

# CPIA Detailed Report

## Pays: Cabo Verde

Année de l'exercice: CPIA Exercise 2023

Currency: Cape Verdean Escudo (CVE)

Ville: Praia

Groupe de revenu: Lower middle income

Catégorie de prêt: Blend

**Score CPIA final: 4.306**

## (A) Economic Management

Score du cluster: 5

### 01. Fiscal Policy

Score du critère: 4.5

#### 1. Fiscal Policy

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Cabo Verde has made significant strides in its social and economic development since gaining independence in 1975, despite its geographical challenges and limited resources. Nevertheless, there are

still obstacles that must be tackled to ensure sustainable and inclusive long-term economic growth.

The COVID-19 pandemic had a severe impact on Cabo Verde just as its economy was recovering from the low growth rates seen after the global financial crisis. Following an average growth rate of only 1.1 percent from 2009 to 2015, the economy experienced an average growth rate of 5 percent from 2016 to 2019. While the country began the crisis with strong macroeconomic fundamentals, it remained vulnerable due to its high debt levels, although these gradually decreased to 109.3 percent of GDP by 2019. International reserves were at comfortable levels, and there was a positive trajectory in reducing the fiscal deficit and government debt. However, when the crisis struck, GDP plummeted by 19.3 percent in 2020 due to the collapse of tourism, marking one of the largest declines in sub-Saharan Africa and the most significant in the country's post-colonial history. This led to a rise in absolute poverty levels, reaching 31.3 percent in 2020, reversing previous gains, and causing the debt-to-GDP ratio to soar to 144.6 percent in 2021.

The economy made a remarkable comeback in 2022, recording a growth rate of 17.7 percent. During this period, the fiscal deficit decreased, the debt-to-GDP ratio dropped to 121.2 percent in 2022, and the current account showed improvement, along with increased international reserves. The primary deficit also reduced significantly to 1.9 percent of GDP, the debt-to-GDP ratio saw a substantial decline, and international reserves remained sufficient to maintain the currency peg. Real GDP growth is anticipated to moderate to 4.4 percent in 2023 as export growth normalizes.

Foreign reserves were at comfortable levels, as they were boosted by the ECF disbursement of SDR11.26 million (47.5 percent of quota, about US\$15 million). As a result, gross international reserves increased from €595.3 million at end 2021 to €626.1 million by end of 2022 (about 5.9 months of imports).

Poverty rates declined to 28.1 percent in 2022, and inflation is projected at 5.2 percent in 2023, mainly due to lower fuel and food prices. The current account deficit is expected to widen in 2023 as exports of goods and services, tourism, and remittances grow more slowly compared to imports.

The services sector expanded by 73 percent, largely attributed to increased tourism arrivals, which were partly facilitated by the expansion of hotel capacity during the COVID-19 lockdown. On the demand side, both investment and public sector consumption negatively impacted growth due to fiscal restraint and under execution of public investment projects. Economic activity was supported by a 6.2 percent increase in credit to the economy in 2022. Average inflation rose to 7.9 percent by the end of December 2022 but moderated to 5.6 percent by March 2023, driven by higher food, electricity, gas, and transportation costs.

Robust economic activity, combined with policy measures, led to a widespread rise in tax revenues, amounting to 32 percent. In comparison to the first review, tax revenue increased, while grants and other income decreased due to changes in the expected timing of EU grants disbursement and delays in privatization efforts. Expenditure grew by 6 percent, with modest increases in both current and capital spending. Consequently, the primary fiscal deficit substantially decreased from 5.2 percent in 2021 to 1.9 percent of GDP. Despite high inflation, public servant salaries remained unchanged as the authorities prioritized protecting the most vulnerable. Strong revenue performance continued into early 2023, with a 21 percent increase in tax revenue during the first quarter, while spending rose by 8.1 percent, primarily driven by increased capital expenditures and moderate growth in current expenses. These improvements led to continued enhancements in fiscal performance during the first quarter, and the public debt-to-GDP ratio decreased from 144.57 percent in 2020 and 144.6 percent in 2021 to 121.2 percent in 2022. public debt-to-GDP ratio decreased from 144.6 percent in 2021 to 121.2 percent in 2022.

The fiscal stance is expected to follow the path set out in the IMF extended credit facility program, after the windfall year of 2022. The primary deficit is projected to be 2.2 percent of GDP in 2023, slightly better than the first ECF review. Tax revenues are anticipated to grow in line with nominal GDP, while budgeted expenditures will remain fixed. Grants will increase by about 1 percent of GDP, primarily from China, and property income will receive a boost from the revenue generated by the airport concession, which was delayed from 2022 and amounts to 1.4 percent of GDP. The achievement of program targets depends on the authorities' adherence to contingency spending measures if one-off revenue from the airport concession is delayed or if overall tax revenues underperform due to downside growth risks. These measures involve withholding 20 percent of the budget allocation for investment spending and the purchase of goods and services (5.3 billion escudos or 1.9 percent of GDP), as permitted by the budget law, until revenue performance is assured. Capital expenditure is projected to increase from 1.9 percent of GDP in 2022 to 4.2 percent in 2023, with current spending rising from 23.8 to 24.8 percent of GDP, primarily driven by higher outlays on goods and services due to increased prices and a moderate salary adjustment.

## 02. Monetary Policy

**Score du critère: 5.5**

### 2. Monetary Policy

Type de score	Valeur
Score de brouillon	5.5
Score révisé	5.5
Score de deuxième brouillon	5.5
Score final	5.5

#### Notes du pays:

In recent years, Cabo Verde has pursued an accommodative monetary policy, primarily due to the absence of inflationary pressures and reserve challenges. In response to the pandemic in 2020, several measures were implemented to support the government's efforts, including a reduction of the policy rate by 125 basis points to 0.25 percent, a decrease in minimum reserve requirements from 13 to 10 percent, a slight reduction in the overnight deposit rate by 5 basis points to 0.05 percent, and the establishment of a long-term financing facility for banks. These measures effectively led to lower lending rates by banks and facilitated an expansion of credit in the economy.

In May 2023, the Monetary Policy Committee (MPC) opted to raise the policy rate from 0.25 to 1.0 percent, primarily as a step toward narrowing the differential with the ECB policy rate and safeguarding the country's reserves. This monetary stance also considers the tightening impact stemming from the conclusion of the COVID-related credit moratorium and the Long-Term Financing Program. The level of reserves is deemed sufficient to protect the currency peg (source: IMF Country Report No. 23/262, Cabo

## Verde 2023 ARTICLE IV CONSULTATION)..

Cabo Verde is utilizing the Fund CD (Capacity Development) to enhance its capabilities for monetary policy analysis and near-term forecasting. Recognizing the importance of modernizing and strengthening the monetary policy framework while maintaining adequate international reserves, Cabo Verde has placed an increased emphasis on upgrading its analytical and forecasting capabilities and tools. As per the Fund's recommendation, Cabo Verde has reduced the frequency of MPC meetings per year and adjusted the policy framework accordingly. A calendar of these meetings has been approved, and the dates for MPC and interest-rate setting Board meetings are clearly communicated, reducing market uncertainty and enhancing the transparency of Cabo Verde's monetary policy (<https://www.elibrary.imf.org/view/journals/002/2023/262/article-A001-en.xml>).

The country maintains a free exchange system without multiple currency practices or restrictions on international payments and transfers for current international transactions. International reserves remain at comfortable levels, equivalent to over 7 months of prospective imports of goods and services as of the end of 2020. These reserves have been instrumental in mitigating the impact of the COVID-19 shock. To safeguard the currency peg, the BCV continually monitors economic developments in the euro area and is prepared to take corrective measures if pressures emerge on prices or reserves.

Cabo Verde adheres to a conventional fixed peg exchange regime, providing stability for monetary policy and bolstering external buffers. Discussions revolve around the policies the BCV should implement to closely monitor reserves, inflation, and the interest differential with the ECB, ensuring a data-dependent monetary policy approach. The recent policy rate increase was deemed appropriate to address the interest rate differential with the Euro area and mitigate risks associated with potential currency outflows, thereby maintaining the stability of the currency peg. (source: IMF Country Report No. 23/262, Cabo Verde 2023 ARTICLE IV CONSULTATION).

In response to identified shortcomings in the 2019 GIABA mutual evaluation report (MER), Cabo Verde has initiated targeted measures and is in the process of revising existing regulations to enhance compliance with FATF standards. Recent improvements include the establishment of a national AML/CFT committee and Cabo Verde's removal from the EU list of non-cooperative jurisdictions for tax purposes, which has helped preserve correspondent banking relationships. Further enhancements involve the approval of the 2023-2027 National Strategy for the prevention of ML/TF/PF and the BCV's commitment to effective risk-based supervision for financial institutions and designated non-financial businesses and professions (DNFBPs), including a sectorial risk assessment of DNFBPs in collaboration with the Banco de Portugal.

The assessment of Cabo Verde's external sector in 2020 indicated a significantly stronger position than suggested by fundamentals and desired policy settings, indicating an undervaluation. Despite the high and negative net international investment position, this vulnerability is partly mitigated by the composition of external liabilities, which consist mainly of foreign direct investment and long-term maturity debt. Reserve adequacy, assessed through the IMF LIC/MIC framework, is considered satisfactory, with optimal reserves equivalent to 3.3 months of prospective imports of goods and services, compared to the actual level of 9 months at the end of 2019 and a projected level close to 6 months in the medium term. However, the IMF's consultation report for 2023 acknowledges the unique challenges posed by Cabo Verde's small and undiversified economy, as well as its susceptibility to external shocks, which warrant a higher level of reserves than indicated by the IMF MIC/LIC framework.

In 2022, Cabo Verde spent around \$85 million on emergency subsidies and fiscal measures to mitigate the rise in food and fuel prices brought by the war in Ukraine. The government adopted a flurry of measures to cushion the blow, including food assistance and subsidies, tax reductions and fuel price caps. The total cost of implementing these "extraordinary fiscal measures" is 8.9 billion escudos (\$84.82 million) by the end of 2022, Correia e Silva said. (<https://www.reuters.com/world/cape-verde-budgets-85-million-cushion-ukraine-war-fallout-2022-06-20/>).

