operators; (ii) management of food aid, ensuring the normal functioning of the markets; (iii) guarantee of access to basic food products of a minimum quality by the population; and (iv) intervention capacity in the issues related to the definition of food policy, both from an economic standpoint and from the regulatory standpoint.

In the current of the situation which has been described, to be able to conduct a real time evaluation of the actual impact and to apply short-, medium- and long-term measures, it is imperative to encourage dialogue and concertation with the different partners, namely:

- National Agency for Food Security
- Chambers of Commerce, concerning their role in the import and supply of the market;
- CIC – Grain Investment Company
- IGAE – Economic Activity General Inspectorate
- Consumer defense associations
- PNL and NGOs with a view to provide an evaluation of the situation particularly for the less favored groups and to propose concrete measures and intervention;
- The Port community
- Unions and employers' associations
- FAO, for support and eventual emergency measures benefiting the poor

4.5.6. Better health to all

In the country's development process, the health sector is intended to ensure the physical, mental and social well-being of the population, which imposes the State and the society more significant investments in terms of human, financial and material resources, as well as in terms of organization and management.

The fundamental strategic guidelines are particularly directed to:

- Reorganizing the National Health Service.
- Offering health care which is accessible and encompasses all the dimensions of the human being, and which is able to follow up on the illness or risk; that calls for the organization of the services, particularly those in the area of primary care.
- Implementing the Strategic Plan for the Development of Human Resources
- Reviewing and adapting the structure network taking into account its diversity and competences.

To ensure the modernization and sustainability of the **National Health Service** the objectives to be met are the following (see PNS): i) Increasing the capacity of administrative and technical intervention at the central and local levels, ii) Enhancing the technical and administrative performance of the Health Centers; iii) Creating health regions; iv) Restructuring of the secondary care in central hospitals; vii) Defining standards for the operation of the SNS; viii) Designing a program for health care quality assurance.

Human resources constitute a fundamental element in the materialization of the reforms in the health sector and therefore the implementation of the “*Strategic Plan for the Development of Human Resources in the Health Sector 2005-2014*” is essential.

The strategic guidelines seek to promote the: i) Redefinition of the technical, administrative and support teams; ii) Medium- and long-term planning of initial, refresher and specialization training; iii) Modernization of procedures and tools for human resources management; iv) Promotion of professional career development in the area of health as an motivation factor for personnel and stability among the professional groups.

In order to attain the goals established for coverage and equity of supply, it will be necessary to adapt the structure network taking into account its diversity and competence. Thus, the strategic guidelines seek to promote the: Compilation of a Health Chart to be periodically reviewed; ii) Implementation of a network Health Centers in Praia and Mindelo; iii) Inclusion of private health units in the surveys for the preparation of the Health Chart; iv) Consolidation of the network, with investments in the equipment and maintenance of its premises.

4.5.7. Youth and Development

Government policies aim at provide the youth with more and improved conditions for participation in the country's social, political, economic and cultural life, by deepening and strengthening the policies seeking to optimize the human capital, with particular focus on the increasingly more active role of the youth in the development opportunities.

a) Supporting the emergence of entrepreneurial initiatives by the youth

An essential factor to promote and consolidate the Cape Verdean economy's competitiveness is the rejuvenation of the labor force; therefore, measures and interventions have been developed to encourage the emergence of an entrepreneurial culture and of a dynamic fabric of entrepreneurial initiatives by the young population.

As such, together with the public financial institutions and the private financial sector, specific credit lines and tax incentives will be devised and created with a view to encouraging and supporting the creation of young micro, small and medium size enterprises, ensuring effective mechanisms for the concession in the form of non-refundable grants of the indispensable assistance in the formulation, implementation and management of the respective investment projects.

To foster the installation of micro, small and medium size enterprises in the peripheral areas, special **tax incentives to encourage the young entrepreneur to acquire training and to establish his/her business in the region of origin** will be offered; their multiplier effect shall result in more direct and indirect jobs and will render the economic activity attractive.

Considerable incentive will be given to **Young Housing Credit** and, through other youth programs, favorable conditions will be created to allow the young people to buy a home, especially in the outlying areas.

b) Vocational training and dignification of work

The vocational training policy aims at a swift integration of the young people in the labor force and in the active social life, be it through the establishment of their own businesses, or by meeting the needs of the labor market; in that respect, particular attention will be directed to business management.

In coordination with public and private institutions, actions for **on-the-job training** will be developed, providing specific incentives both for the young employees and for the business, especially the young initiatives.

Great dynamism will be added to the **Insertion and Young Employment Program** and its integration to the various national programs and international cooperation will be activated. Along the same lines, partnerships will be created with employer organizations and their representing associations to recruit young workers, granting tax incentives to the domestic and international businesses employing young people.

Still in the same area, and to promote adequate involvement of the businesses and individuals in training, capacity-building and awareness of the young population and their respective associations, the **Law on Youth Patronage** should be approved with urgency.

c) Enhancing and deepening the participation of the youth

Youth Association is considered important as a model for the organization and as a space allowing for the comprehensive development of the youth, for the acquisition of principles and values essential to the development of the spirit of sound sociability and democratic experience; it is also a forum where ideas can be shared and materialized, from a perspective of fight for political, economic, social and cultural democracy which meets the expectations of the entire Cape Verdean youth.

The Youth Association Support Fund shall be created insuring the resources necessary to the pursuit of its goals, namely, lending support and incentives to youth associations and groups.

Among other measures and interventions view a view to youth participation, the expansion of the **Cape Verdean Corps of Young Volunteers** will be reinvigorated, to cover all regions in the country, while enhancing the quality of its intervention in the productive, social and cultural areas.

Increased dynamism will be introduced to the installation of the **Youth Centers and Telecenters** in all municipalities, due to their importance as spaces where the youth meet and formulate initiatives, promote interchange, leisure and offer access to the new information and communication technologies, training, etc.

Likewise, **Youth Hostels** will continue to be open and operated, as an important element in the mobility and exchange of the young population among the different islands and regions in the country, and in the fostering of initiatives for youth job creation.

The organization of **Summer Camps** at the municipal level will continue, with special attention to the increasingly higher degree of youth participation, the exchange of ideas and debate.

The program “*Leisure and Sport on the Streets*” will be implemented with the purpose of providing leisure activities to the youth and to offer additional facilities for meeting and exchanging of ideas.

The **Youth Card** program, an instrument providing the youth improved mobility and exchange will be disseminated in the country and in the Diaspora.

d) Youth and culture

The youth is at the core of the government's policies and interventions in the cultural area, which means strict coordination and involvement of the respective governmental departments.

