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José Brandão

Teresa Olazabal Cabral

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I. Portuguese Cooperation for Development

Guiding principles

Cooperation for development, a core area of Portuguese foreign policy, is based on the constitutional principles by which Portugal's international relations abide: respecting Human Rights and cooperating in the progress of mankind.

In a world where about to one fourth of the population lives below the threshold of absolute poverty, the respect for human rights imposes upon the richer countries the responsibility of to adopt an active policy of poverty reduction. Portugal, a country that only a few years ago reached a level of development allowing it to become a member of the group of donor countries, is also committed to this international responsibility and solidarity.



By adopting the principles set out in the United Nations Millennium Declaration, which were reaffirmed by the Monterrey Summit, Portugal has chosen poverty reduction as its objective and fundamental guiding principle.

The key objective of Portuguese Cooperation is therefore to support the partner countries in reducing poverty and attaining sustainable development. The success of this strategy largely depends on it being accepted by the countries to which it is aimed, taking into account their development options and the coherence between the cooperation policies of the various donors and international agencies. To this end, it is essential that partnership and consultation principles, at different levels, be observed: policy-making, policy implementation and evaluation of results.

Accordingly, the Portuguese Cooperation for development policy takes into account the development options of the recipient countries, the principle of partnership and the need to promote a better international coordination of development aid.

The progress that is sought must be lasting and equitable. Therefore, the Portuguese cooperation policy is guided by the principles of sustainability and equity, with a view to guarantee the bases of a sustainable development and to eliminate all forms of discrimination in the access to the benefits it generates.

The status of the Least Developed Countries, according to the United Nations, a characteristic of Portugal's partner countries, reveals the multiple shortcomings in every sector (social, economic, institutional, etc.). The contribution of Portuguese cooperation consists in supporting the creation of the conditions required for these countries to undergo sustainable development in the long term. Accordingly, the Portuguese cooperation policy must take into account both the specificities of each partner and the interventions of the other (bilateral and multilateral) cooperation players, in order to promote coordination, coherence and complementarity in the joint development effort.

In observance of the Millennium Development Goals (MDG), reasserted in the Monterrey Conference in March 2002, the Portuguese cooperation for development policy has assumed the following specific goals:

- reinforcing democracy and the Rule of Law;
- reducing poverty, by improving the economic and social conditions of the more underprivileged populations and by developing the basic social infrastructure;
- stimulating economic growth, by strengthening private initiative;
- promoting a European partnership for human development.

Priority areas

The limited resources and capacities of Portuguese Cooperation make it necessary to establish intervention priorities for each period and partner country and for certain sectors. The effectiveness that is sought in cooperation policy requires greater concentration in carefully selected sectors, a factor that takes on particular relevance in the case of Portugal, which has traditionally adopted a greatly dispersed cooperation policy consisting of multiple small actions of reduced impact and visibility. However, nowadays Portuguese cooperation is essentially aimed at the following strategic intervention areas: (i) sectorial (education, health, agricul-

ture); (ii) cross-sectional (institutional capacity building and rule of law / justice, vocational training).

In the area of **Education and Training**, in addition to the added value of the language and the historical affinity, which are decisive factors in implementation of education and training programmes, as has been internationally acknowledged, education is a priority in rendering possible access to social and economic development. On the other hand, training, and particularly vocational training, is vital to promoting the private sector. The intervention in this area includes the building / maintenance of infrastructure, the training of teachers and trainers and the development of educational technologies and materials adjusted to the specific circumstances.

In the area of **Health**, intervention takes primarily into account the goal of improving social conditions, which must include support for the structuring of basic care health services, with particular emphasis on maternal and child care, family planning, differentiated care, professional training and the fight against endemic and epidemic diseases. Fighting against these diseases is one of the areas where the development of tropical medicine research, currently carried on in Portugal, is a positive factor to be taken into consideration.

In the development process, it is essential to promote the modernisation of public administration and the strengthening of civil society, thus enabling to promote **Good Governance and Institutional Capacity Building** and create an environment of trust with the economic agents. Actions to consolidate the democratic political power structures, to strengthen civil society and to empower the administration all lie within this scope.

In the area of **Agriculture**, it is in the rural world that a significant part of the population of developing countries is concentrated and it is there that the highest poverty indexes can be found. Adequate intervention in the rural sector must seek a strategy that focuses on food security and poverty reduction, its priorities being the production of food crops, the management of natural resources and the promotion of agricultural markets, with a view to encouraging the production of commercial crops.

II. Background of the Portugal – Cape Verde Cooperation

Over the last few years, cooperation between Portugal and Cape Verde has been developed at the bilateral level, through Indicative Cooperation Programmes (PIC),



which are implemented according to Annual Cooperation Plans (PAC). At a multilateral level, Portuguese Cooperation has participated in programmes of the European Union, of the different United Nations agencies and of the Community of Portuguese-Speaking Countries (CPLP), as well as in tripartite projects, as a partner of other bilateral donors

The previous Indicative Cooperation Programme for the 2002-2004 triennium, of 50 million euros, had identified the following concentration areas: strengthening macroeconomic stability, supporting institutional capacity building, developing human resources, developing infrastructure, broadening the productive base, improving the competitiveness of the Cape Verdian entrepreneurial sector, developing culture and preserving the historical heritage.

