



REPUBLIC OF CAPE VERDE

***interim* Poverty Reduction Strategy Paper**

· iPRSP ·
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Ministry of Finance and Planning

Praia

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ACRONYMS AND ABBREVIATIONS

AGECABO	-	Cape Verdean Public Works Agency
BCV	-	Bank of Cape Verde
CCA	-	Common Country Assessment
CFAA	-	Country Financial Accountability Arrangements
CMP	-	Municipal Commission of Partners
CNLP	-	National Commission to Combat Poverty
CPI	-	Consumer Price Index
DGCI	-	General Directorate for International Cooperation
DGO	-	General Budget Directorate
DGP	-	General Planning Directorate
DGS	-	General Health Directorate
DGT	-	General Treasury Directorate
EBE	-	Basic Elementary Education
FAIMO	-	Labor-Intensive Public Works Projects
GO	-	Major Planning Options
IDF	-	Household Expenditure Survey
INE	-	National Statistics Institute
MCTI	-	Ministry of Commerce, Tourism and Industry
MECD	-	Ministry of Education, Culture and Sports
MFP	-	Ministry of Finance and Planning
MSS	-	Ministry of Health and Solidarity
OE	-	State Budget
PND	-	National Development Plan
PNLP	-	National Poverty Reduction Program
PRS	-	Poverty Reduction Strategy
PRSP	-	Poverty Reduction Strategy Paper
RAFE	-	Reform of State Financial Administration
RDP	-	Public Expenditure Review
SEREAAP	-	Secretariat of State for Reform of the State and Public Administration
UCP	-	PNLP Coordinating Unit
UNDP	-	United Nations Development Programme
UN-NADAF	-	United Nations New Agenda for the Development of Africa

Cape Verde



interim Poverty Reduction Strategy Paper

Introduction

Despite significant economic, social and cultural progress, poverty in Cape Verde at the beginning of the 21st century is the greatest obstacle to development. The country's many weaknesses increase its vulnerability and make poverty a decidedly structural problem. Thus, the fight against poverty must be considered within the context of the country's development problems as a whole. What is needed is equitable development that promotes the fair distribution of sacrifices and benefits, encourages solidarity and social cohesion, and is respectful of the environment in fulfillment of the obligation of solidarity with future generations.

In a country without exploitable material resources and in which any development strategy must rely on human resources, poverty is more than a question of ethics and equity, although these considerations would themselves be sufficient to give poverty reduction the highest priority. It is therefore important to weigh the costs to society and to development of limiting the economic and social avenues open to a significant portion of the population. It is the country's potential development that is being mortgaged.

The preparation of the iPRSP is in keeping with the government's firm commitment to reducing poverty in Cape Verde. The long-term major options on which the National Development Plan (PND, a medium-term plan now being prepared) is based recommend and define the broad orientations of a development strategy aimed at reducing poverty. Meanwhile, the government is striving to introduce greater efficiency in implementing the National Poverty Reduction Program (PNLP).

This preliminary document paves the way for preparation of the PRSP, a process the government will carry out in 2002. Henceforth, and as will be the case with the PNL, the government is taking a participatory approach to the PRSP, with the involvement of society as a whole and of social and economic stakeholders in the shared search for the best ways to reduce poverty and build constructive partnerships in pursuing the strategies identified.

The involvement of external partners is also of concern to the government as it seeks to improve the coordination of efforts. From this point forward, the contributions of partners will be important, not only in terms of providing the technical and material support

necessary for preparing the PRSP itself, but also immediately building and strengthening the institutional capacities needed for monitoring and implementing the PRSP.

1. Brief Diagnosis of Poverty in Cape Verde

Country Context

Located about six hundred kilometers from the west coast of Africa, Cape Verde consists of a series of ten islands, nine of which are inhabited, covering an area of 4,039 square kilometers. In 2000, close to 435,000 people were living in the country, bringing population density to about 180 inhabitants per square kilometer. Emigration represents one of the striking demographic characteristics of Cape Verde. There are no precise numbers but it is generally maintained that there are hundreds of thousands of Cape Verdeans scattered throughout the world.

The country's location on the geographic band of the Sahel greatly influences its climate, which is profoundly marked by insufficient rainfall. Periods of drought are increasingly more frequent and more prolonged. The topography of volcanic origin is quite mountainous, reducing arable land to barely 10% of the total area, as a significant portion of the country is arid and semi-arid.

The country is without natural resources that can be exploited economically. In recent years the economy has grown at an average annual rate of 6.4%, propelled by reforms that seek to improve the economic environment through liberalization of the market and development of the private sector, including the privatization of public companies. GDP per capita was estimated at about \$1,200 [?] at the end of the 1990s. The service sector is dominant and accounted for close to 72% of GDP in 2000, with tourism experiencing strong expansion. Industry and construction represent about 20% of GDP in 2000. The light export industry shows some movement thanks to foreign investments. Agriculture carried out under adverse conditions contributes to the creation of about 10% to 12% of GDP. The economy is highly dependent on remittances from emigrants and foreign aid that together represented 29% of GDP in the year 2000. Social indicators are quite satisfactory. In 2000, life expectancy was 69 years and infant mortality was 23.1 per thousand. Six years of primary education for all has been nearly achieved, and there is also parity between the sexes (see annex).

Cape Verde's form of government is a parliamentary democracy that is clearly being consolidated. Free democratic elections (legislative, presidential and local) are conducted according to the Constitution. The rule of law recognizes the separation of powers and individual liberties. Institutions operate normally. Decentralization is a reality that is upheld.

Poverty Profile

The country recorded satisfactory rates of economic growth, with an annual average of 6.4% in the second half of the 1990s, despite the decline experienced in the last two years. These results are primarily due to macroeconomic improvements that were more favorable to economic activity and private sector development. Despite these gains,

poverty continues to afflict a significant portion of the population. The far-reaching reforms that have been carried out and those now in progress, while essential to the country's development, are not without negative short-term effects. Growth was not accompanied by a significant reduction in unemployment. Living conditions generally improved, but some social indicators showed a declining trend toward the end of the decade. Regional disparities are still great. Emigration, traditionally one of the principal social buffers, fell off drastically owing to restrictive policies in the host countries, leading to stagnation—if not contraction—in remittances. External donations (9% of GDP in 2000) are also on the decline, particularly their bilateral component.

According to studies conducted in 1993, nearly 30 percent of the Cape Verdean population lives below the poverty line. Of these, close to 14 percent are very poor. These indicators are based on the last Household Expenditure Survey (IDF) carried out in 1998/1999 and were calculated using two poverty lines established on the basis of household income/expenditure levels. As there is no up-to-date statistical base, it is difficult to discuss the evolution of poverty in Cape Verde.

While the Gini coefficient (0.4253) is within acceptable limits, it nonetheless indicates the existence of inequities of some significance in the distribution of income, particularly in certain regions of the country such as Santo Antão.

In addition, the indicators show that poverty is not uniformly distributed throughout the country. Poverty can be more than twice as widespread from one region to the next. The islands of Brava, Santo Antão and São Nicolau have the highest indicators of poverty. Based on the weight of its population (54.4% of the resident population), the island of Santiago contributes the most to creating poverty in the country. The indicators of economic welfare and social access also reveal significant regional disparities. The municipalities of Porto Novo (40.4 per thousand), Praia (41.0 per thousand) and Sal (39.2 per thousand) have infant mortality rates in children under five years that are well above the national average of 28.2 per thousand in 2000.¹ In the same year, the net rate for six years of basis education (96.0%) showed significant declines in São Nicolau (90.3%), Fogo (92.2%), Porto Novo (92.3%) and Tarrafal (93.8%).² Illiteracy among the adult population is higher in the municipalities of Santo Antão (about 39% in Paúl) and the rural municipalities of Santiago, with rates above 30%, compared to the national average of 25%. The supply of water seems to be more critical in the municipalities of Santa Catarina, São Miguel and São Domingos, where the percentage of the population not supplied by a regular system (piped water, fountain) is higher (48% to 43% compared to 30% for the country as a whole). In Santa Cruz, about 17.5% of the population gets its water from wells while cisterns predominate in Mosteiros (42.5%). Sanitation is more critical in the rural municipalities of Santiago and in Santo Antão where between 63%

¹ Ministry of Health and Social Solidarity

² Ministry of Education, Culture and Sports

and 84% of families have no means of sanitation (54.5% nationally).³ All this calls for better integration of the poverty dimension in sectoral policies.

In particular, and according to the available indicators, poverty in Cape Verde is likely to be an eminently rural phenomenon, in terms both of its incidence, indicating that nearly half of the rural population is poor, and contribution to poverty nationwide, which indicates that nearly 70 percent of the poor live in the countryside. However, the increasing urbanization of the population, which grew from 47 percent to 53.7 percent between 1990 and 2000, clearly demonstrates a transfer of poverty from rural to urban areas under the impetus of the rural exodus. Deteriorating living conditions in the cities, and primarily in the capital, with the over-burdening of social infrastructures and service delivery capacities (health, sanitation, water, energy, housing, etc.) and an increase in reprehensible social practices and behaviors, indicate a rise in urban poverty. Another indication is the fact that poverty, although its incidence is lower than in rural areas, is more severe in urban areas.

In Cape Verde, women are more likely to be poor than men. Households headed by women (40 percent in 2000) are among the poorest of the poor, and their contribution to the spread of severe poverty is significant. Gains in terms of better balance in gender relations are quite significant and show that the country is on the right path. On this subject, gender parity in education and at all levels of instruction is worth noting. The fertility rate fell from 5.5 in 1990 to 4 in 2000, although it is higher in rural areas (4.8) than in the cities (3.4).⁴ Despite advances in adult literacy, illiteracy affects women in particular. Data from the 2000 Census indicate that illiteracy among the population aged 15 years or more (25 percent in 2000) is two times higher for women (32.8 percent) than for men (16.5 percent). Nearly 43.5 percent of adult women in rural areas are illiterate (23.9 percent for men). The burden of domestic labor is unevenly distributed, making women's access to training and greater social participation difficult. Domestic violence against women is an evil still clearly present in Cape Verdean society. Unemployment affects women more than men.