The Youth Centers and telecenters, as well as the youth Hostels, providing the physical space for encounter and exchange of the youth, will foster cultural promotion, production and innovation among the young people.

The **Cape Verdean Youth Festival** shall be created with the purpose of promoting the encounter of young talent and prominent young people in the country and in the Diaspora in the cultural, sports and musical fields.

In close cooperation with the CCY/United States, the creation of the CCY/Cape Verde (Center for Creative Youth) aims at providing training and refreshment programs for young Cape Verdean talent in the field of music, theater and the plastic arts.

4.5.8. Gender and Development

The integration of the **gender dimension** in Cape Verde has constituted a challenge due to socio-cultural perceptions which still exist in the society and which often result in an obstacle to the design, formulation and implementation of policies.

In this context, stronger interventions must be directed to create the conditions for the effective exercise of citizenship which, simultaneously, foster the gradual eradication of the manifestations of violence and discrimination, the protection of rights, most particularly in the areas of political and economic participation of women through the implementation of the National Plan for Gender Equality and Equity, Plan to Fight VBG, and the institution and implementation of the Municipal Plans for Gender Equality and Equity.

In this context, the government, in strict coordination with the organizations from the civil society, suggests the implementation of several actions, with emphasis on:

- (i) Insuring the effective introduction of the gender perspective in the sectorial policies and in the programs and projects, particularly those addressing training, the fight against poverty, job creation and promotion of citizenship;
- (ii) Creating and implementing affirmative action mechanisms with a view to the participation of women in the legislative, judicial and local powers;
- (iii) Ensuring the effective implementation of the legal and judicial instruments in force, particularly their regulation, in order to allow for the full application of the pertaining rules;
- (iv) Adopting mechanisms encouraging equal opportunities and greater participation of women in the economic activities;
- (v) When working on the structure and operation of the Casas de Direito (Law Centers) and Casas do Cidadão (Citizen Centers), focus special attention on the issues associated to domestic violence and to the reduction of inequalities in the access to services;
- (vi) Strengthen the partnerships with organizations from the civil society active in the field of citizenship promotion, the family, the defense of women's rights and the promotion of community development and the fight against poverty.

5. LOGIC FRAMEWORK

Hierarchy of the Objectives/Results	Indicators	Base Line/Data	Goals				Entity responsible	Periodicity	Means of Control	Risks and Hypothesis
			08	09	10	11				
GENERAL OBJECTIVE										
(IMPACT)										
<i>To achieve sustainable human development based on a robust and dynamic productive system, on the optimization of its human capital, of technological capacity-building and on its culture, in a context of balanced regional involvement, solidarity, social justice, democracy and environmental awareness.</i>	Real GDP growth rate	7.2 (2007)	7.8	8,4	10,2	10,2	INE/MFAP	Yearly		
	Inflation rate		3,0	2,8	3,3	3,1	INE/MFAP	Yearly		
	Foreign exchange reserves (CVE 10 ⁹)		11.8	13.6	17.7	19.9	INE/MFAP	Yearly		
	Foreign exchange reserves (months of imports)		3,2	3,3	3,4	3,5	INE/MFAP	Yearly		
	Investment expenditure (% PIB)		12.2	12.1	13	12.5	INE/MFAP	Yearly		
	Unemployment rate	18	17	14	11.5	9,5	INE/IEFP	Semi-annually	ISE	
	Demographic growth rate	1,86	1,87	1,88	1,89	1,9	INE	Yearly	Projections	
	Life Expectancy	72,6	72,8	73,1	73,3	73,4	INE	Yearly	Projections	
	Net Migration	-1.384	-1.355	-1.327	-1.298	-1.252	INE	Yearly	Projections	
	Infant Mortality Rate	29,1	28,5	27,9	27,3	27	MS/INE	Yearly	Statistics Yearbooks	
	Infant mortality rate up to 6 weeks of birth	3,6	3,5	3,5	3,4	3,4	MS/INE	Yearly	Statistics Yearbooks	
	Coverage ration in Pre-school education	55,8%	56,3%	56,6%	57,0%	57,2%	MEES	Yearly	Statistics Yearbooks	Involvement of stakeholders
	Net enrollment rate Secondary school	32,8%					MEES	Yearly	Statistics Yearbooks	
	Proportion of students enrolled in secondary school to continue technical education	80,5%	84,0%	85,5%	87,0%	88,5%	MEES	Yearly	Statistics yearbooks	
% Population with higher education (F/M)	2,8%	3,1%	3,2%	3,3%	3,4%	MEES	Yearly	Statistics yearbooks		

EFFECTS (Specific objectives) (HORIZONTAL ISSUES)										
Demography Balance between demographic and socio-economic development parameters assured	Total Population	496.316 0,76	505.75 6	515.42 6	525.307 0,71	535.435 0,69	INE	Yearly	Projections	
	Dependency rate		0,74	0,72			INE	Yearly	Projections	
Environment Balanced management of natural resources	No. of protected areas (land and maritime)	47	47	47	47	47	MAA	Yearly	SIA SSQA Reports MAA	
	Tons of sand imported/produced	47.000	50.000	65.000	80.000	100.000	Private Enterprises	Yearly	Reports MAA Customs	
	Number of data operational environmental data banks in the regions and central level	1	4	4	5	7	MAA/Municipalities/MIT M DGOTH	Yearly	SIA SSQA Reports MAA and Sectorial	
Research Results of research applied to all development policies and strategies Upgrading the team of researchers	No. of scientific research projects carried out	0	0	3	5	7	UNI-CV	Yearly	Report	
	No. of sectors with permanent researchers	3	3	3	4	5	UNI-CV	Yearly	Report	
	No. of active research centers	2	2	3	4	4	UNI-CV	Yearly	Report	

