CABOVERDE
THE MID-ATLANTIC GATEWAY TO THE WORLD’S ECONOMY
INSTITUTIONAL STATE REFORM & FINANCIAL SECTOR
CABO VERDE
THE MID-ATLANTIC GATEWAY TO THE WORLD'S ECONOMY
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INTRODUCTION

The Strategic Plan for Sustainable Development (PEDS, using the Portuguese acronym) sets out, in programmatic and operational terms, the vision and objectives of the Government of Cabo Verde and establishes 39 ambitious development targets for the period 2017-2021 for the sustainable development of Cabo Verde. But the PEDS strategy for the short term is underpinned by a longer-term vision for Cabo Verde’s sustainable development for the period 2018-2030 that is aligned with the 2030 sustainable development agenda and the sustainable development goals as means to build a better future for all Cabo Verdeans.

The PEDS was conceived using a participatory and inclusive approach with great efforts being made to ensure the involvement of not only the central administration and local governments and other national entities and institutions, but carefully including a range of civil society organisations, the private sector, and Cabo Verde’s development partners.

The strategy and objectives of the PEDS are conceived on the basis of the reality of the national and the global context in which Cabo Verde is situated and presents a profound analysis of the country’s development in 2016.

VISION AND LONG-TERM OBJECTIVES

The Government Programme for the IX Legislature (2016-2021) sets out a clear vision which is adopted by the PEDS:

“A developed Cabo Verde, inclusive, democratic, open to the world, modern, safe, where full employment and full freedom rule”

The PEDS seeks to promote the dynamic insertion of Cabo Verde into the global economy considering this the only realistic and viable alternative for its long term, sustainable development. The long-term vision is established through four inter-related strategic objectives:

1. **Make Cabo Verde a Circulatory Economy in the Mid-Atlantic**, through strategic capital investments in connectivity, the blue economy, tourism development, and business, industry, and financial services.

2. **Sustainable Economic and Environmental development** through structural reforms such as investment...
in sustainable tourism, strengthening its link with the country’s productive value chain through agribusiness and domestic industry and export promotion, while safeguarding environmental sustainability;

3. Ensure social inclusion and reduce inequalities through improving education and professional training, health and social safety nets, youth and gender equality;

4. Strengthen democracy, justice and international diplomacy, and engage the diaspora in the country’s development.

The PEDS foresees the need to promote investment in key strategic and transformative areas such as the maritime economy, renewable energy and water and sanitation, which will have a catalytic impact on the wider economy and particularly on sectors such as tourism, agriculture, industry and commerce.

Each of these objectives are linked to a set of country specific outcome indicators with a baseline value and annual targets up to 2021.

PEDS STRATEGIES FOR 2017-21

The overall objective of the PEDS is ‘sustainable development with full employment’ that will be achieved through exploiting Cabo Verde’s geo-strategic position to create a “Mid-Atlantic Hub Economy”

OBJECTIVE 1: TRANSFORMING CABO VERDE INTO A CIRCULATORY ECONOMY

The PEDS strategy identifies the development of 7 priority hubs, or platforms, on which the country’s future economic growth will be based:

| TOURISM PLATFORM | Inclusive tourism that benefits all islands and takes advantage of Cabo Verde’s natural environment, history and culture |
| AIR TRANSPORT HUB | For passengers and freight in all countries bordering the Atlantic |
| MARITIME PLATFORM | Supplying and providing services to freighters, cruise ships, and other vessels |
| COMMERCIAL AND INDUSTRIAL HUB | Transforming Cabo Verde into an international business centre |
| FINANCIAL HUB | Creating and international finance platform |
| ICT PLATFORM | Creating a digital platform for technological innovation |
| ETHNIC & CULTURAL PLATFORM | Promoting investment by the diaspora and ethnic tourism |
To achieve this, Government recognises that profound reforms and structural adjustments will be required to make Cabo Verde more competitive and to reduce business costs in order to take advantage of its endogenous resources. These will include:

1. Placing Cabo Verde in the top rankings in relation to international indicators for doing business, good governance and economic freedom
2. Fundamental reforms in the development of human capital in four areas:
   • Strengthening scientific and pedagogical capacities
   • Exploiting opportunities for the use of ICT, video-imaging and distance learning
   • Adapting curricula to the needs of the market
   • Institutional development

**Objective 2: Guaranteeing Economic and Environmental Sustainability**

The PEDS strategy for promoting economic and environmental sustainability has three components:

1. Consolidating tourism development, ensure its sustainable and inclusive growth;
2. Promoting domestic production and exports particularly in the following sectors:
   • Fisheries
   • Agriculture
   • Light industry
   • Creative Industries
3. Implementing Structural Reforms (to reduce factor costs) through:
   • Reform and modernisation of the public administration
   • Improving the business and investment environment
   • Introducing new models for financing development and the economy
   • Investment in transportation and Infrastructure
   • Investing in renewable energy and reducing electricity cost

The PEDS recognizes the significance and developmental value of Cabo Verde's environmental resources, adopting integrated environmental policies to ensure their sustainable management, enhancing the value of the environment as an asset and key factor in economic competitiveness, whilst recognising the need to maintain a balance between meeting current needs and the expectations of future generations.

**Objective 3: Ensure Social Inclusion and Reduce Inequalities**

PEDS strategies include:

1. Improving the living conditions of families
2. Promoting social inclusion
3. Developing education of excellence
4. Increase access to quality housing
5. Creating decent employment and strengthening the relevance of vocational training
6. Improve the conditions for youth
7. Increase the national health system and access to social security
8. Promote gender equality
9. Promote culture and sport

**Objective 4: Strengthen Democracy, Justice and International Diplomacy**

The PEDS strategy is to:

1. Strengthen Democracy;
2. Enhance a culture of peace, human rights and justice
3. Reinforce security
4. Strengthen territorial defence
5. Strengthening foreign policy and use diplomatic resources to mobilise strategic partnerships and the Cabo Verdean diaspora

Gender equality, ensuring that that women and girls, as well as men and boys, have the same opportunities to participate in and benefit from the development process, is a fundamental principle of sustainable development and is integrated as a cross cutting issue in the PEDS. Through the execution of the PEDS Government will ensure measures are taken to address gender inequalities in different sectors to promote justice and social inclusion in the country’s sustainable development.

IMPLEMENTATION

The operationalisation of the PEDS to achieve its 4 prescribed objectives PEDS, is to be achieved through sectoral and transversal programmes, each comprising a set of projects.

The 35 PEDS programmes are grouped into 3 cross-cutting pillars designed to achieve the objectives set, within the time horizon 2017-2021 and contributing to the realization of the long-term vision for the future of Cabo Verde.

PILLAR 1, Economic Growth: programmes that will promote a new model of economic that will introduce reforms and restructure the economic sectors

PILLAR 2, Social Development: programmes that will develop the country’s human capital, quality of life and combat inequalities and asymmetries.

PILLAR 3, Sovereignty: programmes that will develop a new state model for the strengthening of sovereignty, creating value in democracy and orientation of diplomacy to the challenges of the country’s development.

Each pillar is linked to a subset of the Sustainable Development Goals (SDGs). For every programme an objective and a budget has been defined, and links to the PEDS indicators and the SDGs are presented.

REGIONALISATION AND TERRITORIALISATION OF THE PEDS

Cabo Verde is a country of regional asymmetries and inequalities with its insular nature making universal access to basic services challenging, and compromising the creation of economies of scale. Thus, the regionalization of the PEDS is a firm Government commitment.

The situation analysis that underpins the PEDS incorporated an analysis of the different regions of the country, where the specificities of development dynamics and challenges were addressed, weighted and used in the definition of regional targets aimed at exploiting the potential and value of each island and their endogenous resources to reduce regional asymmetries and to ensure that nobody is left behind.
CABO VERDE 2030: PUBLIC ADMINISTRATION REFORM AND SDG LOCALISATION

FACTS AT GLANCE

• Population (2017): 537,661 (49.8% women)
• Population under 25: 46.4%
• Population 15 to 34: 38.7%
• Per capita GDP: $2,997
• Poverty rate: 35.6% (10.6% extremely poor)
• Human Development Index (2017): 0.654 (Ranks 125th out of 189)
• Gini coefficient: 0.46 (2015) from 0.53 in 2001
• Ibrahim Index of African Governance (2018): 3rd Place
• Debt to GDP ratio: 126%
• Growth: 3.9% (2017 estimated annual growth rate, World Bank)
• Doing Business Index: 127th of 190 countries (2018)
• Freedom Index: Most Free Country in Africa (Freedom House)
• Democracy index: 2nd most democratic country in Africa
• Corruption Perception Index: 3rd place (2017-2018)
• Internet use: 48.2% of the population using the internet;
• Internet access: 62% of households

CHARACTERISTICS OF THE SECTOR

The public administration system in Cabo Verde plays a key developmental role. Since independence in 1975, the public sector has been one of the major employers and the main provider of goods and services and has undoubtedly played a remarkable role in the country’s successful transition from a least-developed country to lower middle-income status in 2007, and in the achievement of the MDGs.

However, there are issues related to Cabo Verde’s public administration that reduce its capacity to absorb the impact of internal and external shocks. External factors related to international commerce and migration flows, and internal factors, that include an increasing fiscal deficit, have called into question the role of the public administration as the expectations of citizens and businesses have changed.

Given the geography of Cabo Verde, public administration and service delivery is particularly onerous. Like other SIDS, the public administration system in Cabo Verde represents a large share of the economy, representing an estimated 40% of gross domestic product (GDP). The civil service alone, with approximately 25,000 public employees, at the central and local levels, represents 10% of GDP in salaries. According to the civil service census (2016), the direct public administration employs a total of 18,327 officials, of which 52% are male, with four sectors/ministries absorbing nearly 80% of government employees (education, internal administration, rural development and health). Adding the approximately 6,500 municipal level officials, some 5% of Cabo Verde’s resident population are government employees.

