



REPUBLIC OF CAPE VERDE

**Strengthening Efforts to Eradicate Poverty and Hunger, Including Through the Global
Partnership for Development**

June 2007

Introduction

Cape Verde¹ accepted the challenge made by the United Nations (UN) to implement until 2015 the Millennium Development Goals.

One of those goals is to Reduce by Half Extreme Poverty and Hunger between 1990 and 2015, which affected almost 14 % of the Capeverdean population in 2002.

In order to outline policies and measures to fight poverty, the Capeverdean authorities prepared, in close collaboration with the beneficiaries and the development partners, the Growth and Poverty Reduction Strategic Paper (2004-2007) – GPRSP.

The GPRSP became the reference framework for the intervention of the Government and its partners regarding the definition and implementation of public policies. Its implementation is based on sectoral action plans, priority development programs and projects engaging governmental structures, development partners, civil society organizations and beneficiaries. The overall objectives aim at poverty alleviation through a smooth economic and social development, supported by sustainable growth and with the private sector's strong intervention.

The assessment of implemented policies and measures is motivating and it recommends the submission of a second GPRSP for the period 2008-2011. The taking of this challenge at the moment the country is preparing to graduate from the Least Developed Countries (LDC) category requires more discernment in the definition of national public policies with clear targets and benchmarks.

With this report we intend to take stock of the situation regarding the progress achieved in Cape Verde within the scope of MDG objective number 1 – Halve the proportion of population living in extreme poverty by 2015 and, at the same time, present the Government of Cape Verde's strategy regarding the graduation of the country from the LDC category having in mind the achievement of the MDGs.

Development context

Cape Verde had, in recent years, a continuous economic growth which is considered as a strong one when compared to other countries in the same African sub-region. In fact, between 2001 and 2006, the average growth rate in real terms was 5.6 %, with a low inflation rate, exchange rate stability and an outstanding reduction of public debt. During this period, it was possible to compensate macroeconomic imbalances which occurred in 2000. In 2004 and 2005, the GDP growth rate was 4.4 % and 5.8 %, respectively.

During that same period, the average growth of GDP per capita was 3.7 %, which shows the increase in the Capeverdeans' purchasing power.

The inflation rate in 2005 didn't exceed 1%. In 2006, in spite of the domestic consequences of the oil shock which increased the prices and caused a higher inflation rate of 4.2%, the economic growth rate was estimated at 6% indicating a good

¹ Island state, constituted by ten islands, of which nine are inhabited, with an area of 4.033 Km², located at 450km off the West African Coast. According to 2000 Census, the resident population is 436.863. Projections indicate a population of 496.316 inhabitants in 2007.

performance of macroeconomic indicators. For 2007, the Government and the Bank of Cape Verde foresee a 6% to 7% growth and a controlled inflation between 0 and 1%.

The data of the conjuncture survey published by the Statistics National Institute (INE), show that the economic climate remains positive for the sixth consecutive semester, which shows a high level of confidence on the economy.

Concerning public finances, we managed to keep control of the budget deficit at an average rate of 3.3% between 2002 and 2005. This fact demonstrates that the Government had a rigorous management.

In recent years, private external investments have increased in a progressive and permanent manner, mainly in the services sector, namely hotels and tourism, which became the most dynamic sector of the Capeverdean economy.

We believe that foreign direct investment has been improving and its performance in the balance of payments in 2006 entailed a 70% growth rate.

Regarding human development, the world reports of the United Nations Development Programme (UNDP) have highlighted the country's good performance. In fact the human development index (HDI) passed from 0,717 in 2002 to 0,721 in 2003 and 0,722 in 2004. Likewise, the human poverty index (HPI) had a positive evolution from 19.7% in 2002 to 18.7% in 2003 and 2004.