PILLAR – I – GOOD GOVERNANCE

		17%	20%	70%	100%	-	UCRE/NOSI	Yearly	Report
Reform of the State Enhanced services offered to users by the public administration at the central and municipal levels	% of execution of Action Plan for Electronic Governance	17%	20%	70%	100%	-	UCRE/NOSI	Yearly	Report
	No. of public entities in the State network	45%	60%	100%	-	-	UCRE/NOSI	Yearly	Report
	No. of public entities utilizing SIGOF	30%	40%	100%	-	-	UCRE/NOSI	Yearly	Report
	No. of users registered in the Site Casa do Cidadão	-	30.000	70.000	150.000	230.000	Casa do Cidadão	Yearly	Report
	% of rationalized central structures with new organics	15%	20%	70%	100%	-	UCRE	Yearly	Report
	% of National Directorates defined according to the new table for levels of direction	-	50% Implemented	100% Implemented	-	-	UCRE	Yearly	Report
	No. of Regional Units for Coordination of Decentralized Services in operation	-	Pilot project (S ^a Antão and Sal)	100% Implemented	-	-	UCRE	Yearly	Report
	% of sectorial departments with strategic planning		20%	100%	-	-	UCRE	Yearly	Report
	No. of models of human resources evaluation implemented	1	-	3	-	-	SEAP	Yearly	Evaluation Sheets
	No. of brochures/publications on rights and duties of public servants	6	-	8	8	8			Site created for this purpose
Social Communication Improved participation of the population in the development process	Number of Space/forum for debate on development issues at central and local level.		1	3	3	3	GMAPM/DGCS	Quarterly	Finam report on forums carried out.
Decentralization and Local Administration Implementation of decentralization policy	No. of municipalities to apply a municipal information system	15	15	22	-	-	MDHOT	Yearly	

PILLAR – II – HUMAN CAPITAL										
Education Educational system better adjusted to the needs of economic development	Net enrollment rate to technical education at secondary level	5,3%	5,4%	5,5%	5,6%	5,7%	MEES	Yearly	Statistics Yearbooks	
	% of students completing technical secondary education	41,6%	42,0%	42,4%	42,8%	43,2%	MEES	Yearly	Statistics Yearbooks	
	% repetition in basic education	12,9%	12,4%	12,0%	11,6%	10,0%	MEES	Yearly	Statistics Yearbooks	
	% repetition in secondary education	19,8%	19,5%	19,0%	18,5%	18,0%	MEES	Yearly	Statistics Yearbooks	
	% drop-outs in basic education	2,2%	2,0%	1,8%	1,6%	1,4%	MEES	Yearly	Statistics Yearbooks	
	% drop-outs in secondary education	8,4%	8,2%	8,0%	7,8%	7,6%	MEES	Yearly	Statistics Yearbooks	
	Coefficient of variation of gross enrollment rate	13%	12%	11%	10%	9%	MEES	Yearly	Statistics Yearbooks	
	No. of students benefiting from grants in Higher education in the country	132	322	350	400	450	MEES	Yearly	Statistics Yearbooks	
	Gross enrollment rate in Higher education	7,0%	8,5%	9,3%	10,0%	10,5%	MEES	Yearly	Statistics Yearbooks	
	% of increase of available training and research and extension activities	7	17	17	17	17	UNI-CV	Yearly	Reports	
Public Higher Education sub-system designed and provided with the technical conditions to promote research and extension activities geared toward the need to transform and modernize the country.	Installed capacity in terms of university infrastructures, equipment and scientific and technical-pedagogical resources	50	70	75	100	120	UNI-CV	Yearly		

Sports	No. of infrastructures created and in operation	-	31	29	23	19	DGD	Yearly	
Generalized specialized practice of sports	No. of infrastructures for professional education built or improved	9	1	3	2	2	MQE/IEFP	Yearly	Vocational training and employment certificate
	No. of jobs created	-	10,800	10,800	10,800	10,800			
Employment/Professional Training Strengthened professional training geared toward jobs and social inclusion.	No. of programs created and implemented.	-	10	15	15	20	MQE/IEFP	Yearly	Certificates
	No. of Job Market Diagnosis and PT	-	1	1	1	1	MQE/IEFP	Yearly	
	No. of laws published	-	1				MQE/MECC	Yearly	BO
	No. of inventories of micro-business opportunities carried out	-	1	1	1	1	MQE/MECC/INE	Yearly	Reports
	No. of incubators for micro- and medium enterprises established	-	1	-	-	-	MQE/IEFP/MECC	Yearly	Business census
	No. of micro enterprises	-	1,600	1,600	1,600	1,600	MQE/MECC	Yearly	Business census
	No. of medium-size enterprises	-	170	170	170	170			
	No. of large enterprises	-	48	48	48	48			
	No. of micro enterprises assisted	-	500	600	700	800	MQE/MECC	Yearly	Reports
	No. of sectors integrating the Cultural policy administration	6	6	6	6	6	MC	Yearly	Reports;
Culture Optimization of the cultural products and of the historical and cultural heritage	No. of sectors benefiting from the cultural policy	11	11	11	11	11	MC	Yearly	
	No. of mechanisms applied in favor of cultural tourism promotion	2	-	2	-	-	MC	Yearly	Published legislative measures

PILLAR – III - COMPETITIVENESS										
Agriculture Integrated Systems of Agricultural, Agricultural-Livestock and Agro-Silvo-Pastoral Production intensified and diversified	Permanente Irrigated Area(ha)	1.520	1.620	1.720	1.820	1.920	MAA	Yearly		
	Irrigated areas w/ micro irrigation (ha)	350	520	690	860	1.060	MAA	Yearly		
	Fruit Production (ton)	15.614	16.420	17.231	18.047	18.868	MAA	Yearly		
	Root Crop Production (ton)	24.512	25.514	26.557	27.643	28.774	MAA	Yearly		
	Vegetable Production (ton)	24.512	25.514	26.214	26.214	27.643	MAA	Yearly		
	Forest Areas (ha)	1.063	1.063	1.363	1.663	1.963	MAA	Yearly		
	Meat Production (ton)	6.325	6.497	6.720	7.004	7.361	MAA	Yearly		
	No. of transformation and conservation units	5	6	-	-	-	MAA	Yearly		
	Wine Production evolution (ton)	75	70	90	90	90	MAA	Yearly		
	Catches (ton)	9.950	10.463	10.915	11.426	11.999	D G Fisheries	Yearly		
Fishing Enhance gross added value from fishing										

PILLAR – IV - INFRASTRUCTURING										
Infrastructure and Land Transport Circulation of persons and goods in guaranteed safe conditions	% Roads in good conditions	36.6%	45.5%	51.4%	56.7%	68.6%	MITM	Yearly	Report and inventory of road network	
	Km of roads rehabilitated	26 km	43km	31km	124km	141km	MITM (IE)	Yearly	Report and inventory of road network	
National Road Plan prepared and implemented	Km of roads constructed	29 km	33.7km	56km	19km	20km	MITM (IE)	Yearly	Report and inventory	
	Management mechanisms implemented	Implementation e IDR SIGIE	IDR e SIGIE operati onal	IDR e SIGIE operati onal	IDR e SIGIE operati onal	IDR e SIGIE operati onal	MITM (IE)	Yearly	Report and inventory	
Energy Improved energy production and distribution infrastructure	Electrification coverage rate (%)	70,5 (2005)					MECC	Yearly		
	No. of electricity customers				100.000 customers		MECC	Yearly		
Renewable energy sources and other sources with low carbon production developed	No. of electricity customers						MECC	Yearly		
	Desalinated water production (guaranteed capacity) m3/day	14.430 (2006)		28.860			MECC	Yearly		
	Power from wind energy (MW)	2,5 MW (2007)			15 MW		MECC	Yearly		
	Share of solar energy (%)				2		MECC	Yearly		