Among the programmes and projects that were implemented, reference should be made to the following:

- Exchange Rate Cooperation Agreement, under which Portugal provided a Credit Facility aimed at reinforcing the Cape Verde foreign exchange reserves, in order to ensure the stability of the country's currency (Cape Verde Escudo – CVE), and Cape Verde was entitled to use up to 44.9 million euros per year.
- Infrastructure Enlargement and Modernisation – School Network, Health Centres Road and Airport Networks, Industrial Park.
- Teaching / Education Support Programme (*Programa de Apoio ao Desenvolvimento do Ensino Secundário – PADES*), geared to supporting teacher training, Secondary Education teaching and development of Technical and Vocational Education.
- Granting of scholarships to attend Graduate Degree courses at both Portuguese and Cape Verdian higher education institutions, and to attend Master's Degree and Doctoral Degree courses at Portuguese universities. Also within the scope of

cooperation in the area of higher education, an agreement was signed under which Portugal yearly offers 800 vacancies for Cape Verdian students.

- Integrated Employment, Vocational Training and Social Integration Programme, funded and led by the *Ministério da Segurança Social e do Trabalho – MSST* (Ministry for Social Security and Labour), which was aimed at creating job opportunities, the vocational training of youths of both genders, social and community development, setting up of small companies and creating social protection mechanisms.
- Cultural Centres at Praia and Mindelo, Book Fairs, Support to Libraries, Multimedia Libraries and artistic creativity.
- Rehabilitation and Preservation of the Historical Heritage – Cidade Velha See, *Casa Cor-de-Rosa*, Replica of the Belem Tower.
- Spatial Planning – Production of cartography at adequate scales and support to the creation of a Geographical / Territorial Information System.

Over the years, Portugal has remained one of the main contributors to internationally-granted Official Aid to the development of Cape Verde, as well one of the main Foreign Direct Investment partner, particularly in the areas of Banking, Insurance, Energy, Transport, Tourism, Manufacturing Industries and General Trade.



Within the overall context of the Portuguese ODA, aid channelled to Cape Verde has registered a significant increase, as it has become the 2nd largest recipient country, preceded only by East Timor. This can be attributed essentially to the costs associated to the vacancies made available to Cape Verdian students in Portuguese public higher education (in 2003, this cost attained approximately 28.5 million euros).

Portugal has attempted to provide adequate support in the process for the upcoming graduation of Cape Verde to Least Developed Country (LDC), striving for the implementation of a smooth transition strategy that will guarantee that the conditions required for the Country's self-sustained development are created, which is essential to safeguard to credibility of the policy defined by the United Nations. Moreover, Portuguese diplomacy has on several occasions supported Cape Verde's ambition to benefit from a special partnership with the EU.

Sectorial Distribution of Portugal-Cape Verde Bilateral ODA 2000-2005

SECTORS	2000	2001	2002	2003	TOTAL	
Education*	7.571.863 30,6%	3.404.382 13,2%	3.852.619 33,3%	29.685.460 83,4%	44.514.324 45,6%	in euros
Health	697.415 2,8%	967.916 3,8%	1.368.934 11,8%	2.208.751 6,2%	5.243.016 5,4%	
Government and Civil Society	383.927 1,6%	141.987 0,6%	356.030 3,1%	638.130 1,8%	1.520.074 1,6%	
Other Infrastructure and Social Services	3.680.845 14,9%	2.188.711 8,5%	3.492.467 30,2%	2.231.720 6,3%	11.593.743 11,9%	
Transport and Storage	3.477.873 14,0%	1.136.706 4,4%	156.934 1,4%	-196.832 -0,6%	4.574.681 4,7%	
Other Infrastructure and Economic Services	957.940 3,9%	746.375 2,9%	493.161 4,3%	310.038 0,9%	2.525.514 2,6%	
Other	2.546.700 10,3%	610.497 2,4%	1.027.563 8,9%	1.234.494 3,5%	5.419.254 5,5%	
AID Programmes and AID Under the Form of Products		16.234.001 63,1%			16.234.001 16,6%	
Debt-Related Actions	5.425.480 21,9%	290.081 1,1%	806.666 7,0%	-500.391 -1,4%	6.021.836 6,2%	
BILATERAL TOTAL	24.760.043	25.720.656	11.554.374	35.611.370	97.646.443	

Source: IPAD

* In 2003 the costs of offering vacancies in higher education to Cape Verdian students were accounted to be of 28,5M?

Evolution of Bilateral ODA by Recipient Country 2000 / 2005

	2000	2001	2002	2003	TOTAL	
Cape Verde	24.760 12,8%	25.721 12,6%	11.554 9,9%	35.611 22,1%	97.646 12,9%	in euros x 1,000
Other PEOP*	151.350 78,1%	163.561 79,9%	157.227 79,6%	93.391 57,8%	565.529 74,7%	
Outros Países	17.753 9,2%	15.414 7,5%	28.662 14,5%	32.492 20,1%	94.321 12,5%	
BILATERAL ODA, TOTAL	193.863	204.695	197.443	161.494	757.496	

Source: IPAD

* Portuguese-Speaking Countries (Portuguese-Speaking African Countries + East Timor)

III. The Political, Economic and Social Situation and the Challenges of Financing the Sustainable Development of Cape Verde

Political Situation

Cape Verde became independent in 1975, thus putting an end to five centuries of colonialism. After National Independence, a single-party political regime came into power and, as in most other countries of the African continent, the consecutive

governments until 1991 structured this young country's economy on a state economy, in which State control and ownership of the main units and economic activity in general prevailed.