Concerning the Millennium Development Goals, as a whole, the country achieved significant progress. Primary education for all is a reality and a program to reinforce the quality of the education system, secondary education and vocational training is in progress. Gender equality is guaranteed in primary, secondary and superior education. There is a strong feminine presence in public institutions, such as the Parliament and the Government. In the health sector the trend is positive. Mortality rate decreased from 43.6 per thousand in 1995 to 20.2 per thousand in 2005; in under five-year-old children it decreased from 56 per thousand in 1993 to 22.6 per thousand in 2005. The progress in the access to drinkable water is also encouraging, increasing from 42% in 1990 to 85% in 2006.

In spite of that progress, the country remains one of the most vulnerable in the world, extremely dependent from Official Development Assistance and emigrants' remittances even though their influence has been diminishing in benefit of private direct investment. Similarly, in the framework of an independent and globalized economy the country is too exposed to external shocks whose consequences are somehow difficult to manage internally.

As mentioned, the GDP sectorial structure shows a strong dynamics of the tertiary sector which faced recently a vigorous growth, accounting for 75% of GDP. Differently, the primary sector was brought to a standstill around 8.5% and the secondary sector at 16%.

Private external investment reached in 2004 approximately 2.2% of the GDP and the Official Development Assistance (ODA) is estimated at 14.7% of GDP.

The feeble productive capacity of the country in terms of agricultural production and livestock as well as industry products limits de country's exportation capacity.

In spite of the small productive base, the exports of goods and services underwent a positive evolution.

Food insecurity in Cape Verde is structural and results from agro-ecological constraints made worse by drought and desertification, partially due to human action.

The steady economic growth of recent years, with possibilities of consolidation and increase, didn't have an equitable impact. Actually, the unemployment rate rose from 17.4% in 2000 to 24.4% in 2005. Likewise, poverty incidence is high considering that 37% of the population is poor and 20% very poor.

Also, this economic growth had a modest impact on job creation. In 2001-2002 the unemployment rate was a little bit higher than in 24%; it decreased to 21% in 2000 and again in 2005, reaching 18.3%.

Regarding governance, the Government implemented several measures and policies which promoted the transparency of public management, the institutions democratic operation, the increasing participation of the civil society in public life, the promotion and protection of private property and investment, the respect for individual rights and liberties. Such measures have earned, as a rule, the consensus of political and social national stakeholders as well as of cooperation partners.

MDG 1: Reduce Extreme Poverty and Hunger

Progress achieved and context evaluation

Target 1: Halve the proportion of people living in extreme poverty between 1990 and 2015

Notwithstanding the significant economic growth rates registered in recent years, poverty remains a problem in Cape Verde. The data made available by the Statistics National Institute (INE), resulting from the Household Expenditure and Income Survey, confirm that 37% of the country population was poor in 2002 and 20% very poor. These data show that relative poverty as well as extreme poverty increased significantly between 1989 and 2002. When we examine the dimension of poverty at the family level, we notice that in 2002 approximately 28% were poor and 14% extremely poor.

The level of poverty is not identical throughout the country. Thus, the municipalities of Santo Antão and the rural municipalities of Santiago are the most poverty stricken. Only the islands of Sal, Boa Vista and S. Vicente present poverty rates inferior to the national average (respectively, 13.9%, 15.6% and 29.7%). The other islands, with different levels of incidence, present rates superior to the national average. We must highlight the particular situation in the islands of Santo Antão with 58.2% of its population living below the poverty threshold; Fogo with 47.1%; S.Nicolau with 43.8% and Brava with 43.4%. Santiago Island, accounting for more than 50% of the country's population, brings together more than 39.7% of the poor.

Besides macroeconomic policies which have promoted economic growth and employment, we have been implementing active policies for poverty alleviation focused on the poorest communities and families. In this context, the actions of the program for poverty alleviation in rural areas targeted the poorest municipalities of the country. During the last six years, the Government supported job generating activities, training and vocational training activities and income generating activities.

In Cape Verde hunger is not a phenomenon that touches massively all social categories. The problem the country is faced with is rather a food security issue.