PILLAR – V – SOCIAL COHESION

		11.214	10663 (-5%)	9055,3 (-15%)	6791,4 (-25%)	4414,4 (-35%)	MTFS/PNLP	Yearly	Surveys; Follow-up reports and evaluation	Deficiencies in the follow-up and evaluation system
<p>Poverty Improved access to social services and to income by the poor</p>	% Families headed by women below the poverty threshold							Yearly		
	No. of women headed families enjoying micro-credit	3818	4009 (+5%)	4810 (+20%)	5532 (+30%)	7191,6 (+30%)	MTFS/PNLP	Yearly		
	No. of Partner regional Commissions created and in operation	5	5	8	8	8	PNLP	Yearly	Minutes of Inaugural meeting and Reports	
	No. of Local Programs against Poverty prepared, approved and executed)	5	5	8	8	8	PNLP	Yearly	Minutes Reports	
	No. of Mechanisms for harmonization of follow-up and evaluation of PLPR Programs in operation	0	2 (base de dados)	2	2	2	PNLP	Yearly	Reports on CRPs activities	
<p>Work/Social Protection Improvement of work conditions and of relations between social partners</p>	No. of social housing units built or rehabilitated under the PLPR Program	332	482	618	750	750	PNLP	Yearly	Reports on CRPs activities	
	No. of Inspection agents and social partners trained in the SHS/RP system	17	27	27	27	27	MTFS/IGT/DG	Yearly		
	No. of IGT units created and in operation	1	1	1	1	1	MTFS/IGT/DG	Yearly		
	% of IGT technicians/social partners trained for the application of the new Labor Code	17%	33%	66%	75%	100%	MTFS/IGT/DG	Yearly		

Guaranteed access to all social and professional groups to social protection, particularly the more vulnerable groups in situation of risk or social exclusion	No. of beneficiaries of social pensions	21.361 (2007)	22.934	23.934	24.370	24.434	MTFS/CNPS	Yearly		
	No. of students belonging to poor families receiving support	220	212	215	215	230	MTFS/DGSS	Yearly		
	No. of OSC/Community associations supported	15	16	20	22	25	MTFS/DGSS	Yearly		
	No. of day centers/foster homes supported	5	8	8	8	7	MTFS/DGSS	Yearly		
	No. of institutions/associations intervening in the areas of handicapped persons supported		7	9	11	13	MTFS/DGSS	Yearly		
	No. of children in risk situation sheltered in specialized institutions	520	900	950	1.000	1.050	MTFS/ICCA	Yearly		
	No. of complaints for violations of children's rights received	2.234	3.128	2.904	2.680	2.457	MTFS/ICCA	Yearly		
	No. of units created and in operation	16	17	18	19	20	MTFS/ICCA	Yearly		

6. COST AND FINANCING OF THE GROWTH AND POVERTY REDUCTION STRATEGY

The Strategic Poverty Reduction Paper remains a reference and constitutes an instrument utilized for the mobilization of resources for the period 2008-2011; its implementation hinges on the capacity of mobilization resources, internal as well as external. The costs of implementation are indicated in the table below, and amount to a total of CVEsc 82,394 million (747 million Euro) for the period, of which CVEsc 43,799 million are guaranteed and correspond to the consolidated budget (397 million Euro) approved for 2008, and to the external financing guaranteed through cooperation agreements. The forecasted financing needs for the implementation of the projects for the period 2009-2011, and which make up the gap, add to CVEsc 38,595 million (350 million Euro).

The document is aligned with the remaining strategic planning instruments and its financing is therefore directed to the pursuit of the objectives contained therein. The costs are broken down according to the strategy's pillars, and are tied to the objectives/results defined in the logic framework.

Pillars	2008-2011	
	Guaranteed	Gap
	(million CVE)	
Horizontal issues (Gender, Youth, Demography, Environment, Research, Citizenship)	1.971	2.116
Good Governance	4.537	4.815
Human Capital	6.481	9.541
Competitiveness	3.576	2.629
Infrastructuring	25.485	15.594
Social Cohesion	1.750	3.899
Total	43.799	38.595

In the framework of economic policy, the Investment Program has been geared toward the accelerated growth, with a view to: (i) stimulate the dynamic sectors of the economy where the possibility to create competitive advantages is coupled with the inclination to generate employment; (ii) strengthen the inter-sectorial links in order to promote the dynamic sectors by implementing horizontal policy measures and fostering the operational coordination between those sectors to enable their harmonious growth; (iii) removing or gradually eliminating the factors inhibiting competitiveness; (IV) implementing policies, programs and instruments encouraging private investment and business development; (v) lowering the unemployment rate and poverty levels.

6.1 Sources of financing

The strategy for poverty reduction may be financed by both internal and external resources from bilateral and multi-lateral aid to development. The prosecution of projects and, consequently, the fulfillment of the strategy's objectives hinge upon a variety of factors, among which are the capacity to mobilize resources from the community of donors and Cape Verde's conditions of eligibility to receive international aid.

6.2 Internal financing

The current reforms to the tax system will lead to increased tax revenues which, in turn, will enhance the internal capacity to finance the poverty reduction strategy in its investment dimension. There is an increasing internal disposition to direct resources from the State budget to investment. Based on the provisional revenue and expenditure estimates from the Medium Term Expenditure Framework 2009-2011, two scenarios are foreseen for the internal financing, while maintaining a stable primary balance, partially to be directed to the debt repayment, and partially to investments. The first scenario involves co-financing with internal resources of up to 50% of the gap annually, while in the second scenario the investment foreseen is of up to 60%, conditioned to a decrease of the current expenditures.

6.3 External financing

Financing of the Poverty Reduction Strategy by major development partners follow different models, namely: i) Budget Support, whose main objectives are to augment the efficacy and the efficiency of the external aid and to harmonize processes and procedures; this type of aid is regulated by a Memorandum of Understanding (MoU) for Budget Support, signed by Austria, ADB, the World Bank, The Netherlands, Spain, Portugal and the European Union, but open to the entry of new partners; ii) Project Aid, which still accounts for considerable weight in the State Budget; iii) Concessional loans; iv) Debt relief conditioned to the GGPRSP financing. Additionally, some partners continue to prefer to lend their support in the form of food aid.

