



II Fórum Nacional de Transformação

CABO VERDE 2030

Cidade da Praia
14 a 16 de Maio de 2014

**2ND NATIONAL FORUM ON CABO VERDE'S
TRANSFORMATION**

14-16 MAY 2014

1. Framework

The First National Forum, which took place in 2003 and provided the Government of Cabo Verde with a platform for economic transformation engaged all stakeholders, including political parties, the private sector, parliament, professionals in the country, the civil society in general and in the diaspora in a substantive dialogue on the state of the economy and the strategy for economic transformation.

At that time, the Nation was at a crossroads because the Government had just completed the first year of its first term, having arranged a series of strategic exercises, including the Major Planning Options, the Interim Strategic Plan for Poverty Reduction (iPRSP) and retreats of Government officials, all of them in search of options for expanding the productive base to make the country's economy grow rapidly.

Ten years later, the results are positive. The economic base has expanded and is still expanding in an emerging services-based economy, where tourism, agribusiness and fishing are becoming potentially dynamic economic sectors. Among other gains, we can highlight Cabo Verde's graduation from the United Nations' list of least developed countries, with a rapid growth in income levels and substantial poverty reduction.

In African Economic Outlook 2012, the African Development Bank (AfDB) makes the following observations about Cabo Verde:

- The country had an exemplary performance in public sector governance;
- Substantial reforms have reduced corruption and improved the quality of the transactions;
- However, poor infrastructure was a growing constraint on sustainable economic growth;

- Cabo Verde is one of few countries in Africa with the possibility of achieving the eight Millennium Development Goals, including that of reducing poverty by half between 1995 and 2015;
- The welfare system includes care for the elderly, general healthcare and funeral coverage;
- However, the country faces a high relative unemployment rate, particularly among young people.

The fact is that, since its independence Cabo Verde has made steady progress. The progress has been particularly rapid in the last decade with the firm focus on achieving the vision for economic transformation.

2. Why a New (2nd) Forum?

The good performance of Cabo Verde as a Nation is widely recognized, with the African Development Bank having commissioned and published a study on Cabo Verde, outlining the lessons learned and experiences for other politicians, countries and regions. However, the country is facing emerging challenges.

Cabo Verde's success, anemic world economic recovery and the ongoing crisis faced by the Eurozone created new and emerging challenges, which have resulted in significant constraints with regard to foreign aid, foreign direct investment, and the concerns related to the middle-income trap; that is, tied to the consequences of low investment levels, slow growth, limited diversification of the production base, and limited labor market conditions.

The economic growth rate in Cabo Verde is falling. Banco de Cabo Verde (BCV) estimated real GDP growth to be 5.1 percent in 2011 and 4.3 percent in 2012. BCV also estimates a reduction in domestic demand, private sector consumption and investment. Construction, agriculture, public consumption/expenditure and tax revenue levels are also expected to decrease in 2012, with signs of improvement in 2013. Regarding remittances, the data

indicate a reduction to about 8 percent of GDP, as a result of a decline in remittances from the Eurozone, which represents the main portion of transfers to Cabo Verde.

In the medium term, Cabo Verde will not be eligible for concessional loans from major international institutions, such as the African Development Bank until 2014, and it is believed that, especially if the low global growth and the crisis in the Eurozone persist, aid in the form of grants from the country's development partners will decline further, while the window to increase the debt level will gradually close. This at a time when there is a need for massive investment to further improve infrastructure, qualify human resources, and deepen and broaden reforms. These are prerequisites for Cabo Verde's economy to be competitive.

There is, therefore, need for robust and innovative strategies. The vision for economic transformation is clear and continues to be a solution and the best way to avoid the middle-income trap. This vision is based on the expansion of the economic base and creation of high value-added services – agribusiness, tourism, finance, business/ICT, outsourcing, cultural/creative industry, and aero business.

Looking ahead, Cabo Verde has to find ways to compete in the international market based on quality, efficiency, high productivity and high innovative capacity. Constant innovation is particularly crucial to a service-based economy with a view to building a competitive economy rooted in innovation and high productivity, requiring quality infrastructure, trained and highly skilled workers, and an institutional environment conducive to business according to the best practices. A lot has been done, but more is needed, so as to build a high-quality education system that encourages creativity and development of technical capabilities, and facilitates innovations.

Cabo Verde's situation becomes more complex and challenging as a result of structural vulnerabilities. Insularity versus discontinuity and territorial smallness impose high costs for economic activities, particularly in terms of infrastructure development across the nine

inhabited islands, to find solutions to the high costs of transportation, basic factors such as water and energy, social facilities, etc...

Hence, a decade after the first forum, it is time to do a constructive review of the progress and plan for the future.

3. Program Goals

The aim is not to simply hold a forum. The intention is to have a program designed to evaluate the continued experience of the Transformation Agenda. The intention is to explore the future prospects through the year 2030, evaluate strategies and policies, and seek creative and innovative ideas to accelerate the Transformation Agenda, outlining the crucial roles to be played by key institutions and partners. The aim is also to create consensus and a compact social foundation to support the future path with a view to helping Cabo Verde reach the level of advanced middle-income country.

The intention is to carry out a number of activities leading up to the forum and post-forum, among which we emphasize: **strategic studies, strategic dialogues, action plans and the appropriate system to measure and monitor the Agenda, in addition to the forum results on inclusive growth.**

3.1. Strategic Studies

Several studies have been conducted on topics that will be addressed during the Forum, so the intention is to synthesize the available information, critically analyze it, and make concrete proposals for policies and policy measures.