In fact, the smallness of arable land, climatic conditions unfavorable to agriculture, an agrarian situation that prevents productive investments, altogether explain the structural and chronic shortage of farming and cattle raising production. Therefore, we estimate that the national capacity of agricultural production, even in years of high rainfall, doesn't meet 20% of cereals needs.

Due to this, food insecurity constitutes a constant and core element of public policies.

The comparative table showing the evolution of indicators regarding the families' living conditions associated to well-being during the GPRSP I period (see table in annex I) indicate substantial improvement in almost all benchmarks, whose actual performance rates are close to the established targets. The table underscores housing conditions, access to drinking water and sanitation, use of energy for lighting and cooking, access to health services as well as the stabilization of indicators concerning education level.

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

In Cape Verde, the problem of hunger is not a serious one because public programs support the populations at risk, allowing a significant number of people to have access to income from public employment. The central government and the municipalities administer several social protection mechanisms, both public and private, which cover another part of the population.

Thus, we agree that the challenges are: the control of the negative incidence of food insecurity and of the quantity and quality of calories consumed by many families, mainly the children. Indeed, food insecurity (see table in annex II) affects approximately 21% of the population.

In spite of the permanent food insecurity, the national context may be considered, in general, as favorable to food insecurity reduction.

The Capeverdean food diet is based essentially on cereals, namely, rice, corn and beans. Rice is not produced locally and local market needs are assured through importation.

With regard to public policies, Cape Verde has a National Strategy for Food Security (ENSA), developed in 2002 but ending in 2015 and a Five-Year Program for Food Security (PSA 2002-2007), both adopted by a resolution of the Cabinet in 2004. The national program of food security for 2007-2011 was already prepared and it was submitted to the Government's approval. It is worth mentioning another important programmatic document, the National Strategy for the Development of Agriculture and Fisheries, which covers the period ending in 2015 and its Action Plan 2005-2008.

The general objective of ENSA and its five-year program is to "assure the population's access to enough, healthy and nourishing food without prejudice to other basic needs", in conformity with the aim of "creating the conditions for a sustainable food security and structurally reducing poverty and inequalities in Cape Verde".

Specifically in the municipalities where the incidence of food insecurity is stronger, several actions with an impact on food insecurity and poverty reduction are under way, namely

production diversification and the change of alimentary habits, increase of access to quality foodstuffs and in the required quantity, alimentary and nutritional education targeting children, teenagers and adults.

Challenges to overcome

In order to achieve the established targets to attain the MDG it is necessary to face several challenges in the field of poverty alleviation and reduction of food insecurity. As a matter of fact, the implementation of the growth and poverty reduction strategy keeps in view the development of actions according to the targets defined within MDG framework.

Specifically, the main challenges are the following:

Concerning poverty

- Definition and implementation of active policies for job creation, taking into account the regional dimension;
- Implementation of capacity building actions and vocation training targeting the youth in articulation with economy dynamics and market needs;
- Energizing community organization to increase local social capital and the populations' empowerment and leadership;
- Reinforce partnership mechanisms in the implementation of actions aimed at poverty reduction;
- Greater focus on public policies in the communities and regions where poverty rate is higher;
- Definition and implementation of a follow-up and evaluation system for poverty alleviation programs.

Concerning food security

- Strengthening of inter-islands maritime connections to improve market supply and exportation of local production;
- Implementation of rural management policy for the sustainable management of natural resources in order to take full advantage of the potential for agricultural, forestry and livestock production;
- Stimulate the artisanal fisheries sector;
- Reinforce the integration of difficult access zones in order to facilitate the access to goods and services;
- Assure the operation of the Food Security Information System at central level (national) as well as at local level (municipalities) to improve planning, evaluation and maximize the impact of interventions in this area;
- Assure the operation of the Food Security Network to improve the integration of food security concerns into sectoral policies;
- Increase of productivity and diversification of production through technological upgrading;
- Assure the availability and stability of food supply in the markets by optimizing its management and assigning the supply to private sector;
- Improve food crisis prevention and management system;
- Build local stakeholders' institutional and technical capacities and promote the good management of food security;
- Promotion of sanitary security and the quality of foodstuffs and water through nutritional and environmental education.