6.4 Budgeting

Hierarchy of Objectives/Results	Budget								Responsible entity	
	2008 (Approved budget)		2009		2010		2011			
	external fin.	internal fin.	guaranteed	gap	guaranteed	gap	guaranteed	gap		
EFFECTS (Specific objectives)										
Horizontal issues										
<u>Gender</u>										
Gender equality and equity ensured	65.488		61.989	3.500	18.655	3.500	18.655	3.500	3.500	ICIEG
<u>Youth</u>										
Enhanced participation and representation of the youth as important actors of development		63.100		63.100		63.100		63.100	63.100	SEJD
<u>Demography</u>										
Ensured balance between the demographic and socio-economic development	46.691		46.691		46.691		46.691		46.691	MFAP
<u>Environment</u>										
Balanced sustainable management of natural resources	716.599	24.300	252.576	567.301	252.576	565.923	252.576	563.323	563.323	MAA
<u>Research</u>										
Results from research applied to all development policies and strategies		44.328		62.828		62.828		62.828	54.328	INE
<u>Citizenship</u>										
Ensured Human Rights and Citizenship		13.266		13.266		13.266		13.266	13.266	CNDH
sub-total	828.778	144.994	361.256	709.995	317.922	708.617	317.922	317.922	697.517	

<u>Safety</u>		331.104	203.904	130.788	200.571	129.788	200.571	128.788	MAI, MD
Internal safety insured									
Safe road transport									
Reduction of risks inherent to the occurrence of natural and man-provoked disasters									
<u>Political Participation</u>				11.600		19.150		311.700	MAI
Enhanced participation of the population in the political life									
<u>Decentralization and Local Administration</u>									
Decentralization policy implemented	66.114		44.106	53.000	13.232	33.000	13.232	31.000	MDHOT
sub-total	786.583	1.388.379	924.083	1.508.762	718.952	1.674.973	718.952	1.631.654	

Human Capital										
<u>Education</u>										
Education system better adjusted to the needs of economic development										
	901.095	391.148	642.116	892.306	562.229	888.130	526.358	698.839		
<u>Sport</u>										
Dynamic practice of sports disseminated										
		80.000		398.625		475.125		361.625		
<u>Employment/Professional Training</u>										
Upgraded professional training for the employment and social inclusion										
Economic environment favorable to job creation for the integration of vulnerable population groups										
	285.465	186.709	533.548	1.030.958	254.381	1.237.151	65.150	1.117.531		
<u>Culture</u>										
Cultural products and historic-cultural heritage enhanced										
	47.690	67.000		243.896		242.196		237.896		
<u>Health</u>										
Improved health of the population, particularly of women and children										
Integrated surveillance of communicable diseases										
Fight against non communicable diseases ensured										
	925.981	275.000	335.935	487.000	335.245	799.000	65.584	431.000		
sub-total										
	2.160.231	999.857	1.511.599	3.052.785	1.151.855	3.641.602	657.092	2.846.891		

Summary

Pillars	Budget										2008-2011	
	2008 (Approved budget)		2009		2010		2011		2008-2011			
	external fin.	internal fin.	guaranteed	gap	guaranteed	gap	guaranteed	gap				
Horizontal issues (Gender Youth, Demography, Environment, Research, Citizenship)	828.778	144.994	361.256	709.995	317.922	708.617	317.922	697.517	1.970.872	2.116.129		
Good Governance	786.583	1.388.379	924.083	1.508.762	718.952	1.674.973	718.952	1.631.654	4.536.949	4.815.389		
Human Capital	2.160.231	999.857	1.511.599	3.052.785	1.151.855	3.641.602	657.092	2.846.891	6.480.634	9.541.278		
Competitiveness	1.650.953	614.984	667.532	987.180	342.617	879.203	299.722	762.750	3.575.808	2.629.133		
Infrastructuring	6.575.662	1.333.567	6.748.949	2.355.598	6.469.823	4.317.683	4.356.747	8.921.000	25.484.748	15.594.281		
Social Cohesion	467.496	629.547	280.572	1.284.673	183.480	1.309.821	189.382	1.304.017	1.750.477	3.898.511		
Total	12.469.703	5.111.328	10.493.991	9.898.993	9.184.649	12.531.899	6.539.817	16.163.829	43.799.488	38.594.721		

GROWTH AND POVERTY REDUCTION STRATEGY: PILLARS/PARTNERS

Pillar 1: Promoting Good Governance, Enhancing Efficiency and Ensuring Equity			
Public Administration Reform	Strengthening the Judicial System	Reform of Public Finances	Decentralization
Austria European Union France Luxembourg The Netherlands Portugal Spain United Nations United States - MCA World Bank Sweden	European Union United Nations World Bank Portugal Spain Japan	Austria European Union France The Netherlands Spain World Bank ADB United States United Nations Portugal	Austria France The Netherlands Spain Switzerland United Nations

Pillar 2: Promoting Competitiveness for Growth and Job Creation						
Private Sector (Business)	Employment Policy	Micro-credit	Agriculture	Food Security	Fishing	Tourism
China France Italy Luxembourg The Netherlands Portugal Sweden Switzerland United Nations United States World Bank	Luxembourg Switzerland European Union Portugal Spain	Luxembourg France ADB IFAD	Austria Brazil ICDCS European Union Italy Japan The Netherlands Spain Sweden Switzerland United Nations United States	Austria Brazil Cuba European Union United Nations World Bank Luxembourg	ADBEA ADB Canary Islands European Union The Netherlands Spain World Bank	Austria Luxembourg The Netherlands World Bank

Pillar 3: Developing Human Capital		
Education	Vocational Training	Health
ADB ADBEA Austria Brazil Canary Islands China Cuba European Union France Luxembourg The Netherlands OPEC Portugal Spain Switzerland United Nations Senegal Morocco Algeria	Austria Brazil Canary Islands Cuba European Union France Luxembourg The Netherlands Portugal Spain Switzerland World Bank	Brazil ECWA Cuba European Union Germany Japan Luxembourg The Netherlands OPEC Portugal Spain Switzerland United Nations World Bank

Pillar 4: Infrastructuring and Environment				
Land Use Planning	Transport	Energy	Water and Basic Sanitation	Environment
Austria Canary Islands The Netherlands Portugal Spain	ADBEA ECWA European Union Luxembourg The Netherlands Portugal Switzerland United States World Bank Spain	ADB Canary Islands ICDCS European Union Japan Spain United Nations World Bank The Netherlands	ADBEA ADB Austria European Union France Spain Japan Kuwait Luxembourg The Netherlands OPEC United Nations World Bank	ADB ADBEA Austria Canary Islands China United Nations Spain Luxembourg

Pillar 5: Promoting Social Protection Efficiency and Sustainability
Social Protection
European Union Portugal United Nations World Bank

7. IMPLEMENTATION, MONITORING, AND EVALUATION

7.1 CONCEPTUAL FRAMEWORK

Cape Verde's graduation to "Middle Income Country" status, its strategic partnership with the European Union, accession to the World Trade Organization (WTO). Moreover, the challenges arising from the dynamics of development during recent years, such as double-digit growth rates and single-digit unemployment by 2011, now more than ever, require a development management strategy based on stringency, transparency, equity, and performance, in order to consolidate the country's progress and to preserve its new status.

