

The Republic of Cape Verde

The Center for Global Development prepared this summary based solely on the publicly available proposal submitted by the Republic of Cape Verde to the Millennium Challenge Corporation.

Overview

Cape Verde has submitted a proposal for \$118.5 million. The fund would support a three-year program seeking to raise the standards and quality of life for the population through social empowerment, poverty reduction and economic competitiveness. The social empowerment and poverty reduction components are expected to cost \$34.5 million. The cost of the economic competitiveness component is estimated at \$83.6 million. In the medium term, the government aims to raise economic growth rate from the current five percent to between eight and ten percent and reduce poverty by 10 to 20 percent.

Context

Like many small Island States, Cape Verde is a highly vulnerable country. Its relatively small economy has a number of structural weaknesses that negatively affect growth and performance. The country faces high levels of unemployment and deepening poverty and other challenges, i.e., very small market, narrow productive base, limited resources, high input costs, and inadequate infrastructure. As an archipelago, Cape Verde's territory is not contiguous, a serious challenge for the government. The country is also prone to low rainfall, deforestation and difficult climate conditions.

Moreover, Cape Verde's over reliance on foreign remittances and international aid for its development finance poses a challenge to economic growth as these sources of funding are unpredictable from year to year.

Elements of the Proposal

The Cape Verde proposal consists of two priority areas: economic competitiveness and social empowerment and poverty reduction.

1. Economic competitiveness

This component emphasizes human capital development (through community colleges, scholarship programs, and entrepreneurial training); private sector development (through access to credit, capacity building, consolidation of the tourism sector, and support for export and investment promotion institutions); and infrastructure development (by using MCA assistance to leverage resources from international financial markets to expand roads, airports and ports). According to the compact proposal, this would help to:

- Build a private sector-led economy
- Enhance the competitiveness of Cape Verdean firms in international markets
- Enlarge the productive base of the economy and attract investment

- Build the necessary skilled labor force needed for economic transformation
- Build a new class of young and dynamic entrepreneurs capable of competing in international markets

2. Social Empowerment and Poverty Reduction

According to the proposal, the key way to eradicate poverty in Cape Verde is to improve access to basic infrastructure, expand economic opportunities and enhance the capabilities of the poor in order to raise their productivity and income levels. This component will initiate projects that:

- Build productive capacity in the rural zones
- Improve access of the poor to basic services
- Extend utility and infrastructure coverage
- Improve the quality of the environment

These objectives will be achieved by addressing the constraints to agricultural and economic expansion in rural areas through improved access to water for human consumption and agriculture, expanded use of appropriate agricultural production technologies such as irrigation, and extended basic infrastructure such as electricity and roads to rural areas.

Proposed Outcomes

The Cape Verde proposal includes a matrix of proposed goals, outcomes and indicators. Among the proposed outcomes are:

- Improved access to water, energy, and infrastructure
- Increased agricultural production and access to higher education
- Increased private sector capacity and access to credit and financial services
- Improved tourism infrastructure and increased tourism activity

Consultative Process

According to the compact proposal, the government organized a series of meetings and discussions, which brought together people from several sectors; civil society associations, NGOs, the Government and municipalities. Cape Verdean communities in the United States also participated in some of these sessions.