Although Cabo Verde achieved 3rd place in the Ibrahim Index of African Governance (2017), the need to reform the public administration to act as an engine for inclusive, long-lasting and sustainable growth is derived from the reality that it is unable to adequately respond to the needs of society and the Government. A particular concern is whether the public administration can address the challenges presented by the country’s changing population dynamics and if it has the capacities, structures and procedures to harness the demographic dividend. With 15-34-year-olds representing 38.7% of the population significant demographic dividends could
be created. The risk is that national services and infrastructure become over-stretched and their legitimacy called into question.

The public administration consists of central level institutions and local authorities (elected municipal councils and delegations of central institutions) that face numerous constraints related to the management of the development process, particularly in relation to planning, monitoring, transparency and accountability. The efficient management of human resources in terms of mobility, and the silo structure of the public administration with poor horizontal integration and coordination, resulting in inefficiencies in service delivery to citizens and business are also concerns. Inter-operationality is also poor despite success in introducing some degree of e-governance.

Cabo Verde’s economy has limited productive capacity, but with great potential in several areas. A rising concern of the private sector is the capacity of the public administration to create a favorable and conducive investment environment, and provide efficient and effective services, for business and private sector development. In terms of business services, the country ranks 127th of 190 countries in the World Bank ‘Ease of Doing Business’ Index and its global competitiveness is low, ranking 111th of 140 countries, according to the Global Competitiveness Report (2018). Moreover, international benchmarks suggest that Cabo Verde still has some way to go to become an attractive investment destination. The business community has specific concerns regarding lack of control of illegal competition, the slowness of justice and the customs system, the high costs of energy and poor connectivity.

The management of administrative and economic realities is putting pressure on the public sector, questioning its capacity to raise the standard of living of all citizens and provide a more conducive environment for private sector development and investment. Moreover, the high fiscal deficit is raising concerns about the country’s overall financial sustainability that requires improvements in productivity, returns on public investment, and the quality of public service delivery to ensure greater value for money. Although signs of recovery are evident, with an expected growth rate of around 5% in 2018, fiscal space is expected to remain extremely limited for the foreseeable future.

A debate has thus emerged about how the public administration system needs to adapt and change to address increasing demands for equitable and inclusive public service delivery across all of the territory, and the more effective management of the development process to put the country on a path to achieve the sustainable development goals by 2030.

STRATEGY FOR TRANSFORMATION

Rational for public administration reform

The challenges related to maintaining the country’s development gains in the post-graduation, post-global financial crisis period, in the context of the very specific challenges related to its status as a Small Island Developing State (SIDS) raise questions regarding the need for a shift in the development paradigm, especially if the country is to comply with the Sustainable Development Agenda and achieve the SDGs. Public institutions are recognised as key enablers in no less than 10 out of the 17 Sustainable Development Goals (SDGs), requiring a public administration that is ‘fit for purpose’ in addressing the challenges for achieving progress toward the 2030 Agenda, and the Africa 2063 Vision. Strong institutions contribute to achieving SDG 16 and are necessary to reduce vulnerability and create a more resilient society.

The Government is committed to a public sector reform process as stated in its programme (2016) and reflected in the PEDS, which recognises that its transformative vision will only materialise if underpinned by a modern, efficient, effective and locally responsive public administration, open and accountable to its citizens and to the private sector. Moreover, it is recognised that the public administration needs to be
equipped with the capacity to create an enabling policy and regulatory environment and strengthen its knowledge and resources through the mobilization of innovative and strategic partnerships. The Government’s vision is developed in more detail in a White Paper setting out the case for public sector reform, based on a functional analysis, and advocating for a new model of public administration and management.

Cabo Verde today is composed of a society, and an emerging private sector, that is far more informed and articulate, and becoming increasingly demanding at a time when the government’s room to manoeuvre, in terms of the fiscal space, is extremely limited. This requires a more efficient model of public administration management in which core institutions (the Ministry of Finance and related planning, budget and public administration functions) ensure much greater discipline in relation to public finance management, policy implementation, monitoring and the reporting of results. To this end, improvements in the statistical and information systems, and the linkages between policy-making, planning, implementation, and results monitoring, are required to strengthen evidence-based and risk-based decision-making and the effective monitoring of poverty, inequality, inclusive development and regional disparities to guide the implementation of the PEDS and ensure progress towards the SDGs.

The objective of the reform is to optimize the public administration to effectively and efficiently deliver quality services to all citizens and to the private sector. Reforming the public sector requires that it be equipped to guarantee both upstream evidence-based policy formulation and downstream front-line services. The former requires cooperation and coordination, while the latter requires a public administration with adequate financial resources and capacities to deliver under current conditions.

The complexity of the development challenges, especially for a SIDS like Cabo Verde, are such that they can no longer be satisfactorily addressed through single interventions at sectoral level, but require innovative, integrated and coordinated solutions through intersectoral working, collaborative networks and partnerships, greater coordination between ministries and territorial authorities, and consultation with citizens, to avoid duplication of efforts. Bringing the public administration closer to citizens is equally important. The Government is committed to advance with a regionalization and decentralization process as a key component of the public sector reform process, and to territorial development as a means to reduce regional disparities in growth, employment and service delivery, through giving municipalities, and a new regional tier of government, more prominent roles, and greater powers and resources.

The public sector reform process will also require looking at the reengineering of human capital for the public sector and establishing effective management systems for human resources to ensure greater productivity and improved citizen satisfaction. The restructuring of human resources will enable the mapping and evaluation of available capacities and the digitalization of human resources data and management will improve recruitment and performance tracking. Enhanced capacity development, mobility and a system of incentives are also under consideration.

The expansion of information and communication technology represents a unique opportunity for Cabo Verde to "reduce its insularity", by expanding the e-Governance platform, thus substantially redressing inequalities and asymmetries in public service delivery across the archipelago and greatly contributing to the SDG objective of ensuring ‘nobody is left behind’. Combined with increasing civic awareness, new technology and communication modalities are facilitating much greater interest from citizens in participating in the formulation of public policies and improvements in service delivery, thus calling for a more open and transparent relationship between the state and its citizens. More open and transparent Governance will give greater involvement to parliament, civil society groups and citizens, the private sector and partners
in national and local debates on how the public administration system can adapt and change to increasing demands for fair, responsive and inclusive public services.

Finally, reforms are required to improve the business and investment environment at national and regional levels particularly in relation to simplifying the regulatory framework for business, access to capital, and reforms to speed up judicial decisions, as far as they related to business, and reducing delays in customs clearance and the payments of duties.

All of these changes emphasise the need for a more innovative and modern approach, not only in terms of identifying policy solutions and programmes that are most appropriate for a SIDS country like Cabo Verde, but also in terms of the mobilization of financial resources and partnerships, favouring south-south modalities with other developing countries and especially with SIDS (giving primacy to African SIDS) that face similar challenges and that are looking for similar solutions to strengthen resilience and sustainability as core components in their development trajectory. Traditional development cooperation aid will continue to be important and play a catalytic role in leveraging other types of partnership. However, as a Small Island State with middle income status that is vulnerable to financial, climatic and environmental shocks and natural hazards, the Government seeks to develop a set of new financing instruments, taking advantage of Global Funds and other innovative facilities, to finance sustainable development. Moreover, Government recognizes the need to improve the coordination of development aid and for a clear strategic plan on mobilizing domestic and external resources for development. The desired partnership envisaged by the government will also encompass knowledge-sharing among academia and other research networks to build endogenous longer-term research capacity.

**REASONS TO INVEST**

- Improved public sector management and efficiency underpins the drive for inclusive and sustainable growth
- Good governance is an essential prerequisite for private sector investment and business development and long-term, sustainable economic growth
- Evidence based policy making based on improved statistical data and information
- Relevant and high-quality policies, programmes and budget allocations
- Results-based programming and planning strengthened at national and municipal level strengthened
- Equitable and inclusive public service delivery across the whole territory
- Expansion of e-governance and online services
- More open, transparent and accountable governance
- Improved environment for business and investment
- New partnerships and innovative ‘finance for development’ mechanisms
- Localisation of the SDGs
CURRENT PARTNERS

<table>
<thead>
<tr>
<th>PARTNER</th>
<th>SUMMARY OF INVESTMENT</th>
<th>VALUE (EURO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>Establishment of multi stakeholder and multilevel &quot;Platforms&quot; for SDG localization and territorial strategic planning to support decentralization reforms</td>
<td>3.2M</td>
</tr>
<tr>
<td>UNDP</td>
<td>Promote the role of Cabo Verde as an emerging South-South provider and establish its leadership in South-South and triangular cooperation within the context of the SDGs implementation</td>
<td>0.44M</td>
</tr>
</tbody>
</table>

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CABO VERDE 2030 – PEDS IMPLEMENTATION AND LOCALISATION

KEY INFORMATION

Type of Opportunity: Public Sector Capacity Building

Resources Required: € 15.8 M

Promoter: National Directorate for Planning, Ministry of Finance

Seeking: International Development Partners

Location: All islands

Status: Programme designed and budgeted

Duration: 4 years

Beneficiaries: Ministry of Finance (DNP & INE), other sector ministries, and municipal authorities

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CONTEXT

The need to reform the public administration to act as a driving force for inclusive and sustainable growth, underpins many of Cabo Verde’s development challenges. The Government seeks to enhance the effectiveness of the public sector and improve the efficiency and responsiveness of service delivery, in part through rolling out a decentralisation process that will enhance the competencies and decision-making powers of municipalities and regional delegations.