In keeping with these concerns, the need to monitor the activities and operations planned in different areas of development are reflected in the attempts to implement a monitoring and evaluation mechanism as a part of the planning system.

A pilot project is being prepared with the following objectives:

1. To process the performance indicators established under the Poverty Reduction and Growth Strategy Paper (PRSP II);
2. To monitor a number of measurable indicators selected from the matrices adopted by the Directorate General of Planning/Technical Secretariat for Development Support (DGP/STAD), sectoral Analysis and Planning Offices (GEP) and Directorates General of Planning, Budget, and Solidarity (DGPOGs).
3. To conduct physical and financial monitoring of sector program execution beginning with some of the programs connected with the Ministry of Infrastructure and Transportation (MIT), the Ministry of Environment and Agriculture (MAA), the Ministry of Education and Human Resource Development (MEVRH), and the Ministry of Health (MS), in terms of the most important main activity and output indicators;

To that end, a system with the following features is being established:

- Capability to meet the government's information requirements against the backdrop of the PRSP II progress report exercise, with quarterly or semiannual progress reviews;
- Effectively operational;
- Simple and easy to use;
- Low-cost, relying on existing hardware and software when possible;
- Appropriate for the national structures, and particularly for professionals and technical experts having monitoring responsibilities.

The success of the project depends on the following critical conditions:

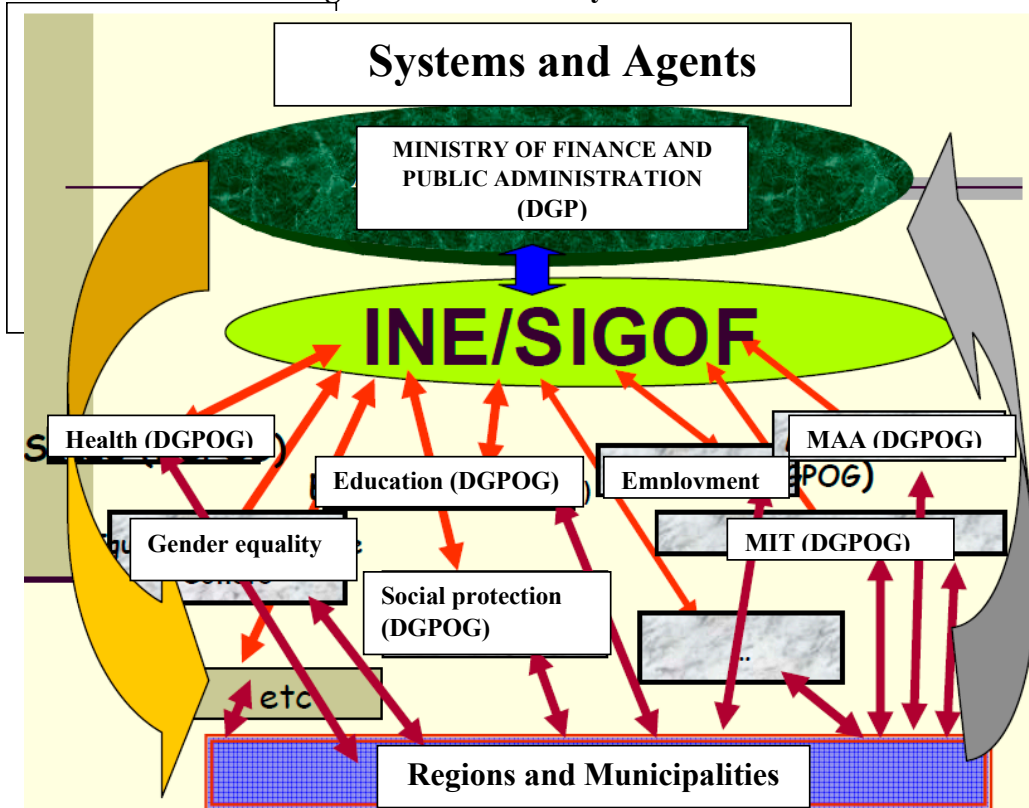
- The proposed institutional framework must be operational as adopted;
- Local professionals and technical experts must be recruited on the basis of precise terms of reference;
- These personnel must participate in specialized, relevant short-term training activities to learn to use the information system;
- Computer equipment must be procured according to precise specifications;
- The sectoral DGP and DGPOGs must have access to information on financial execution of projects through the integrated budget management (SIGOF) system;
- The sectoral DGP and DGPOGs must have access to information INE's Official Statistics Database (BDEO) indicators through the SIGOF network;
- Information must circulate between DGP and the various sectoral DGPOGs using the file transfer protocol installed in connection with the SIGOF.

The pilot project should include the following **expected results**:

- Generation of a progress report on system implementation and on PRSP II implementation;
- Database availability on functional program monitoring (BDMP) with DGP/STAD, including (i) PRSP performance indicators; and (ii) indicators on physical implementation and financial execution of priority projects under PRSP (II);
- Strengthening of the National Statistics Institute (INE) Official Statistical Database;
- Support for sectoral databases (BDS) with the four ministries, including sector performance data and indicators, as well as physical and financial indicators for priority sectoral projects.
- Training for staff of the DGP/STAD and DGPOGs to use technical instruments and computerized information systems;
- Availability of appropriate computer equipment to DGP/STAD and the DGPOGs.

PRSP II execution will in fact use a results-based management approach. As reinforced monitoring and evaluation is inevitable for all those involved in implementation, for the system to be effective [text missing ???]

2. What kind of Monitoring and Assessment System for PRSP II?



Regions, Municipios

Implementation of an integrated, global monitoring and evaluation system will require staff, mechanisms, data, and resources. In addition to the central dimension, the Ministry of Finance and Public Administration, the arrangement shown above also includes governmental departments and players in the regions and municipios—all of which are part of the system. Relationships between these parties must be established within the system, and information is essential in driving the system. Accordingly, the INE and SIGOF will play a key role in managing the collection and processing of essential information for the INE, and for SIGOF, as an NTIC structure, in the technical organization and formatting of the data circulation within the system.