The MDGs and Cape Verde's Graduation from LDC

Cape Verde's graduation from the category of Least Developed countries (LDC) scheduled for 2008, is a milestone event for the international community as well as for the Capeverdean nation and signal of acknowledgment of the progress made so far in several development sectors, including those embraced by the Millennium Development Goals.

Meanwhile, it should be mentioned that actually Cape Verde was able to meet two of three graduation criteria: the per capita income and the Human Assets Index (HAI). Regarding the third criterion, the Economic Vulnerability Index (EVI), the country is the seventh most vulnerable LDC country and it is presently more vulnerable than all conflict and post-conflict countries. Besides economic vulnerability, Cape Verde is also affected by other vulnerabilities related to environment, geography, demography and security.

Presently, Cape Verde has almost achieved most of the Millennium Development Goals (MDG) until 2015. According to the estimates, if the GDP continues to grow at an accelerated pace, poverty may be halved until 2015. Some of the MDGs were already reached at macro level and others are being gradually reached as a consequence of the implementation of the Growth and Poverty Reduction Strategy. However, sanitation and infrastructures seem to be the most problematic areas considering their accrued investment needs. There is also an increasing gap between rich and poor, urban areas and rural areas, men and women, and among the islands.

The key issue is to know if Cape Verde's graduation from the LDC category will be successful taking into account its lack of natural resources and vulnerabilities in the economic and security areas. Will this positive drive continue after graduation?

Everybody recognizes that the engines of present development – ODA and remittances – may not be sustainable in the long term. The economy of Cape Verde needs to transform and expand its productive base. However, the Government of Cape Verde believes that with a clever socioeconomic management, a strong strategy and an adequate international support, Cape Verde will be able to graduate from LDC in a successful and sustainable manner, in spite of its vulnerabilities.

The Government of Cape Verde (GOCV) is committed to the economic transformation agenda and poverty reduction. It is as well committed to undertake deep reforms and do whatever necessary to assure the successful and sustainable graduation from the LDC category, including the mobilization of internal resources; a larger participation of the local and international private sector in the economy; and the implementation of its poverty reduction program so that the poor can increase their productive base and their income. The GOCV is also committed in increasing infrastructure programs in the fields of energy, transports, water and sanitation and extending health care and education.

Therefore, a sustainable national effort to support Cape Verde socioeconomic transformation agenda is essential by means of an increased access to the market, promotion of new forms of funding and provision of direct support with funds targeting the creation of wealth and the transformation of the country.

Within the framework of UN General Assembly Resolution A/59/209 of December 20th 2004, a consultative mechanism named Transition Support Group, GAT² was created in May 2006. The GAT, in its third meeting on the 12th of June 2007, adopted a Declaration on the effective and sustainable graduation of Cape Verde from the Least Developed Countries group, LDC. With that Declaration, GAT members reiterated their commitment in supporting the efforts of the Government of Cape Verde to transform its national economy in order to fight poverty. GAT strongly recommended the continuation of the efforts of the development partners and the international community, in general, to provide support to Cape Verde according to Paris Declaration about aid effectiveness.

In this particular one, the Government of Cape Verde signed in December of 2006, with six of its partners (Austria, Spain, the Netherlands, African Bank of Development, World Bank and European Commission), a Memorandum of Understanding on the Budget Support. This is the privileged modality of support for this stage of development for allowing to increase the effectiveness and efficiency of the external aid at the same time that it supports the institutional development. This modality of aid allows:

- To harmonize the processes and procedures of the Partners of development;
- To increase the previsibility of the aid;
- To minimize the costs of transaction as much for the Government as for its Partners of development; and
- To strengthen the dialogue between the Government and the Partners in order to associate the commitments of financing to the priorities of development of the country, as defined in the Growth and Poverty Reduction Strategy Paper.