Improvements to statistical and information systems and the linkages between policy-making, planning, implementation, and results monitoring, are needed to strengthen evidence-based and risk-based decision-making and the effective monitoring of poverty, inequality, inclusive development and regional disparities in order to guide the implementation of the PEDS and ensure progress towards the SDGs. The production of reliable data and information on a broad range of development related indicators is essential for effective policy formulation, evaluation and development.

Robust and efficient statistical and information systems are essential to underpin the development of national capacity for the formulation of innovative, transformative and evidence-based policies to achieve national priority goals, protect development gains, strengthen resilience and accelerate progress towards achieving the SDGs. A core set of PEDS and SDG indicators needs to be integrated into the national statistical production calendar. Partnership with local and international policy thinktanks, research institutions and
academia, need to be mobilised to support the development of innovative policies in relation to pro-poor economic growth, the demographic dividend, youth employment, gender, child poverty, education and health.

This will require the development and implementation of an innovative capacity development programme to upgrade the quality, frequency and relevance of data and information produced by the statistical system and diversify the mechanisms through which it is disseminated to improve access to and the availability of data. The capacity to rapidly respond to data requirements through the use of Quick Surveys and Smart Surveys needs to be introduced. The regular production of specific data to measure progress on sustainable and inclusive development is also required so that SDG accelerators or multipliers can be identified and contribute to national and local reflections on human development.

Given Cabo Verde’s regional disparities, it is particularly important that the statistical system incorporates a regional dimension through the disaggregation of data by island and municipality. Indeed, it is vital that capacity building efforts are extended to include municipalities so that they can play a role in improving the statistical system and to support policy development, the preparation and monitoring of local development strategies and decision making.

Improvements need to be introduced to all phases of planning and budgeting process, from preparation to execution and accountability, to enhance the quality and impact of expenditure through strengthening programme budgeting logic and the introduction of investment cases to the budgeting process. Moreover, the National Directorate for Planning needs to strengthen its Results Based Management approach, refine the methodology for programme planning and budgeting, and strengthening the links between the proposed PEDS programmes, the rolling MTEFs and the SDGs.

Regular monitoring and reporting on progress towards SDG achievement and the implementation of the PEDS needs to be introduced, advocating for an inclusive approach in which all stakeholders participate and subscribe, ensuring the necessary development and transfer of capacity to guarantee the production of similar analyses in future years.

The PEDS ambitiously proposes to monitor implementation and results achievement in each of its 35 programmes on an annual basis. This require the reformulation of the national strategy for monitoring both at the programmatic and financial levels. This will necessarily include the design and introduction of a results evaluation strategy, both at the macro level of the PEDS, and at sector and municipal levels, and greater systematization in monitoring procedures and the format and timing of results reports allowing greater control of the implementation of the PEDS and PEMDS (Municipal Development Plans) and enhance strategic decision-making and the introduction of mitigation and corrective measures.

The scope for modifying the existing digital platform for monitoring and evaluation to create a more user friendly, comprehensive and results-based monitoring tool needs to be evaluated. It is important to ensure that the digital platform is extended to municipal level to capture results achieved at local level.

**Investment will result in**

- The implementation of the National Statistics Development Strategy (NSDS).
- The integration of a core set of PEDS and SDG indicators into the national statistics system.
- Regular production and dissemination of relevant information and data to support evidence-based policy making and national and local SDG orientated planning.
- Production of specific data relating to pro-poor economic growth, municipal development and to measure SDG progress.
- Regular statistical bulletins on progress in achieving PEDS & SDG indicators.
- A National Planning System that reinforces an RBM approach with a refined programmatic approach.
- The introduction of mechanisms to review and control the quality of policies & programmes ensuring they adopt a coordinated and integrated approach to inclusive and sustainable development.
- Programmes that specifically promote inclusive economic growth and employment.
- Regular dissemination of reports on PEDS implementation and progress on SDG achievement.
• Reformulation of the national strategy for monitoring programmes/projects and evaluating results (at PEDS, sector & local level).

• (Re)Design of a digital platform for monitoring and evaluation making it a more user-friendly and comprehensive tool.

• Technical capacity for planning and monitoring at national and municipal level strengthened.

INVESTMENT IMPACTS

<table>
<thead>
<tr>
<th>TRANSFORMATIVE POTENTIAL</th>
<th>HIGH: Evidence based policy making and results-based management of the development process is essential for achieving the government’s long-term development vision for Cabo Verde.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICIENCY AND EFFECTIVENESS</td>
<td>HIGH: public management of the development process will be more efficient and effective.</td>
</tr>
<tr>
<td>SUSTAINABLE DEVELOPMENT</td>
<td>HIGH: National and local SDG orientated programming and monitoring will underpin inclusive and sustainable development contributing to the achievement of all of the SDGs</td>
</tr>
<tr>
<td>COUNTRY OWNERSHIP</td>
<td>HIGH: The Government of Cabo Verde recognises the need to reform and modernise the public administration to make it more efficient and results orientated.</td>
</tr>
<tr>
<td>RECIPIENT NEEDS</td>
<td>HIGH: Cabo Verde is a SIDS and African State where in spite of good performance against governance indicators, capacities to manage inclusive and sustainable development need strengthening at both national and local level.</td>
</tr>
</tbody>
</table>

REASONS TO INVEST

• Improved public sector management and efficiency underpins the drive for inclusive and sustainable growth

• Good governance is an essential prerequisite for private sector investment and business development

• Quality, frequency and relevance of data and information will improve

• Evidence based policy making will be enhanced

• Open access to statistical data and information

• Policy-based research on pro-poor, inclusive and sustainable development

• Regular statistical bulletins on progress in achieving PEDS & SDG indicators

• Reformulated, results-based planning system technical capacity at national and municipal level strengthened

• Improved quality of policies, programmes and budget allocations

• Programme monitoring and evaluation strengthened

• Localisation of the SDGs
Given Cabo Verde's archipelagic geography, the size of the public sector is significant with public expenditure representing 40% of gross domestic product (GDP) and 10% of GDP allocated to salaries and wages in the civil service alone. However, in the Government Effectiveness Index, Cabo Verde's institutions slipped from 66th place to 59th place in the period 2000 to 2017. The public administration, consisting of central level institutions and municipal authorities, faces major challenges including an over-centralization of decisions and funds, weak institutional capacity to absorb innovations, insufficient human resource management and capacity building, and a focus on process rather than results. The country suffers from a deficit in mechanisms for the promotion of citizen participation in governance and from a weak culture of accountability at the level of State institutions, local authorities, and civil society organisations. Due to the country's geographic configuration, the challenge of connecting citizens to information on public services and access is real but could be addressed through the innovative application of information technology in the public sector.

Reforming the public administration is imperative for the Government to achieve the SDGs and the 2030 Agenda, as well as to respond to the priorities of the PEDS, and is the driving force for inclusive and sustainable growth and development. In its White Paper for Public Administration Reform, Government seeks to enhance the effectiveness of the public sector and improve the efficiency and responsiveness of service delivery through the application of
ICT. The strategy will improve and strengthen the quality and efficiency of the public administration through digital governance to revitalize the way public services are provided through genuine user and citizen engagement in public service delivery. Public institutions that are open, responsive, inclusive and accountable are the products of environments and policies providing incentives that encourage positive production loops and discourage negative practices, including nepotism. Effective and impartial public administration builds trust between the state and citizens, stimulates markets, and leads to higher levels of well-being.

To shift towards a modern public administration, and to ensure quality, efficiency and proximity of services to citizens and business throughout the country, the reform process needs to maximize the potential of its ICT infrastructure to strengthen open and transparent governance. Investments in ICT will simplify bureaucracy, digitalize systems that are inclusive and accessible and facilitate delivery of public services, and ensure systematization of e-registration for citizens. Existing platforms (Casa do Cidadão, Porton di nos Ilha, Services Centre) will be revamped and an integrated digital platform will be developed to provide a model of public service delivery that will extend the positive experience of existing initiatives. The platform will aid the delivery of citizen-centred services that are SDG focused and increase citizen participation for SDG implementation. The platform will facilitate, among other things, civic registration, greater visibility and access to digital services as well as the alignment, integration and inter-operationality of services. Furthermore, the Government’s regionalization and decentralization initiative will bring public institutions closer to citizens, increase efficiency and allow public services to be provided based on local specificities.

The leitmotiv of ‘Governing for Results’ in a transparent way guides the reform process. It requires the introduction of modern and robust performance management systems that are supported with adequate resources. Thus, the reform will ensure institutional capacity development in the public sector, with a special focus on strengthening management competencies and ensuring that all sectors are equipped with tools for effective implementation and monitoring of public policies and good management of public services for enhanced and responsive service delivery. The more effective management of human resources is a key component of the reform process that will involve a restructuring of human capital and management systems. A digitalised system will improve the management of human resources data, career, performance, remuneration and mobility aspects.

The engagement and participation of citizens and businesses will be promoted through their genuine involvement in performance assessments of public service delivery. Technological innovations designed to increase transparency and accountability will be considered to bring citizens closer to policy making processes and ensure citizen monitoring of government activities. The development of new digital platforms will facilitate the establishment of a well-functioning and transparent public finance management system which will result in improved access to a wide range of Government reports and other information relating to public performance, resources and results for public scrutiny and external control. To empower key players in society, capacity building will be ensured for specific oversight institutions, civil society organisations and the media, to reinforce legislative oversight and social monitoring of public expenditure and financial management at both central and municipal level.