In line with this assessment, the authorities agree with the need for reforms aimed at improving the business environment to address non-price competitiveness factors and prioritize efforts to rebuild external buffers post-pandemic.

### 03. Debt Policy

Score du critère: 5

#### 3. Debt Policy

Type de score	Valeur
Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

#### Notes du pays:

Cabo Verde, which held the highest debt-to-GDP ratio in the sub-region in 2021, has continued to maintain this position, reporting a debt equal to 127.4 percent of GDP in 2022. This situation prevents the country from meeting the Monetary Convergence Criterion, which aims for a debt-to-GDP ratio of 70 percent. Cabo Verde's total public debt has declined from 144 percent of GDP in 2021 to 119 percent of GDP in 2023.

At end-2022, domestic debt accounted for 30.6 percent of total public debt. Treasury bonds accounted for 96.2 percent, with an average maturity and interest rate of about 7 years, and 3.8 percent, respectively. Commercial banks hold 64.2 percent of domestic government securities and nonbanks hold 35.8 percent, of which the national social security fund accounts for 34.8 percent. Access to domestic debt is supported by excess liquidity in the banking system and interest rates on domestic debt remains moderate.

Public debt in Cabo Verde is also sensitive to export revenues, particularly from tourism, which contributes 45 percent to GDP and employs 39 percent of the total workforce. External debt accounts for 72 percent of the total public debt, while domestic debt makes up the remaining 28 percent. The external public debt is highly concessional, with an average maturity of 22 years and interest rates below 1 percent. Additionally,

more than two-thirds of the external debt portfolio is denominated in euros, which lowers exchange rate risk due to Cabo Verdean escudo (CVE) being pegged to the euro.

Cabo Verde's risk of external debt has improved from high in 2021 to moderate in June 2023, but the overall risk of debt distress remains high. The Present Value (PV) of external public debt-to-GDP ratio exceeds the threshold of 55 percent of GDP until 2023 under the baseline scenario, and the PV of external debt-to-exports only breaches its threshold of 240 percent of GDP once in 2020. However, debt service ratios as a percentage of exports and revenues remain comfortably below their respective thresholds of 21 percent and 23 percent. The PV of the total public debt-to-GDP ratio consistently surpasses its threshold of 70 percent of GDP until 2025, indicating a "high" risk of overall debt distress for the country.

The current joint World Bank/IMF Debt Sustainability Analysis (DSA) suggests that Cabo Verde's risk of external debt distress is moderate, but the overall risk of debt distress remains high. The analysis notes that public debt is sustainable, thanks to manageable debt service obligations, a favorable debt structure with mostly fixed interest rates that provide protection against global interest rate increases, a fixed exchange rate, and adequate reserve levels. Plans are underway to conduct an internal debt sustainability analysis (DSA) as part of the debt management strategy. Additionally, the government has reviewed laws governing guarantees, introducing a fund financed by guarantee beneficiaries to cushion against noncompliance with guarantee terms.

Cabo Verde has received assurances of debt relief from bilateral creditors and the G20 Debt Service Suspension Initiative (DSSI), with debt moratoriums extended until June 2021. Going forward, the country aims to prioritize highly concessional loans and grants while rationalizing subsidies for SOEs to ensure debt sustainability. Diversifying the production and export base, addressing critical infrastructure deficiencies, developing the government securities market, and reducing domestic borrowing costs are essential to stabilize future debt dynamics. Enhancing revenue sustainability and promoting pro-growth expenditures are also key strategies to bolster domestic resource mobilization and reduce external debt.

The fiscal strategy is centred on reducing the debt-to-GDP ratio from the current 143 percent to below 110 percent by 2027. This entails a multiyear fiscal consolidation effort to improve the primary fiscal balance from a 5.1 percent deficit of GDP in 2021 to a 1 percent surplus by 2026. The adjustment primarily focuses on revenue enhancement in 2022, with limited expenditure reductions due to the need for economic support amid the Ukraine war's impact. This adjustment is expected to reduce the PV of external debt-to-GDP ratio from 60.3 percent in 2021 to 45.9 percent in 2027.

The government will continue to manage non-priority spending, striking a balance between scaling up public investment and maintaining debt sustainability. Strengthened expenditure management, budget preparation, execution, fiscal risk monitoring, and mitigation efforts are priorities. Capital expenditure prioritization and execution capacity enhancement will persist. Prudent borrowing policies, relying on concessional financing, remain in place. After the significant increase in the public debt-to-GDP ratio due to the pandemic, efforts will refocus on the pre-pandemic objective of gradually reducing this ratio to below 100 percent, potentially achieving it in 2026 through various strategies, including economic recovery, fiscal consolidation, privatization, and continued reliance on concessional financing. The government has also enhanced debt management coordination, adopting an integrated debt management system in 2020, with

plans to further improve public debt management.

## (B) Structural Policy

Score du cluster: 3.889

### 04. Policies and Institutions for Economic Cooperation, RI and Trade

Score du critère: 3.333

#### 4.a. Regional Integration and Economic Cooperation

Type de score	Valeur
Score de brouillon	3.0
Score révisé	3.0
Score de deuxième brouillon	3.0
Score final	3.0

#### Notes du pays:

Cape Verde became a member of ECOWAS in 1976, just one year after the organization's establishment. Despite this integration, Cape Verde's economic ties with the region remain relatively insignificant. For instance, in 2019, Africa accounted for less than 1% of Cape Verde's total exports. Over its history, Cape Verde has ratified several agreements in an effort to facilitate its integration into the global market. Despite these endeavors, exports to ECOWAS nations constituted a mere 0.02% of the country's total goods exports in 2018.

Cape Verde is also a member of the World Trade Organization (WTO), gaining approval for its WTO membership on December 18, 2007. This accession required significant reforms, particularly in commercial legislation and market access for goods and services. On February 6, 2020, Cape Verde ratified the Trade Facilitation Agreement, making it the final country to do so. Cape Verde has ratified 24 out of 54 protocols and conventions of ECOWAS, accounting for 44% of the total. The country has subscribed to UA 6,666,713 of the total capital of UA 700,000,000. Since 2012, Cape Verde has made progress in implementing key ECOWAS protocols, particularly in areas such as conflict prevention, management, resolution, peacekeeping, security, energy, and small arms and light weapons.

Cabo Verde is eligible to benefit from the African Growth and Opportunity Act (AGOA), which offers opportunities for expanding its industrial and commercial sectors. However, Cabo Verde has only minimally leveraged this opportunity. Cape Verde's imports rose 25.5 percent in 2022, whilst exports fell 3 percent from the previous year according to the National Statistics Institute (INE). According to provisional foreign trade data, in 2022 Cabo Verde's exports totalled PTE 5.016 billion ('45 million), a decrease of PTE 153 billion (3.0%) compared to the same period of the previous year. In 2022, Europe remained Cape Verde's main customer, absorbing 93.8% of the country's total exports, a slight increase over the previous year, which was 92.1%. Compared to the previous year, INE noted a decrease in Cabo Verde's exports to all continents, with the exception of Asia/Oceania. Cabo Verde recorded a trade deficit of 7247.30 CVE Million in June of 2023. source: Banco de Cabo Verde

Cape Verde lacks bilateral investment treaties or tax treaties with the United States but has entered into investment agreements with countries such as Angola, China, Cuba, Germany, Italy, and Portugal. Additionally, Cape Verde enjoys a special partnership with the European Union as a Peripheral Region Nation and participates in ECOWAS. The country also has mutual protection of investments agreements with Hungary and tax treaties with Portugal, Macau, Spain, Guinea-Bissau, and Senegal.

Trade with ECOWAS remains relatively limited, with imports from ECOWAS accounting for only 1.1% of the total in 2020. Senegal is the primary partner in the ECOWAS Region, accounting for nearly 94% of total merchandise imports from the region.

According to the Competitive Industrial Performance Index for 2022, Cape Verde is ranked 141st out of 153 countries, using data from 2021. This represents a slight decline compared to its 137th place ranking in both 2018 and 2017. The share of medium and high-tech activities in manufacturing exports in Cape Verde has shown slight improvement, rising from 0.00 in 2018 to 0.03, based on 2022 data.

The port of Maio in Cabo Verde, which will help reduce sea travel time to the capital Praia, and boost trade was modernized, and it costed €36 million, with the African Development Bank providing €17.87 million. The Bank's strategic partner, the European Union, provided €11 million in support, while the Cabo Verde government's share of the funding was €7.8 million (<https://www.afdb.org/en/news-and-events/press-releases/upgraded-maio-port-transform-economy-boost-trade-cabo-verde-54592>).

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#### 4.b. Trade restrictiveness

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

#### Notes du pays:

Cabo Verde follows a liberal trade framework, treating foreign investors and companies on par with Cabo Verdean nationals in terms of taxes, licenses, registration, and access to foreign exchange. To engage in import and export activities, accreditation is necessary via the issuance of a commercial operator certificate. There are three types of import licenses: those exempt from licensing (including those of negligible commercial value), those subject to automatic licensing, and those subject to non-automatic licensing. In general, all goods are subject to automatic licensing, with exceptions applying to items under sanitary, phytosanitary, and safety controls, as well as products restricted by law, such as medicines, fuel, and weapons.

In 2003, Cabo Verde initially introduced non-automatic licensing for all imports and exports. However, following criticism from the WTO accession working party, the 2003 Decree-Law was replaced by Decree-Law No. 68/2005 on October 31, 2005. This new legislation made distinctions between goods subject to sanitary or phytosanitary requirements, security controls, legal restrictions, and other imports. In response to queries and comments from WTO Members, Cabo Verde provided action plans to further align the 2005 Decree-Law with the requirements of the WTO Agreement on Import Licensing Procedures, successfully completing this work by the end of 2008.