In 1991, following the smooth implementation of a political opening process, the opposition won the general election and embarked on a process to consolidate the pluralist democracy and make an in-depth review of the economic policy foundations, opting for a privately based market policy and for opening to foreign investment.

With the adoption of a new Constitution in 1992, constitutional democracy became institutionalised with the separation of legislative, executive and judicial powers. Between 1991 and today, there have been three electoral cycles with two political alternations at central government level. Parliament has 72 members (of which 6 are elected by the emigrants) supported by four parties. There are another three parties that are not represented in Parliament, but nonetheless play an active role in the political arena.

When the new government came into office in 2001, the State and public administration reform strategies took on a new strength. The previous reform lines were continued, but focused more on the citizen and his defence and protection, in order to reduce poverty by applying the principles of good governance. More than improve the State administrative machine, the new government believed that the reform of the State should be guided by the principle of improving the public services provided to citizens, with a view to strengthening citizenship thus contributing to the improved efficiency and effectiveness of the State administrative machine.

Economic Situation

Cape Verde's economy is characterised by structural vulnerability (geography / insularity, environment / drought / food insecurity, external dependence and exposure to external shocks) and its development process to guarantee lasting economic growth faces a wide range of obstacles and problems. Its capacity to create jobs is low, it strongly depends on other countries and its foreign trade is unbalanced.

The 2004 / 2005 agricultural droughts allow anticipating rather poor results in the production of cereals / grain (the estimated maize production is of 4,000 tons, whereas it attained 12,000 tons in 2003 / 4) as a result of unfavourable pluviometry. Families in rural areas must be guaranteed access to water, essential to agriculture, and to income generating activities. Accordingly, the Government will be launching an international appeal for emergency aid to mitigate the effects of the drought.

The integration of Cape Verde in the world economy continues to be the strategic guideline and goal that have been pursued over the last fifteen years. This strategy is believed to be the best way of significantly increasing the population's real income and therefore of fighting against the structural vulnerability of the Cape Verdian economy.

Cape Verde is presently benefiting from Growth and Poverty Reduction Facility for 2002-2004 agreed upon with the International Monetary Fund (IMF). The goals of the macroeconomic policy for this period were defined and the IMF is monitoring their observance. This programme is subject to conditions, which involve, in addition to macroeconomic stability, the implementation of structural measures aimed at tax stabilisation, the strengthening of the monetary policy, the improved efficiency of the taxation structure and the decrease of budget subsidies to State-owned enterprises.

Rapid and strong growth was registered in the nineties, with the support of the private sector – it rose from an average of 3.5% between 1986 and 1991 to 6% between 1992 and 2002.

In the last five years (2000-2004), the performance of the economy was on the whole satisfactory in terms of the programmed goals. The real growth of the GDP attained 5% in 2003 and is anticipated to be of 5.3% in 2004, following the deceleration of approximately 4.3% registered in 2002, mainly due to the impact of exogenous factors.

Manufactured product exports, tourism, transport services and the private sector all contributed to this growth. Private transfers also played a role in

producing a positive impact on the building sector. The internal investment rate is expected to account for close to 19.8% of the GDP in 2004 against the 20.2% of 2002, due to the significant decrease in public investment, which is finding it somewhat difficult to obtain external resources in more accessible conditions.

After 1996, private investment took the lead and concentrates on the most productive and profitable sectors. Foreign investment played a decisive role in private investment, which focused on tourism and the light industry. Between 1997 and 2000, foreign investment accounted for one half of private investment.

The remittances by emigrants represent approximately 11% of the rural income and correspond to an average of around 15% of the country's GDP.



The data on the national accounts reveal that the tertiary sector is at the top of the GDP structure, in particular trade, civil works and public administration services.

The primary sector registered very poor growth in real terms and, consequently, a drop in its weight in the GDP. The secondary sector, headed by construction, contributed approximately 10% to the formation of the 2000 GDP. The manufacturing industry, particularly that operating in the free zones of Mindelo and Praia, underwent significant growth in the last decade and represented 8% of the sector's total and a little over 1% of the GDP in the year 2000. The tertiary sector registered stronger growth over the last fifteen years, essentially as a result of a marked increase in tourism, as well as in the different transport segments and in the banking and insurance sectors.

In 2001, inflation attained 3.9%, but dropped to 1.8% in 2002 and 2003. A negative rate is anticipated for 2004. The improved control of public spending combined with the monetary policy adopted and the continued parity with the escudo, are among the factors that helped control the evolution in prices.

Where public finance is concerned, the Government channelled its efforts to reducing the budget deficit by mobilising external resources and taking tougher measures to contain spending. In 2002, the total budget deficit (grants included) was to have attained 2.3% of the GDP, against the 4.7% registered in 2001. However, despite spending having been lower than initially planned, in 2003 the deficit increased and represented 3.3% of the GDP, due to the unexpected drop in income of approximately 2% of the GDP. In fact, the tax proceeds accounted for 21.7% of the GDP against the 22.8% registered in 2002 and remained far from the proposed target of 24.5%.