The GAT also urges the donor community, in particular bilateral and multilateral development partners, as well as the private sector, to reinforce their partnership with Cape Verde taking into account the synergies between public and private investment, through the support to market access, improved access to funding and investments, capacity building to ensure the development process, and the emigrants' participation in the development and transformation of the country.

The Formulation of a New Strategy

In the formulation of a new Growth and Poverty Reduction Strategy, GPRSP II, we will follow a new methodology with two different but interlinked stages. The first stage will focus on strategies and action plans to build the core sector that will guarantee a broad-based growth, which creates jobs, increases incomes and substantially reduces poverty. The second stage will focus on strategies and action plans to determine the needs of chronically poor people who at the beginning, won't probably benefit from broad-based growth.

The main objective is to identify what the country intends to accomplish during the GPRSP II – put an end to poverty, especially chronic poverty rather than monetary poverty - by establishing the priority actions to be implemented as well as the expected outcomes and the needs in terms of financial resources for their implementation.

All this will be achieved based on the dialogue between government authorities, civil society, private sector and development partners.

² The GAT includes the Government of Cape Verde and the following partners: Austria, China, Spain, United States of America, France, Netherlands, Luxemburg, Portugal, African Development Bank, World Bank, European Union, and the United Nations System.

Annex I – Distribution of poor and very poor population rate per island and municipality

Municipalities	Poverty indicators in 2001/2002		
	Poor	Very poor	2015 (Poor)
BOAVISTA	14,9	2,2	7
BRAVA	43,4	20,8	21
MAIO	34,4	25,8	19
FOGO	47,1	30,3	23
S. Filipe			
Mosteiros	42,7		
Santa Catarina			
SANTO ANTÃO	58,2	39,2	29
Paul	54,4		
Ribeira Grande	46,4		
Porto Novo	47,2		
SANTIAGO	39,7	24,2	19
Praia	20,3		
Santa Catarina			
Santa Cruz			
São Domingos	55,8		
São Miguel	53,6		
S. Lourenço dos Órgãos			
S. Salvador do Mundo			
Tarrafal	43,0		
SAO NICOLAU	43,8	30,3	21
Ribeira Brava			
Tarrafal			
SÃO VICENTE	29,7	14	14
SAL	12,9	5,9	6
CAPE VERDE	37	20	20

Annex II – Incidence of food security rate per island

Municipalities	Indicator	
	2005	2015
Boavista	10,1	5
Brava	14,4	7
Maio	11,0	5
Mosteiros	28,7	14
Paul	29,8	15
Porto Novo	28,2	14
Praia	26,3	13
Ribeira Grande	19,2	9
Sal	-	
Santa Catarina	23,2	11
Santa Cruz	21,4	10
São Domingos	32,1	16
São Filipe	13,2	6
São Miguel	18,1	9
São Nicolau	10,2	5
São Vicente	-	
Tarrafal	21,8	10
CAPE VERDE	21,2	10

Annex III - Poverty rate at household level per municipality

Municipalities	Total
Ribeira Grande	81.4
Paul	94.4
Porto Novo	89.4
S. Vicente	75.5
Ribeira Brava	82.2
Tarrafal de S. Nicolau	81.5
Sal	57.2
Boa Vista	80.7
Maio	79.1
Tarrafal, em Santiago	82.7
Santa Catarina, em Santiago	81.0
Santa Cruz	88.4
Praia	72.0
S. Domingos	87.2
S. Miguel	77.6
S. Lourenço dos Órgãos	84.8
S. Salvador do Mundo	90.5
Ribeira Grande de Santiago	92.8
Mosteiros	89.3
S. Filipe	78.6
Santa Catarina, Fogo	78.0
Brava	81.0
Cape Verde	78.0
Urban	68.4
Rural	87.7