According to the ECOWAS Treaty's Article 41, there is a call for the gradual removal of quantitative restrictions in intra-community trade. However, any ECOWAS member, after informing the Executive Secretary of ECOWAS and other member states, may impose restrictions or prohibitions based on various factors, including security laws, arms control, health and safety, cultural preservation, and the control of certain materials. Cabo Verde has established a list of products subject to "international trade restrictions," including tobacco, radioactive items, diamonds, precious metals, nuclear materials, weapons, and more.

The Investment Law applies to both domestic and foreign investors, guaranteeing the freedom of investment regardless of nationality. Nevertheless, sector-specific legislation imposes restrictions on certain activities such as fishing and maritime transport. The Investment Law also offers protection against direct and indirect expropriation. Private property is safeguarded against unilateral requisition and nationalization, except for reasons of public interest, in accordance with the law and the non-discrimination principle, with prompt, full, and fair compensation.

On average, Cabo Verde's applied Most Favored Nation (MFN) tariffs are lower than the bound levels. The simple average applied rate slightly decreased from 10.8% in 2008 to 10.3% in 2015 due to an increase in duty-free tariff lines and tariff reductions for some manufactured goods. Tariff rates range from zero to 50%, with the highest average tariffs affecting product categories like clothing (34.1%), beverages, spirits, and tobacco (31.3%), and fish and fishery products (22.9%). Cabo Verde's customs tariff includes MFN ad valorem rates of 0%, 5%, 10%, 20%, 30%, 40%, and 50%, while the Common External Tariff (CET) has five tariff bands (0%, 5%, 10%, 20%, and 35%). When the CET replaces the national tariff, as anticipated in 2022, the tariff dispersion will be notably reduced, with the maximum rate decreasing from 50% to 35%, and the prevalence of zero-duty applied MFN rates dropping from 44.0% to 1.4%. In summary, Cabo Verde maintains a liberal trade framework, extending equal treatment to foreign investors and companies in terms of taxes, licenses, registration, and foreign exchange access. Import and export operations require accreditation via commercial operator certificates, with various import licenses available, and a focus on automatic licensing for most goods, except for those under specific controls or legal restrictions.

#### 4.c. Customs/trade facilitation

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

### Notes du pays:

Alongside over 80 other nations worldwide, Cabo Verde utilizes the UNCTAD Automated System for Customs Data (ASYCUDA) for customs processing and clearance. ASYCUDA, a versatile software application, facilitates the electronic exchange of information among domestic operators, customs authorities, foreign counterparts, and international organizations. This system is deployed both at the Customs Headquarters in Praia and across all 12 customs offices throughout Cabo Verde. Funding from the European Union has been secured to enhance the system to ASYCUDA World, which became operational on August 1, 2015, following testing, training, and finalization. ASYCUDA World has successfully transitioned Cabo Verde to a paperless customs clearance system. Additionally, there's an ongoing long-term project aimed at integrating the Port Management Information System (JUP) used by ENAPOR, the electronic import and export licensing/approval system (Título do Comércio Externo - TCE), and the customs procedures of the General Directorate of Customs (DGALF) to establish a single window for international trade known as JUCE.

In the 2022 Corruption Perception Index by Transparency International, Cabo Verde is ranked 35th out of 180 surveyed countries, a notable improvement from its 48th position in 2017. According to the 2022 Freedom in the World Report, while Cabo Verde generally experiences relatively low levels of corruption, issues related to bribery and nepotism are observed at the municipal level. Allegations of corruption persist in costly infrastructure projects, public procurement, management of public companies, and public land administration. Cabo Verde formally joined the World Trade Organization (WTO) in 2008, and it has not reported any measures conflicting with its obligations under the Agreement on Trade-Related Investment Measures (TRIMs). The country remains dedicated to integrating into the Economic Community of West African States (ECOWAS), although the implementation of the ECOWAS common external tariff, initially delayed due to the COVID-19 outbreak, is anticipated to contribute approximately 1 percent to GDP in the medium term. There are no immediate plans for adopting an ECOWAS single currency.

## 05. Financial Sector Development

**Score du critère: 4.5**

### 5.a. Financial stability

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

### Notes du pays:

The financial system has demonstrated resilience, with data of the end of 2022 indicating that it remains highly liquid, profitable, and well-capitalized. Regulatory capital to risk weighted assets (CAR) was 22.3 percent, well-above the regulatory minimum of 12 percent, while the return on equity and return on assets stood at 17.4 and 1.7 percent, respectively. However, the return on assets remained relatively low at 1.5 percent. Non-performing loans (NPLs) decreased from 9.5 percent at the end of 2020 to 7.2 percent of total loans at the close of December 2021, primarily due to the loan repayment moratorium and the write-off of legacy loans.

Banks continue to maintain a generally high level of liquidity. As the pandemic hit, the banking sector entered a strong position with substantial capital buffers and improving profitability, which played a crucial role in risk containment. The authorities have reaffirmed their commitment to enhancing the anti-money laundering and countering the financing of terrorism (AML/CFT) framework to safeguard correspondent banking relationships (CBRs). These relationships are crucial given the significance of migrant deposits and remittances for the economy. In 2021, the focus was on implementing the European Union's recommendations regarding the combatting of cybercrimes. The Banco de Cabo Verde (BCV) implemented measures to ensure liquidity in the banking system and support credit extension while safeguarding financial stability. Key policy measures included: (i) A reduction in the policy rate by 125 basis points (bps) to 0.25 percent. (ii) A decrease in the minimum reserve requirements from 13 percent to 10 percent. (iii) A reduction in the overnight deposit rate by 5 bps to 0.05 percent. (iv) A decrease in the rate of permanent lending facilities by 250 bps to 0.5 percent. (v) The establishment of a long-term financing facility for banks.

With the support of BCV, the government introduced a moratorium on loan repayments for borrowers meeting specific criteria, including staying current on tax and loan obligations. Additionally, BCV lowered the capital adequacy ratio from 12 percent in 2019 to 11 percent for 2020 and 10 percent for 2021. It also recommended that banks refrain from distributing dividends based on 2019 earnings to fortify their capital positions. Despite the challenging circumstances, the inflation rate remains low, remaining below 2%. BCV's intention to conduct a comprehensive study of loan losses and provisions upon the expiration of the credit moratorium, facilitate prudent loan restructuring, and provide guidance on prudential treatment of moratoria and NPL management strategies would be instrumental in mitigating these risks.

### 5.b. Sector's efficiency, depth, and resource mobilization strength

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

### Notes du pays:

Data for end-2022 suggests that the financial system is liquid, profitable, and well capitalized. Regulatory capital to risk weighted assets (CAR) was 22.3 percent, well-above the regulatory minimum of 12 percent, while the return on equity and return on assets stood at 17.4 and 1.7 percent, respectively.

The regulatory capital-to-risk weighted assets ratio stood at 18.6 percent, up from 15.6 percent in 2014, significantly surpassing the regulatory minimum of 12 percent. The return on assets was at 1 percent, while the return on equity was 12.7 percent, underscoring the profitability of the banking system. Asset quality in banks has improved in recent years as NPLs decreased from 8.1 percent at end 2021 to 7.8 percent of total loans at end-December 2022, reflecting in part the write-off of NPLs. The two largest commercial banks were instructed to increase provisions following a study carried out by the central bank (BCV) as part of an end-December 2022 SB. This decline is partly due to the reduction of legacy NPLs through write-offs and legal resolutions. The banking sector maintains liquidity, and credit to the economy grew by 4.4 percent year-on-year at the end of September 2021, supported by a COVID-19 related credit line and a temporary moratorium on loan payments. Demand deposits also increased by an estimated 4.4 percent year-on-year at the end of September 2021, with emigrant deposits remaining relatively stable during this period. Remittances play a significant role as a financing source, contributing more than 10% of the GDP. Despite the pandemic, remittances grew by 4.4 percent year-on-year in 2020.

Since January 2020, significant financial sector reforms have been implemented, including the establishment of the National Commission on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) to align the AML/CFT framework with Financial Action Task Force (FATF) requirements. Cabo Verde also joined the Global Forum on Transparency and Exchange of Information for Tax Purposes, established a network of agreements covering all EU member states, amended harmful tax regimes, and adhered to the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) minimum standard. In recognition of Cabo Verde's progress, the EU removed the country from its gray list, mitigating associated risks. According to "The Global Competitiveness Report 2019," Cabo Verde achieved a score of 40.4 on a scale of 0 to 100 for the depth of its financial system, ranking 66th out of 141 assessed countries.

Cabo Verde offers limited opportunities for capital markets and portfolio investments. The Cabo Verdean stock market, Bolsa de Valores de Cabo Verde (BVC), is fully operational, with a market capitalization of CVE 67,775 million (equivalent to EUR 621.7 million) and 12 listed companies, primarily involved in bond issuance. Foreign investors must open an account with a Cabo Verdean bank to invest in BVC stocks or bonds. Foreign interests have equal access to credit under market conditions similar to those for Cabo Verdeans. Cabo Verde launched its first blue bond on the Blu-X sustainable finance platform in January 2023. This is the first IPO listed on Blu-X and the bond could generate \$3.5 million in private finance. The bond aims to raise investment in Cabo Verde's ocean economy while divesting from polluting industries. The proceeds will support microentrepreneurs, startups, and small and medium sized enterprises in coastal communities. Cabo Verde had previously issued four sustainable bonds totalling \$32.5 million through a strategic partnership between the Cabo Verde Stock Exchange (Bolsa de Valores de Cabo Verde – BVC) and UNDP under Cabo Verde's integrated national financing framework (INFF), which aligns with the country's pioneering role in defining blue finance norms and principles.

Progress has been made in improving external auditing and financial reporting at the BCV since the 2008 safeguards assessment. However, legal revisions are required to reinforce the BCV's decision-making structure, independence, and accountability, as well as transparency (SB, 2nd review). The absence of an

independent oversight body has affected the autonomy and effectiveness of the internal audit function. To further enhance the quality of financial statements, the BCV intends to adopt International Financial Reporting Standards by FY 2023.