Social Situation

The marked economic growth, rich in jobs and equalitarian in terms of gender, resulted in a pronounced reduction in essentially male unemployment. However, the improvement in the labour market did not result in poverty reduction that, on the contrary, increased.

In 2002, the percentage of the poor population was of 36.7%, the very poor being of 19.7%, an escalation in poverty having occurred when compared to the data for 1989. Under five child mortality rates evolved favourably, by decreasing from 43.2 per thousand in 1996 to 28.1 per thousand in 2000. The percentage of literate boys and girls also progressed favourably and in the year 2000 was of 95.5% for both genders. The number of births assisted by qualified staff has been increasing and attained 63.9% in the year 2000. Full vaccination of children rose to 86.3% in 2002, a significant improvement on 1999, when it was of 76.9%.

Much of the population has access to a drinking water source: 52% in 1990, 76.7% in 2000 and 82% in 2002. In 2002, over one-third of the population had individual household connection to a piped water supply in a country that is relatively mountainous.

International Aid and Bilateral Cooperation

The improvement registered in Cape Verde's socio-economic indicators surpassed the criteria and indices established by the United Nations ECOSOC to be a member of the group of **Least Developed Countries (LDC)**, it therefore being

anticipated that the 59th United Nations General Assembly will decide on **Cape Verde's graduation to this group** as of 2008. Until then a consensus with the Partner community on a smooth transition strategy must be reached, aimed at ensuring that the Country's level of development does not suffer any setbacks.

In light of the **structural vulnerability of the Cape Verdian economy**, the mobilisation of external Aid is one of the essential requirements for the implementation of the various National Development Plans (NDP). The Government of Cape Verde therefore considers that external Aid must serve to support national social and economic development efforts aimed at, in the long term, reducing external dependence. For these reasons, it attributes greater importance to the **quality of the Aid and its adjustment to the NDP objectives and guidelines**.

In the area of international cooperation, the Government Programme sets out the Cape Verde goals as being: (i) reinforcing the cooperation relationships and the traditional and strategic partnerships, as well as mobilising new partners; (ii) searching for innovative modalities and forms of partnership in areas of national interest; (iii) maximising the synergies between the ODA and private investment; (iv) strengthening decentralised cooperation; (v) promoting economic and entrepreneurial cooperation, particularly by awarding incentives to direct investment in Cape Verde.

As regards **aid modalities**, Cape Verde attributes great importance to Aid foreseeability, programmability and flexibility, in order to allow for: (i) the better integration of Aid in national development planning processes and its insertion in Public Investment Programmes (PIP); (ii) the optimisation of the Aid efficiency / effectiveness binomial; (iii) the continuous adjustment to the evolution in the country's needs.

The form of Aid that better responds to national concerns is that established on a multiannual basis and consisting of flexible and transparent modalities, which is managed jointly by Cape Verde and its Development partners.

Cape Verde maintains regular bilateral cooperation relations with some fifty bilateral and multilateral partners, but in particular with Europe – approximately a

dozen, including the European Commission – where the main relationship and partnership dynamics are concentrated. These are supported by regular dialogue and political concertation and, with seven of these partners, reflected in multiannual and foreseeable instruments (Cooperation Programme), customarily having a three-year term.

The relationships are characterised by different intensities, but with certain bilateral partners, a trend to privilege the private sector and civil societies the areas of dialogue and cooperation dynamics has already been established, thus laying the foundations for true **Strategic Partnerships**,



enhance relationships based on sustainability and higher thresholds to integrate Cape Verde in the world economy, more consentaneous with the smooth transition strategy for this country to become a member of the LDC countries.

IV. **Growth and Poverty Reduction Strategy of Cape Verde**

In 2001, the Cape Verdian Government started on a series of medium / long reflection exercises from which the formulation of “National Action Programme for the 2001-10 decade” presented at the 3rd United Nations Conference on the Least Developed Countries (Brussels, May 2001), of the “Major Planning Options” (MPO), of the “2002-2005 National Development Plan” (NDP) and of the “Preliminary Poverty Reduction Strategy” originated.

By announcing a series of long term objectives in view of Cape Verde’s need to have a future outlook, to reach consensuses and to have a synthetic and qualitative expression, the MPO advances that the future the Cape Verdians wish to see 20 years from now comes down essentially to:

“A country open to the world with a peaceful, just and democratic society and a strong and dynamic productive system, based on the development of its human resources, technological capacity building and culture; a country with an aesthetic and environmental sense and balanced regional development.”

On the other hand, the MPO point to the challenge facing the government of “causing Cape Verdians to reach an income threshold and a quality of life that will allow for their human dignity to be heightened”, by adopting “an economic policy ensuring sustained development



that is compatible with social, regional and inter-regional solidarity, consentaneous with environmental sustainability and based on growth standards anchored on increasing gains in productivity; in a word, development reducing poverty and social exclusion and bringing equity and social justice”.

In 2004 the **Growth and Poverty Reduction Strategy Paper (GPRSP)** was drawn up for the 2004-2005/2007, based on the above-mentioned Major Planning Options and National Development Plan.

This document acknowledges that although Cape Verde has been registered satisfactory growth and improvement of the population’s living conditions, reflected by the increase in the per capita income and the better social indicators, the real country continues to have high vulnerability indices, which is why poverty is still affecting a significant part of the population.