Citizens of Cape Verde are more likely to be poor if they:

- Live in the country
- Have limited education, particularly if they are illiterate
- Are unemployed or inactive
- Are women

³ INE, 2000 Census

⁴ INE, 2000 Census and Demographic and Reproductive Health Survey

Living Conditions

Living conditions improved in the last decade, but there is still a long road to travel. Regional disparities are great. In rural areas, and thus in rural municipalities, living conditions are significantly worse than in urban areas.

The 2000 Census and Living Conditions (Source: INE)

- More than a third of all households live in dwellings with one or two rooms, and 57 percent live in dwellings with three rooms.
- Only a quarter of all households have access to a public water supply system (7.1 percent in rural areas). Public fountains—still the principal method of supplying water (45 percent)—supply more than half the rural population. For this population, fountains and springs providing water of doubtful quality constitute important sources of supply. In general, the per capita supply is very low.
- Slightly more than a third of all Cape Verdean households have access to basic sanitation (18 percent in rural areas). Fifty-five percent of Cape Verdeans have no method of sanitation (75 percent in rural areas).
- Close to half of all households have access to electricity (72 percent in urban areas compared to 21 percent in rural areas).
- Two of every three households use gas to prepare meals (1 of every 3 in rural areas). Firewood, the second most common source of energy, is used by a third of all households and is still used excessively in rural areas (2 of every 3 households).
- Two of every three households have a radio, 40 percent have a television and one-third have a refrigerator. Seven of every 100 Cape Verdeans have an automobile

Based on the above variables, the National Statistics Institute (INE) developed a composite indicator, the Comfort Index.⁵ This indicator shows that 64 of every 100

⁵ Concept of comfort level: the comfort index is a composite index that varies from 0 to 100, constructed by observing specific variables associated with a family's living standard: housing, method for accessing potable water, source of energy for meal preparation and lighting, access to sanitation methods, ownership of a radio, television, automobile, refrigerator and VCR. The INE established a scale of values for comfort levels, structured in quintiles. Households whose index is less than or equal to 20 were classified as having a very low comfort level. Those whose index is higher than 20 and less than or equal to 40 have a low comfort level. Comfort is average for those whose index is higher than 40 and less than or equal to 60, high for those whose index is higher than 60 and less than or equal to 80, and very high for those whose index is higher than

(continued)

households have a low or very low comfort level. Urban households enjoy greater comfort than rural households. Nearly 90 percent of rural households have a low or very low level of comfort. Except for the municipalities of São Nicolau, Ribeira Grande, Boavista and Maio (due to remittances from husbands who have emigrated), households headed by women (40 percent of households in 2000) are those that have less comfort, as 68 percent of such households have a low or very low level of comfort.

DETERMINANTS OF POVERTY

Poverty in Cape Verde is an endemic issue that dates back to the origins of the founding of the nation. Today, poverty in Cape Verde has a markedly structural dimension associated with the country's vulnerability or, more accurately, its vulnerabilities: environmental and climatic instability, inadequate base of resources and production, territorial discontinuity, external dependency, etc.

An unbalanced relationship with the environment has, over the centuries, forced Cape Verdeans to adapt to the conditions of a particularly fragile environment, a factor in the very genesis of the Cape Verdean identity.⁶ Sahelian climatic conditions dictate increasingly more frequent and prolonged periods of drought and throughout history have decimated large numbers of the population. Present-day droughts do not kill, but they do represent the major factor in the risk of becoming vulnerable, throwing many thousands of Cape Verdeans into situational or even structural poverty due to their persistence. The pressure on the environment, exacerbated by strong population growth, creates enormous problems in terms of soil erosion. Combating poverty under such ecologically fragile conditions as those existing in Cape Verde is clearly linked to the struggle against desertification.

The structural imbalance between the population and the resource base led to a deficient, technically backward agriculture with limited productivity, carried out in particularly harsh natural conditions with scarce water and soils. In this situation, although agriculture is an important economic activity, it is incapable of sustaining the numerous population that depends on it. There are very few years in which normal agricultural production is achieved. Rural households without land or with access only to dry lands, very often on marginal land, are those most affected by poverty. More than 75 percent of the farming population engages in dry farming production. However, it is estimated that between 70 percent and 85 percent of these agricultural operations very rarely or never achieve production levels sufficient to sustain a household. Diversification of the rural economy is thus a priority.

80 and less than or equal to 100. A weighting system is used in which each variable has a specific weight.

⁶ "A invenção de Cabo Verde a partir da seca," António Correia e Silva, article in *Horizonte* No. 169, 10/20/01.

In Cape Verde, poverty and food [in]security go hand in hand. There can be no doubt that food insecurity in Cape Verde is the principal dimension of poverty, constituting both cause and symptom. Food production is notoriously deficient (food production, on average, covers only 10 percent to 15 percent of needs). In rural areas, poverty is more extensive in arid and semi-arid agricultural-ecological zones. The food that the poor produce for their own use is negligible. Data from the 1989/99 IDF indicate that the poorest strata spend most of their income on food. A change in the composition of the diet, usually with an increase in the proportion of grains, is a sure indicator of crisis. In this context, foreign aid makes a significant contribution to food security in the country in general and among the poorest strata in particular.

The lack of opportunities for employment is one of the principal determinants of poverty in Cape Verde. The likelihood of the unemployed being poor is high. Unemployment reaches major proportions and is more severe in younger age groups and among women. The productive base of goods and services does not satisfy the need for employment. The low level of economic activity in rural areas creates a vast, undifferentiated oversupply of labor that is exacerbating an already difficult unemployment situation. Recourse to labor-intensive public works projects – the famous FAIMOs – financed essentially through food aid counterpart funds, has helped to alleviate the problem in rural areas. FAIMOs constitute a “reservoir” of rural poverty and thus a relatively easy and sure way to target the poor.

Insularity represents added costs for the country, particularly in terms of infrastructure and the unification of markets. Weaknesses in these areas are a major constraint on the country’s development and on the reduction of poverty. Because of the mountainous geography, the population is widely dispersed. The land-locked status and the isolation of villages and even islands is thus a factor that makes regionally balanced development difficult and has a significant bearing on the spread of poverty in Cape Verde.

Education is considered the principal determinant of poverty in Cape Verde and also the principal way out of poverty. The poverty indicators reveal a strong correlation between educational level and poverty. The likelihood of being poor increases greatly in inverse proportion to the level of education. The incidence of poverty falls by one-half in the transition from an illiterate population to a population with primary education (4 years). According to results from the 2000 Census, the level of education determines family size. The lower the level of education, the larger the size of the family⁷ and, thus the greater the likelihood of being poor. Illiteracy among the adult population was reduced to about 25 percent according to the 2000 Census. Under the impetus of the universalization of primary education, illiteracy tends to be concentrated in the older age groups (66.4% in the group older than age 50 compared to 7.6% in the group aged 15 to 34). To a great

⁷ INE – 2000 Census: Family size goes from 3.3 in families where the head of the family has secondary and higher education to 5.4 where the head of the family has little or no education. Families where the head of the family has primary education include 4.6 members, which represents the national average.

extent, illiteracy explains women's greater propensity to poverty (32.8% of adult women are illiterate) as well as more extensive poverty in rural areas (34.5 percent illiteracy compared to 11.1 percent in urban areas). Investment in human resources in general and in the human capital of the poor in particular is thus the fundamental challenge for the development of the country from the perspective of reducing poverty. On this subject, the universalization of primary education, gender parity in educational systems, as well as reduced illiteracy represent encouraging achievements. Access to primary education is free. The state spends about one-quarter of per capita GDP ⁸ (about 30,000 CVE) per student in basic education. The efforts of parents and those in charge of education are estimated at four-tenths of the state's expenditures.

Health constitutes an important dimension of poverty, acting as both cause and effect at the same time. Health indicators have generally improved. General mortality tended to decline in the five-year period 1995-2000 as compared to the previous period, falling from an average of 8 per thousand to 6.6 per thousand. During the same period, infant mortality fell from an average of 48.9 per thousand to 32.1 per thousand. The mortality rate in children under age 5 went from 43.2 per thousand in 1996 to 28.2 per thousand in 2000.⁹ The incidence of reported cases of HIV/AIDS has been increasing, going from a rate of 0.6 per ten thousand inhabitants in 1996 to 1.8 in the year 2000.¹⁰ The strategies for combating AIDS have favored an IEC program targeting the young. The Demographic and Reproductive Health Survey conducted in 1998 concluded that the population is relatively well-informed about how AIDS is spread and how to prevent it. Nonetheless, the behavior of the population does not yet reflect this level of knowledge. The resurgence in recent years of diseases such as cholera, measles, whooping cough and poliomyelitis are cause for great concern and point up the vulnerability of achievements made. In this context, the confirmed decline in the immunization of pregnant women and children under age 5 must be reversed. Access to health has been facilitated because it is nearly free of charge. However, this places conditions on the introduction of improvements in the delivery of health care services. Assistance for medications is deficient. Some equity indicators are unfavorable to rural areas (first check-up in the first month of life, pre-natal visits, attended births). However, there is a balance with respect to the immunization of children. All municipalities have a physician and a nurse, but a concentration (65% for physicians and 45.2% for nurses) in the central hospitals of Praia and São Vicente is noted.

Diseases that are associated with deficient environmental conditions and thus with conditions of poverty and that involve access to potable water and basic sanitation, housing conditions, malnutrition, etc. (infectious and parasitic diseases, respiratory diseases, perinatal conditions) are among the principal causes of death. These diseases

⁸ MECD Report on public unit costs in education, May 2001.