The microfinance sector in Cabo Verde is small and consists mainly of non-profit institutions with social objectives, primarily reliant on donor funding and lacking financial sustainability. The sector's total loan portfolio amounts to USD 6 million, distributed among 11,000 borrowers (with an average loan size of USD 545), mostly located on the islands of Santiago and Fogo. Funding from commercial banks is limited by the amount of real estate guarantees provided by microfinance institutions.

### 5.c. Access to financial services

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Access to banking services has significantly expanded, with approximately 57% of adults in Cabo Verde now having a bank account. This translates to 1,847 depositors per 1,000 adults in the country, a notably higher figure compared to 518 depositors per 1,000 in lower middle-income countries. It is worth noting that the efforts to deepen financial intermediation, improve risk-based supervision, and facilitate access to finance have been well-directed.

Despite these advances, issues regarding access to credit persist in Cabo Verde, and the private sector continues to grapple with limited access to financial resources. The financial system remains underdeveloped and lacks dynamism, necessitating the need for market diversification. Conversely, the secondary capital market in the country is not well-established.

Regarding the credit information index, as per the World Bank report, Cabo Verde scores a 6, which surpasses the regional average of 3.9. Cabo Verde's PEDS II aligns with the recently completed long-term development plan, Cabo Verde Ambition 2030. Key priorities encompass:

- (i) Advancing state-owned enterprise (SOE) reforms, including privatization and enhancing SOE efficiency.
- (ii) Reducing informality in the economy.
- (iii) Facilitating access to finance, particularly for small and medium-sized enterprises (SMEs).
- (iv) Enhancing the overall business environment.

Micro and small enterprises (MSMEs), in particular, confront substantial financing challenges. The total domestic bank credit extended to MSMEs in Cabo Verde is estimated at around USD 320 million.

However, banks do not categorize their customers by size, leading bank staff to focus predominantly on larger customers. Consequently, MSMEs receive only 58% of the number of bank loans, despite constituting 90% of the total number of firms in the economy. Businesses in Cabo Verde typically secure external financing from informal investors (24%), family and friends (24%), banks (22%), and microcredit institutions (14%). On average, MSMEs maintain credit relationships with only one bank, compared to an average of two banks for large enterprises. This highlights limited competition in the credit market for MSMEs, primarily due to their lack of fixed assets, such as real estate, to offer as collateral.

## 06. Business Regulatory Environment

Score du critère: 3.833

### 6.a. Regulations affecting entry, exit, and competition

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

#### Notes du pays:

Cabo Verde TradelInvest (CVTI) serves as the primary investment promotion agency, offering a comprehensive platform for all investors. CVTI maintains open communication with investors, organizing personalized virtual meetings, roundtables, conferences, and workshops. It provides an electronic "One-Stop Shop for Investments" platform, aiding in the formalization of expressions of interest and overseeing the investment process. CVTI also offers valuable information to investors and exporters, including details on trade agreements (such as AGOA and ECOWAS), market insights, trade-related events, and connections with other government agencies and potential partners. Additionally, CVTI can assist in obtaining various authorizations and licenses, offer guidance on tax and customs incentives, facilitate work permits for foreign employees, assist with visa applications for company staff, manage worker registrations with social security, and introduce investors to service providers like banks, lawyers, accountants, and real estate agents. For investments totaling less than USD 500,000, government entities ProEmpresa and Casa do Cidadão (Commercial Registry Department) provide similar services.

The Government of Cabo Verde actively welcomes foreign direct investment in almost every sector of the national economy. It extends "one-stop shop" support through CVTI, offering incentives and tax advantages, particularly in sectors like tourism and information and communication technology. The International Business Center (Centro Internacional de Negocios – CIN) offers tax and customs benefits to companies engaged in international business to stimulate new industrial, commercial, and service-related activities in Cabo Verde.

In 2020, Cabo Verde TradeInvest approved a total of \$1.5 billion in proposed investments, equivalent to 75 percent of the country's GDP. Cabo Verde actively seeks both domestic and foreign investments to drive economic growth, focusing on areas such as tourism, transportation services, renewable energy, and export-oriented industries. The government is dedicated to promoting a market-oriented economic model that treats all investors equally under the law, regardless of nationality. The country has been steadily implementing various reforms to create a more favorable business environment. In terms of starting a business, Cabo Verde ranks 121st out of 190 countries in the 2020 Doing Business Report[A1][A1] . On average, investors need to navigate nine different stages to acquire the necessary licenses to start a business, taking approximately nine days to complete the entire process. When it comes to property registration, the country is ranked 69th. Cabo Verde excels in terms of dealing with construction permits, securing the 50th position with a score of 74.6%, and enforcing contracts, ranking 52nd with a score of 64.8%. The legal framework in Cabo Verde includes provisions for reorganization procedures and allows creditors to have greater involvement in insolvency proceedings.

The World Bank's DB report ranked Cape Verde No. 150 regarding the ease of getting a permit. It takes between 101 days and 17 procedures to obtain permits. The requirements for obtaining a building permit are easily accessible online. Cabo Verde made dealing with construction permits indicator easier by investing in geo-referencing and its geographic information system database. According to the Doing Business report of the World Bank, resolving insolvency framework provides that a creditor or debtor has the right to object to decisions accepting or rejecting creditors' claims. The insolvency framework provides for the possibility of the debtor obtaining credit after the commencement of insolvency proceedings. According to the US Department of State, generally, arbitration is conducted in Cabo Verde and in Portuguese unless the parties agree on another location and language.

[A1]Doing business report 2022 Not available

## 6.b. Regulations of ongoing business operations

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

### Notes du pays:

Cabo Verde stands as a regional exemplar of transparency and good governance, with a dedicated commitment to enhancing the conditions for foreign investment and fostering a transparent and competitive economic environment. The government's emphasis on encouraging investment in export-oriented industries is evident through legislation promoting exports and free-zone enterprises. The tax

system promotes entrepreneurial activities, while government policies strongly advocate for free trade and open markets. Privatizations and concessions are viewed as tools to inject new dynamism into the economy, creating fresh business and investment prospects for both domestic and international private sectors. The public bidding process welcomes participation from foreign and domestic investors alike, ensuring transparency and fairness.

Due to the impact of the COVID-19 pandemic, privatizations or concessions for entities such as the national port and airport authorities (ENAPOR and ASA, respectively), the pharmaceutical company (EMPROFAC), and the electric and water utility (Electra) are currently on hold. Cabo Verde reduced its corporate income tax rate from 25 percent to 22 percent in 2019. The Investment Law outlines incentives for investments in the country by Cabo Verdean emigrants and establishes a framework for a one-stop shop catering to emigrants. Companies must secure authorization and specify their areas of economic activity within industrial, commercial, or financial services to qualify for participation in Special Economic Zones. Fiscal benefits and incentives will be determined on a case-by-case basis for a maritime special economic zone the government is planning. The International Business Center (CIN) will assess eligible investments and incentives. There are plans to establish a tax-free Special Economic Zone for Technology (ZEET) with special incentives to attract international companies.

In 2011, Cabo Verde became a contracting state to the ICSID convention, although it is not a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). Disputes between the government and investors that cannot be resolved amicably or through negotiation are referred to the judicial authorities in accordance with Cabo Verdean law. Disputes between the government and foreign investors concerning authorized investments in the country are typically resolved through arbitration if no alternative process has been agreed upon. The legal framework favors arbitration for settling investment disputes between the Government of Cabo Verde and foreign investors, with recognition and enforcement of foreign arbitral awards by the courts. Arbitration proceedings typically take place in Cabo Verde and are conducted in Portuguese unless parties stipulate otherwise. The decisions of the arbitrator or arbitration committee are final, with no avenue for appeal. In 2018, the Tax Arbitration Center was established to address tax-related disputes.

According to the 2023 Index of Economic Freedom by the Heritage Foundation, Cabo Verde boasts an economic freedom score of 65.8, ranking it as the 47th freest economy in the 2023 Index. Within the Sub-Saharan Africa region, Cabo Verde holds the 2nd position out of 47 countries, surpassing the regional average score. The Transparency International Corruption Index for 2022 ranks Cabo Verde in 35th place among 180 countries, scoring 60/100, a notable improvement from the 58/100 score in 2021 and 2020. National laws effectively safeguard private property, with no reported cases of property rights violations.

According to the US Department of State, the Investment Law applies to both foreign and domestic investors, and it enshrines the principle of freedom of investment regardless of nationality. However, sector-specific legislation requires that foreign operators have at least 51 percent participation from Cabo Verdean partners in the fisheries sector and at least 25 percent in interisland maritime transport. The Investment Law further protects against direct and indirect expropriation. According to the US Department of State, foreign investors have the right to convert their investments to any other freely convertible currency and transfer them. The government provides foreign investors guarantees, such as privately managed foreign currency accounts, which can be credited from abroad or from other foreign accounts in Cabo Verde. In addition, it allows the repatriation of undisputed dividends, profits, and capital from foreign investment operations.

## 6.c. Regulations of factor markets (labor and land)

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

### Notes du pays:

Cabo Verde has a readily available labor force, with unskilled workers making up approximately 30 to 40 percent of the total labor pool. However, it can be more challenging to find technical, managerial, and professional talent with proficiency in English and French languages.

The government reported a decrease in unemployment, with the rate dropping to 13.6% in 2022 from 20% in 2020. In January 2021, the government extended the furlough program until the end of March, reducing the employer's contribution to 25 percent while increasing the government's share to 45 percent.

Cabo Verde has ratified all eight fundamental conventions of the International Labor Organization (ILO). The minimum wage currently stands at 13,000 CVE (equivalent to USD 141) per month, and the National Social Security Institute (INPS) administers unemployment benefits. The legal workweek is capped at 44 hours for adults, with a mandatory 12 consecutive hours of rest per week and overtime pay at premium rates. Larger employers typically adhere to these regulations, but agricultural and domestic laborers often work longer hours. Labor strikes are generally peaceful, and all workers, except those in restricted sectors, have the freedom to form and join unions without government interference. While the government respects the right to strike, it retains the authority to intervene in emergencies or when essential services are at risk. Collective bargaining is not widely adopted by companies, but the ILO has collaborated with local unions and government entities to offer guidance on fostering dialogue between parties. The Directorate General for Labor (DGT) facilitates conciliation efforts to promote dialogue, and there have been no instances of labor laws being waived to attract or retain investment.

