Statement by
H. E. the Minister of Economy, Growth and Competitiveness,
Mrs. Fátima Fialho

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Cape Verde: Moving Towards Socioeconomic Transformation

Mr. President of the Trade and Development Board,

Mr. Secretary General of UNCTAD,

Distinguished Representatives, Members of the Trade and Development Board,

Distinguished Ambassadors and Permanent Representatives,

Excellencies, Ladies and Gentlemen,

Allow me, on behalf of the Government of Cape Verde, our Prime Minister, His Excellency José Maria Neves, and in my personal capacity, to begin my remarks with a show of our Government’s appreciation to UNCTAD, to its members and to its Secretary General, for organizing this session on Cape Verde, as part of the 55th session of the Council for Commerce and Development.

Excellencies,

This gathering offers a wonderful opportunity for us to share our story and the indispensable role that your partnership has played in bringing us where we are today. It is also an appropriate time for me to outline our vision for the future, highlight the key challenges that remain before us, and propose some ideas for how the One UN and the international community can help us achieve our goals.

Excellencies,

We, as a nation, have come a long way. Many here will remember that when we became independent, in July 1975, very few experts believed we stood a chance to succeed. Even our own people were divided as to the viability of seeking independence, given the harsh reality and the many challenges.
But we are here today to report that, due to determined leadership, the resolve of our people, in and outside of Cape Verde, and the collective support of the international community, we have, since then, made significant progress on all fronts.

Allow me to share with you some of our successes since independence.

As reported in the Millennium Development Goals annual reports, Cape Verde is one of the “Fast Achievers”. In fact, Cape Verde has already achieved – indeed surpassed – 4 of the 8 MDGs. In three categories there is insufficient data, and in one category – Combating HIV/AIDS, it is classified as “on track.”

In one of the categories with insufficient data – MDG #1 Reducing Poverty – our own data shows that, if present trends continue, we will easily meet the goal of halving poverty by 2015. The fight against poverty has been the top priority since 1975, and it remains so today. Although a lot remains to be done, we have made significant progress on the poverty front. In 1989, national poverty rate stood at 49%, it dropped to 36% in 2002, and today provisional data appoints to a drop of about 26%. We are not satisfied and therefore we continue to seek ways to make poverty history in Cape Verde. It is with this purpose that we recently completed the second poverty reduction strategy that will guide development programs from 2008 to 2011.

On the UNDP’s Human Development Index (HDI), Cape Verde improved from 0.59 in 1985 to 0.74 in 2005. Our school enrolment rate is at about 96%, while female literacy rate reaches 96.5%. Some 90% of our people have access to drinking water, and our electrification campaign has benefited about 80% of the population. Whether it is our per capita income or other general wellbeing indicators, Cape Verde has done a lot with very little.

From 1996 to 2006 our real GDP grew at 5.7% annually. In 2006 it reached 10.8% and, due to current global economic challenges, since last year our real GDP growth is at about 7 percent real GDP growth in 2007. Like virtually every country, we expect slower growth this year and next, as a result of the global financial shock and higher energy and food prices. The OECD forecasts real GDP growth for 2008 and 2009 at about 7.6 and 7.0%, respectively.
Excellencies,

We launched the Agenda for Transformation following a period of reflection and broad national discussion in 2003/2004, as a way to ensure that we are on a self-sustaining path. The Agenda for Transformation provides an integrated policy framework, which focuses on building a modern democratic society and a diversified, sustained and high growth economy able to compete in the regional and global markets. The aim is to build a new Cape Verde where self-sustaining, economic growth give rise to wealth distribution, social stability and high quality of life for all.

The economic aspect of the Agenda is centered on strengthening core sectors, so as to make them globally competitive, including:

- High value-added tourism,
- Fisheries processing and marketing,
- Services (business process outsourcing and financial hub),
- Transport hub (passengers and cargo), and
- Creative and cultural industry.

These sectors, as planned, will be the anchors for a transformed Cape Verdean economy.

This Agenda for Transformation supported our decision to deepen policy and market reforms, to join the World Trade Organization (WTO) and to sign a special partnership agreement with the European Union. As you know, on 23 July 2008 Cape Verde became the 153rd Member-State of the WTO.

Our effort was driven by the desire and the will to enhance the competitiveness of our nation. We believe joining the WTO is a key element in building our national competitiveness. Hence, despite our constraints, we are determined to compete in the global marketplace.