⁹ Ministry of Health and Social Solidarity

¹⁰ Idem

affect children in particular. The potable water supply is one of the most critical problems faced by the population. Data from the 2000 Census indicate a rate of coverage by a water supply system (public system and fountain) of 70% (76% for urban areas and 61% for rural areas). Barely one-quarter have piped water while 45% get their supply from public fountains. The situation is worse in rural areas where only 7 out of 100 families have piped water (38 out of 100 in urban areas) and 54% get their supply from fountains (38% in urban areas). However, these data do not completely reflect the real situation, which is worse. Per capita coverage is extremely low, very far from the minimum to ensure the basic necessities. Obtaining a few liters of water is a daily struggle for ordinary Cape Verdeans in both urban and rural areas. The general situation in sanitation is critical. More than half of Cape Verdean families (54.5%) have no access to any sanitation system. Once again the situation is worse in rural areas where about three-quarters of families have no sanitation method (40% in urban areas). Most municipalities do not have efficient systems for collecting and treating waste. Thus, waste is a particularly critical environmental problem.

Limited access to productive capital among the poor is a factor in impoverishment. The poor either have no access to land or have access to dry, marginal lands that are unproductive and often environmentally unsuitable for cultivation. Poor households generally belong to the population segment that never manages to achieve food production sufficient to ensure a supply of food and thus needs income from sources other than farming to survive. Credit systems are closed to the poorest strata. Agricultural credit is practically non-existent. Only 2.5 percent of the credit in the economy goes to the agricultural sector (including fishing). Microcredit programs have been carried out as part of strategies to combat poverty. National experience in this area is relatively recent but provides useful lessons for the design of microfinancing programs.

There are behavioral factors that greatly influence the spread of poverty in Cape Verde. They comprise what has conventionally been called “poverty of spirit.” It is the spirit of resignation, fatalism and dependence, particularly on the State. It is the belief that many children represent social insurance for old-age. These are behaviors that lead to the growth of single-parent households headed by women. Finally, these are behaviors and attitudes that tend to replicate poverty conditions and diminish the initiative of the poor themselves to escape from poverty.

Survival Strategies and Safety Nets

Emigration has long been one of the main survival strategies adopted by the population. In addition to emigration’s constituting a social decompression factor, particularly in terms of the labor market, remittances are an enormous contribution to household incomes in Cape Verde, enabling numerous Cape Verdean households to live above the poverty line. For those unable to emigrate (and the poorest are in this category), immigration and particularly the exodus to cities and towns is the alternative, which has the effect of transferring problems to the urban environment.

In rural areas, subsistence cattle-raising by households traditionally provides an element of security in crisis situations. In urban areas, the development of informal activity

emerges as a new survival strategy, as evidenced by the rapid growth of the informal economy. Women play an important role in this area.

Social solidarity networks fade with growing urbanization. The indicators point to high rates of severe poverty among the unemployed. Formal social safety nets provide a reduced level of coverage and marginally include the poor. A minimum survival allowance is distributed to close to six million people in indigent circumstances, primarily the elderly. The poor have free access to health services and to basic education.

The FAIMOs have been the primary safety net for the poor in rural areas, over time becoming a survival strategy. From this perspective, the FAIMOs fulfill their role to the extent that they reduce the rural population's risk of vulnerability to drought and affords them minimum food security. However, the FAIMOs' effectiveness in terms of reducing poverty is limited, as they do not represent a "way out" of poverty. Some experiments in recasting the FAIMOs to combat poverty are encouraging (rural associations, AGECAPO, etc.).

Monitoring Poverty

Following adoption of the PNLP, the government created the Poverty Observatory. The Observatory's principal function is to continuously monitor and analyze the status of poverty in Cape Verde. Its objectives involve support for decision-making related to poverty reduction policies as well as the dissemination of information on poverty. The Observatory is designed to be lightly structured, with the institution fundamentally conceived as an information coordinating agency and not a producer of statistics.

Supported by the UNDP, the Observatory is still far from being able to fulfill its mandate. The emergence of the PRSP is underlining the importance of monitoring poverty and thus the need to strengthen the Observatory through institutional support in the areas of training and technical assistance.

The main instrument for monitoring poverty is the Household Expenditure Survey (IDF). The periodicity of the IDF is once every five years, but it has not been conducted since 1989. An IDF is currently underway that will continue until end-2002, at which time the initial results will be available. As the IDF was originally designed to monitor poverty, it will make important contributions to updating the analysis of economic welfare and poverty, which will serve as the basis for identifying poverty reduction strategies (PRS).

The 2000 Census is also a poverty monitoring tool. Although it focuses on demographic issues, the Census provides information on the economic welfare of households. Other useful instruments are specific surveys and studies such as the Demographic and Reproductive Health Survey conducted in 1998, which should be conducted again in 2004.

2. Poverty Reduction and Growth Strategies

Combating poverty has been a concern of successive governments. Cape Verde has recorded satisfactory rates of growth and better living conditions, reflected in increased per capita income and improved social indicators. However, the country is still fundamentally characterized by its considerable internal and external vulnerability. In particular, poverty affects a significant portion of the population, emerging as the major challenge to be overcome.

The National Poverty Reduction Program (PNLP), the design of which began in 1987, sought to provide a new impetus to the fight against poverty through a comprehensive, multi-dimensional view of poverty and a participatory, coordinated approach.

In its program for the 2001-2005 legislature, the government reaffirms the priority it gives to reducing poverty, committing itself to pursuing and energizing implementation of the PNLP. More recently, the major options, the development of which was based on extensive participation, promote development aimed at reducing poverty.

The major options make poverty a central theme of development. They view poverty as a comprehensive problem, not only from the perspective of equity but also in terms of the costs to the community and to development, given that the value given to human resources in Cape Verde is the most important basic factor in growth and development.

The poverty reduction policy is thus based primarily on a logic of sustained, long-term economic, social and human development, taking into account the most fundamental causes of poverty. On this basis, the major options identify the main strategic and complementary routes to reducing poverty:

- 1) Promoting economic growth, which, although not sufficient by itself, is an indispensable factor for energizing the economy and creating opportunities to rise above poverty;
- 2) Improving living conditions, needed for the population's welfare;
- 3) Strengthening training for the poor so that they themselves will be the engine of positive changes for rising above poverty.

2.1 Growth Strategies

Growth Strategies

The growth policy underlying the major options of the PND seeks to promote sustainable, long-term economic, social and human development, with a sense of equity and solidarity, reflected in growing improvement in the welfare and living conditions of the population and in the progressive reduction of poverty. Growth of this type presupposes a strategy supported by a stable macroeconomic framework, a coherent series of general

and sectoral reforms, and investments that favor growth vectors and place a premium on the development of human capital. This growth must be based on private initiative and on making the allocation of public resources subject, in particular, to the criteria of economic rationality, discipline, and transparency, thus incorporating the criteria of good governance.

Growth policies will be subordinate to the national development strategy embodied in the major options of the PND, which integrates the following three structural elements: (I) active integration in the dynamic of the world economic system, (II) the private sector, owing to its potential creativity, innovation, adaptation and competitiveness, as the engine of growth, and (III) a development strategy based on the affirmation of national culture. The implementation of this strategy is based on expanding both the productive base and exports, enhancing competitiveness, enlarging the economic area and developing internal and external investment.

The Five Major Options of the National Development Plan

One: Promoting good governance as a factor in development, reforming the state, heightening democracy and strengthening citizenship.

Two: Promoting entrepreneurial capacity, competitiveness and growth, expanding the productive base.

Three: Developing human capital and focusing the education/training system on the priority areas of development.

Four: Promoting an overall policy of social development, combating poverty and strengthening cohesion and solidarity.

Five: Developing basic and economic infrastructures and promoting the organization of territory for balanced development.

The government considers the problems of economic growth and development based on the productivity and competitiveness of the economy as a global issue. It seeks growth that includes expansion and diversification of the productive structure, based on full utilization of the factors of production and favoring investment in the most dynamic sectors of the economy. It seeks development that generates employment and that strengthens social cohesion and solidarity and promotes effectiveness and equity in the distribution of the sacrifices and benefits of growth aimed at reducing poverty.

Growth Policies

Growth Vectors

Expansion of the Internal Productive Base and Competitiveness

The narrowness and minimal diversification of the markets, constraints that can also extend to the domestic productive base, make the goal of expanding the productive base a question that is vital to the success of the strategy for sustainable, long-term economic

and social development. In this context, both increasing the productivity of factors and producing globally competitive goods and services become extremely important. Strengthening overall productivity and competitiveness presupposes the implementation of structural public policies with a microeconomic focus that are friendly to the development of competition fostering the correct allocation of resources and the regular operation of market mechanisms and that contribute to improvements in the performance of companies, as the fundamental units in the generation of economic value. Policies must be implemented to support companies, particularly SMEs, to support the developing business class, and to support and increase the value of partnerships with associative structures.

The success of these policies depends on a twofold approach, i.e., cross-sectoral policies focusing on corporate performance and specific sectoral policies that seek to ensure the integration of sectoral markets at the local, regional and national levels, the development of the basic infrastructures for transportation, communications and telecommunications, water, energy and sanitation systems, and the promotion of innovation and quality. In addition, it is important to consider human capital, innovative capacity, information, organization and marketing as dynamic factors in competitiveness.

Active integration into the dynamic of the world economic system gives increasing importance to the infrastructures that generate positive externalities affecting areas geared to strengthening the country's international competitive position, specifically tourism, transportation, telecommunications, international services, light industry and fishing. The comprehensive and consistent nature of these structural policies emphasizing microeconomic factors also points to increasing the value of potential market niches in the areas of agriculture, the delivery of various services (including tele-services), cultural products, particularly music, civil construction, shipping and other products associated with the rational use of oceans.

Export Promotion.

The growth strategy will be based to a large extent on the export of goods and services. Thus, investment for export will be stimulated and should assume an important role. The development and diversification of the export sector will have upstream and downstream drag effects on the productive structure, specifically by stimulating services such as transportation and communications, as well as the financial sector, industry, agriculture and fishing. The promotion of foreign investment, including investments from non-resident Cape Verdeans, improvement in the dynamic factors of competitiveness and in costs for the factors of production, the exploration of preferential foreign market niches, etc. will be at the center of the government's policies. In addition, as an instrument of export promotion, the government will strengthen the national system to control the quality of products.