However, the World Bank, International Monetary Fund (IMF), and African Development Bank (AfDB) view the rigidity of labor laws and severance pay requirements as potential obstacles to industrial investment and development. Cabo Verde does not impose local employment quotas.

In terms of land and real estate, Cabo Verde's constitution, Civil Code, and Legislative Decree 2/2007 (Land Law) recognize the access, use, and transfer of land and property. Ownership rights or special permits to occupy and use land can be obtained by individuals of any nationality. Legal entities can register secured interests in property. Property documents, including an official map specifying the property's location (Planta de Localização) and a tax information certificate (Certidão Matricial), can be acquired through the land registry (Certidão de Registo Predial) and the municipality, respectively. If the property is unregistered, it is possible to register it with a certificate confirming that it is not registered under anyone else's name (Certidão Negativa) and a tax certificate validating this. As part of Cabo Verde's second Millennium Challenge Corporation compact, a land information management system was

established, clarifying parcel rights and boundaries in specific regions.

Cabo Verde has a comprehensive set of legislation related to employment and labor, including the Constitution of Cape Verde 1980 (revised in 1992), Labour Code 2007 (last amended in 2016), Law on Gender Based Violence of 2011, Penal Code 2003, Education Law 2010, and Law n.º 113/VIII/2016 of March 10th, which approves the National List of Dangerous Child Labour (TIP Portuguese acronym) and outlines its implementation. The Constitution empowers the state to establish national standards for limiting work hours and creating conditions for a national minimum wage for various occupations. The first national minimum wage, set by Cape Verde's Commission for Social Dialogue and effective from January 1, 2014, was 11,000 escudos for public sector workers and 12,000 for entry-level workers. The General Labour Inspectorate, operating under the Ministry of Labour, is responsible for enforcing minimum wage regulations and other provisions of the Labor Code. Labor inspectors have the authority to levy fines when necessary.

According to the US Department of State, March 2023 legislation established a legal regime for public employment. The law mandated an increase in maternity leave from 60 to 90 days, the introduction of 10-day parental leave, the introduction of teleworking or hybrid work, and the possibility of remaining in public service up to the age of 70 when the employee agrees and if it is in the interest of the Public Administration. According to the DB report of the World Bank, there are 6 procedures and 19-day process involved in registering property in Cape Verde. Cabo Verde made property registration faster by streamlining administrative procedures and improving the quality of the land administration system. The type of land registration system in the economy is Title Registration System. The Conservatoria do registo predial de Praia is the institution in charge. There is no electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system). The Praia District Court is the Court of first instance in charge of a case involving a standard land dispute between two local businesses over tenure rights located in the largest business city.

## (C) Policies for Social Inclusion/Equity

Score du cluster: 4.12

### 07. Gender Equality

Score du critère: 4.5

#### 7.a. Promotion of equal access for men and women to human capital development opportunities

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5

**Notes du pays:**

The Constitution of Cabo Verde enshrines gender equality as a fundamental component of the country's legal framework. Gender-related policies are developed through a collaborative institutional structure that includes the Ministry of Family, Inclusion, and Social Development, the Cabo Verdean Institute for Gender Equality and Equity, the Inter-ministerial Commission for Gender Mainstreaming, and the Gender Observatory. Cabo Verde has enacted laws and regulations that ensure comprehensive and equal access to sexual and reproductive health care, information, and education for both women and men aged 15 and older.

Regarding equal access to education, girls in Cabo Verde have a notable advantage over boys. They exhibit higher attendance rates, lower dropout rates, and superior academic performance. A significant percentage of young women aged 25 to 35 (56%) have completed higher education, demonstrating their educational achievements. Moreover, a larger proportion of women aged 15 to 35 (38%) have at least completed secondary education, surpassing the corresponding percentage for men (29%).

Cabo Verde has introduced progressive measures such as gender-sensitive budgeting, including gender markers in the budget system. The country has also spearheaded gender equality initiatives in the tourism sector, distinguishing itself globally. Additionally, Cabo Verde has introduced gender equality modules in secondary education and professional training courses, marking a pioneering effort in Africa.

In 2021, Cabo Verde achieved a Human Development Index (HDI) score of 0.662, ranking 128th out of 191 countries. Notably, the country's HDI has steadily increased, rising from a score of 0.57 in 2001 to 0.66 in 2020, with an average annual growth rate of 0.77%. Life expectancy at birth in Cabo Verde is higher for females (78 years) than males (70 years). Furthermore, females in Cabo Verde enjoy more expected years of schooling (13 years) compared to males (12.4 years). The Women, Business and the Law 2022 (WBL2022) index scores Cabo Verde at 86.3 out of 100, surpassing the regional average for Sub-Saharan Africa (71.5).

Cabo Verde's National Gender Equality Plan (PNIG 2021-2025) aligns with various national and international agendas, including the country's governmental programs, the Strategic Plan for Sustainable Development (PEDS) 2017-2021, and international commitments such as Agenda 2030 and Agenda 2063.

On October 5, 2022, Cabo Verde ratified the Convention against Discrimination in Education, which will take effect in the country on January 5, 2023. UNICEF reports that in 2022, Cabo Verde had a substantial number of children enrolled in various educational levels, demonstrating a high net enrollment rate of 94%. Notably, the country achieved gender parity in preschool access, slight underrepresentation of girls (48%) in basic education compared to boys (52%), and a higher representation of girls (54%) in secondary education.

Cabo Verde boasts impressive literacy rates, reaching 91% in 2021, surpassing the Sub-Saharan African average of 67%. The country's performance in providing access to antenatal services and delivery care is commendable, with 97.3% of births attended by trained health personnel. Investments in sexual and

reproductive health supplies through UNFPA Procurement Services have further bolstered these services.

Cabo Verde's healthcare facilities offer comprehensive services, including emergency care, postabortion care, family planning, contraception, and support for survivors of sexual violence. The prevalence of contraception usage among women (65.8%) significantly exceeds the continental average of 39.1% over the period of 2010-2019.

#### 7.b. Promotion of equal access for men and women to productive and economic resources

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

In the realm of women's political engagement, Cabo Verde achieved a historic milestone with the enactment of the Parity Law (Law no. 68/IX/2019) in 2019. This law has brought about a significant transformation in women's representation both in parliament and local government bodies. Women now possess equal political rights and are progressively taking part in political affairs. However, societal constraints have somewhat hindered their participation, resulting in women currently holding 9 out of 28 ministerial positions.

The current government enjoys robust parliamentary support secured through the 2016 and 2021 elections. Nonetheless, challenges persist in engaging citizens, particularly women and young people. In the 2016 and 2021 parliamentary elections, abstention rates reached 63.8% and 58%, respectively, with women constituting the majority of abstainers. Nevertheless, the representation of women in parliament is on the rise, increasing from 24% of seats in 2016 to 38.9% in 2022.

Following the municipal elections in October 2020, Cabo Verde now boasts 200 women in Local Power, constituting 42% of local elected representatives in Municipal Chambers or Assemblies. In the legislative elections held on April 18 of the current year, women now hold 38% of parliamentary seats and make up 32% of the new Government.

Gender equality tends to be more pronounced in urban areas of Cabo Verde, where women enjoy increased access to employment opportunities, government services, and have a stronger voice in advocating for their needs and societal roles. However, rural women engaged in agriculture face discrimination in accessing essential resources, including clean water, and are frequently subjected to gender-based violence (GBV). These challenges appear to be less prevalent in fishing communities, where women often take the lead in commercial aspects of artisanal fisheries.

As of 2022, the female labor force participation rate stands at 49.9%, while the male rate is 62.6%. The limited presence of women in agriculture is a matter of concern, given the high levels of female poverty in rural regions and the limited alternative employment opportunities in this sector. Men make up 53% of agricultural producers, leaving women at 47%, even though they play a significant role in the agricultural economy of rural areas, where approximately 74.6% of the population is engaged in agriculture, livestock, or fishing.

Vulnerable employment poses a considerable challenge, as it often lacks formal work arrangements, social protection, and safety nets to safeguard against economic uncertainties, thereby increasing the risk of poverty. In 2021, vulnerable employment affected 30.9% of women and 24.1% of men in Cabo Verde. Wage disparities persist, with men typically earning an average of 15% more than women, and some formal economic sectors still exhibit wage gaps between genders. Women are also more likely to be engaged in the informal economy, where compensation tends to be lower, and labour protections are inadequately enforced.

Women's participation in technological and scientific fields, traditionally male-dominated, remains limited, despite its significance. This is particularly concerning since the key sectors identified for promoting full productive employment and ensuring social protection often lean towards male-dominant areas such as renewable energy, the blue economy, the digital economy, agriculture, and creative industries. The private sector, which accounts for 4 out of every 10 jobs, employs approximately 1 in 2 men and less than 1 in 3 women.

Regarding women's economic opportunities, Cabo Verde scored 80.70 out of 100 in the 2022 Network Readiness Index. The Constitution guarantees women's equal rights to land ownership and control. However, in practice, challenges related to land ownership persist.

In terms of income, males per capita incomes in Cabo Verde (USD 8573, measured at 2017 PPP) are higher than those for women (USD 5453, measured at 2017 PPP).[a1]

Women, Business and the Law 2022 (WBL2022) index presented a score of 86.3 out of 100. When it comes to constraints on freedom of movement, laws affecting women's decisions to work, constraints related to marriage, constraints on women starting and running a business, and gender differences in property and inheritance, Cabo Verde gets a score of 100 out of 100 (source: <https://wbl.worldbank.org/content/dam/documents/wbl/2022/snapshots/Cabo-verde.pdf>).