In this approach, it is considered that the poverty reduction strategy must be at the core of the public policies geared to creating conditions that both favour and enhance economic growth, in which the private sector must play a decisive role. These policies must be reflected at several levels: (i) at global level (governance, macroeconomic policy); (ii) at sectoral level, by taking a programmatic form and focusing particularly on the social sectors having a greater impact on poverty; and (iii) at regional and local levels, by enhancing

participation and improving the effectiveness of decentralising poverty reduction policies.

The **objectives** of this Growth and Poverty Reduction Strategy (GPRS) are systemised around 5 major strategic priorities:

Priority 1: Promoting good governance, by reinforcing its effectiveness and ensuring its equity;

Priority 2: Promoting competitiveness, in order to favour economic growth and the creation of jobs;

Priority 3: Developing and enriching human capital;

Priority 4: Improving and developing basic infrastructure, promoting spatial planning and protecting the environment;

Priority 5: Improving the social protection system, reinforcing its effectiveness and guaranteeing its sustainability.

These strategic priorities coincide in general with those of the NDP, although they are formulated in a way that focuses more on the growth and poverty reduction policies. In other words, they do not replace those of the NDP, which continues to be the general reference framework for public policies, but rather evidence the refocusing on policy aspects that produce a greater impact on poverty.

***Priority 1:
Promoting good governance,
by reinforcing its effectiveness and ensuring its equity***

The four main factors that contribute to achieving good governance are: (i) the reform of the public administration, (ii) the reinforcement of the judicial system, (iii) the reform of the State financial management system and (iv) decentralisation.

As regards the **reform of the administration**, the intention is to adopt management by objectives in a strategic planning context, while at the same time modernising the management of human resources in the Public Administration and investing in the training and development of civil servants, particularly in terms of their using information and communication technologies.

The strategic plan for **Justice** will be continued in the 2005-2007 triennium, by regionalising the reform programme and creating partnerships to transfer initiative and responsibilities to the local authorities, the NGOs and the different regional entities. In this way, the goal of increasing the populations' intervention capacity will be addressed, as they will gain better knowledge on the defence of their rights and the fulfilment of their duties. Several legal aid regional funds and alternative dispute resolution centres will be created and used as instruments to attain this goal.

The reform of the State **financial system** will continue with the implementation of the CFAA and CPAR Action Plans. Accordingly, the reform of the budget system will proceed, based on the budget-programme approach, thus ensuring a better connection between the budget policy and the GPRS objectives.

Decentralisation and the regional development process are closely linked and presuppose the consolidation and increased power of the local authorities, within the scope of a decentralisation policy enabling and encouraging the participation of the population through the elected local / regional bodies of the private sector and civil society. From its different angles, local and regional action is seen as complementing that of the State and will be promoted in observance of the duties and powers of the different players / intervenients in the development process and within the scope of overall strategic concertation, with a view to modernising municipal administration, strengthening its financial autonomy, building the capacity of the local entrepreneurial sector and improving the quality of the participation of civil society organisations in local / regional development.

Priority 2:

Promoting competitiveness in order to favour economic growth and the creation of jobs

This priority encompasses a series of global, sectoral and cross-sectional policies, producing an impact on competitiveness and the growth of the economy. Public policies will ensure that growth results from the accumulation of human and physical capital, but also from increased productivity. Strong and lasting growth

requires an economic policy having macroeconomic stability and the competitiveness of the economies, articulated with a series of structural measures as its primary targets. These measures must also aim at increasingly attracting national and foreign investors and encouraging the country's production and sale of goods and services.

Considering the country's reduced size and the constraints this implies in terms of grants for production and export resources, the government's efforts will focus on a limited number of sectors in which the country enjoys comparative advantages. For the same reason, measures to promote competition among the different sectors of the economy will be implemented, in order to improve its competitiveness.

The new role the State has been playing in privatisations over the past few years has increased its responsibility in the area of regulation and economic rules aimed at guaranteeing competition defence, the quality of services provided at fair prices, and the health and safety of citizens.

Priority 3: Developing and enriching human capital

The development of human resources presupposes the improvement of the **education system** and the reinforcement of vocational training. Improvement of the education system means extending schooling to early childhood, instilling quality at all levels of education, taking into account the reduction of regional, social and gender asymmetries, and fundamentally promoting access to Higher Education in order to elevate the population's general education level and to provide youths with the necessary tools by giving them school and vocational guidance and choices in vocational training and specialisation, thus allowing for their integration in working life. It also means organising Higher Education, by adjusting the currently existing institutions, and above all by creating the necessary conditions for the development of an endogenous capacity for knowledge by researching the different areas of science and technology that meet the real needs of the population.

The reinforcement of **vocational training**, undoubtedly an essential poverty reduction measure, aims at increasing skilled labour, irrespective of basic schooling, thus creating a professional alternative for youths who abandon the education system. Vocational training ensures specialisation in different areas, in the assumption that self-sustainable projects susceptible of meeting the market needs will be created.

Despite the positive evolution of certain **Health** indicators, the reform of this sector is vital to poverty reduction, notably in terms of the poor being given improved access to health services. The main priorities of the health policy focus on promoting sexual and reproductive health, maternal and child care, integrated surveillance of potentially epidemic diseases and the fight against non-transmissible diseases. The structuring of the health service and the development of human resources must support these guidelines. Promoting equity in the access to Health care is also a fundamental pillar in the Government's political options, seeing that it is one of the main poverty reduction tools.