**Investment will result in:**

- Implementation of the PEDS and the localisation of the SDGs through a modernized, robust, more open, transparent and accountable public administration.
- Stronger human capital and management capacities and results-based competencies, and a strong, client-orientated culture.
- A new model of public administration management responsible for policy implementation.
- Increased scrutiny of the quality of service delivery, investments and financial management systems by citizens and civil society.
- Development of a digital platform to underpin the delivery of citizen-centred services that are SDG focused and increase citizen participation.
- Increased transparency of a wide range of Government reports and other information relating to performance, resources and results.
INVESTMENT IMPACTS

**REASONS TO INVEST**

- Citizen-centred public administration
- Improved public sector management and efficiency capable of delivering inclusive and sustainable growth will ensure nobody is left behind
- Good governance is an essential prerequisite for private sector investment and business development, economic growth and Cabo Verde’s integration into the global economy
- Quality, efficiency and proximity of public services
- Evidence-based policy formulation and performance-based management enhanced
- Open access to public administration information
- Technical capacity for results-based management of public services

**INVESTMENT IMPACTS**

<table>
<thead>
<tr>
<th>TRANSFORMATIVE POTENTIAL</th>
<th>HIGH: Open, transparent and citizen-centred public administration is essential for achieving the government’s long-term vision for inclusive and sustainable development.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICIENCY AND EFFECTIVENESS</td>
<td>HIGH: Public management of the development process and delivery of public services will be more efficient and effective and of a higher quality.</td>
</tr>
<tr>
<td>SUSTAINABLE DEVELOPMENT</td>
<td>HIGH: A Restructured public sector with strengthened capacities that are results-based and performance oriented will contribute to sustainable development and accelerate progress towards the achievement of the SDGs.</td>
</tr>
<tr>
<td>COUNTRY OWNERSHIP</td>
<td>HIGH: The Government of Cabo Verde recognises in its Strategic Development Plan (PEDS) the need to reform and modernise the public administration to make it more efficient and results orientated.</td>
</tr>
<tr>
<td>RECIPIENT NEEDS</td>
<td>HIGH: Cabo Verde is a SIDS and African State where in spite of good performance against governance indicators, capacities to manage inclusive and sustainable development need strengthening at both national and local level</td>
</tr>
</tbody>
</table>
Like other Small Islands Developing States (SIDS), Cabo Verde, Comoros, Guinea Bissau, Mauritius, São Tomé e Príncipe and the Seychelles, situated in the African continent, share a number of structural and geophysical characteristics that result in high levels of economic, social and environmental vulnerability. Their small economies lack diversity, and transport and infrastructure costs tend to be high. Issues of connectivity and access to energy limit their capacity to generate inclusive growth and employment and thus incentivize internal and external migration. Their economic dependence on other countries make them vulnerable to external economic shocks and the archipelagic geography makes the delivery of quality and inclusive services to all citizens and the effective administration of their territories challenging. Another common characteristic is the fragility of their natural environments, coupled with their high vulnerability to climate change and natural disasters. Half of Africa’s SIDS are medium income countries (MICs), with lower access to development finance on concessional terms, making it challenging to mobilize adequate financing for sustainable development due to their structural characteristics, in a context in which the per capita cost of service delivery is typically higher. Moreover, these countries also face challenges in managing high levels of debt and in mobilizing domestic resources to finance sustainable development.

Challenges related to the consolidation and long-term sustainability of development gains in a SIDS context can be seen as intractable problems that require a new development paradigm which embraces the need for greater
integration, including through new and more innovative policy and financial solutions, as well as collective action through partnerships and platforms and the creation of ‘SIDS Labs’ that permit networked ways of working that will put these countries on the path to achieving the SDGs and leave no one behind. Indeed, implementing both the Samoa Pathway and achieving the vision set out in the 2030 agenda will require unprecedented investments in areas such as the green and blue economy, health and education, ICT, infrastructure, peace and security, and environmental protection. This will require, in turn, commensurate financial and technological resources, but also the development and sharing of knowledge and experience to identify and test viable and appropriate solutions, and strengthen capacity, for their implementation in an efficient and more inter-connected way in which every dollar counts.

In response to inadequate attention to their specific challenges, the first Ministerial Meeting of African SIDS plus Madagascar (SIDSAM) was held in Cabo Verde in December 2016 and formally established the SIDSAM Group. Investment will build on the SIDSAM initiative, by seeking to promote ways of overcoming barriers in relation to regional and cross-regional integration and infrastructure development, development of the blue economy, energy, climate change, ICT and digital connectivity, and financing for development, and in implementing existing recommendations and commitments at regional and international levels. One of the key recommendations of the ‘Praia Declaration’ is the establishment of a platform for African SIDS and Madagascar to exchange information, share best practice and build capacity in common areas of interest, including in development financing and mobilizing international partners, particularly in the United Nations System. The establishment and operation of such a platform, and a ‘SIDS Lab’, to be based in Cabo Verde, and serving all African SIDS plus Madagascar is the main objective of the investment.

The project will establish a country support platform model for SIDSAM to bring together and connect governments, leading national and regional public institutions, academia and the private sector to jointly contribute to addressing local challenges by finding common solutions to socio-economic development challenges that are both sustainable and resilient, identifying and testing the most suitable partnerships and financing mixes, including opportunities for private sector and public-private investments. A coordinated and multidimensional approach to the development of partnerships and resource mobilization will be adopted focusing on multilateral, South-South and triangular cooperation and decentralized partnership opportunities as key enablers for the achievement of the SDGs. Particular emphasis will be given to strengthening technical capacity to develop and implement policies and programmes for SDG localisation, and access, manage and use new financing instruments such as blended finance, green climate finance, blue/green debt swaps, diaspora bonds, impact investments and others that are available to SIDS. Traditional development cooperation aid will be considered, but the platform aims to use traditional development aid to leverage other types of partnerships and cooperation.

The establishment of a dedicated integration hub will rest on an number of factors: collaboration across multiple sectors, leveraging knowledge and solution-sharing among and across SIDS; using the ‘SIDS Lab’ to promote experimentation, innovation and new creative thinking that offers fresh perspectives, policy-relevant insights and practical solutions to accelerate development progress that better fits the needs of African SIDS; and finally strategic partnerships at the regional and sub-regional level aimed at promoting and mobilizing financial resources that prioritize south-south cooperation modalities to facilitate a market place for ideas and solutions to strengthen capacities for resilience and sustainability of their development trajectory. Sustainability of the project will be achieved by using the platform to build endogenous academic research capacity and establishing stronger partnerships between local and international universities and research institutes and policy makers. Given the wide range of issues at stake for African SIDS, the project will give initial priority to those sectors like energy, the green/blue economy, climate change and connectivity that can have a transformative and long-term sustainable impact. The opportunities that ICT provides will be exploited to connect partners, strengthen the network and share knowledge, particularly with academia and specialist research organisations. Furthermore, ICT innovations will be used to underpin public sector reform and improved service delivery through the introduction of e-governance platforms and opportunities for distance learning.

Being already recognized as a model of good governance in the region, Cabo Verde leads by example and exports its model of national stability, good leadership, stable government and economic reforms beyond its borders. The project will promote the leadership role that Cabo Verde can provide within SIDSAM as per the Praia Declaration. It will further strengthen
the prominent role of Cabo Verde as a south-south cooperation provider in the context of the SDGs, and a reference point for African SIDS.

Investment will result in

- A strong SIDSAM group able to gain international attention for the specific context of SIDS.
- Knowledge networks across academia at regional and international level, within the SIDSAM group and between the group and other SIDS regional groupings in specific areas of common interest.
- An integrated platform across African SIDS for strategic dialogue and solution pathways promoting greater knowledge and information management and sharing related to best practice on SDG-related policy innovations and strategies.
- Greater understanding of the potential that African SIDS have as ‘Oceanic States’ as well as an analysis of the opportunities they present, particularly in terms of marine and energy resources.
- Greater capacity in selected strategic areas for SIDS, notably climate change resilience, that constitutes the single biggest threat to the sustainable development of African Island States.
- Capacity within the SIDSAM group’s member to access, manage and use new financial instruments and tools, including through partnership with the private sector and investors.
- Greater opportunities for south-south and triangular cooperation among African SIDS.

REASONS TO INVEST

- Improved unity, interconnectivity, collaboration and learning within and among the SIDSAM group to act as “agents for change”, to coordinate cooperation and partnerships with lower transaction costs and greater effectiveness, and ensure that solutions are owned among the SIDS, and led by them.
- Enhanced substantive capacity, with a wide pool of shared knowledge, expertise and skills adapted to the SIDS context and their particular and very specific challenges, with their stances better reflected and addressed in various international forums, especially at the African Union and other sub-regional organizations (ECOWAS, SADC, COMESA).
- A more harmonious integration of SIDS Africa in regional and sub-regional development dynamics promoted by, among other things, their active and advantageous participation in development programmes and projects in the African continent and in the sub-regions in which they are located.
- Enhanced capacity to mobilize resources and tap into new and innovative funding mechanism and tools available for SIDS countries.
- An opportunity to provide African SIDS, which are often overlooked, with the capacity, knowledge tools and resources, that will put them on a pathway to achieve, through mutual self-help and cooperation, sustainable and inclusive development and the targets set out in the SDGs.
<table>
<thead>
<tr>
<th>INVESTMENT IMPACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSFORMATIVE POTENTIAL</strong> HIGH: Integrated platform of empowered national and regional stakeholders for coordinated action that transcends boundaries within SIDS in the pursuit of the SDGs.</td>
</tr>
<tr>
<td><strong>EFFICIENCY AND EFFECTIVENESS</strong> HIGH: Reduced fragmentation and rationalised cooperation to deliver high development impact solutions in line with the SDGs.</td>
</tr>
<tr>
<td><strong>SUSTAINABLE DEVELOPMENT</strong> HIGH: Interconnected partners exchanging and building each other’s capacities through knowledge, skills and expertise through solution-testing and innovative ideas adapted to SIDS for inclusive and sustainable development.</td>
</tr>
<tr>
<td><strong>COUNTRY OWNERSHIP</strong> HIGH: The Government of Cabo Verde recognises in its Strategic Development Plan (PEDS) the need to build strategic partnerships through south-south cooperation modalities.</td>
</tr>
<tr>
<td><strong>RECIPIENT NEEDS</strong> HIGH: Cabo Verde is a SIDS and African State where in spite of good performance against governance indicators, capacities to manage and inclusive and sustainable development need strengthening at both national and local level.</td>
</tr>
</tbody>
</table>
Cabo Verde is seen as a model of democracy and respect for human rights. The country has ratified and domesticated international human rights instruments in its national legal and judicial system. Nevertheless, awareness of human rights both for public and private institutions and by citizens, needs to be strengthened to ensure that they take root in society and are fully applied to achieve effective implementation of the Sustainable Development Goals. The following feature amongst the most commonly cited human rights concerns: the disproportionate use of force by police, including the use of weapons, mistreatment in detention, failure to assist citizens in situations of gang-violence and human rights violations, especially related with gender-based violence, and worker’s rights. The application of a human rights-based approach in the design of development policies at national and local level, and in adequately monitoring and evaluating human rights progress, remain weak. The Universal Periodic Review and other human rights review recommendations need to be adequately integrated in the management of national instruments.