[a1]No updated stats

### 7.c. Men and women equal status and protection under the law

Type de score	Valeur
Score de brouillon	4.5

Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

### Notes du pays:

The Cabo Verdean government is a signatory to various human rights conventions, with a particular emphasis on the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). Cabo Verde has submitted its combined initial and II-VI reports to the CEDAW Committee, with reviews conducted in 2006 (CEDAW/C/SR.753 and 754). Additionally, the VII and VIII combined periodic report was submitted in 2010, undergoing review in 2013 (CEDAW/C/SR.1140 and 1141). The recommendations provided by the Committee in July 2013 (CEDAW/C/CPV/CO/7-8) are presently in the process of implementation. Cabo Verde is also a party to key global gender equality and women's empowerment initiatives, including the Cairo Program of Action and the Beijing Platform. These initiatives, alongside CEDAW, are part of the regular monitoring of progress at the national level. The most recent reports for these initiatives date back to 2013 and 2014, specifically the ICPD+ 20 and Beijing+20 reports.

To uphold gender equality and combat gender-based violence, the Cabo Verdean legislature enacted Law No. 84/VII/2011 on January 10, 2011. This law serves a dual purpose: promoting gender equality in accordance with Article 24 of the Constitution of the Republic of Cabo Verde and instituting measures to prevent and address Gender-Based Violence (GBV). The law concentrates on enhancing the protection of GBV victims, imposing stricter penalties on offenders, and raising awareness about gender-based violence. It includes provisions for establishing multiple autonomous care centres, both financially and administratively, although the implementation has faced delays due to staffing shortages. The penal code within Cabo Verde criminalizes sexual harassment, and individuals found guilty can face penalties such as imprisonment for up to one year and substantial fines (<https://www.state.gov/reports/2021-country-reports-on-human-rights-practices/cabo-verde/>).

The incidence of gender-based violence in Cabo Verde significantly decreased by half between 2015 and 2020, declining from 22 percent to 11 percent. However, it remains more prevalent among women and girls living in rural areas and those with limited formal education, affecting 19 percent of this demographic. Unfortunately, the rate experienced a 24 percent increase due to the impact of the pandemic. One of the pressing concerns is the limited access to justice and protection, particularly for women, youth, and children. Gender-based violence and discrimination against women persist as substantial issues. From August 2021 to July, the Attorney General's Office recorded 1,865 cases of gender-based violence, marking an approximate 11 percent decrease compared to the period from August 2020 to July 2021. While personal social freedoms, including aspects related to marriage and family law, are generally upheld, authorities do enforce laws against rape and domestic abuse. Nevertheless, these forms of violence continue to pose serious challenges, and there is an insufficient allocation of public resources to support and safeguard the victims. (<https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/cabo-verde/>).

## 08. Equity of Public Resource Use

**Score du critère: 3.667**

## 8.a. Poverty Measurement

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

### Notes du pays:

During the crisis, Cabo Verde experienced a significant economic downturn, with a 19.3 percent contraction in GDP in 2020, primarily due to the collapse of the tourism sector. This contraction was one of the largest declines in the country's post-colonial history and one of the largest in sub-Saharan Africa. Consequently, absolute poverty levels rose to 31.3 percent in 2020, reversing previous improvements (<https://www.unicef.org/media/136711/file/Cabo-Verde-2022-COAR.pdf>).

However, Cabo Verde has demonstrated a commitment to achieving the Sustainable Development Goals (SDGs) and has seen positive development outcomes. Between 2018 and 2022, the country achieved annual economic growth averaging 4.7 percent, leading to a reduction in extreme poverty from 23.7 percent in 2018 to 13.1 percent in 2022. Additionally, the proportion of the population living on less than half the average income decreased from 15 to 5 percent during the same period (source: UNICEF - Cabo Verde Country Report 2022).

The inflation rate in Cabo Verde increased to 15.5 percent in January 2023, following an average rate of 7.9 percent in 2022. The main driver of inflation was food products and non-alcoholic beverages, with prices rising significantly due to global supply shocks, especially since the onset of the conflict in Ukraine ([https://cabo Verde.un.org/sites/default/files/2023-03/The%20Sustainable%20Development%20Bulletin%20Feb%202023\\_1.pdf](https://cabo Verde.un.org/sites/default/files/2023-03/The%20Sustainable%20Development%20Bulletin%20Feb%202023_1.pdf)).

Nonetheless, there has been a reduction in overall poverty to 20 percent and extreme poverty to 9.4 percent in Cabo Verde in the second quarter of 2023 compared to the previous three months. These figures were based on data from the National Statistics Institute (INE). Rural areas experienced higher overall poverty rates at 23 percent compared to 21.5 percent in urban areas. Extreme poverty rates were also higher in rural areas (12.2 percent) compared to urban areas (11.5 percent) (source: National Statistics Institute, Cabo Verde).

In 2022, Cabo Verde achieved a strong economic growth rate of 17.7 percent, driven by sectors such as tourism, transport, and commerce. This economic expansion contributed to a reduction in poverty rates (<https://www.worldbank.org/en/country/cabo Verde/publication/cabo-verde-s-path-to-sustainable-growth-reforms-to-boost-productivity-and-reduce->

poverty#:--:text=The%20year%202022%20was%20marked,became%20a%20reality%20for%20many.).

The government of Cabo Verde aims to eradicate extreme poverty by 2026, aligning with the United Nations' 2030 Agenda and the new Strategic Plan for Sustainable Development 2022-2026 (PEDS II). The poverty threshold in Cabo Verde was set based on the 2015 survey on household expenditure and income, with overall poverty defined at 70,620 escudos (640 euros) and extreme poverty at 47,080 escudos (426 euros) (source: INE, Cabo Verde).

To address extreme poverty, Cabo Verde has approved a national strategy that includes an integrated approach combining policies related to income, social benefits, education, healthcare, access to housing, water, energy, sanitation, productive inclusion, training, and entrepreneurship. This strategy aims to expand social protection for the most vulnerable populations.

The CSU (Cadastro Social Único) data indicates that 55.4 percent of the extreme poor in Cabo Verde reside in rural areas, 85 percent come from female-headed households, and 37 percent are children aged 0 to 15 years. As part of the "Estratégia Nacional para a Redução da Pobreza Extrema" (ENEPE), the government will target households with children among the most vulnerable. This includes the expansion of social programs such as direct income transfers and productive inclusion initiatives.

#### 8.b. Public Expenditures: Priorities and strategies

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

In its report on the Extended Credit Facility (ECF) arrangement 2023, the IMF projects a primary deficit of 2.2 percent of GDP for 2023, showing a slight improvement compared to the initial ECF review. The expectations are that tax revenues will rise in line with nominal GDP, while budgeted expenditures remain fixed. Additionally, grants, mainly from China, are anticipated to increase by about 1 percent of GDP, and property income will receive a boost from airport concession revenues delayed from 2022, accounting for 1.4 percent of GDP. The achievement of the program target hinges on the authorities' adherence to contingency spending measures in case revenue from the airport concession experiences delays or if overall tax revenues fall short due to downside risks to growth. These measures involve withholding 20 percent of the budget allocation for investment spending and the purchase of goods and services, amounting to 5.3 billion escudos or 1.9 percent of GDP, as permitted by the budget law until revenue performance stabilizes. Capital expenditure is projected to increase from 1.9 percent of GDP in 2022 to 4.2 percent in 2023, and current spending is expected to rise from 23.8 to 24.8 percent of GDP. This

increase in current spending is driven by higher expenditures on goods and services, reflecting increased prices, as well as a moderate salary adjustment (<https://www.imf.org/en/Publications/CR/Issues/2023/07/18/Cabo-Verde-2023-Article-IV-Consultation-Second-Review-Under-the-Extended-Credit-Facility-536530>).

The implementation of the Policy Coordination Instrument (PCI) by the IMF has played a supportive role in the authorities' medium-term goals for fiscal and debt sustainability, as well as a broader reform agenda under their Strategic Plan for Sustainable Development (PEDS). Before the onset of the health crisis, this approach led to positive outcomes, including increased economic growth, low inflation, improved fiscal and external positions, a declining public debt-to-GDP ratio, and decisive structural reforms.

The IMF's projections for 2023 emphasize the importance of balancing current spending containment with the necessity for public capital to support PEDS II investments, especially those related to climate change resilience. It is anticipated that current spending will decrease by approximately 1 percent of GDP, as the authorities remain committed to exercising restraint in this regard to create room for capital spending aimed at fostering growth and enhancing climate change resilience. The containment of wage growth in the public sector is anchored in strong stakeholder support, setting a benchmark for the private sector.

In the medium term, the second Strategy for Sustainable Development (PEDS II, 2022-26), developed in 2021 based on Cabo Verde Ambition 2030, will guide policy implementation and reforms. It builds on the progress achieved over the past five years and prioritizes the following areas:

(i) Enhancing domestic revenue mobilization to rebuild the revenue base affected by the global pandemic and enhance performance. (ii) Strengthening expenditure management and improving the execution of public investment projects. (iii) Advancing reforms in State-Owned Enterprises (SOEs) to reduce fiscal risks and support fiscal and debt sustainability in the medium term. (iv) Enhancing the effectiveness of the monetary policy transmission mechanism. (v) Strengthening the financial system. (vi) Increasing access to finance and improving the business environment to promote private sector development and inclusive growth.

In addition to these priority areas, PEDS II will focus on the development of human capital, diversification of the tourism sector, improvement of its connections with non-tourism sectors such as agriculture and fisheries, development of the blue and digital economy, and enhancing productivity in the agriculture sector (<https://www.imf.org/en/Publications/CR/Issues/2023/07/18/Cabo-Verde-2023-Article-IV-Consultation-Second-Review-Under-the-Extended-Credit-Facility-536530>).

### 8.c. Regressive Tax

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

### Notes du pays:

In recent years, Cabo Verde has introduced significant innovations in its revenue-raising measures, notably the introduction of the Value Added Tax (VAT), which has expanded the tax base and increased government revenues. Various policies and reforms have been implemented by the government since 2004 to enhance tax revenues. The country's tax system is progressive, with lower-income brackets paying a smaller percentage of their income compared to higher-income earners. Specifically: (i) Incomes from 0 to CVE 960,000 are taxed at 16.5%. (ii) Incomes from CVE 960,000 to CVE 1,800,000 are taxed at 23.1%. (iii) Incomes exceeding CVE 1,800,000 are taxed at 27.5%.