Growth Sectors

Based on its dynamism in recent years, particularly in the area of tourism, the services sector is called upon to play an increasing role in the country's economic growth process, particularly in terms of its potential impact on exports and advantageous integration in the dynamics of the global economy. However, it is still important to bear in mind that the context of very scarce resources and a small market makes betting exclusively on the services sector inadvisable. Thus, the light export industry, fishing, agriculture, as well as the goods and services associated specifically with cultural activities have an important role to play.

Tourism and Services: Clearly the most dynamic sector, tourism seems—in the short term at least—to be the strategic vector for active integration in the dynamic of the world economic system and a potential source for the accumulation of resources. On this subject, in addition to the driving role of direct foreign investment, greater participation on the part of domestic business will strengthen its positive impact on the country's economy.

The government will stimulate investment in the tourism sector with a view to achieving significant gains in growth. However, the long-term sustainability of the sector's growth depends to a large extent on intra- and inter-sectoral coherence and on the balance between growth rates in all sectors. Thus, the assumption that services, and tourism in particular, are the strategic base for [resource] accumulation and will take the lead in short-term growth must necessarily take into account the need for long-term coordination among all sectoral policies in order to create a productive system that is truly cohesive, integrated, dynamic, competitive and sufficiently diversified to respond to external shocks.

Thus, the government is committed to promoting sustained tourism, with environmental balance. Therefore, strategies for the environmental sector must be in tune with efforts to develop tourism through enhancement of the tourism product (marine ecosystems, renewable energy, waste treatment, green spaces, etc.) just as tourism policies must be guided by respect for environmental protection. Policies will be aimed at promoting the competitiveness of air and sea transport, planning and development of tourist areas, professional training to boost the productivity and quality of service delivery, sanitation infrastructure, diversification of products, options for quality tourism and coordination of tourism development policies with other sectors, specifically fishing, agriculture, handicrafts, music, etc.

Light Export Industry: This is a sector with great potential for creating jobs and developing exports. In recent years, the sector has been somewhat energized by foreign private investment, particularly in connection with the free trade area and exports. The sector seems strategic for expanding the domestic productive base, requiring the creation of a "strategic partnership" between the state and operators in order to adopt policies designed to eliminate the major obstacles to development, including administrative and

institutional obstacles. The government will continue to develop free trade areas and to create and provide infrastructure for industrial parks.

Fishing: The sea is the country's major exploitable source of resources (food, water, energy and leisure). The fishing sector has the potential to create jobs and generate foreign exchange, two of the national economy's strategic priorities.

The policy measures aim at boosting production, productivity and exports. The strategic objectives for the sector will be to (a) increase the growth rate of catches; (b) increase exports; (c) boost industrial production and, finally, (d) expand the area of activities beyond the exclusive economic zone. This requires measures to reorganize and modernize the sector.

As this is traditionally an export sector, the quality control system will be strengthened to facilitate access to foreign markets.

Agriculture and Livestock: Despite its limitations, agriculture plays an important role in food production and in the stabilization of rural areas. Policies for the sector aim at modernization geared toward increased production and productivity, with farming systems that do not exacerbate environmental problems, particularly soil erosion and desertification. The mobilization and increased productivity of water resources, including surface runoff, increased yields from agricultural and livestock production, soil and water conservation, and research are essential vectors for development of the sector. Micro-irrigation has been remarkably successful. Its development should be emphasized along with the introduction of improved varieties and the exploration of niches of production with high added value.

The sustainability of private investment in the sector requires an appropriate system of incentives, particularly in the area of credit.

Economic Infrastructures and Territorial Management: The country's infrastructure is a strategic development priority, without which the growth vectors cannot develop. This problem seems particularly acute in Cape Verde owing to the discontinuity and dispersion of the economic and social areas. This same discontinuity also creates "investment diseconomies of scale" and increasing costs associated with the multiplication of infrastructures, making financing difficult. The insufficient development of infrastructures has delayed the country's development process by blocking significant productive investments, particularly foreign investment. As a result, the lack of infrastructures for energy, sanitation, roads, ports, airports, communications and telecommunications is one of the main factors adversely affecting factor costs, and thus the competitiveness of the country.

Territorial management is necessary for reasons of economic rationality in respect of demographic distribution and optimizing the size and location of basic and formative infrastructures for development, as well as for reasons related to the long-term sustainability of economic and social development, linked to the problems of inter- and intra-sectoral and inter- and intra-regional equilibrium and environmental balance. The

policy on territorial management and the economic area will also include a soil policy intended to minimize opportunity costs in the country's development and use of soils and natural resources, the management of agricultural and rural land and of hydrographic basins, as well as the management of maritime areas and resources and of the shoreline.

Development of Human Capital: The Social Sectors

The structural vulnerability of the national economy, associated with the scarcity of conventional natural resources, isolation in geographic terms and in terms of dynamic economic areas, the geographic discontinuity and dispersion of the economic area and the limited extent and depth of the domestic market, as well as other structural constraints, make the country's population, quantitatively and qualitatively (stock of knowledge, attitudes and values favorable to creativity and innovation), the principal base of development.

The strategy for sustained growth based on solid productivity gains and improvements in dynamic competitiveness factors should promote the development of investments in human capital. In addition, the training and development of human resources for sustainable development presupposes the expansion and strengthening of human capabilities and improved use of those capabilities in all areas of economic, social, cultural and political activity. From this perspective, adapting the education and training system to the needs of development is essential not only for purposes of transmitting technical and professional knowledge to the labor market but also providing comprehensive training that incorporates attitudes and behaviors conducive to development.

The government will continue to give high priority to the social sectors. In particular, it will ensure that the vital sectors of education and health receive favorable budgetary treatment, to avoid undermining the social indicators. The government will also seek to expand the base for awarding the social pension established for FAIMO retirees.

The Education Sector: The education sector will continue to be given high priority by the government. The major challenges relate to the sustainability of the education system. Thus, the Government launched a reform of the system for financing higher education scholarships in order to reduce the large, unsustainable burdens on the state. In this connection, the government plans to create a self-sustaining fund to finance scholarships. The participation of the private financial sector in the creation of scholarship financing mechanisms is also encouraged by the government. The authorities will also promote the productivity of education expenditure and its adaptation to the targets set for achieving greater efficiency and effectiveness. A Public Expenditure Review (RDP) will be carried out in 2002.

Basic elementary education (EBE), lasting six years, has made significant progress (net enrollment rate of 98 percent, parity between girls and boys, etc). The concerns focus on the high percentage of students with delayed schooling and on reducing dropout and repetition rates. The indicators reveal clear regional disparities, and one of the

government's policy objectives is to correct these disparities. The school infrastructure is quantitatively and qualitatively inadequate. The government needs support for a program to expand and rehabilitate the school system.

The expansion of compulsory education weighed heavily on secondary education. The capacity to satisfy demand is clearly insufficient, in terms of both infrastructure and teachers.

The government is pursuing its reform of the education system. The central objective is to improve teaching quality. In this regard, efforts will be aimed at teacher qualification, providing schools with instructional materials and equipment, and adapting educational subject matter.

The Health Sector. Reversing the downward trend in health indicators and combating epidemic outbreaks are the priority for public action in the health field. The government allocates a significant portion of the state budget (nearly 10 percent) to health care. However, the state's financial effort is proving insufficient for the maintenance and operation of the system. Improvement in health care is highly dependent on the policy of its being delivered nearly free of charge. The introduction of greater efficiency and effectiveness in the health system and the restructuring of health care financing are measures recommended by the government. Better integration of the private health services sector will be pursued. As in the case of the education sector, the government plans to carry out an RDP of the health sector in July 2000. In addition to these elements, the health system reform will aim at greater quality and equity in the delivery of services, as well as better coordination and management of the components of the health system.

Combating HIV/AIDS is a government priority. The number of cases is on the rise. Prevention programs are being carried out. The Strategic Plan to Combat AIDS will be approved shortly. The plan includes conducting an AIDS survey in 2002 to obtain more knowledge on the status of the epidemic in Cape Verde. A demographic projection for the year 2025 will be developed by the INE in March 2002, taking the epidemic into account. These data will be used in preparing the PRSP.

Development of the Private Sector

Private initiative should be promoted as the principal engine of economic growth, assuming productive investment in the areas of growth and other areas and with the state playing a key role in the overall organization of the growth effort, regulating markets and credit, guaranteeing the performance of private contracts and protecting property, developing basic and economic infrastructures and, above all, supplying social services to the population. The objective is to improve the development indicators and enhance the productivity and internal and external competitiveness of the economy.

The government will continue its reform of the economic system, aiming at the promotion of market and competitive mechanisms, including measures such as the gradual decontrol of prices and transparency in their formation, the liberalization of

international trade, the deregulation of financial markets, greater flexibility in the labor market, the privatization of public enterprises and services, and tax reform.

Policy and incentives measures will also be implemented to develop an entrepreneurial mindset, encourage organization of the sector, and develop markets. In this context, the government also seeks to promote strategic partnerships among the agents of development in order to expand markets and the economic area, increase access to technologies, and promote foreign investment.

As the scarcity of capital and know-how is one of the major constraints on growth, the government remains firmly committed to promoting foreign investment, primarily in the export sector. The success of this policy will be linked to the development of a framework of macroeconomic equilibrium capable of ensuring the external credibility of the economy as well as the competitiveness of marketable goods and services. In this respect, maintenance of the fixed exchange arrangement and development of the financial system are vitally important.

With respect to emigration, this means not only implementing policies to encourage traditional remittances, but also defining and implementing active policies that lead emigrants to participate in implementing the national development strategy. This presupposes the definition and structuring of a framework for strategic partnership between emigrants, the state and national entrepreneurs in the promotion of investment and exports. For exports, it will be necessary to develop the so-called “ethnic markets” and use these “niches” as a potential means of introducing domestic products on foreign markets.

The development of financial intermediation systems promotes growth by ensuring the channeling of investments to more profitable projects as well as allowing investors to diversify risk, thus making it easier to participate in higher-risk projects.