Redirecting **budget expenses** to the health and education sectors favours the accumulation of human capital, which will speed up economic growth.

***Priority 4:
Improving and developing
basic infrastructure¹, promoting
spatial planning and protecting
the environment***

The strategy to be adopted in the area of spatial planning is aimed at contributing to the efficient and thrifty management of the territory and natural resources, to benefit sustainable economic and social development, protection of the environment and improvement of the quality of life.

¹ In this priority, the infrastructures of a cross-sectional nature are classified. The specific infrastructures of each sector are considered in the sector to which they pertain (e.g. Health, Education, etc).

The strategic guidelines for the **transport** sector (infrastructure and services) are geared to contributing to poverty reduction, to economic development and to unifying the country by way of an effective and sustainable transport system.



The development of infrastructure is aimed firstly at rendering transport between certain islands feasible and facilitating their integration in the goods and services markets. It is a necessary condition to

promote a specialisation process, which will allow certain islands to attain greater specialisation in the activities where they have potential comparative advantages and to reinforce the dragging effects of growth in certain sectors, such as tourism, on other sectors of the economy.

Similarly, the improvement of the **social infrastructure** must allow for the integration of local labour markets in the national labour market, which in the long run is the best means of improving the allocation of production resources (notably labour) and of sustaining strong growth.

***Priority 5:
Improving the social protection system,
reinforcing its effectiveness and guaranteeing
its sustainability***

The complexity and interdependence of the factors that are at the root of social problems originating an increase in the poverty, inequality and social exclusion phenomena, to which the insufficiency of human, technical and financial resources to meet the requirements of the neediest sections of the population accrue, point to the pertinence and importance of defining a social protection strategy for Cape Verde, integrated in the other public social policies and the country's development process.

The ongoing **Reform of the Social Protection System** is one of the priorities of the political agenda and covers the different regimes existing in Cape Verde: the social security regime for employees, civil servants and municipal officials; the minimum social protection regime (non-contributive) and the protection against accidents at work and occupational illnesses regime. The social security regime for self-employed workers is currently at the implementation stage.

This priority focuses on the development of the non-contributive regime, within the scope of the ongoing reform, and is geared to protecting the more vulnerable sections of the population and to reducing poverty, in close articulation with the millennium development goals.

In order to maximise the effects of the policies deriving from this **Growth and Poverty Reduction Strategy**, particular importance has been given to a number of policies that the Cape Verdian government called “focal policies” for growth and poverty, as it believes these will have a direct impact on poverty reduction, but that above all produce a multiplying effect by way of the growth – *poverty reduction* – growth relationship.

These policies are:

- The growth and macroeconomic stability policy
- The decentralisation policy
- The employment policy, with the progressive integration of the Labour Intensive Work Fronts (FAIMO – Frentes de Alta Intensidade de Mão-de-Obra)
- The agricultural sector development policy
- The policy of support for the productive sectors having the greatest multiplying effect on employment and presenting the best competitive advantages
- The redistribution and social protection policy
- The environmental policy.

Thus being, while the focal policies clarify the guidelines in terms of policy lines to be given to the interventions that produce the greatest impact on growth and poverty, the five GPRS strategic priorities reflect a programmatic perspective linked to the NDP, grouping the measures comprised in the strategy by areas of intervention.

v. Portugal – Cape Verde Cooperation for 2005-2007

The cooperation strategy between Portugal and Cape Verde falls within the scope of the Portuguese medium term cooperation strategy and of the options defined by the Cape Verdian authorities, notably in the MPO, the NDP and the guidelines and objectives of the GPRS – Growth and Poverty Reduction Strategy (2005-2007).

The implementation of the cooperation strategy will be governed by four basic principles that will guide both the choice of the actions and their monitoring, as well as their monitoring by the authorities of both countries. These principles are:

- **Concentration**, by seeking to channel most of the financial resources that Portugal will place at this strategy's disposal to a small number of specific sectors and / or interventions;
- **Effectiveness**, by choosing modalities of intervention and support enabling better results and impacts on the Cape Verde development conditions, notably by favouring structuring development projects, geared to diminishing this country's external vulnerability;
- **Partnership**, by involving not only the public institutions but also private entities of both countries – whatever their corporate or associative nature, particularly non-governmental organisations – in the development effort and by sharing it with them;
- **Coordination**, by the Portuguese and Cape Verdian institutions for development cooperation fully accept their responsibility in conducting and coordinating the activities undertaken within the scope of this Programme and favouring interventions coordinated by other partners, notably the EU, wherever these may be recommendable.

Presentation of the PIC Priority Interventions

Portugal defines the intervention strategy of its Cooperation through the articulation of its skills and existing added values with the priorities established by Cape

Verde, in order to contribute to poverty reduction and to this country's lasting economic and social growth.

To this end, aside from the Growth and Poverty Reduction Strategy Paper (2005-2007), also taken into account were the five Strategic Programmes² presented by the Cape Verdian authorities to the partners' community in April 2003, which will provide benchmarks for the orientation of the Portuguese Cooperation's intervention.