Cabo Verde's VAT system closely aligns with the European Union (EU) VAT system and is set at a standard rate of 15%. This VAT rate of 15% applies to the import and sale of goods and services within Cabo Verde's territory. However, the VAT rate for the supply of electricity and water to end consumers is lower at 8%.

Resident companies are subject to a tax rate of 22%, applied to their taxable income, which is calculated as profit minus tax benefits and any carried-forward losses. This tax rate also applies to Permanent Establishments (PEs) of non-resident companies. Micro and small-sized companies are subject to a single special tax (SST) of 4% based on their gross sales in each taxable year, paid quarterly. The SST replaces Corporate Income Tax (CIT), the fire brigade surtax, VAT, and the social security contribution attributable to the company. Non-resident companies without a PE are subject to Withholding Tax (WHT) rates specific to each income category outlined in the Tax Code, ranging from 1% to 20%.

Cabo Verde introduced Law 11/X/2022 on June 6, 2022, regulating the Special Economic Zone (SEZ) on the Island of Maio. Eligible activities encompass agriculture, manufacturing, transportation, telecommunications, consulting, head office activities, and more. The Decree offers several benefits, including reduced corporate and personal income tax rates, exemptions from taxes, fees, and charges on imported goods for SEZ investments, and more. This Decree became effective on June 7, 2022.

On October 3, 2022, the Cabo Verdean Government presented the Draft State Budget Law for 2023 (OE 2023) to the National Assembly. The proposal includes new tax incentives and aims to maintain existing tax benefits and incentives in 2023 to promote investment and employment. Key tax measures in the proposal include:

(i) Fractional payments for taxpayers under the fiscal transparency regime and organized accounting - Category B, set at 15% of the taxable profit from the preceding year, with payments due at the end of March, August, and November of the same year. (ii) Deductibility of personnel expenses related to health insurance premiums, capped at 20% of the total expenses, provided that insurance policies cover most workers and offer equal coverage.

Cabo Verde's economy demonstrated resilience, achieving growth rates of 6.8% in 2021 and an impressive 17.7% in 2022. This positive economic performance was accompanied by a reduction in the fiscal deficit, a decline in the debt-to-GDP ratio to 121.2% in 2022, an improved current account, and an increase in international reserves. Government fiscal policies played a crucial role in supporting economic recovery and protecting vulnerable populations, leading to a reduction in poverty rates to 28.1% in 2022.

In April 2020, Cabo Verde introduced Law n. 86/IX/2020, which introduced amendments to tax codes and republished various tax regimes. It offered tax credits for relevant investments made in specific sectors, with varying deduction rates. Additionally, Decree Law 36/2020 granted tax moratoriums for payments due between April 1, 2020, and December 31, 2020, extended deadlines for annual income tax returns, and allowed companies to pay VAT in instalments if they could demonstrate a significant downturn in business, such as a 30% reduction in turnover.

Cabo Verde maintains a solid and transparent tax administration. Future efforts are expected to focus on increasing tax collection and non-tax revenue in the coming years. This includes modernizing the tax system and administration, broadening the tax base, and enhancing the efficiency and transparency of government expenditures. Social spending will remain a priority, supported by funding from the social protection fund generated by the tourism tax (source: IMF report and government publications).

## 09. Building Human Resources

**Score du critère: 3.833**

### 9.a. Health and nutrition services

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

#### Notes du pays:

Significant advancements have been achieved in recent years in the field of health in Cabo Verde, following substantial progress, particularly in meeting the Millennium Development Goals related to child mortality and maternal mortality by 2015. During the past five years, health initiatives have been bolstered, including the strengthening of leadership, governance, and regulation within the sector, the establishment of a regulatory body, and a more conducive environment for private sector involvement and public-private partnerships. Furthermore, health regions and regional hospitals have been solidified. In the 2022 National Resource Index (NRI), Cabo Verde is ranked 74th in Sustainable Development Goal 3 (SDG 3) for good health and well-being, with a healthy life expectancy at birth of 68.87 years during the same year. The percentage of the population living on half the average income has decreased significantly from 15% in 2018 to 5% in 2022.

However, the country has faced challenges due to the impact of external factors such as COVID-19, four years of drought, and the Russia-Ukraine war. These events have underscored Cabo Verde's vulnerability to exogenous shocks, leading to the declaration of a Social-Economic Emergency in June 2022. Supply

chain disruptions and rising costs have posed risks to the country's recovery, highlighting the importance of strengthening resilience through risk-informed programming, development finance, and a focus on SDG accelerators.

Cabo Verde boasts strong health indicators in sub-Saharan Africa, with a life expectancy of 74 years, 70 for men and 78 for women as of 2021. The National Health System (NHS) has become more prepared to address various challenges, including healthcare provision, surveillance, security, prevention, and health promotion.

In response to emerging health crises, Cabo Verde reconfigured budget priorities, suspending fiscal consolidation and debt reduction efforts in 2020 to allocate approximately 6% of public expenditure (according to World Bank data) to reinforce the National Health System, with a primary focus on saving lives. This included capacity building, decentralization of the Virology Laboratory, and the launch of vaccination campaigns aimed at achieving coverage for 70% of the population in 2021 and full population coverage in 2022.

The maternal mortality ratio in Cabo Verde has improved significantly, decreasing from 125 in 2000 to 42 in 2020, well below the regional average. The country has also made remarkable progress in reproductive health, with a fertility rate of 1.9 births per woman in 2022, a substantial decline from 6.9 births per woman in 1973. Additionally, infant mortality has declined, with an infant mortality rate of 11.7 deaths per 1,000 live births in 2021, down from 92.3 deaths per 1,000 live births in 1972.

Both neonatal and infant mortality in Cabo Verde are below the SDG targets, indicating that the country is likely to achieve the goal of ending preventable deaths of newborns and children under 1 year of age well before 2030.

Cabo Verde has maintained a stable HIV prevalence rate of around 0.6% between 2002 and 2021. The tuberculosis incidence rate has also decreased, from 47 cases per 100,000 inhabitants in 2015 to 35 cases per 100,000 people in 2021.

The country has made significant strides in malaria elimination, with no local cases registered since 2017. Imported cases from endemic countries have been the primary source of new infections since 2018.

However, Cabo Verde's archipelago faced a complex food security crisis in 2022 due to factors such as prolonged drought, reduced food production, the socio-economic effects of COVID-19, global supply chain disruptions, and rising food prices, largely driven by the Ukraine crisis. This situation led to the declaration of a Social-Economic Emergency in June 2022. The World Food Programme (WFP) initiated a Limited Emergency Operation (LEO) in response, aiming to secure commodities for the national school feeding program. Due to the ongoing economic challenges, WFP extended the LEO by six months to May 2023, increasing the budget to USD 4 million.

Cabo Verde's health policy framework is well-established, with the National Health Policy adopted as law in 2007. The government has prioritized the strengthening of the local health system, quality of care, governance, and regulation of the sector, including private providers. The country has achieved progress in various health-related areas, with public health expenditures accounting for approximately 6.02% of GDP in 2020 (<https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=CV>).

Despite these advancements, Cabo Verde faces challenges in achieving certain global nutrition targets, including reducing anaemia among women of reproductive age. The country has shown progress in breastfeeding practices, with 59.6% of infants aged 0 to 5 months being exclusively breastfed. Obesity prevalence is relatively low but still an area of concern, with 18.9% of adult women and 8.5% of adult men classified as obese. Diabetes affects a notable percentage of the population, with 9.4% of adult women and 10.9% of adult men affected. Overall, Cabo Verde has made substantial strides in health and well-being, but ongoing efforts are necessary to address remaining challenges and ensure sustained progress.

## 9.b. Education, ECD, training and literacy programs

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5
Score de deuxième brouillon	3.5
Score final	3.5

### Notes du pays:

Cabo Verde has undertaken a series of reforms aimed at enhancing the functionality of its education system and improving the quality of educational services for individuals of all ages. The Cabo Verdean government recognizes the critical importance of early childhood development in a person's overall life, and it has proposed the establishment of a universal and high-quality preschool education system as part of the 2017-2021 Strategic Education Plan. This initiative is designed to provide access to preschool education for all 4- and 5-year-old children.

However, it is worth noting that government spending on education, as a percentage of total expenditure, decreased from 17.09% in 2020 to 15.11% in 2021.

As of 2022, a total of 129,513 children were enrolled in various education levels, including 16,000 in preschool, 82,707 in compulsory basic education (grades 1 to 8), and 30,806 in secondary education (grades 9 to 12). The net enrolment rate is at 94%, with gender parity in preschool, slightly more boys in basic education (52%), and more girls in secondary education (54%). However, there has been a noticeable decline in the transition rate from the 8th to the 9th grade, from approximately 80% in 2020 to 74%, with boys experiencing a more significant impact. The rate of access to preschool has not seen substantial improvements, and recovery efforts after the COVID-19 pandemic have faced challenges.

The Government of Cape Verde is committed to improving the quality of education in the country. In order to strengthen foundational skills in education, the Education and Skills Development Enhancement Project, funded by the World Bank since 2018, supports the establishment and operationalization of a student assessment system within the ministry of education to accompany and monitor the ongoing education reform.

As part of this work, the ministry of education of Cape Verde contracted EdIntersect to carry out an Early Grade Reading Assessment (EGRA) study in Cape Verde in tandem with ministry staff in 2022. Together, EdIntersect and the ministry of education developed and piloted an EGRA instrument in Portuguese for Grade 2, designed to be administered individually to students, and also questionnaires for teachers and school principals on school management and teaching practices in schools.

Government expenditure per student has increased significantly over the years, with notable increases in primary, secondary, and tertiary education spending. The Education Strategic Plan 2017-2021 focuses on improving access to education, the efficiency of education management, and the quality of education services.