7.2. SYSTEM CHARACTERISTICS

While the Ministry of Finance and Public Administration is responsible for managing PRSP II implementation, the technical activities will inevitably be carried out in the sectors, each of which will need access to a sectoral system to manage its respective activities. Further, services in each sector will be devolved or decentralized to the regions and municipios. For the central system to be functional and effective, the various sectoral systems must be federated and harmonized. The sectors will require mechanisms, resources, and information systems for that purpose.

Players in the system

System operation will entail interactions among participants having clearly defined roles, and specifically:

Technical and coordination functions

- The Directorate-General of Planning (DGP) is technically responsible for preparing plans and various development frameworks. For example, its staff is responsible for managing PRSP II implementation and coordination. In terms of monitoring and assessment, the DGP will require a permanent internal structure with appropriate status for the efficient discharge of this function;
- The ministry DGPOGs are technically responsible for planning in their respective sectors, as well as the relevant monitoring and evaluation. As DGP technical partners, they provide the system with data and information on the activities and performance in their respective sectors. Each DGPOG should have a monitoring and evaluation representative such as an agent of the Ministry of Finance and Public Administration who is responsible for feeding sectoral data and information into the system.

Consultative function

- An “Economic and Social Council,” including representatives from the public sector, local units of government, the private sector, and NGOs, should provide a forum for consultation on development priorities and progress in PRSP II implementation. Above all, it should make every effort to ensure that the operational strategies and guidelines are consistent with the national reference documentation such as the Constitution of the Republic, the Government Plan, and Millennium Development Goals (MDGs).

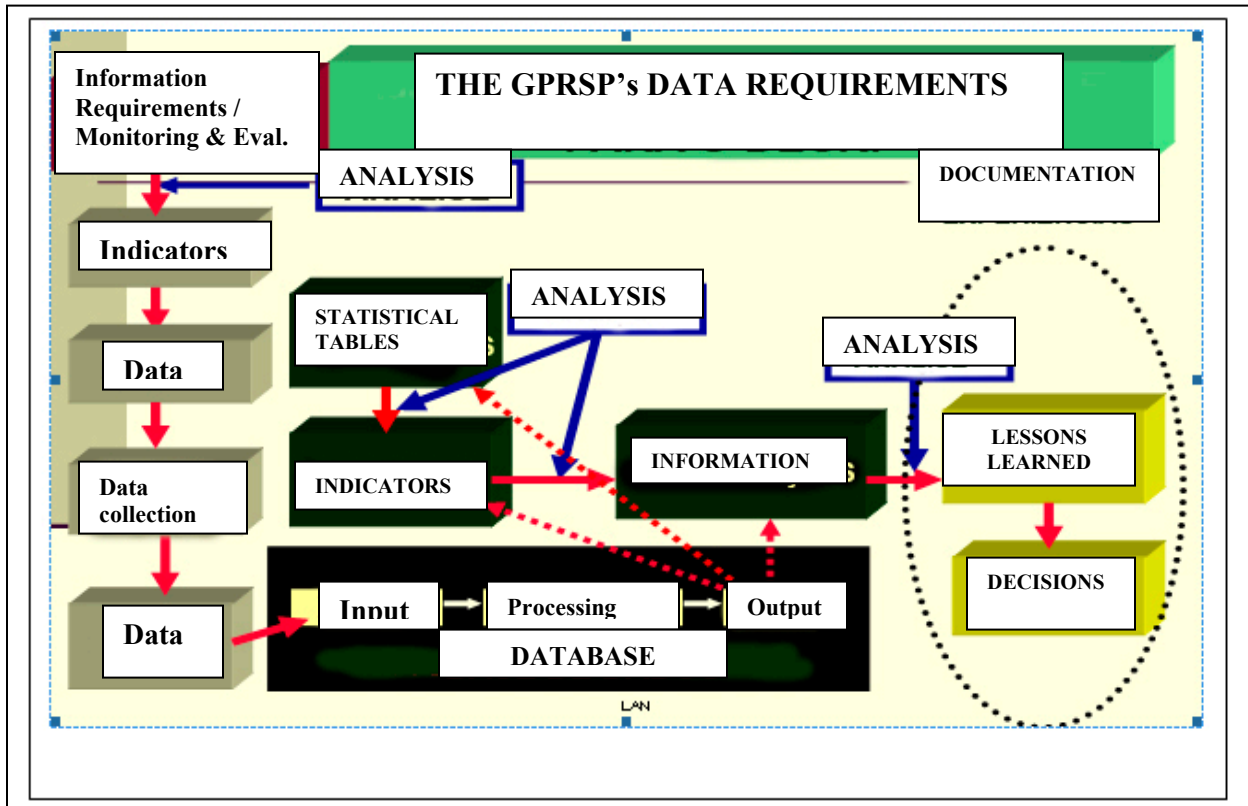
Policy decisions

- Decisions and arbitrage occur at the following levels: (i) Department heads, (ii) ministerial cabinets and sectoral ministries; (iii) Minister of Finance and Public Administration; and (iv) the Council of Ministers.
- The National Assembly will approve a final version of the development frameworks and the annual budget.

The bodies and structures responsible for functions within the system should use appropriate, current information that is collected, processed, and disseminated according to current legislation and mechanisms adopted and supported by all participants in the system.

7.3. INFORMATION AND FRAMEWORK FOR STATISTICAL PRODUCTION AND CONTROL

Monitoring and evaluation are impossible without access to reliable, complete, and timely information. Information is a strategic resource. To have access to such information, certain precautions must be taken in terms of the laws and rights prevailing in the country.



To operate effectively, the system requires substantial data to be collected, processed, analyzed, harmonized, and disseminated for different purposes. Accordingly, both input and output indicators are required.

7.4. LEGAL AND INSTITUTIONAL FRAMEWORK FOR INFORMATION MANAGEMENT

Laws 15/V/96 and 93/V/99 lay the groundwork for the National Statistics System, and define the conditions and rules for collection, processing, management, and dissemination of statistical data and information in Cape Verde. In particular, they establish the terms of reference and role of the National Statistics Institute (INE) at the central level, and the role of the sector-level statistics agencies (OPES).

The National Statistics System

This system encompasses all data collection and processing instruments and the institutions responsible for statistical activities throughout Cape Verde's national territory. The INE has a development plan for the national statistics system known as the "Statistical Agenda."