Aside from the strong historical ties between both countries, the fundamental added value Portugal brings as a Cape Verde partner, in relation to other donors, has to do with a common cultural, legal and institutional framework and specific technical skills in areas considered essential to the development of Cape Verde, particularly in the fields of training human resources and institutional capacity-building in the different areas that are essential to reducing poverty, namely education and health, as well as in that of good governance. The common language is a fundamental facilitating factor that allows for the easier adjustment of Portuguese Cooperation intervention.



² These programmes are:
PEP 1
Macroeconomic stability and the internal debt;
PEP 2
Infrastructure and spatial planning;
PEP 3
Education and development of human resources;
PEP 4
Reform and modernisation of the Public Administration;
PEP 5
The Environment; and the National Strategy to Fight against drugs and drug-related crimes.

In this context, **Portugal – Cape Verde cooperation must privilege institutional capacity building and the training of local human resources as the core of the development support to the country, as a crosscutting form of its intervention in the different sectoral areas.**

On the other hand, given Cape Verde's need for a number of basic social infrastructures, which are essential to overcome the structural obstacles to its development, Portuguese Cooperation may be in a position to come to support some of these infrastructures, notably those having the greatest direct impact on the population's living conditions.

Still within the scope of the Portugal – Cape Verde Cooperation priorities, the Exchange Rate Cooperation Agreement that has been in force since March 1998 will continue to be implemented.



Thus, Portuguese Official Development Aid to Cape Verde in the 2005-2007 triennium, identified in accordance with the criteria identified herein, will have to concentrate on the following priorities:

- Development of Human Resources and Technical Capacity Building;
- Support to the Creation of Basic Infrastructure, Spatial Planning and Recovery of the Heritage;
- Support to Macroeconomic Stability.

The Programme also includes complementary actions, given the need to adjust projects and support that, in spite of not falling within the scope of the above mentioned priorities, may be important and have an impact on the Cape Verde development efforts and serve as interventions that will complement these priorities.

Priority 1: Development of Human Resources and Technical Capacity Building

One of the assumptions on which poverty reduction and the creation of conditions propitious to both human development and economic growth are based is that appropriate human capital capable of meeting the demands that these objectives impose exists.

The qualification of human resources is a key factor, both in the strengthening of the private sectors, particularly in terms of the productivity and competitiveness required for the growth of the Cape Verdian economy and of the Public Administration, and in the pursuit of the good governance objective and for the reform it requires, which that Cape Verde is implementing, to be a success.

This first priority is geared to meeting this challenge, its overall goal being to contribute to the training and qualification of human resources in Cape Verde, by supporting interventions in a number of areas: education, vocational and technical training and capacity building of administration institutions. With the goal of providing the skills and capacity to face the development challenges the country is facing, training in all these areas must focus particularly on new information and communication technologies and environmental education.

This priority therefore comprises three measures in each of the above-referred areas.

Measure 1 > Education

- This Measure will include projects focusing on the improvement of the education system, notably those aimed at adjusting Secondary Education resources to development requirements, reinforcing the teaching of the Portuguese language, developing technical and vocational education, promoting the development of Higher Education and providing Cape Verdian students with higher education.

Measure 2 > Vocational Training and Qualification of Officials

- This Measure will cover projects aimed at adjusting the training of labour force to social development requirements and at promoting the economic growth and competitiveness of Cape Verde, on the one hand, and, on the other, at training public administration high-level officials in those areas that are important for socio-economic development, good governance and democracy building, such as health, public finance, public administration, diplomacy and the media.

Measure 3 > Institutional Capacity Building and Technical Assistance

- This Measure will encompass projects focusing on the technical reinforcement of public administration institutions and on actions of technical assistance to various Cape Verdian sectors and public institutions carried out by their Portuguese counterparts, including actions falling within the scope of technical and military cooperation.

Priority 2:

Support to the Creation of Basic Infrastructure, Spatial Planning and Recovery of the Heritage

The attainment of the major economic, social and cultural development goals of Cape Verde necessarily involves significant efforts in the creation of basic (economic and social) infrastructure and promoting balanced spatial planning and protection of the environment.

As this effort, in view of its magnitude in terms of mobilising resources, will have to be shared by the various Cape Verde international partners, Portuguese Cooperation will assume its share in this objective throughout the programme, in addition to contributing to the preservation of some of the built historical and cultural heritage that bears witness to these two countries having shared a common history.



The goal of this second priority is therefore to support the creation of economic and transport infrastructures and social infrastructures allowing for the improvement of the service provided to the population, as well as spatial planning and the protection of the environment and of natural resources. This priority also aims at recovering and preserving the built historical and cultural heritage.

This second priority is therefore structured in the following four measures corresponding to these objectives:

Measure 1 > Transport Infrastructure and Communications

Measure 1 – Transport Infrastructure and Communications

- This measure will include the financial support to the building of road or other transport infrastructure requested by the authorities of Cape Verde. As these are usually projects of a large financial size, the support may take the form of interest subsidy, among others. As for the communications infrastructure, these will be included in the interventions to strengthen and extend the broadcasting network.

Measure 2 > Social Infrastructure

- This measure should include support to the creation of units providing health care to the population, preferably with the objective of creating the sustainability of the interventions in this area, thus allowing to progressively reduce resorting to the evacuation of patients. The creation of other social infrastructure could also be supported, notably schools and technical and vocational training institutions.