The government will move forward with the privatization program. The commercial firm EMPA and the public transportation company TRANSCOR will be liquidated in 2002. These measures involve enormous restructuring costs, particularly in terms of compensating workers, and thus the government is seeking support from its bilateral and multilateral partners. The remaining enterprises, the refrigerated warehouse company INTERBASE, the shipyards CABMAR/CABNAVE and the airline company TACV will be prepared for privatization in 2002.

As sectoral regulation is a component of all reforms and the need for it has become more urgent with privatization, the government created/implemented a number of regulatory agencies. The general task of these agencies is to promote competition, establish technical standards and monitor their implementation.

Macroeconomic Stability and Growth

The purpose of macroeconomic policies is to facilitate attainment of the broad objectives established in the government program and reflected in the medium-term major options

(GOP), so as to achieve sustained development based on a consistent poverty reduction strategy, i.e.: “development compatible with social, regional and inter-generational solidarity, consistent with environmental sustainability, based on a growth pattern that is anchored in ever-larger gains in productivity, generates employment and minimizes poverty and social exclusion.”¹¹

Thus, economic policy should aim at maintaining a stable macroeconomic framework capable of energizing economic activity and growth of the economy, which means establishing a concrete series of policies to maintain internal and external balances, i.e., stability in the general level of prices and the currency, stability in the real effective exchange rate that is not detrimental to competitiveness, and budget deficits and public debt at levels compatible with exchange and price stability.

The challenge, given the conditions of vulnerability in Cape Verde, involves balancing the need for a high rate of economic growth (an essential condition for improving living standards and reducing poverty), improvements in the delivery of social services (particularly health and education), and the need for restrictive macroeconomic and regulatory policies. This difficult balance can only be achieved with substantial external support, especially since the reforms will entail short-term costs that the state budget cannot cover.

The government’s medium-term policy will be aimed at achieving macroeconomic stability and creating an economic environment that encourages economic growth and poverty reduction. Bearing in mind the above-mentioned constraints, the government has established the following medium-term goals: (i) after a period of softening, ensure a GDP growth rate in 2004 of approximately 5 percent, based on increased private investment and improvements in basic infrastructures to stimulate tourism and export activities, as well as construction and services; (ii) keep the rate of inflation close to that of the euro area with stabilization at about 2.5% in 2004; (iii) between 2001 and 2004, reduce the weight of the current transactions deficit in GDP from 12 percent to 5½ percent; (iv) raise the level of external reserves and keep them above 2 ½ months of imports in goods and services and, finally (v) implement policies that will increase investment from 20 percent of GDP in 2001 to 22 percent of GDP in 2004.

To consolidate these objectives, the government will seek to maintain a stable macroeconomic framework that encourages private investment, based on restrictive fiscal and monetary policies that are able to ensure the stability of prices and of the exchange regime (fixed peg). Steps will also be taken to (i) eliminate domestic and external payments arrears and make timely debt service payments, (ii) reduce the weight of domestic debt and its service on GDP, (iii) increase the effectiveness and efficiency of public spending in the social sector and improve the delivery of social services, particularly in the health and education sectors, (iv) redefine the role of the public sector in the economy, in the context of privatization and reform of government services.

¹¹ Government Program, Chapter IV

Budgetary and Fiscal Policy

Budgetary and fiscal policies are established by the government as the fundamental orientation for consolidating macroeconomic stability and, in particular, for guaranteeing the sustainability of public finances, as a necessary condition for the creation of an environment favorable to investment, ensuring the stability of the currency and the real incomes of households, the external and internal credibility of the economy, the stability of external reserves, and the stability of credit to the economy. The government also proposes to establish, with its development partners, a medium-term program aimed at ensuring the sustainability of finances and stabilization of the state treasury.

Fiscal Policy. The objective of fiscal policy will be to reduce the overall fiscal deficit (including grants) from 18.9 percent of GDP in 2000 to 2 percent of GDP in 2003 and 0.4 percent of GDP in 2004 and to increase the current savings needed for the counterpart financing of public investment programs.

The reform of the tax system now under way seeks to expand the tax base, strengthen and improve the collections system, introduce the Value Added Tax (VAT) in early 2003 and liberalize customs tariffs. In this context, the government will restructure the National Committee, train system managers, install the necessary information system and carry out a national public information campaign on the VAT during 2002.

Budgetary Policy. The high budget deficit, including grants, in 1999 (11 percent of GDP) and 2000 (19 percent) is on all counts unsustainable, with visible negative consequences in respect of external reserves, the excessive increase in base money and banking system liquidity, and the resulting increase in interest rates. While the level of inflation remained low in the last two years, it was essentially because of three factors: good crop years in 1999/2000,¹² fuel price subsidies despite increased prices on the international market in 2000, and the fixed peg exchange regime, which to a certain extent contained the growth rate of imports.

Containing public spending will continue to be a priority. The government will implement measures to consolidate the management of public expenditures, including: (i) consolidating the transparency of automatic mechanisms for adjusting the prices of petroleum products with the elimination of fuel price subsidies and of disruptions to the state budget owing to fluctuations in the world petroleum market. A study of the price system was completed last November with the support of the World Bank, (ii) promoting the creation of a system to finance scholarships for higher education that will be sustainable for the state budget, (iii) prioritizing expenditures and strengthening mechanisms to control the execution of public expenditure. The government will

¹² Good crop years helped stabilize food products in those years. These products account for more than 50 percent of the CPI weighting system, which is still in effect and used to calculate inflation.

continue the program to reform the financial management of the state and will implement the Public Expenditure Review (RDP) program at the global and sectoral levels (education and health), followed by a medium-term plan to achieve greater control of expenditure, and (iv) completing the program to reform public enterprises in order to reduce state subsidies.

Monetary and Financial Policy

In strict coordination with the fiscal and budgetary policies, monetary policy will also be aimed at ensuring the stability of the macroeconomic situation, supporting the exchange regime based on the fixed peg tied to the Euro and external reserves greater than 3 months of imports of goods and services. Measures will be implemented to reduce net credit to the central government and free up resources to stimulate the expansion of credit to the private sector at the projected nominal GDP growth rate.

The Bank of Cape Verde (BCV), with the necessary autonomy, will be responsible for using monetary policy instruments to control liquidity and its impact on price stability and to ensure attainment of the established objectives of the Macroeconomic Program of stabilization, growth and poverty reduction. The BCV will also be responsible for guaranteeing the soundness of the banking system, specifically by strengthening the mechanisms for supervising commercial banking. The government also understands that the independence of the central bank is necessary to ensure macroeconomic stability and support the exchange regime. Consequently, it plans to implement the reform of the Bank's charter in 2002, a project currently under way with technical assistance from the IMF.

Public Debt

Due to the heavy burden of domestic debt on GDP, the government seeks to accelerate the process of domestic debt conversion initiated in 1998 with the establishment of the Trust Fund, which is funded with privatization receipts and contributions from bilateral and multilateral partners. In this context, the government intends to organize a round table in February 2002 to discuss the continuity of the process with its partners. The government also intends to reduce the weight of domestic public debt in GDP to 20 percent, within the timeline of the GOPs.

With respect to external debt, the government plans to continue implementing a plan—under individual agreements with each multilateral and bilateral creditor—to eliminate the stock of external payment arrears, currently estimated at close to \$18 million. In view of the large stock of external public debt and cumulative delays in payment, the government's policy will be consistent with the need to preserve the balance of public accounts. On this subject, the government does not intend to contract new nonconcessional debts in the medium term. Moreover, it intends to implement an effective system to manage external public debt, with an up-to-date database on changes in the stock of debt and the respective service, which will be the responsibility of a committee made up of the General Treasury Directorate, the General Budget Directorate, the Bank of Cape Verde and the Ministry of Foreign Trade.

Incomes and Prices

Income policy is a critical component of macroeconomic management, in that it affects fiscal policy and the competitiveness of goods and services produced in the country for the international market. It must be coordinated with the price policy and with the productivity of labor, promotion of public employment and combating poverty, stabilization of the expectations of economic agents and real household incomes, in an ongoing context of collaboration and dialogue with the representatives of economic agents.

Macroeconomic Management

The achievement of the above objectives of stability will be largely dependent upon adequate macroeconomic management. Although efforts have been made in policy formulation and implementation in the context of the National Development Plans (PNDs) and the state budget (SB), the same cannot be said with respect to the tracking and assessment of short-term fluctuations in the national economy, as a result of short term regulatory policies and changes in the international economy. The same situation applies with respect to medium-term changes.

There is undeniable improvement in the production of quantitative data (some annual and some monthly and quarterly), making it possible to develop a number of macroeconomic indicators for analyzing changes in the country's economic and financial situation. However, there are still many inadequacies and gaps. Effective macroeconomic management requires coordination and consistency among the various policies, which in turn requires, in addition to an adequate structure for managing the various policy mechanisms and instruments, an up-to-date database of economic and financial statistics. In this context, it will be the responsibility of the INE to complete the compilation of the national accounts using the new updated base year, and to update the methodology and base year for calculating the CPI based on the results of the IDF. Efforts will also be made, with the support of the IMF and cooperation between the INE and the BCV, to improve the quality of the balance of payments during implementation of the Program. The government also seeks to strengthen the committee implementing the program to promote growth and poverty reduction, with technical assistance from the World Bank and other partners, in the areas of the review of public expenditure, budgetary projections and control, treasury operations and external debt management.

Ensuring Good Governance

The major options establish good governance as a strategic resource for the country. The implementation of economic and social development policies requires the application of economically rational criteria in the allocation of public resources. The observance of these criteria presupposes a political-institutional and administrative framework for managing public resources that is clear and transparent; effective instruments and mechanisms for administrative, social and political control of government actions; and clear procedures, instruments and mechanisms for rendering accounts and holding public

decision-makers accountable. The definition of decision-making principles and rules and the standardization of procedures is thus a requirement of the first order.