Work is being carried out dealing with the following topics:

Business environment

It should focus on the need for further reforms to build a competitive and institutional business environment. In 2012–2013, Cabo Verde was ranked 122nd in the Global Competitiveness Report (out of 144 countries) and in the Doing Business Report (out of 185 countries). In 2013, Cabo Verde was ranked 87th on the list of the most competitive tourist countries in the world for attracting investments in the tourism and travel sector.

Cabo Verde cannot compete with the top countries if its environment is not conducive to business and remains slow in terms of competitiveness. Cabo Verde must dare to be among the best, as the key to compete on quality and high productivity.

The strategic study will examine the business environment, Cabo Verde's ranking in global indices, and the reform agenda; it will propose objectives and action plans to accelerate the Transformation Agenda.

Higher education and research

Aiming at high human resource qualification levels, the study will focus attention on the quality of higher education in the country, with an emphasis on key development sectors, in addition to research that will foster innovation and competitiveness.

Education system and vocational training

The goal should be to build a high-quality education system that encourages creativity, innovation and entrepreneurship. The government has been investing heavily in education since independence and, higher education institutions have increased in number in the last decade. The challenge facing the country is not in terms of quantity or access; rather, it relates to quality. Therefore, existing materials should be reviewed and one should analyze the quality of the government program, develop an action plan, and make recommendations

on how to best raise the quality of education at all levels, from primary to professional, secondary and university.

Financing for development

There are high probabilities of remittances stagnating, while official development assistance (ODA) continues to fall, along with increased limitations to concessional loans. It is important for Cabo Verde to find alternative ways to finance its development or investment in infrastructure and in business underpinning clusters. This study will examine the trends in aid and remittances, explore the prospects, and propose creative ideas for the country to attract foreign direct investment (FDI) and new ways to finance development. It will also address the role of fiscal policy, especially incentives.

Entrepreneurship and Private Sector Development

The Cabo Verdean private sector continues to face serious constraints, in addition to its weakness. However, it was entrusted with a major role, especially in building the proposed transformation clusters. This study will examine the strategic studies and information available and identify the key constraints and weaknesses facing them.

The study will also examine the issue of entrepreneurship and make recommendations, proposing an action plan to promote entrepreneurship and to build the private sector with rules and procedures for this sector, the Government and other stakeholders.

Other topics will be the subject of debate, like tourism, infrastructure management and creative economy.

3.3. Strategic dialogues

A series of strategic dialogues are being prepared as part of consensus building and

engagement of the private sector, civil society, members of parliament; municipalities and government departments in the Transformation Agenda program, namely:

- March 18 – View of the youth , Praia
- March 28 – Renewable Energy, São Nicolau
- March 29 – Information and Communication Technology in Cabo Verde’s Transformation: Cluster and Competitiveness paradigms, Lisbon
- April 2 – Entrepreneurship and Private Sector Development, Mindelo
- April 3 – Entrepreneurship and Private Sector Development, Praia
- April 5 – The Future of Agribusiness, Assomada
- April 7 – What Education System for Transformation, Praia
- April 8 and 9 – Workshop on Cluster and Transformation, Praia
- April 10 – Financing Mechanisms for Private Sector, Praia
- April 24 – The Aero Business and Maritime Economy Cluster: Opportunities and Challenges for the Private Sector, Praia
- April 25 – Climate Change and Risk Management, Praia
- April 25 – Tourism: Cruise Tourism, Mindelo
- April 28 – Fishing Sector Development, Mindelo
- April 29 – Gains and Challenges in the field of Equality and Gender Equity in Cabo Verde, Praia
- May 5 – Opportunities in the Agribusiness Cluster, Praia

The CPE website will be a space for interaction with civil society on the importance and objectives of the Forum.

There will also be debates and interviews on radio and television, as well as articles in the country’s main newspapers.

3.5. The Forum

All activities cited here will lead to the organization of the Forum. The results of the various pre-forum activities will inform the dialogue that will take place during the event, which will produce the final results in terms of policy proposals for all interested parties.

The Forum will be an important national event and will run for 3 days. All partners, the Government, economic operators, Parliament, political parties, trade unions, civil society organizations, national experts, and stakeholders in general will be represented, in addition to representatives from the diaspora.

Invitations have already been sent to senior representatives of international organizations/partners of Cabo Verde, and some international experts will also be invited to share their experiences and reflections on challenging matters.

The work program is in preparation in order to be distributed to participants before the event.

4. Institutional Framework

Under the guidance of the Prime Minister, the Center for Strategic Policies (CPE) will have overall responsibility for organizing the Forum.

By order of the Prime Minister, the Forum Management Board was created on January 6, being made up of:

- The Coordinator of the Center for Strategic Policies, the Chairperson
- A representative of the Office of the Prime Minister
- The National Planning Director
- The National Director of Foreign Policy and Cooperation
- The Executive Secretary of the State's Reform Coordination Unit

The following organizations were invited to be part of the Management Board:

- Representation of the UN System in Cabo Verde
- The United Nations Economic Commission for Africa – UNECA
- The Chamber of Commerce, Industry, Agriculture and Services of Barlavento
- The Chamber of Commerce and Services of Sotavento
- The Young Entrepreneurs Association – AJEC
- The NGO Platform
- Other institutions and organizations whose contribution to the work of the Management Board are considered as relevant.

The CPE is collaborating with leading institutions and organizations, such as the National Directorate of Planning, INE and the Ministry of Tourism, Industry and Energy to ensure a broader institutional engagement, as well as a follow-up. The CPE is also in charge of getting the support of international partners and agencies in terms of technical assistance and financing for activities.