Measure 3 > Spatial Planning and the Environment

- This measure may include actions supporting the country's spatial planning, the production of cartography as a tool at the service of the development sectors, to the protection of the environment and of natural resources, and to urban development, notably to projects within the scope of inter-municipal cooperation. Where the environment is concerned, projects falling within the scope of the Kyoto Protocol may be considered, notably through the Clean Development Mechanism.

Measure 4 > The Heritage

- This measure will include actions to recover and preserve the built heritage, which represents the memory of the common history of Portugal and Cape Verde.

Priority 3:

Support to macro-economic stability

The real performance that the Cape Verdian economy has been achieving over the past years will only have a significant effect on economic start-up, poverty reduction and social progress if it is supported by consistent macroeconomic stability.

Accordingly, monetary policy and the exchange rate stability of the Cape Verdian escudo in relation to the euro are of particular relevance.

An Exchange Rate Cooperation Agreement between Portugal and Cape Verde has been in force since 1998, the purpose of which is to guarantee this exchange rate stability by providing for a Credit Facility of 44.9 million euros per year.

This third priority is aimed at accommodating this cooperation agreement and therefore envisages one measure only:

Measure 1 > Credit facility to support the convertibility of the Cape Verdian Escudo

Complementary Actions

Despite having adhered to the principle of concentration, Portuguese Cooperation will continue to support projects that, in spite of not falling within the scope of the priorities, are important and have an impact on the Cape Verde development efforts. Should this be the case, particular emphasis should be given to the interventions in the area of socio-community development.

In addition, these are interventions and support that, in some cases, continue previous actions of multi-sectoral scope in view of their term, and in others, constitute new actions requiring to be undertaken so as to guarantee that the priorities are duly complemented. To be referred here are the interventions and support in the areas of culture, medical evacuation, the fight against drugs and drug-related crimes, emigration, emergency aid, etc.

These complementary actions may also consider supporting small projects, reduced in number and financial magnitude. The regulation of this support must be agreed upon between the entities responsible for the coordination of cooperation in both countries.

VI. Financial Programming

Portuguese Official Development Aid to Cape Verde in the 2005-2007 triennium will indicatively amount to 55 million euros divided between the three years of the Programme, as illustrated in the table below.

This sum does not include the possible use of the Credit Facility associated to the Exchange Rate Cooperation Agreement, which, in this case, will be added to the indicative allocation.

It also does not include the expenses borne by Portugal in connection with the vacancies made available to Cape Verdian students in State higher education.

Funds are allocated to each one of the Priorities in order to ensure the compliance with the priorities set out the Programme. However, the reallocation of funds is acceptable, but only between the Priorities.

	2005	2006	2007	TOTAL	in M€
Priority 1 Development of Human Resources and Technical Capacity Building	4,2	6,0	6,3	16,5	30%
Priority 2 Support to the Creation of Basic Infrastructure Spatial Planning and Recovery of the Heritage	7,0	10,0	10,5	27,5	50%
Priority 3 Support to macroeconomic Stability	(*)	(*)	(*)	(*)	
Complementary Actions	2,8	4,0	4,2	11,0	20%
TOTAL	14,0	20,0	21,0	55,0	

** The Credit Facility granted under the Exchange Rate Cooperation Agreement may attain 44.9 M€ yearly. Accordingly, the amount used will be added to the allocation for each year.*

VII. Programming, Monitoring and Evaluation

The Portugal – Cape Verde PIC 2005-2007 will be materialised in Annual Cooperation Plans (PAC), which identify the programmes to be developed within the scope of the established priorities, as well the corresponding financing plan.

Within the scope of these yearly Action Plans, procedures allowing for the improvement and reinforcement of the monitoring and evaluation of the cooperation and official development aid projects to be agreed upon will be adopted, in order to increase the efficiency, effectiveness and sustainability of the interventions.

In this context, due consideration will be given to the drafting and preparation of the projects, in accordance with the Project Cycle methodology, which will enable for the adoption of methods and procedures to implement and monitor these projects based on the mechanisms and indicators of a logical intervention framework.

The entities responsible for coordinating the Cooperation between Portugal and Cape Verde will prepare a **complementary document** where the operating rules for the good implementation of the Annual Plans will be established, defining notably the criteria for selecting and choosing projects and monitoring methods, as well as the support to small projects foreseen under the «Complementary Actions» heading.

Holding annual bilateral meetings to analyse and evaluate their implementation, attempt to overcome possible constraints and agree on the adjustments considered necessary will make the monitoring of the Indicative Programme.

As the PICs are a vital cooperation management tool, their evaluation assumes an increased importance, and will be based on four fundamental principles: independence, impartiality, credibility and effectiveness, and will observe the basic criteria of relevance, efficiency, impact and sustainability.

Final evaluation will take place upon conclusion of the Programme's implementation. Should this be justified, an interim evaluation may be carried, focusing preferentially on the projects that are most relevant and involve significant financial means.

This evaluation will take into account the results of the Programme and its projects, as well as its contribution to attaining the objectives, and the report must contain recommendations on both the interventions and on the Programmes and similar projects to be implemented in the future.

For the Portuguese Republic

Henrique Rocha de Freitas

*Secretary of State for Foreign Affairs
and for Cooperation*

For the Republic of Cape Verde

Domingos Pereira Mascaranhas

*Secretary of State for Foreign
Affairs*

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