The government will make every effort to strengthen democracy and consolidate the rule of law based on respect for human rights, laws and the constitution and the organs of sovereignty; institutional cooperation; a framework of accountability and authority; maintaining a stable and credible macroeconomic framework as a condition for promoting economic and social development; equity in the distribution of the benefits and sacrifices of development; and effectiveness in the provision and distribution of public goods.

The government intends to develop the affirmation of citizenship and citizen participation in public decisions and in the reform, modernization and training of public institutions, to enable the state to effectively and efficiently fulfill its responsibilities in the areas of regulation and the defense of competition, property and private contracts. In this context, the government will reform the judicial sector in order to guarantee its independence and effectiveness in the resolution of conflicts. Reform of the civil service will be a priority of the government, aimed at modernizing the civil service and enhancing its effectiveness and efficiency in managing the state and delivering services needed by the population and various actors in society, including economic operators. Special attention will be given to strengthening decentralization and consolidating local power, particularly with respect to clarifying the framework of authority and responsibilities among central, regional and local governments regarding decisions on economic and social development.

2.2 Poverty Reduction Strategies

The experience of preparing the major options of the National Development Plan allowed for extensive consideration of the strategies for combating poverty in Cape. In general terms, the major options confirm and complement the strategies already defined either in the Government Program or in the PNLP, which are guided by the following major principles pertaining to durability and sustainability in the reduction of poverty, participation, decentralization and coordination.

Principles

Fighting poverty in a durable and sustainable manner requires that poverty be attacked in all its dimensions and that action be taken to combat its underlying causes. From this perspective, strengthening the capital (human, social, financial, etc.) of the poor so that they become the driving force of change in their living conditions is of fundamental strategic importance. This is far from a welfare methodology, although such programs may be necessary for those whose disadvantaged position prevents their benefiting from the incentives and opportunities created.

This approach also involves accelerated economic growth with equity, to take account of the poverty dimension, grounded in macroeconomic stability and development of both the productive base and exports, based on the private sector and on good governance.

Finally, the approach involves development that is respectful of the environment and that preserves and strengthens existing fragile environmental balances. The government will give priority to investment in this area. The integration of environmental programs, specifically anti-desertification programs, the action plan on biodiversity, programs to restore marine ecosystems, as well as promotion of renewable forms of energy in a context of durable poverty reduction must be effectively ensured. The 2002-2012 National Action Plan for the Environment (PANA 2), now being prepared, must contribute to better integration of the poverty dimension in environmental programs and coordination of such programs with strategies and programs to combat poverty.

The development of a participatory approach seeks to involve all central and regional structures as well as civil society, the private sector and the poor in all phases, from the formulation of strategies to the monitoring and evaluation of programs and projects. Constructive partnerships will be encouraged between the state and the various actors in civil society. This approach calls for strengthening the capacities of all participants at all levels, including NGOs and grass roots community organizations, so that they can effectively participate in combating poverty.

The option for the decentralization of poverty reduction assumes a strategic approach to poverty reduction, focused and based on the needs of communities and thus involving increased decentralization as a means of encouraging participation at the local level. In this connection, the Municipal Poverty Reduction Plans are preferred instruments for the decentralization of poverty reduction activities.

The coordination of poverty reduction actions at the national, regional and local levels and also with development partners is necessary to create appropriate synergies and avoid duplication of effort.

Strategic orientations

From the operational perspective, the government intends to follow a series of strategic orientations and specific targets already embodied in the PNLN.

1. The development of a macroeconomic and sectoral environment conducive to poverty reduction, including:
 - Renewal of economic growth with social equity;
 - Linkage between poverty reduction strategies and macroeconomic and sectoral policies;
 - Reduction of regional disparities, particularly between rural and urban areas, giving attention to development of the rural and local economy.

2. Improvement in the capacities of the poor, i.e., development of the social, economic, human and financial capital of the poor so that they can take charge of their own escape from poverty. Particular attention is given to developing the productive capacity of the poor through microfinancing policies and training for employment or self-employment. It is in this context that conversion of the FAIMOs is envisaged, as a factor in rising above poverty and not as a component of the social welfare system. The conversion is guided by vectors that include the withdrawal of the state and autonomous agencies from the performance of works, the participation of the private sector, the diversification of activities and their integration from a local development perspective and improvement in planning at the local level, as well as worker training for employment or self-employment. The creation of the AGECABO is consistent with this perspective.
3. Improvement in the economic and social infrastructure of poor communities. The goal is to create conditions so that poor communities can become involved in the dynamics of local and regional development. The improvement of economic and social services, training for community development and, indirectly, the creation of employment, are the main objectives.
4. Correcting regional or social imbalances in access to social services, generally aiming for improvement in the social indicators of the poor, with priority given to:
 - Education, to reduce dropout and grade repetition rates that more acutely affect the poorest strata; reduce illiteracy, particularly among women; improve the coverage of school infrastructures and teaching quality in the most disadvantaged regions, etc.
 - Health and nutrition, with the specific objectives of stepping up the vaccination of children, improving access to reproductive health and family planning services, reducing malnutrition among children and improving curative assistance.
 - Drinking water and basic sanitation, to increase the rate of households with a supply of drinking water, improve access to basic sanitation and increase the level of health education.
 - Housing, with emphasis on social housing and improving the quality of dwellings, including sanitation, energy, etc.
5. Reduction of poverty among women, with special attention to single-parent households headed by women. Various specific objectives are established, including better and greater participation by women in the economy and in society through diversified and transversal actions, improvement in the health of women, increased literacy, etc.
6. Social mobilization for participation, aiming not only at the poor's taking charge of their own development, but also the entire society's taking part in the fight against poverty. The promotion of community organization-building, the development of information, education and communication are among the objectives pursued.

The major options consider security an important objective in the fight against poverty. The mobilization of water resources, including surface waters, greater productivity of water and agricultural and livestock yields, increased fisheries production, improved food distribution and marketing, environmental preservation, etc, are considered important objectives. In addition, food aid will continue to play an important role in achieving food security, either directly or through the creation of jobs, and thus income, or through public works for employment of the FAIMO type. The need for projects of this type will continue for many years. Thus, the conversion of the FAIMOs, which means structural changes in order to not only restructure the system but also to allow workers to move beyond the cycle of poverty, is an ongoing medium-/long-term process.

Summary of the Objectives, Strategies and Activities in Combating Poverty		
Programs	Objectives	Strategies/Activities
INTEGRATING THE POOR INTO THE ECONOMY	Develop sustainable employment opportunities for the poor strata	<ul style="list-style-type: none"> - Income-producing activities and micro-enterprises and self-employment - Micro-credit - Conversion of FAIMOs - Public works for employment - Training, literacy programs and technical assistance
Income-Producing Activities	Increase the productivity of the poor and improve opportunities for access to employment and self-employment	<ul style="list-style-type: none"> - Promotion - Micro-credit - Training and technical assistance
Employment Training	Train the poor and increase their opportunities to compete in the labor market	<ul style="list-style-type: none"> - Vocation training - Functional literacy - Labor market
Improved infrastructures/local initiatives	Improve living conditions in pockets of poverty (income, health, education, water and sanitation, community development, etc.)	<ul style="list-style-type: none"> - Local micro-enterprises - Participation - IEC - Employment
Public Works for Employment/ Conversion of the FAIMOs	Convert the FAIMOs, from the perspective of reducing poverty and improving their social and economic utility	<ul style="list-style-type: none"> - Creation of employment - Promotion of private initiative - AGE CABO - Training - Institutional capacity
IMPROVED SOCIAL ACCESS	Improvement in social indicators and correction of disparities	<ul style="list-style-type: none"> - Increased access to basic services - Decentralization
Education	Increase opportunities for access by poor children to education and reduce the dropout and grade repetition rates	<ul style="list-style-type: none"> - Teacher training - School infrastructure - School aid
Health and Nutrition	<ul style="list-style-type: none"> - Improve the poor's access to health care - Improve children's nutritional status - Promote positive behavioral changes 	<ul style="list-style-type: none"> - Maternal-child health and FP - Immunization and combating epidemics - Medications assistance - Health education - School cafeterias and nutritional assistance for ages 0-5 - Quality of care
Water and Sanitation	<ul style="list-style-type: none"> - Increase population coverage and water quality - Improvement in the conditions of basic sanitation 	<ul style="list-style-type: none"> - Collective and individual infrastructure - IEC - Municipal management
Housing	Improve the housing conditions of the poorest strata	<ul style="list-style-type: none"> - Social housing - Renewal of degraded neighborhoods - Self-construction
SOCIAL MOBILIZATION	Mobilize the society to combat poverty	<ul style="list-style-type: none"> - Communication and information - Training and participation
Training and participation of poor communities	Mobilize and strengthen the capacities of poor communities so that they can take charge of their own development	<ul style="list-style-type: none"> - Development of local capacity - Organization and participation of the poor - Participatory community development - Strengthening NGO capacity
Information and Communication	Mobilize civil society to establish partnerships for combating poverty	<ul style="list-style-type: none"> - Dissemination and consensus-gathering on poverty reduction strategies - Information campaigns
INSTITUTIONAL CAPACITY	Creation of poverty reduction capacity, at all levels	<ul style="list-style-type: none"> - Training and TA - Creation and installation of monitoring mechanisms
Strengthening Institutional Capacity at the Central Level	<ul style="list-style-type: none"> - Strengthen coordination and monitoring capacity at the central level - Strengthen the statistical base on 	<ul style="list-style-type: none"> - Creation and operation of AGE CABO - Creation and operation of CNLP - Fund to support local initiatives - Creation and operation of Poverty

	poverty	Observatory and statistical system
Strengthening Institutional Capacity at the Municipal Level	Strengthen coordination and monitoring capacity at the local level	- Creation and installation of CP and UCM - Strengthening of local statistics
Strengthening Institutional Capacity at the Level of Intermediate Agents	Strengthen the capacity of NGOs and CSOs	- Training - Technical and material support

3. Process of Preparing the PRSP

Coordination of Planning Instruments

The success of the PRSP depends to a large extent on the degree of national ownership. Thus, the exercise of preparing the PRSP in the initial stage, and following it up and evaluating it in a second stage, must be compatible with existing planning mechanisms so as to ensure consistency and coordination between the different instruments.