Justice in Cabo Verde is seen as independent, impartial and sovereign. The country scores well on “independence of the judiciary” indicator (53rd of 138 countries evaluated), but less well on “efficiency of the legal framework in dispute resolution” (89th) and “efficiency of the legal framework in questioning the decisions of the State” (76th). Despite a well-structured judicial system, the accumulation of pending cases in the courts and public prosecutors’ offices, and the slowness in procedures are problematic on
many fronts: it leads to a perception of impunity and increases mistrust towards the justice system, in turn leading to self-administered justice by victims; lack of accountability from the administration towards its citizens; it reduces business competitiveness due to unresolved litigation between businesses and the public administration due to the low level of legal security, which is necessary for a prosperous business climate. The judicial system does not have the capacity to respond to new cases each year as the current resources, organization and productivity are inadequate. Paradoxically, the demand for justice has been increasing in recent years reflecting positively on citizens’ empowerment as rights holders seek justice. The negative public image and mistrust on the judicial system is also due to ineffective communication between the judicial system and citizens.

Access to justice needs to be improved in remote areas to comply with the principle of leaving no one behind. Access to justice for the poor is ensured through the legal aid system, but it is limited, and clarifications are required regarding its mechanism and its modalities, its ownership, the beneficiaries and its sustainability. More needs to be done on conflict prevention, mediation and extra-judicial resolution of conflicts. Prison management needs to be improved with overcrowded prisons and insufficient resources (infrastructure, equipment, human and financial) posing serious challenges to the functioning of prison services and social reintegration of prisoners. Especially harmful for adolescents is the lack of separation of criminals aged 16 to 18 from adults, compromising the rehabilitation of children of that age.

Deficiencies in the judicial system have serious repercussions in the treatment given to cases involving children in conflict with the law and thus to their effective protection. The system does not have special measures for the treatment of cases concerning children and adolescents. There is poor coordination between the national protection institute for children and adolescents, the investigative police and the courts, resulting in judicial decisions, in some cases, not being implemented, frequent interruptions in the organization of cases, and the lack of data systems to help judges take decisions in the cases of children and adolescents. Furthermore, restorative justice is little practiced, and there is a lack of infrastructure for the application of alternative penalties for education of children in conflict with the law.

Investment will enhance the technical capacities of key stakeholders including the forces of law and order in the promotion and protection of human rights through the more effective implementation of human rights instruments, and follow-up, and reporting of its provisions. A human rights-based approach in policy formulation will be introduced to national and local planning mechanisms. Government seeks to improve access to justice for all, but with a focus on the poorest and on children taking into consideration their human rights to a fair trial through improved access to legal aid and an integrated child sensitive justice case management system. Empowerment of rights holders through communication and sensitization will be strengthened with the involvement of civil society. The judicial machinery, processes, equipment and organization will be improved to accelerate judicial processes through the introduction of simplified procedures, modernization of management systems and strengthening the inter-operationality of judicial data systems with other public systems, including investigative systems used by police or social protection agencies in the case of children. The introduction of ICT is perceived as an opportunity to improve efficiency, effectiveness, quality and safety, and to reduce costs, both for the State and for the citizens and business. Conflicts prevention, mediation and extra-judicial resolution of conflicts will be better integrated to alleviate the burden of pending cases. Finally, improvements to the prison system will better protect the human rights of detainees with a special focus on adolescents and youth.

Investment will result in

- An enabling environment through the promotion and protection of human rights, the effective implementation, follow up and reporting of international human rights instruments, and the introduction of a human rights-based approach in policy design, planning and budgeting.
- Improved access to justice for all including the poorest and children, and the empowerment of right holders through sensitisation and communication for behavioral change.
- An improved judicial system with speedier access to justice, more simplified, modern and integrated procedures and systems, a functional ICT platform for data, alternativesolutions for conflict resolution, and an integrated and effective information system for investigative processes.
• An improved prison management system in line with the protection of human rights principles and with a special focus on adolescents and youth.
• Improved legal security and diligence in relation to the law as it effects business with speedy and transparent measures for dispute resolution that contribute to a prosperous business environment.

REASONS TO INVEST

• Effective domestic implementation of human rights conventions that are regularly reported, with recommendations duly integrated in national policies in alignment with the Sustainable Development Goals.
• A state with a consolidated Rule of Law that guarantees judicial security to citizens, businesses and investors, diminishes impunities, and contributes to a reduction in crime and litigation.
• A modern judicial framework that expedites legal processes, particularly for businesses, and prioritises judicial cases that involve children
• Enhanced legal empowerment of citizens and communities involving civil society organizations in a more fluent communication between the judicial system and communities.
• A more responsible society with enhanced human security and policies designed for the achievement of the Sustainable Development Goals.

INVESTMENT IMPACTS

| TRANSFORMATIVE POTENTIAL | HIGH: Prompt justice, creating trust in society and realizing the protection of citizens’ human rights in compliance with international treaties, contributing to the achievement of the SDGs. |
| EFFICIENCY AND EFFECTIVENESS | HIGH: Enhanced interconnection among institutions in the judicial system will reduce costs and deliver efficiency and service delivery gains |
| SUSTAINABLE DEVELOPMENT | HIGH: Interconnected judicial system and human rights engaged institutions, and a peaceful, just and inclusive society, free from fear and violence, will contribute to the achievement of the SDGs and especially SDG16 |
| COUNTRY OWNERSHIP | HIGH: The Government’s Programme and its Strategic Development Plan (PEDS) recognise justice as “the master key of the regime” that will be the “guarantee of social peace”. |
| RECIPIENT NEEDS | HIGH: Government acknowledges that delays in judicial decisions are one of the country’s significant problems, and that “it continues to profoundly mark the judicial reality, with the underlying human processes and dramas accumulating to the despair of people and companies”. |
The production of reliable data and information, on a broad range of development related indicators, is essential for evidence-based policy formulation, policy evaluation and impact monitoring, particularly in the context of the implementation of the PEDS. Moreover, the need for good data is recognized in Goal 17 of the SDGs. Evidence from several countries shows that good quality data can play a catalytic role in achieving development outcomes. This suggests that the value of data is not limited to the effective monitoring of progress in the implementation of the PEDS (and the SDGs), but that it will actually play an important role in enabling Government to achieve its development goals more effectively and efficiently by improving policy formulation and decision making.

The implementation of the PEDS requires the production of information and statistics not only of higher quality and with more detail, but with a greater frequency. Moreover, given Cabo Verde’s dispersed geography, ensuring that ‘no one is left behind’ requires the enhancement of geographical detail and greater social and spatial disaggregation of data and information.

Data and information gaps exist across a range of sectors and particularly at local level. But there is huge potential to fill these data gaps through the use of mobile technologies, crowd sourcing and satellite data, and new data collection methodologies and analytical techniques. In many ways, traditional forms of data collections will be soon outdated.
However, creating data systems, and collecting and analysing data, all require human resources that are trained, and investment in infrastructure, hardware and software. It will almost certainly require, from time to time, collaborating with or hiring outside expertise. The cost of research can be high. It is estimated that to meet the data requirements of SDG monitoring, developing countries will need about $1 billion in statistical support annually, and this does not include the cost of training staff and physical infrastructure.

Getting research right, and in a cost-effective way, requires the creation of innovative and collaborative partnerships that can complement official data collected by government with data from academia, the private sector, NGOs and individuals. Partnership with local and international universities and international policy think-tanks and research institutions need to be mobilised to support the development of evidence-based policies in relation to pro-poor economic growth, the demographic dividend, youth employment, gender, child poverty, education and health. Several university networks have been created to promote and monitor the SDGs and are seeking to work with developing countries.

The PEDS proposes to monitor implementation and results achievement in each of its 35 programmes on an annual basis. A National Research Programme will contribute to this through scientific research in the economic, social and environmental domains. It aims to re-launch agrarian research, improve knowledge of marine resources and oceanography, as well as the development of research in the areas of health, education, ICT, energy, and climate change. The production of specific data to measure progress on sustainable and inclusive development, will enable the identification of SDG accelerators or multipliers.

Led and coordinated by the Ministry of Education, research programmes will be initiated in three critical areas:

1. Agriculture (species improvement, plant protection, sustainable management of soils, agrometeorology, spatial imagery, hydrology and river basins); and animal husbandry (breeding, introduction and adaptation to new breeds and improvement of animal health and nutrition).

2. Marine Economy (environmental quality and marine ecology, aquaculture and marine biotechnology, marine currents, wave energy, tourism and water sports)

3. Exploiting historical and cultural heritage (history of Cabo Verde, oral traditions, architectural and urban heritage).