Cape Verde's statistical production and reporting situation can be described as follows:

- The INE collects data at the sector level and prepares the national accounts and macroeconomic indicators. It is also responsible for major data collection operations such as demographic population and housing censuses used to generate demographic and health forecasts, the International Survey for Disaster Reduction (ISDR), and QUIBB surveys to measure poverty. In February 2008, the INE developed and published a statistical data dissemination interface known as Statline.

- The sectoral ministries collect the administrative data through their decentralized units, and use them to produce aggregate national data. Some ministries have an OPES, which is responsible for the data from sectors such as agriculture, fishing, environment, education, health, justice, employment, and social security. Some ministries, such as the Ministries of Health and Education, implement sectoral information systems with support from the INE.
- The Official Statistical Database prepared by the INE is on line through Statline and contains most of the data on economic and social development.
- A reference table (QBS) is also available from Statline;
- Published reports and official economic and social development data are available at the government's website.

Financial information system

- The Financial and Budget Information System (SIGOF) provides a common platform for all ministries and central government agencies to access budget and financial information. The General Budget Directorate (DGO) is responsible for the data and SIGOF for computer processing.
- The SIGOF network can be used to process, classify, and disseminate information on the public sector, and is now linked to all ministries and three out of approximately 10 municipalities.
- The state planning and financial administration system uses the Intranet (intra.minfin.gov.cv) to provide the various ministries with a number of different reports and financial data, with appropriate levels of access depending on the user's status.

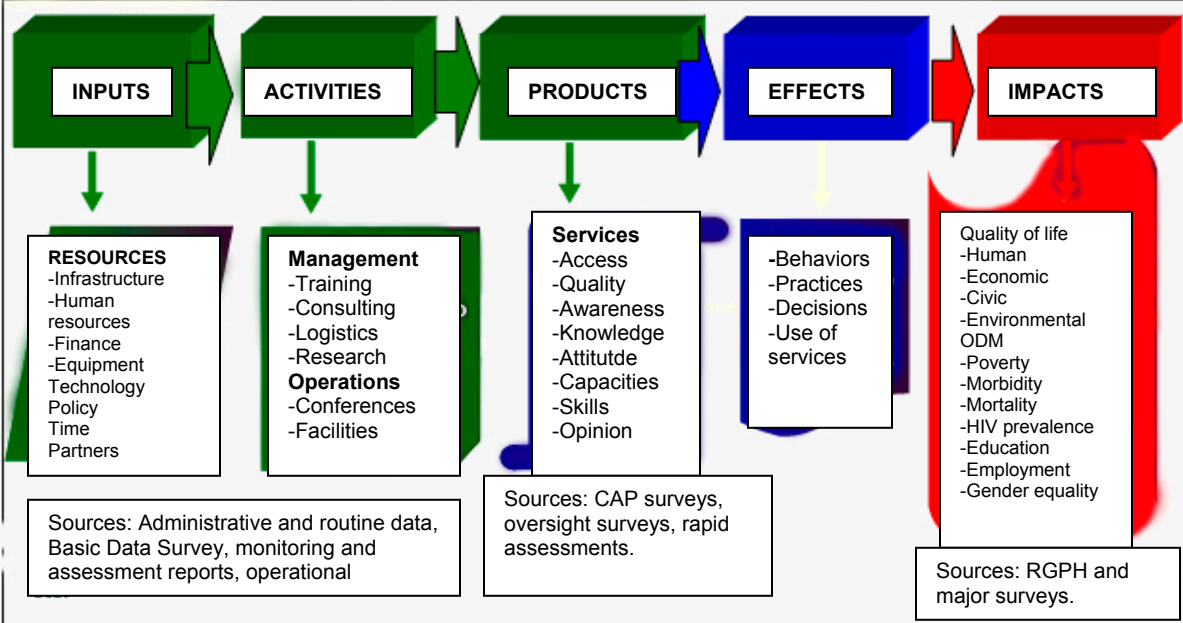
Public program implementation monitoring

- Each ministry has a list of projects in its sector, containing information such as the project title, starting year, ending year, sponsoring development partners, executing agency, and total project amount. For a strategic plan with strategic aims, the projects are grouped by strategic aim and the list is revised annually.
- As the system cannot be used for program monitoring, the ministries do not have the option of monitoring from inputs to outputs or other program results.

7.5. RESULTS-BASED MANAGEMENT AND DATA REQUIREMENTS

PRSP II is prepared using a results-based management approach. Causal logic is stringently used in the situation analysis and in the preparation of strategies, operations, and activities, producing a logical framework as shown in the graphic below:

INFORMATION REQUIREMENTS FOR SITUATION ANALYSIS AND MONITORING AND EVALUATION



Sources: Administrative and routine data, Basic Data Survey, monitoring and assessment reports, operational research, etc.

Sources: CAP surveys, oversight surveys, rapid assessment, etc.

Sources: RGPH and major surveys.

The monitoring and evaluation system is designed on this basis, and inputs are the most essential factor in terms of their qualitative and quantitative functions, as well as expected results.

Expected and real results are essential in the budget monitoring framework. Execution levels cannot be assessed only at the budget level. The level and quality of expected results are also requirements that the sectors must be able to meet.

7.6. IN SUMMARY, THE FOLLOWING FACTORS ARE ESSENTIAL:

- (a) An integrated framework must be prepared for monitoring and evaluation of policies, strategies, programs, and projects, specifically in the areas of growth and poverty reduction, based on monitoring indicators and other standardized instruments;
- (b) The roles and powers of the institutions in the system for monitoring and evaluation of PRSP implementation and their vertical and horizontal coordination must be clarified;
- (c) Professionals and technical experts involved in the system for monitoring and evaluation of PRSP implementation must receive practical training to understand the structured approaches and simple, useful working tools;
- (d) DGP/STAD requires qualified full-time professionals to implement and enhance the monitoring and evaluation system;
- (e) Performance and impact indicators should be adopted and each should be supplemented with benchmark values and goals;
- (f) DGP/STAD should have access to the INE's Official Statistical Database to enable STAD to prepare and disseminate an annual progress report on PRSP implementation. This report will also discuss changes in economic and social development indicators, including the level to which the PRSP's goals have been met (results and impact indicators);
- (g) The list of measures in the PRSP to eliminate program and project related factors should be revised while focusing on poverty reduction and growth measures;
- (h) A list of programs, subprograms, and projects should be prepared for each strategic aim listed in the PRSP;
- (i) Financial information with indicators of physical attributes, tasks, and goods/services related to public projects and programs should be included in the SIGOF.
- (j) Data collection and processing instruments required to calculate monitoring and evaluation instruments should be improved.