The major options establish broad guidelines for the country's long-term development. They serve as the backdrop for formulating the National Development Plan in the preliminary preparation phase, which will define strategies, policies and programs to guide the government's medium-term activity in the economic and social areas.

Preparation of the PRSP is part of this planning effort. This means, based on the PND, developing and deepening the specifics of the fight against poverty in appropriate strategies and policies and in specific, measurable objectives, as well as involving the population through a participatory process that seeks the consensus and engagement of society as a whole in the fight against poverty.

Links will also be established with other existing mechanisms with the potential to contribute significantly to the PRSP. Thus, the UN-NADAF and the UN's CCA as well as the process involved in the UNDP's Human Development Report for Cape Verde also constitute frames of reference and coordination for poverty reduction.

Institutional Mechanism for Preparation of the PRSP

In the context of the PNLP, an institutional mechanism for coordinating and monitoring poverty reduction was defined and implemented, with varying degrees of success. This mechanism can be used as a frame of reference for institutional guidance in the preparation of the PRSP. It is based on the existing system in order to avoid the proliferation of structures operating in parallel, which would result in wasted resources and institutional conflicts. This same mechanism, with suitable adaptations, will serve as the framework for monitoring the PRSP implementation phase.

I. INSTITUTIONAL MECHANISM FOR COORDINATING AND MONITORING POVERTY REDUCTION

The institutional mechanism incorporates the principles of decentralization and participation in poverty reduction. Thus, the mechanism encompasses the national and regional levels (Council) and anticipates the participation of civil society.

At the national level

- National Poverty Reduction Commission: Organized to include civil society and the private sector, the CNLP is the agency responsible for inter-sectoral liaison and for the coordination and monitoring of poverty reduction activities. The UCP (PNLP Coordinating Unit) acts as the executive secretariat of the CNLP.
- Sectoral focal points: Sectoral linkages for issues related to poverty.
- Poverty Observatory: Mechanism for follow-up and analysis of the status of poverty in the country.

At the regional level

- Municipal Commission of Partners: the CMP brings together—in a Council—representatives from local autonomous agencies, civil society and the private

This mechanism will need to be strengthened, consolidated and adjusted (jurisdiction and powers, hierarchical system, etc.) to adapt it to the new environment that will result from the PRSP's technical assistance requirements and to the new institutional shape of the government. In this context, the PNLP will increasingly become an intervention program targeting poor strata and communities. The CNLP will act as a monitoring committee for preparation of the PRSP, its mission being to define the broad outlines and guide the preparation process and ensure that PRSP proposals are consistent with macro and sectoral policies.

In this new context, it seems desirable that the General Planning Directorate of the Ministry of Finance and Planning play a pivotal technical role in the programming, coordination and monitoring of poverty reduction strategies and, thus, of the PRSP, acting as the Executive Secretariat of the CNLP. This option basically stems from the need, as seen above, to ensure perfect integration and coordination between the different instruments in both the preparation and implementation stages (monitoring, coordination and evaluation). Consequently, the agency charged with preparation, monitoring and evaluation of the PND should also be responsible for the PRSP.

It is important that the DGP, from the outset, include a technical unit for operational coordination of the preparation of the PRSP under the guidance of the CNLP. This unit could evolve with the process of preparing the PRSP to become the core agency for monitoring and assessing the PRSP and thus the motivating force behind the CNLP. From this perspective, it makes sense for the Poverty Observatory, once strengthened in

its institutional capacity and reviewed with respect to its powers as a mechanism for monitoring poverty in the country, to change its institutional anchor (currently the MSS). There are two alternatives: becoming the agency responsible for monitoring and coordinating the PRSP, the DGP, (ii) becoming the INE, as a structuring nucleus for the “Social Instrument Panel” to be launched in 2002.

Institutional Capacity for Preparing and Monitoring the PRSP

Preparation of the PRSP, and especially its monitoring and implementation, is a complex task. This means initiating a process of strategic planning by objectives that can be measured, which will necessarily involve strengthening the capacity to monitor performance. It is essential that this strengthening occur in the initial phase, i.e., during preparation of the PRSP, in order to avoid lags that may be harmful to the very credibility and ownership of the PRSP.

Institutional capacity building will have an effect on areas such as planning and strategic management by objectives, budgetary and financial management and the statistical information system. In particular, the capacity of the DGP and the CNLP to prepare and monitor the PRSP needs to be strengthened, for greater control of the methodological instruments of strategic poverty reduction planning, thus allowing for greater integration of the poverty dimension in macroeconomic and sectoral policies.

The improvement of statistical production and of its reliability and regularity, as well as its processing, are essential for monitoring the PRSP. This includes improvements in the timely preparation and publication of the National Accounts and statistics on the external accounts. It also involves strengthening the capacity to collect, process and analyze information on poverty, including the strengthening of the Poverty Observatory and the improvement of information systems at the sectoral level, e.g., education and health.

Strengthening the budgetary and financial management of the state is necessary for effective PRSP monitoring and implementation. The government will continue reforming the tax and budgetary system, including budgetary planning and management, debt management and Treasury operations. The general and sectoral (health and education) Public Expenditure Reviews (RDP) will play an important role in generating information for use in preparing the PRSP (indicators and goals, costs of delivering services in relation to the access of the poorest populations, etc.) and also in budgeting by objectives, and ultimately allow for greater integration of the poverty dimension in general and sectoral policies.

Participatory Approach for Preparing the PRSP

The aim of participatory formulation of the PRSP is to develop a dynamic process of strategic planning that combines a technical planning approach with a public consultation approach that involves not only government agencies at the central and local levels but also members of civil society and the private sector, as well as Cape Verde’s development partners. The principal entities involved in this process will be the central

administration departments concerned with the problems of reducing poverty, local administrations, national and local elected officials, political forces, civil society organizations, religious orders, private sector organizations, unions and development partners.

Participation will occur via a consultative process that includes workshops and forums, etc., conducted at both the national and regional levels. The consultations will essentially entail the identification and justification of the strategic orientations of poverty reduction as well as the determination of general and specific objectives and priority actions and the expected results. Consultations may also be organized on topical or sectoral matters.

The poor will participate through a simple qualitative survey, which may be necessary to fine-tune the diagnosis of economic welfare and poverty; the purpose will be to capture the views of the poor regarding their situation and the survival strategies adopted. In this way, poverty reduction strategies and objectives can be geared to reality and thus contribute to effective improvements in the living conditions of the poor.

At the end of the process, the PRSP will be subject to validation, both internally and externally. Internally, the PRSP will be validated through a national forum before it is approved by the government. Externally, the government will submit the PRSP to its development partners to facilitate the mobilization and coordination of the necessary resources. Coordination between the government and its partners is also an important matter to be taken into account from the start of the process of formulating the PRSP. Based on the experience of the PLNP, this means seeking a better harmonization of approaches and procedures and the synchronization of financing at the execution level, as required by the management by objectives approach selected for the PRSP.

Stages for Preparation of the PRSP

The preparation of the PRSP is thus part of a national planning cycle, within the logical sequence of the major options and the PND. The PRSP is expected to be completed in May 2003. The general schedule for preparing the PRSP is shown in the table below. To be noted is its general nature, as it allows for introducing changes that the process may make advisable.

The process of preparing the PRSP basically consists of three interactive phases. The first phase involves the diagnosis of living conditions and poverty that will be used as the basis for defining strategies, objectives and indicators. The IDF is the principal instrument on which this phase is based. Launched in October 2001, the IDF, with a view to analyzing poverty, will present its first results in June (first tabulation based on 50% of the sample) and November (second tabulation based on about 75% of the sample) of 2002. The final results that will make it possible to more firmly draw the poverty profile will not be available until the first quarter of 2003.

This programmatic lag in the IDF in terms of the requirements of preparing the PRSP should lead to a pragmatic approach, based on the principle that the PRSP, far from being a linear process, is rather a dynamic process that can be periodically adjusted. Thus, the

diagnosis of economic welfare and poverty will be carried out at different times. The first is based on the results of the 2000 Census and other national, regional and local studies, possibly supplemented by a very simple qualitative survey with limited geographic coverage. The second will feature an examination of the initial results of the IDF and should lead to establishment of the preliminary poverty profile (extent, intensity, distribution, etc.). The third will provide greater depth in the poverty profile and possible revision/refinement of strategies.

Schedule for Preparation of the PRSP	
	Approval of the Major Options 2020 (*)
December 2001	Preparation of the PND
December 2001 – April 2002	<ul style="list-style-type: none"> • Diagnosis (Concluded) • Identification of programs (Dec. 01 – Jan. 02) • Finalization of the PND (April 02)
February - March 2002	Creation of technical unit
February - March 2002	RDP sectoral education and health
	RDP environment
April 2002	General Public Expenditure Review (RDP)
1st Stage April – August 2002	Diagnosis of living conditions and poverty
	<ul style="list-style-type: none"> • Launch of the IDF (accomplished) • Simple qualitative survey • Topical/sectoral studies • First update
June 2002	First edition of the preliminary results of the IDF
August – November 2002	Definition of strategic orientations
	<ul style="list-style-type: none"> • Technical definition • First consultative session
2nd Stage November – January 2003	Definition of specific objectives, priority actions and expected results
	<ul style="list-style-type: none"> • Second edition of preliminary results of the IDF • Second update of the diagnosis and definition of the poverty profile • Inventory of actions planned and in progress and budgeting • Second consultative session
January – March 2003	Final results of the IDF
	Finalization of the PRSP
3rd Stage April 2003	Internal validation
	<ul style="list-style-type: none"> • Validation forum • Approval by the government
May 2003	External validation
	<ul style="list-style-type: none"> • Presentation to development partners

This first phase will be used to take stock of policies and programs to combat poverty and to conduct the sectoral/topical studies (education, health, environment, macroeconomics, etc.) that are necessary to ensure the integration of the various dimensions of poverty in the PRSP.