**Investment will result in**

- Improvements to the quality, frequency and relevance of data and information collected
- Enhancement of evidence-based policy formulation and evaluation particularly in key sectors like agriculture, environment and the blue economy.
- Greater technical capacity for results-based planning.
- Improved quality of policies, programmes and budget allocations.
- Production of specific data relating to pro-poor, inclusive and sustainable economic growth, and gender.
- Regular monitoring and reporting on progress towards SDG achievement and the implementation of the PEDS.
REASONS TO INVEST

• The production of reliable data and information on a broad range of development related indicators is essential for effective policy evaluation and development.

• Robust and efficient information systems are essential to underpin the development of national capacity for the formulation of innovative, transformative and evidence-based policies to achieve national priority goals.

• Good quality, relevant, accessible and timely data will allow Government to improve service delivery, extend services to all communities, and to implement policies more efficiently and with greater impact.

• Investment in data and information systems may, in the medium term, pay for itself through efficiency gains, more effective policy formulation and faster and more inclusive growth.

• Improvement in geographical and spatially and socially disaggregated data will help to reduce regional disparities and inequalities.

• Enhancement of SDG localisation.

INVESTMENT IMPACTS

<table>
<thead>
<tr>
<th>TRANSFORMATIVE POTENTIAL</th>
<th>HIGH: Evidence based policy making and results-based management is essential for achieving the government’s long-term vision for Cabo Verde</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICIENCY AND EFFECTIVENESS</td>
<td>HIGH: Management of the development process will be more efficient and effective with investment in research potentially paying for itself</td>
</tr>
<tr>
<td>SUSTAINABLE DEVELOPMENT</td>
<td>HIGH: The 2030 Agenda recognises the importance of research and data systems. Research will improve understanding of development dynamics in Cabo Verde and catalytic in putting the country on the path to achieving the sustainable development goals</td>
</tr>
<tr>
<td>COUNTRY OWNERSHIP</td>
<td>HIGH: Introduction of a National Research Agenda is a programmatic priority in the PEDS</td>
</tr>
<tr>
<td>RECIPIENT NEEDS</td>
<td>HIGH: Cabo Verde is a SIDS and African State where in spite of good performance against governance indicators, capacities to manage and inclusive and sustainable development need strengthening at both national and local level</td>
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</table>
Positioned at the head of the African West Coast, at the crossroads between Africa, Europe and the Americas, Cabo Verde has a privileged position in the movement of people, goods and services in the mid-Atlantic. Added to this, Cabo Verde’s archipelago is characterized by intense internal and external mobility that is expressed in a diaspora spread across several continents. Illicit drug trafficking and transnational, organized crime continue to undermine stability in West Africa, affecting health, democracy and economic development in the region. According to a report on Transnational Crime in West Africa (2013 and 2015), the sub-region remains very vulnerable to drug trafficking and transnational crime, and an important transit point for cocaine and heroin, as well as laboratories for the production of the most diverse types of stimulants (amphetamines) and other types of trafficking, such as people, arms and links to international terrorism. The increased use of maritime transport and the trans-shipment of drugs has been associated with air transport, which has resulted in a significant influx of narcotic drugs between South America and West Africa.

Despite limited information on drug use in West Africa, according to the World Drug Report (2016), recent data points to increased cannabis use, reaching approximately 12% of the population aged 15-64 (31 million people). The prevalence of cocaine use was 0.7%, above the global average of 0.4%. Cabo Verde’s survey on the declared prevalence of psychoactive

GOV06 NATIONAL INTEGRATED PROGRAMME IN THE FIGHT AGAINST DRUGS AND RELATED CRIMES

KEY INFORMATION

| Type of Opportunity: | Public |
| Resources Required: | € 6.3M |
| Promoter: | Coordination Committee on Alcohol and other Drugs, Ministry of Health and Social Security |
| Seeking: | International Development Partners |
| Location: | IAll Islands |
| Status: | Programme designed and budgeted |
| Duration: | 5 years |
| Beneficiaries: | Children, youth, families, communities and the Cabo Verdean population in general |
| For More Information: | Fernanda Marques, Executive Secretary, Ministry of Health and Social Security, Santiago, Cabo Verde, Tel: +238.515.9944, 333.7244, E-mail: Fernanda.Marques@ms.gov.cv |
substances in the general population carried out in 2012 revealed that 7.6% of individuals have consumed, during their lifetime, psychoactive substances. The drug consumption profile has the following characteristics: firstly, consumption is mainly concentrated in men (14.2%, against 2.5% in women). Secondly, it is especially true for young people aged 15-34 (8%). Thirdly, of the illicit drugs, cannabis (commonly known as “padjinha”) is the most consumed (7.2%), followed by cocaine (0.9%) and ecstasy and cocktail. And finally, consumption is more significant in São Vicente (12%), Boa Vista and Maio (11%), São Nicolau and Santo Antão (9.2%). Tobacco consumption accounted for 17.4% of individuals and 8% for prescribed drugs.

Among high school students, lifetime illicit substance use is 3% for cannabis, 0.7% for ecstasy, 0.5% for amphetamines, 0.5% for cocktail and cocaine and 0.4% for heroin and crack cocaine. Cannabis is the most commonly consumed drug both during, in the last 12 months (2.1%) and in the last 30 days (1.2%). In general, initiation of illicit substance use occurs at 16 years for both boys and girls.

The risks of HIV-AIDS infection among drug users are much higher than in the general population. In fact, the prevalence of HIV-AIDS in drug users was 3.1% in 2016, four times higher than in the general population (0.8%) in 2005. Moreover, 53.8% of HIV-positive drug users affirmed to having sex in exchange for money, against 25% in the 2013 study, an indication of the social vulnerability of this group. In summary, higher HIV seropositivity is associated with some risk factors and with a higher daily intake of alcohol (9.0%).

During the last decade, important legislative reforms and institutional capacity-building have been carried out in Cabo Verde, with a view to combating drug trafficking and money laundering. The strengthening of regional cooperation within the framework of the GIABA (Intergovernmental Action Group against Money Laundering in West Africa) has allowed the sharing of experiences and the improvement of strategies to combat the circulation of illegal financial flows.

As of 2012, legislation on control of money laundering has been consolidated, as well as the training of actors in the judicial system, the Judiciary Police and the UIF. The intensification of the repression on illicit drug trafficking and improvements in supervision and financial surveillance have led to the confiscation of the material assets of traffickers.

In this context, this National Integrated Programme to Combat Drugs and Related Crimes (PNILDC) 2018-2023 aims to provide the Ministry of Health and Social Security (MSS) through CCAD, UNODC and all national, and international partners, with a reference document that will allow the adoption, management, monitoring and evaluation of a range of actions to address the harmful effects of drugs and related crimes on individuals, families, businesses in particular and civil society in general.

**Investment will result in**

- Consolidated progress in the fight against drugs and crime.
- Improved capacity in national institutions to respond to demand reduction, drug supply, combating illicit trafficking and organized crime.
- Greater integrity, crime prevention and a strengthened criminal justice system.

**REASONS TO INVEST**

- Improved security at national, regional and global level.
- Crime prevention and the criminal justice system strengthened.
- Security and justice are crucial for economic and sustainable development.
- Reduce the possible penetration, by corrupt practises, organised criminal networks, and terrorist groups, into the fabric of Cabo Verlean society and the economy.
- Reduce violence and crime, especially against children, youth and women
- Minimize the impact of social diseases and unsocial behaviour related to drug and alcohol abuse
## INVESTMENT IMPACTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSFORMATIVE POTENTIAL</strong></td>
<td>HIGH</td>
<td>Security and justice based on the rule of law are essential for achieving the government’s long-term vision for inclusive and sustainable development.</td>
</tr>
<tr>
<td><strong>EFFICIENCY AND EFFECTIVENESS</strong></td>
<td>HIGH</td>
<td>Public management of the development process and delivery of public and social services will be more efficient and effective and of a higher quality.</td>
</tr>
<tr>
<td><strong>SUSTAINABLE DEVELOPMENT</strong></td>
<td>HIGH</td>
<td>Reducing all forms of violence and crime, with the active participation of the government, civil society and communities in finding lasting solutions to insecurity, will contribute to sustainable development and accelerate progress towards the achievement of the SDGs.</td>
</tr>
<tr>
<td><strong>COUNTRY OWNERSHIP</strong></td>
<td>HIGH</td>
<td>The Government of Cabo Verde recognises, in its Strategic Development Plan (PEDS), the security and justice sectors as priority areas.</td>
</tr>
<tr>
<td><strong>RECIPIENT NEEDS</strong></td>
<td>HIGH</td>
<td>As a SIDS, Cabo Verde is extremely vulnerable to penetration by international drug trafficking, people smuggling and crime and terrorist networks.</td>
</tr>
</tbody>
</table>
An ambitious land reform agenda has been implemented by the Government of Cabo Verde with the support of the Millennium Challenge Corporation. The goal of the reform is to create a unified land database that ensures legal security and efficiency in land transactions as a key factor to promote a favourable business and investment environment, and to underpin the long-term sustainable development that the Government seeks. The land project, supported by the Government, creates the legal, procedural and institutional framework to clarify land rights and boundaries, and has developed an IT platform that will support, and bring greater transparency to, land transactions (the Land Management Information and Transaction System, LMITS). Islands with high tourism development potential (Sal, Maio, Boa Vista and São Vicente) have been targeted for the roll out of the new system.

Cabo Verde is now in a very good position to consolidate land registry operations, with procedures and the legal, environmental, social and gender screening tools in place, all of which have been integrated in an operational manual. Moreover, national capacity has been created and/or strengthened, and the IT system permits the digital operation of the land registry.

Although a solid start has been achieved with MCC support, it is envisaged that the execution of land registry reform will be implemented over a period of approximately 10 years, through a Public Private Partnership arrangement.