We have undertaken structural reforms in the economy and in the public sector. We are now deepening our efforts through a state reform program and the development and adoption of e-governance tools to facilitate development management and the achievement of national goals. The tremendous growth in foreign direct investment over the last 5 years or so is clear evidence of these reforms. We are, on a daily basis striving to build a State that is smarter, modern and more effective.
Excellencies, the progress that we have made so far is by no means a miracle. It is based on sound policies and robust national development management, the engagement of our people, and the support of the international community. The key lesson to be taken from our experience is that, despite the lack of natural resources, development is, in fact, possible with the help of Official Development Assistance (ODA). What is required, as we have tried to do, is a national commitment to:

- **Invest in human capital,** since development and social progress are mostly based on the energy, skills and creativity of ordinary men and women.

- **Good governance,** robust leadership and shared national vision. There is a need for transparent and democratic governance with a leadership that is effective and responsive to the needs of the people.

- **Build an inclusive society,** in order to ensure political stability and social harmony. This is a virtue which we have tried to nurture and we believe is critical for nation-building.

Excellencies,

Our leaders are committed and the people expect no less. As such, we are determined to continue to do what needs to be done. But we will, most definitely, continued assistance from international community.

The reality is that Cape Verde is still a vulnerable economy, even though it managed to graduate from the group of Least Developed Countries this past January. However, Cape Verde’s graduation was only secured after meeting two of the three required criteria: per capita income and human development. We were not able to meet the vulnerability criteria.

In fact, Cape Verde remains highly vulnerable to external shocks. As a matter of fact, research has shown that our economic vulnerability can be higher than that of conflict and post-conflict countries. Ours is a structural vulnerability.

We experience what is called the “Island Paradox”. Improvements in income and social indicators have not induced significant structural progress so as to reduce economic vulnerability. The truth is that some of our structural handicaps are extremely difficult to surpass. For example, knowing that only 10% of our soil is arable and that the lack of rain is a chronic problem, improving the country’s extremely deficient agricultural
production capacity and, consequently, insure food security, is certainly one of the country’s main challenges.

These structural handicaps make it extremely difficult to ensure consistent growth rates that will allow us to win the war on poverty. They can also hinder the country’s ability to maintain its graduation from the LDC list. The causes of our vulnerabilities include over-dependency on imports, environmental challenges, insularity and fragmentation (which leads to high costs), over-dependency on external transfers, and the rise in global security risks and trans-national crime.

Excellencies,

This is the time for more engagement by the international community. The record is clear: it has shown that your support to Cape Verde has been fruitful and has made significant impact.

This is why we are optimistic about the ”One UN” Programme and why, in November 2006, the Government of Cape Verde reiterated its desire to participate in the reform of the United Nations system, becoming one of the 8 pilot countries implementing the “Delivering as One” reform.

We are firmly convinced that the reform will guarantee greater effectiveness and efficiency of the United Nations system and allow for better support to developing countries such as ours.

We are clear on our vision and our strategies for the future, and have a clear development agenda. Despite the progress and the exciting opportunities, there are major challenges ahead and that the international community does have a major role to play.

Cape Verde requires assistance from its development partners. We need support to complement our efforts and to upgrade our capacity and national capabilities in order to integrate and compete effectively in the world economy. What we need are additional resources which will be targeted at easing the structural constraints that cripple our economy. Such support must focus on unleashing Cape Verde’s economic potential by helping us to facilitate:

- Reforms aimed at building institutional capacity.

- Development of infrastructure, including transportation, renewable energy telecommunication and water.
• National capacity building, including support for technical and professional education, research and knowledge application in services, and improving the quality of education in both primary and secondary schools.

• Entrepreneurial development, including training, institutional development and support for innovative services geared towards the private sector.

• Rural development, including enhancing the capacity of the poor to participate in the economy and developing rural infrastructure.

Excellencies,

We recognize that the development partnership between Cape Verde and the donor community has changed and must change, as a consequence of our graduation and the progress we have achieved over the last 30 years.

The form and substance of our partnership must now focus on consolidating gains. It must now focus on specific and targeted programs. And, most importantly, it must help build our capacity and the capability necessary to effectively compete in the world economy.

We are confident about the future. On our part, we will continue to do our very best to ensure that our progress is sustained and that we build the necessary capacity to achieve our vision for socioeconomic transformation. What we now need is agile, innovative and targeted support from our development partners. Although we are fully aware that we, Cape Verdeans, bear the primarily responsibility for the development of our country, we are also hoping we can continue to count on your support since, as we all know, the development challenge is a two-way street.

Thank you.