The second phase involves the formulation of objectives, strategies and indicators, as well as costing of the PRSP. This phase combines a technical strategic planning approach and a participatory approach that involves all participants and civil society in the formulation of strategies through suitable mechanisms (national or regional, general or topical workshops/forums/seminars).

The third phase provides internal validation, which involves the government and other institutions engaging in the necessary negotiations, and external validation together with development partners, in order to obtain the consensus necessary to mobilize support for implementing the PRSP. This last activity will be facilitated by the participation of external partners in the various stages of the process, the inclusive nature of which will contribute to timely implementation of the PRSP.

A communications dimension must accompany the entire PRSP preparation process. Experience gained in implementing the PNLN shows that this is necessary to sensitize and mobilize society and the principal partners around the strategies to combat poverty. A communication strategy must, therefore, be defined from the outset of the process, covering the preparation of the PRSP and extending throughout its implementation.

4. Activities for the Preparation of the PRSP

The following table presents the activities for preparation of the PRSP as well as technical assistance requirements. As emphasized above, the need to create the necessary conditions for monitoring the PRSP must be taken into account from the outset. In this sense, it is proposed that a unit be created in the DGP that will be responsible for coordinating preparation of the PRSP and its monitoring. Studies and diagnoses for better comprehension of the situation of poverty as well as census-taking and assessment of macroeconomic and sectoral policies and activities will be carried out to support the poverty reduction strategies of the PRSP and to ensure that it is in tune with concrete reality. The IDF will be a valuable instrument in this phase. The first and second edition of the preliminary results will appear in June and November of 2002 respectively and will make it possible to define the first poverty indicators. These will later be consolidated, making it possible to refine the profile of poverty in Cape Verde. Participation in the preparation of the PRS will be ensured through various workshops, including topical or sectoral workshops at the regional and national level.

Various activities are designed to strengthen the statistical base, without which preparation and monitoring of the PRSP will become a fruitless task. Processing of the IDF, consolidation of the Poverty Observatory, strengthening and adaptation of the National Accounts and improvements in the management of monetary policy and the balance of payments are among the activities planned.

In the macroeconomic area, there are various activities planned that are needed to improve macroeconomic and budgetary management in order to ensure the equilibriums needed for stability. Monitoring of the situation and macroeconomic forecasting, improvements in system of budgetary management and public accounting are aspects to be considered. Reform of the Social Pension and the financing of academic scholarships also merit attention due to their heavy weight in the state budget.

Schedule of Activities for Preparation of the PRSP and Creation of Conditions for Monitoring

Area Objectives	Activities	Technical Assistance Need	Administrative Area	Start Date	Cost (estimated)	Financing
IPRSP Support for preparation of the iPRSP	Formulation	Up to 2 man/months	MFP-DGP	Dec 01		WB Project Social Sector Development
Coordination Creation of capacity to formulate and monitor the PRSP	Strengthening capacity to prepare and monitor the PRSR [sic]	3 consultants/1 year, training and equipment	MFP-DGP	Feb 02	\$150,000	
	Methodological support	3 man/months of consulting	MFP-DGP	Feb 02	\$54,000	
	Monitoring system and data base	1 consultant/1 year	MFP – DGP	Jun 02	\$180,000	Netherlands
Diagnosis of living conditions and poverty and strategies Obtaining base of knowledge needed to define the PRS	Studies - Qualitative study (localized simple survey) - Balance of policies and programs - Topical and sectoral studies - Poverty profile - Indicators and budgeting	Reserve for consulting	MFP-DGP	March-April ++++	\$70,000 +++++	UNDP and UNS (partial)
I. PARTICIPATORY FORMULATION OF THE PRSP Reaching consensus on the PRSR [sic]	- National and regional workshops - External validation	7 workshops 1 meeting with donors	MFP-DGP		\$50,000	
Statistics Strengthening the base of statistical information for preparing and monitoring	Collection of IDF data	1 consultant/ 1 month	INE	Oct 01	\$22,300	WB Project Social Sector Development
	First and second edition of preliminary results from the IDF	1 consultant/ 2 months in 2	INE	June 02	\$44,500	WB Project

the PRSP	First poverty indicators / recomposition of new CPI basket and weights	months in 2 missions		Nov 02		Social Sector Development
	Edition of final results from the IDF. Poverty indicators and poverty profile	1 consultant/ 3 months	INE	Jan – Mar 2003	\$53,000	Not identified
	Strengthening of the Poverty Observatory		DGP/ INE			UNDP
	Implementation of the Social Instrument Panel	2.5 man/months in 2 missions	INE	Mar-May 2002	\$45,000	
	AIDS survey		MSS-DGS			

Schedule of Activities for Preparation of the PRSP and Creation of Conditions for Monitoring

Area Objectives	Activities	Technical Assistance Need	Administrative Area	Start Date	Cost (est.)	Financing
National Accounts Reform of National Accounts and improvement of monetary management and Balance of Payments	Data collection/institutional aspects. Change in base year and implementation of SNA93 methodology	1 advisor for 16 months	INE	July 02 to Dec 04 (3 months in 02; 6 months in 2003; 7 months in 04)	\$267,000	
	Management of monetary and BP data	1 advisor for one year	BCV		\$145,000	IMF (?)
Macro and Budgetary Management	Macroeconomic projection	Macro projection computer tool	MFP-DGO/DGP			WB SAC

Improvement in macroeconomic management to ensure financial equilibriums; assuring better scheduling and control of public expenditures and their transparency.	Monitoring and coordination of policies and programs	1 advisor for one year	MFP – DGP		\$145,000	
	Integration of PRSP in the PND and in medium-term budget	Model for integration of economic, social and environmental data	MFP – DGP/DGO		\$150,000	
	Donor coordination		DGCI-DGP			Luxemburg
	General Public Expenditure Review (RDP)	1 consultant for 60-80 days and 3 missions	MFP-DGO/DGP		\$45,000	WB SAC
	Education sector RDP		MECD	Feb-Mar	\$30,000	E.U.
	Health sector RDP		MSS	Feb-Mar	\$30,000	E.U.
	Environmental sector RDP		MAP			Netherlands
	Review Financial Accountability Arrangements	One CFAA	MF-DGT	2002 (preparatory mission in Mar 02)	To be defined	Netherlands
	Preparation of Budget and Accounts	1 consultant for ...year	MFP-DGO/DGP			E.U..
	Social Pension Reform	1 consultants for.... days	MFP			WB Privatizations Project
	Tertiary Fund for Education	1 consultant for ...	DECD			

Schedule of Activities for Preparation of the PRSP and Creation of Conditions for Monitoring

Area Objectives	Activities	Technical Assistance Need	Administrative Area	Start Date	Cost (est.)	Financing	
Taxation Reform of tax system with a view to introducing the VAT	VAT and tariff structure	1 consultant for one year	MFP-RAFE/Customs		\$145,000	IMF	
	Implementation of the VAT	1 consultant for one year	MFP-RAFE		\$145,000	IMF	
		Material and equipment					Luxemburg, WB Financial Sector Reform Project
		Training (... consultants for ... days and... workshops for... days)					Luxemburg, WB Financial Sector Reform Project, Portugal
Decentralization Integration of decentralization in the PRS	Decentralization and coordination of poverty reduction activities at the local level	1 consultant/1 year	SEREAAP		\$145,000		
Development of the Private Sector Improvement in operation of the market	Reform of system for setting the price of petroleum	... consultant...	MFP/MCTI			WB Water and energy project	
	Implementation of the ANSA	Equipment, training, studies	MCTI-ANSA	Mar – Jun.	\$300,000	EC (\$170,000)	
	Implementation of the ARM		MFP				

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Cape Verde: Principal Poverty and Social Indicators

	2000 ¹	Sub-Saharan Africa	Low-Middle Income Countries
I. POPULATION			
Growth rate (average annual % in the 1990s)	2.4	2.6	1.1
Urban population (%)	53.7	33.8	42.9
Fertility rate (births per woman)	4.0	5.3	2.1
II. POVERTY			
National incidence (%) (1993)	30.2		
Urban incidence (%) (1993)	17.2		
Rural incidence (%) (1993)	46.1		
III. INCOME			
GNP per capita (US\$)	1,330	490	1,200
Gini index (1989)	0.43		
Consumer price index (1995=100) (1993-99)	120	131	137
IV.			
V. SOCIAL INDICATORS			
VI. PUBLIC EXPENDITURES			
Health (% GDP)	2.3	1.7	2.3
Education (% GDP)	7.0	5.4	?
Life expectancy at birth (years)			
Total	69.0	47	69
Men	66.0	46	67
Women	72.0	48	72
Net rate of schooling in primary education (%)	96.0		99
VII. PROPORTION OF GIRLS IN BASIC ELEMENTARY EDUCATION (%)			
	49.0		
VIII. ILLITERACY RATE			
IX. TOTAL (%)			
	25.2		
Men (%)	16.5		

¹ Year 2000, unless indicated otherwise.

X. WOMEN (%)	32.8		
XI. MORTALITY			
Infant (per 1,000)	23.1	92	32
Children under 5 years (per 1,000)	28.2	161	40
General (per 1,000)	5.6		
XII. RATE OF IMMUNIZATION IN CHILDREN UNDER ONE YEAR CCV (1995-2000) (%)	63.9	59	87
XIII. ACUTE MALNUTRITION 0-5 YEARS (PER 1,000)	55.4		
XIV. MATERNAL HEALTH			
Attended births (%) (1998)			
Total	54.0		
Urban	76.0		
Rural	33.0		
Maternal mortality (per hundred thousand)	76.1 ²	453	133
Access to potable water system (%)³			
Total	70	55	80
Urban	76	82	94
Rural	61	41	69
Access to a sanitation system (%)			
Total	45.5		
Urban	60.0		
Rural	26.0		

² Abnormal peak in 2000: average of 34.5 in 1998 and 1999

³ Piped water and fountain