The islands of Santiago, Santo Antão, São
Nicolau, Fogo and Brava will be targeted using a dual approach:

- A systematic approach for areas where there is less information and clarity, with potential for conflicts, and with high volume of land transactions.
- An on-demand approach for areas where there is significant information in the database and where the volume of transactions is not considered significantly high.

Greater analysis is required to populate these categories. Furthermore, a market demand and tenure perception study are considered necessary to identify where the systematic approach is likely to be justified.

The private sector partner selected to work with the INGT will be able to participate in the operationalization of land transactions in order to recover its capital investment. However, the exact nature of the participation of the private sector, and the determination of revenue streams, require further analysis and discussion. Given that national capacity has been created in the various land departments (INGT, municipalities, registration and notary departments), it may be possible for the partner selected to hire some of qualified and experienced staff during the concession period.

**Investment will result in:**

- Integration of all existing land parcels in a unified system,
- An integrated IT Platform (LMTS) used nationally for all land and property transactions and registrations

**REASONS TO INVEST**

- Greater certainty, clarity, speed and transparency in property transactions creating increased incentives and opportunities to invest in Cabo Verde
- First registration of land rights and boundary clarification on the five islands
- Establishment of a single land service office on each of the nine islands, halving the number of current offices operated by DGRNI;
- Create significant value in the land sector
- Improved services delivery in the land sector
- Stimulate greater investment in tourism and increase private investment in Cabo Verde in general
- Strengthening of local capacity in the land sector.
- Opportunities to invest in the land sector, through PPPs, are being explored worldwide, and promoted by the World Bank;
- As a small nation, Cabo Verde can be a pilot to test a PPP model for land administration.
- The key foundations for rights and boundaries exist, and more than 60,000 parcels already fully clarified in the land registry
### INVESTMENT IMPACTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSFORMATIVE POTENTIAL</strong></td>
<td>HIGH</td>
<td>Quick access to land and property transaction in a transparent environment will create certainty for investors and increase investment in Cabo Verde, especially in the tourism sector.</td>
</tr>
<tr>
<td><strong>EFFICIENCY AND EFFECTIVENESS</strong></td>
<td>HIGH</td>
<td>Greater efficiency, leading to cost and time reductions associated with land and property transactions.</td>
</tr>
<tr>
<td><strong>SUSTAINABLE DEVELOPMENT</strong></td>
<td>HIGH</td>
<td>Clarification of property rights and boundaries contribute to improving Cabo Verde’s score on the Doing Business Index and will facilitate the sustainable management of land and the environment in accordance with IFC standards.</td>
</tr>
<tr>
<td><strong>COUNTRY OWNERSHIP</strong></td>
<td>HIGH</td>
<td>Reform and modernisation of land administration, including the establishment of a central database, are high priorities for the Government.</td>
</tr>
<tr>
<td><strong>RECIPIENT NEEDS</strong></td>
<td>HIGH</td>
<td>Cabo Verde’s current situation regarding property rights presents significant challenges and barriers to development.</td>
</tr>
<tr>
<td><strong>INVESTMENT OPPORTUNITIES</strong></td>
<td>HIGH</td>
<td>Opportunities for the private sector to investment in land and property and the administration of land related services.</td>
</tr>
</tbody>
</table>
The identification reform programme is being implemented by the National Identification and Civil Authentication Service – SNIAC and aims to provide more secure documentation that can be used for face-to-face identification, and as an instrument for virtual authentication, in respect of privacy and citizens’ rights.

The gradual replacement of the old ID card by the CNI (national ID card) considerably diminishes the expected impact on the Public Administration Reform, since this can only be achieved over several years when the coverage of the CNI is significantly high.

Therefore, it recommended to replace all the old ID cards by the CNI at once.

Investment will support the constitution of the SNIAC database, by registering biometrically all Cabo Verdean citizens, the establishment of an integrated platform that allows access by various public and private sector services to citizen identification information, and the issuing of the CNI to all Cabo Verdeans.

**Investment will result in:**

- Constitution of the SNIAC database, by registering biometrically all Cabo-Verdeans
- Issuing of CNI to all Cabo Verdeans
- Establishment of an integrated platform that allows the access of various public and private sector services to citizens’
REASONS TO INVEST

- Replacement of all old ID cards which does not comply with international standards or with the best practice and is based on obsolete technology.
- The old ID card system has a direct impact on a number of subsystems of the Public Administration (Electoral Administration, Tax Administration, Health, Education, Justice) as well as the private sector (Banking, Insurance, Economic operators) reducing the efficiency of their services.
- Commercial opportunities to explore new services than can be provided using the CNI.
- Efficiency savings as sectors will not need to create their own identification systems.
- The SNIAC database can be used as an electoral database, solving the problem of the low electoral registration rates and reducing costs.
- Improvements in the Cabo Verdean economic and business environment
- Greater legal certainty and security.

INVESTMENT IMPACTS

**TRANSFORMATIVE POTENTIAL** HIGH: SNIAC is a condition for the success of e-governance and improvements in the business environment that will contribute to a better capture of international investment. It will have a disproportionately positive impact on poor and vulnerable households.

**EFFICIENCY AND EFFECTIVENESS** HIGH: Improvements in the efficiency of identification and legal certainty and security.

**SUSTAINABLE DEVELOPMENT** MEDIUM: Improved access to public services for poor and vulnerable groups. It will contribute to SDGs 3, 8, 9 and 16

**COUNTRY OWNERSHIP** HIGH: Investment is aligned with the PEDS

**RECIPIENT NEEDS** HIGH: Correct identification and authentication is crucial for the functioning the public and private services, and of the economy.

**INVESTMENT OPPORTUNITIES** HIGH: Improvement of the business environment will contribute to a better capture of international investment
Education in Cabo Verde has undergone major transformations in the last decades, which have resulted in a significant increase in the number of people who have access to schools, as well as improvements in the average level of schooling of the population. Significant progress has been made in access to basic education for young people and adults which is close to 90%. Indicators for enrolment in other levels of education, including higher education, are higher than those in countries with comparable levels of development.

However, great challenges remain, especially in terms of the quality and relevance of education, with evident weaknesses in the performance of students in secondary education. Participation in secondary education has increased in the last 15 years, from 44,748 at the beginning of the century to 52,295 in 2014/15. However, there is an imbalance between the participation of students in general education (50,665 students) and technical education (1,629 students).

The situation with regard to gender is close to parity, with girls accounting for 52% of students. However, in technical education, the situation is diametrically opposite, with a clear predominance of boys (more than 95%).

There are high rates of abandonment and repetition, especially at the end of the cycle (and higher among boys). It is estimated that only a third of the students enrolled in secondary level reach the end of the cycle, with many lacking the skills to enter the work place or experiencing difficulties in entering higher education. In the face of global challenges, the Government’s
Programme proposes to build an integrated education system, from the bottom up, which is aligned with the concept of the knowledge economy, and that guides young people to proficiency in mathematics, languages, integrated sciences, and technologies.

In order to address shortcomings in the sector, the Ministry of Education has defined, as one of its main objectives, improving the quality of teaching and learning for all children and adolescents, ensuring inclusive and equitable education, and promoting lifelong learning and the fostering of students’ holistic development. Revisions to the curriculum for basic education began in 2016 and will be extended to general, technical and secondary education to guarantee the educational success of students and enable the acquisition of the scientific, technological and cultural skills necessary for ongoing study or to enter into active, professional life.

In this context, the principal objective of the investment is to promote quality teaching and school success through the development of critical analytical skills and capacities for evaluation and reflection, and for problem solving. Moreover, the Ministry wishes to develop capacity for scientific research and investigation, and the full use and exploitation of information and communication technologies, in various disciplinary areas, to develop intellectual capacities and scientific and humanistic training that prepares the young people of Cabo Verde for the 21st century.

To respond to these challenges, the Ministry of Education seeks investments in four key areas:

1. Redefinition of the profile of students leaving school and fundamental learning,
2. Revision of the curriculum of secondary education and definition of a new plan for secondary schools,
3. Continuous training of secondary school teachers to implement the new curriculum guidelines, and
4. The design of educational programmes and manuals.

**Investment will result in:**

- Strengthened capacities in secondary education with a focus on modernization and innovation of the education system.
- Reductions in repetitions and early school leaving, and improvements in the indicators for internal and external efficiency in the sector.
- Greater training opportunities for under-qualified and/or unemployed young people.
- Meaningful and contextualized learning that responds to the social and technological advances and challenges of today’s world.
- Greater competency in languages, mathematics and science, with a focus on digital technology

**REASONS TO INVEST**

- Opportunities for modernization and innovation in secondary, general and technical education in the context of a comprehensive strategy to promote school success and employability of young people;
- Improvement of the efficiency of the secondary school subsystem, through updating the curriculum to align with areas of strategic and transformational importance for the country and to achieve higher school performance by all students.
# INVESTMENT IMPACTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSFORMATIVE POTENTIAL</strong></td>
<td>HIGH</td>
<td>A secondary school curriculum that promotes values, and critical skills with a focus on mathematics, languages, integrated sciences, and technology is essential to prepare students for the 21st century and will underpin the transformation of Cabo Verde’s development and its integration into the global economy.</td>
</tr>
<tr>
<td><strong>EFFICIENCY AND EFFECTIVENESS</strong></td>
<td>HIGH</td>
<td>Investment will promote greater efficiency in the secondary school system through reducing drop-out and repetition rates.</td>
</tr>
<tr>
<td><strong>SUSTAINABLE DEVELOPMENT</strong></td>
<td>HIGH</td>
<td>Promoting quality education, and equality in education, is a key component of the 2030 Agenda for Sustainable Development. The development of critical skills, knowledge and capacities in young people will substantially contribute to Cabo Verde’s inclusive and sustainable development and to the achievement of all of the SDGs.</td>
</tr>
<tr>
<td><strong>COUNTRY OWNERSHIP</strong></td>
<td>HIGH</td>
<td>Improving the education sector is a key driver for sustainable growth, social inclusion and reducing poverty and inequality and is thus accorded a high priority in the Government’s Strategic Plan for Sustainable Development (PEDS).</td>
</tr>
<tr>
<td><strong>RECIPIENT NEEDS</strong></td>
<td>HIGH</td>
<td>Despite progress in the sector, there is a need to reform and modernise the school curriculum to prepare young people for the 21st century and underpin inclusive and sustainable growth.</td>
</tr>
<tr>
<td><strong>INVESTMENT OPPORTUNITIES</strong></td>
<td>HIGH</td>
<td>Opportunities for construction and maintenance and the supply of equipment and other materials for the education sector.</td>
</tr>
</tbody>
</table>
Women face high levels of informality in the workplace and precarious working conditions. They are also more likely to encounter higher levels of underemployment and job vulnerability than men. Even among those with university degrees, unemployment tends to be higher among women (14.5%) than men (9.6%), which implies that education does not translate automatically into equal access to job opportunities. Gender imbalances in the distribution of unpaid work constitute a root cause for women’s economic and social disempowerment. On average, women spend 63 hours on unpaid work per week, which is 25 hours more than the average man.

Besides constituting an important step towards consolidating human rights and promoting social cohesion in the country, empowering women economically also offers the country economic opportunities. The nationwide gender gap in the labour market, for instance, is estimated to cost the country more than 12% of its annual gross domestic product (GDP). Moreover, the social care sector, which has an estimated direct value as big as 50% of GDP, offers the country the opportunity to diversify the economy, improve the labour market, and accelerate the process of transition from a significantly informal, to a largely formal economy.

Building on ground-breaking development initiatives by the UN in Cabo Verde, as well as government initiatives, investment will support a limited number of transformative initiatives to foster the recognition, reduction, and redistribution of unpaid care work and to
promote decent work, enhance productivity and formal employment opportunities for women. Women will be empowered in general, but with particular attention given to women working as domestic workers, women with disabilities, migrant women, and women working in the informal sector. Moreover, a local development strategy will be developed for inclusive growth that positions women at its centre. Through targeted interventions aimed at strengthening local value chains and distribution networks, the investment will increase market access for local businesses, capitalizing on the emergence of a care sector, growth in the tourism sector, and improving per capita growth trends over the last decade.

Empowering women economically will enhance the effectiveness of several other development initiatives in the country, for instance the consolidation of micro-finance for greater financial inclusion, vocational training and job creation for inclusive growth, fostering a dynamic private sector, the formulation of social protection policies, local development through tourism, and infrastructure building.

**Investment will result in:**

- Enhanced productive and entrepreneurial capacities of women in the agribusiness and tourism related activities.

- Increased capacity of women entrepreneurs, women’s cooperatives and MSMEs to access markets and financial resources.

- Strengthened capacity in government, local institutions and CSOs to implement the National Care System.

- Enhanced skills and knowledge for promoting dialogue and promoting decent work for women.

- Women in the informal employment market and in domestic work empowered though enhanced labour rights.

**REASONS TO INVEST**

- Opportunity to reduce inequalities and empower women in the labour market.

- Accelerate the transition from an informal to a largely formal labour market.

- Create opportunities for women to access decent work with improved conditions of employment.

- Increase economic opportunities for women, and especially young women, contributing to more diverse economic growth and inclusive and sustainable development.
### INVESTMENT IMPACTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Impact Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSFORMATIVE POTENTIAL</strong></td>
<td><strong>HIGH</strong></td>
<td>Reducing inequalities in the labour market, and support to women entrepreneurs, will promote more diversified and inclusive economic growth and higher GDP.</td>
</tr>
<tr>
<td><strong>EFFICIENCY AND EFFECTIVENESS</strong></td>
<td><strong>HIGH</strong></td>
<td>Reducing the gender gap will make labour markets more efficient and boost GDP.</td>
</tr>
<tr>
<td><strong>SUSTAINABLE DEVELOPMENT</strong></td>
<td><strong>HIGH</strong></td>
<td>The promotion of gender equality and greater opportunities for women and girls, are fundamental principles of the 2030 Agenda for Sustainable Development. The economic empowerment of women will contribute to the achievement of SDGs 1-5, and 8, 10, 11, 16 and 17.</td>
</tr>
<tr>
<td><strong>COUNTRY OWNERSHIP</strong></td>
<td><strong>HIGH</strong></td>
<td>Sustainable economic growth and the promotion of social inclusion and reducing inequalities are high priorities in the Government’s Strategic Development Plan (PEDS).</td>
</tr>
<tr>
<td><strong>RECIPIENT NEEDS</strong></td>
<td><strong>HIGH</strong></td>
<td>Cabo Verde is a SIDS and African State with high levels of vulnerability and poverty which disproportionally impacts on women and girls.</td>
</tr>
<tr>
<td><strong>INVESTMENT OPPORTUNITIES</strong></td>
<td><strong>HIGH</strong></td>
<td>Opportunities for women entrepreneurs to invest in existing and new businesses.</td>
</tr>
</tbody>
</table>
FIN01 PRIVATE EQUITY FUND

KEY INFORMATION

Type of Opportunity: Public & Private

Resources Required:
- € 50M constitution / target
- € 20M at first call up to mid-2019

Promoter: PRO-CAPITAL: State Owned Enterprise

Seeking: International Development Finance Institutions, Private and Institutional Investors, Partners, International Development Agencies, Private Equity Funds

Location: Praia with joint partnership with local Finance Institutions and Decentralized Public Entities

Status: Managed by Pro-Capital SOE licenced and under the Supervision of the Central Bank of Cabo Verde with competencies to manage private equity funds

Duration: 2019 – 2031 (maximum length)

Beneficiaries: directly 200 SMEs with 2000 new jobs covering 10,000 indirect final beneficiaries

For More Information: Adalgisa Barbosa Vaz, Chairman Pro Capital Ministry of Finance Praia, Tel. +238. 9944565/2607627 E-mail: adalgisa.vaz@mf.gov.cv

CONTEXT

The Government of Cabo Verde requested assistance from the World Bank in 2016 to develop a coordinated, prioritized and well-sequenced roadmap on measures to increase access to finance for MSMEs through a more efficient, sound and inclusive financial sector in Cabo Verde.

Increasing access to finance, particularly for MSMEs, is critical for long-term growth. According to enterprise surveys, access to finance is the second most significant constraint facing business in Cabo Verde. Banks are unwilling to lend to almost all businesses without strong collateral, and do not engage in inventory or cash-flow based lending. Although liquidity is high, market competition is an issue in a system where three banks account for 75% of total assets in the system. Excess liquidity in the banking system has continued to accumulate reaching the equivalent of 10.8% of GDP in November 2017.

Several measures were proposed to address financing constraints, including public support funds, credit lines with a partial credit guarantee mechanism, and a private equity company. Considering that one of the most problematic factors for doing business is access to finance, and considering local bank risk aversion, despite growing liquidity, the Government created, through Decree-Law no. 28/2017, a public limited company with legal status as a state-owned private equity company, as the most viable and effective solution to the problem.

It is considered imperative that the government intervenes, backed by its international partners, with a programme to establish a private equity
fund to complement the Pro-Capital portfolio in order to boost local entrepreneurship with strong growth potential, in different phases in their investment cycle, with a diversified investment portfolio, to improve operational efficiency and market extension of local private companies and secure strong growth, and rapid revenue and employment growth opportunities.

**Investment will result in:**

- An equity fund that will invest in Start Up and viable MSMEs in all sectors of activity, safeguarding environmental issues, with funding needs between up to $500,000.
- Capacity expansion, market & product expansion, business model refinement and technical assistance for a minimum of 200 local private enterprises.
- Fast growth, contributing to a higher employment rate.
- Improve gains and promote innovative investments.
- Adoption of best corporate governance practices
  - ered though enhanced labour rights.

**STRUCTURE OF THE FUND**

To be managed by PRO-CAPITAL under the supervision of the Central Bank of Cabo Verde. This will include providing broad guidelines for the management of the activities of Fund Manager, and reviewing and approving investments recommended to it by the Investment Committee.

**REASONS TO INVEST**

- Boost local private enterprise growth through capacity expansion, market & product expansion, business model refinement and technical assistance.
- Provide funding for local companies and increase volumes and value created for society as a whole.
- Faster economic and employment growth.
- Improve Environmental and Social Management (ESM) by ensuring risks are assessed and managed throughout the life of each investment.

**INVESTMENT IMPACTS**

<table>
<thead>
<tr>
<th>TRANSFORMATIVE POTENTIAL</th>
<th>HIGH: Given the credit risk aversion of local banks, especially towards MSMEs, the private equity fund will ease access to capital, boosting innovation and production, and contributing to Cabo Verde’s long-term development vision.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICIENCY AND EFFECTIVENESS</td>
<td>HIGH: Access to equity capital will allow businesses, and especially MSMEs, to operate more effectively and efficiently.</td>
</tr>
<tr>
<td>SUSTAINABLE DEVELOPMENT</td>
<td>HIGH: The fund targets the investments needs of MSMEs contributing to inclusive &amp; sustainable development and particularly the achievement of specific SDGs.</td>
</tr>
<tr>
<td>COUNTRY OWNERSHIP</td>
<td>HIGH: it is a priority for the Government who launched a public private equity company to manage funds.</td>
</tr>
<tr>
<td>RECIPIENT NEEDS</td>
<td>HIGH: Cabo Verdance business sector requires capital, especially for MSMEs, to increase volumes and create value for the country</td>
</tr>
<tr>
<td>INVESTMENT OPPORTUNITIES</td>
<td>HIGH: The private equity fund tackles private sector investment needs in particular MSMEs</td>
</tr>
</tbody>
</table>