In August 2022, the Ministry of Education, in collaboration with UNICEF and the National Commission of UNESCO (CNU) in Cabo Verde, organized national consultations to gather input and insights on various education-related themes from the general public. These consultations aimed to inspire actions for a full recovery from the impacts of COVID-19 on education, identify innovative approaches to accelerate progress toward education goals, generate commitments to transform education, and enhance public funding for education sustainability.

While Cabo Verde has made significant progress in education, challenges related to gender parity persist. Parity in mandatory elementary education is not fully achieved, with 93 girls attending school for every 100 boys. In secondary education, the parity index stands at 1.2, indicating that 120 girls attend for every 100 boys. In higher education, the disparity is even more pronounced, with a parity index of 1.5, meaning 150 girls attend for every 100 boys.

Cabo Verde boasts a high literacy rate, with the majority of the population aged 15 and over being able to read and write. The literacy rate in 2021 was 90.78%, representing a 3.99% increase since 2015. However, there is a gender disparity, with a higher literacy rate among men (93.1%) compared to women (83.9%), highlighting inequalities in access to education.

### 9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Cabo Verde has emerged as a leader in West and Central Africa when it comes to preventing the transmission of HIV from HIV-positive mothers to their children. With support from the World Health

Organization (WHO) and partners, the country has decentralized its HIV services, making HIV testing available to all pregnant women. In cases where a woman tests positive, immediate administration of antiretroviral drugs, coupled with a comprehensive package of services during labor, delivery, and breastfeeding, reduces the risk of HIV transmission to their infants to less than 5%. Cabo Verde stands out as the sole country in West and Central Africa that is close to achieving the goal of eliminating vertical HIV transmission from mother to child.

Cabo Verde's health system provides these services at no cost as part of the government's commitment to universal health coverage. Every Cabo Verdean is entitled to a basic package of health services, encompassing antenatal care, emergency treatment, and both treatment and prevention measures for HIV, tuberculosis, and malaria. While certain medications and consultations entail a nominal fee of \$1, this amount is significantly lower than the actual cost of the services provided.

In the realm of chronic diseases, the government's substantial investments over the past decade have led to remarkable progress in comparison to neighbouring countries. Cabo Verde's strategies to combat malaria, tuberculosis, and HIV are underpinned by comprehensive plans and policies, including the Global Technical Strategy against Malaria 2016-2030, the National Health Development Plan 2017-2021, the National Health Policy, and the Strategic Plan to Fight HIV (2016-2020).

Cabo Verde has consistently maintained a stable HIV prevalence rate of around 0.6% between 2002 and 2021. Additionally, the incidence rate of tuberculosis has declined, decreasing from 47 cases per 100,000 inhabitants in 2015 to 35 cases per 100,000 people in 2021.

The country has also made significant strides in malaria elimination, with no local cases reported since 2017. In 2021, there were zero malaria cases per 100,000 people in Cabo Verde, primarily attributed to robust vector control measures, prompt case detection, and effective treatment. Preventive strategies, such as indoor residual spraying campaigns, vector larvae control, and malaria control at entry points, have been instrumental in eliminating malaria as a health threat in the country.

Cabo Verde's health policy framework, including the National Health Policy, was legally adopted in 2007. The government's focus has been on strengthening the local health system, improving healthcare quality, enhancing governance and regulation, and collaborating with private providers. Public health expenditures accounted for approximately 6.02% of GDP in 2020. The country has been able to finance approximately 63.9% of total expenditures on malaria, HIV, and tuberculosis, with additional funding sourced from various development partners, including Luxembourg, the European Union, and The Global Fund.

Furthermore, according to the UNICEF country report of 2022, Cabo Verde has made progress in the certification of Mother-to-Child HIV/Syphilis Transmission elimination, with support provided to pregnant women/mothers and children exposed to HIV, along with strengthening the capacity of laboratory technicians.

In 2021, the incidence of tuberculosis in Cabo Verde was 35 cases per 100,000 people, demonstrating a consistent downward trend. If this trend continues, Cabo Verde is on a promising path toward achieving the Sustainable Development Goal (SDG) target of eliminating tuberculosis as a public health concern by 2030 (incidence rate < 10/100,000 inhabitants).

Source: <https://www.theglobalfund.org/en/updates/2022/2022-10-11-new-report-highlights-portuguese-speaking-countries-progress-against-hiv-tb-and-malaria-over-the-last-20-years/>

## 10. Social Protection and Labor

Score du critère: 4.1

### 10.a. Social safety net programs

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

Social protection has played a crucial role in promoting inclusive growth in Cabo Verde. The country's social security system, governed by Law No. 131/V/2001 of January 22, encompasses three distinct regimes: Network Security, Social Protection, and Social Protection Additional Mandatory.

Within the realm of social assistance (SA), the Social Pension stands as the most well-established benefit, having been consistently disbursed for over a decade through the State Budget to approximately half of the population aged 60 and above. Recognizing the need for a more coherent and coordinated approach to social assistance, the government initiated the creation of a pivotal management tool known as the Single Social Registry. This strategic move came after various assessments revealed that the extensive and uncoordinated SA programs were hindering the establishment of a sustainable social protection framework. The Single Social Registry has since played a crucial role in facilitating the introduction of new cash transfer programs aimed at supporting impoverished families.

In 2020, Cabo Verde expanded the single registry for non-contributory benefits (CSU), adding 20,375 new households, encompassing 85,689 individuals, across all 22 municipalities of the country. The nation also enhanced the management system of the Mutual Health Fund, streamlining procedures carried out by the National Social Pension Center (CNPS) and municipalities, ensuring greater efficiency, and guaranteeing the reliable provision of medicines by pharmacies.

As reported by the CNPS, which administers pensions and social contributions in Cabo Verde, the extraordinary expenditure on social protection measures during the Covid-19 pandemic, including the temporary furlough scheme, amounted to over €1.360 billion escudos. This marked a 5.6% decrease from 2020, the initial year of the pandemic.

Preliminary data from the National Institute of Social Security (INPS) indicates that sickness and maternity benefits accounted for the most significant portion of social transfer expenditures in 2021, rising by 7.7% compared to 2020, reaching nearly 2.965 billion escudos. Pensions followed closely, with expenditures increasing by 9.5% to surpass 2.807 billion.

The INPS plays a central role in managing the social security system for employees in Cabo Verde, administering various pension types. Recent data shows that 41% of INPS beneficiaries are actively insured (i.e., workers), 48.6% are their family members, and 6.1% are pensioners, among others. By the end of 2021, the INPS had 103,108 active insured members, covering 40.6% of the insured population, and 126,462 enrolled family members, representing 49.8% coverage. This signified a 2% increase in coverage, while the number of contributors decreased by just 0.1% compared to 2020.

Despite Cabo Verde's current youth population, there is an anticipated future strain on the sustainability of the INPS due to the aging population. This challenge is projected to intensify over the next 20 years, necessitating increased resources to support retirement benefits. Consequently, the INPS, one of the country's major investors, is preparing to adopt a more flexible approach and enhance its engagement with the private sector. This strategic shift aims to enable the INPS to play a more active role in driving economic growth and reducing unemployment.

In this context, the government has initiated a national care program through the Ministry of Family and Social Inclusion, offering support to numerous families across the country. Additionally, several other programs, including scholarships and food assistance, are in place to address various social needs. (<https://www.social-protection.org/gimi/gess/ShowCountryProfile.action?iso=CV>)

#### 10.b. Protection of basic labour standards

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

The employment situation in Cape Verde has witnessed fluctuations over the years. In 2022, the employment rate reached an all-time high of 56.50 percent, contrasting with a record low of 45.30 percent in 2020. Cabo Verde earned a Labor Rights Index score of 79.5/100 in 2022, demonstrating its commitment to upholding labor rights. Workers in Cabo Verde have the freedom to form or join unions of their choice, engage in collective bargaining, and engage in legal strikes. The labor code safeguards against anti-union discrimination and allows for the reinstatement of workers. The government has been vigilant in upholding workers' rights to association and collective bargaining, primarily in the formal sector,

except for essential occupations. Penalties for infringements were consistent with those for other civil rights violations and were regularly imposed on wrongdoers.

Cabo Verde also has stringent laws prohibiting forced or compulsory labor, especially among children. The government has effectively enforced these laws within the formal sector, and the labor code explicitly bans forced labor. Minimum occupational safety and health (OSH) standards are established by law, and workers possess the right to refuse work if conditions pose severe health or physical hazards. High-risk sectors like fishing and construction have specific OSH regulations developed in consultation with unions and employers.

The government has successfully enforced laws related to minimum wage, overtime, and OSH. Penalties for violations have been proportionate, akin to penalties for other offenses like fraud or negligence, and authorities have consistently applied them. The Inspectorate General for Labor and the Directorate General for Labor have been pivotal in ensuring compliance with wage, hour, and OSH regulations, with an adequate number of labor inspectors to enforce adherence (<https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/cabo-verde/>).

GDP per employed person in Cabo Verde was reported at \$21,479 (constant 2017 PPP) in 2022, reflecting the country's economic challenges, including a 14.8 percent decrease in growth and a 9 percent loss in employment due to the impact of the pandemic and the Russia-Ukraine conflict.

One noteworthy aspect of Cabo Verde's labor market is the prevalence of informality, not limited to agriculture. Approximately 53.8 percent of employees in Cabo Verde work in the informal sector, totalling 95,708 individuals. This rate varies by region, with informal employment being more prominent in rural areas (73.3%) than in urban areas (48.7%). The tourism-centric municipalities of Sal and Boa Vista report lower rates of informal employment at 23% and 30.7%, respectively.

In terms of labor force participation, the rate among females was 49.9%, while among males, it stood at 62.6% in 2022. This rate signifies the proportion of the population aged 15 and older participating in economic activities. Female labor force participation has been on the rise since 1990, and compared to lower-middle-income countries, Cabo Verde exhibits a narrower gender gap in labor force participation. Vulnerable employment affects 30.9% of women and 24.1% of men in Cabo Verde in 2021, with both genders experiencing lower rates compared to the Sub-Saharan African average.

Data from 2022 indicates regional disparities in informal employment, with rural areas reporting 73.3% informal jobs compared to 48.7% in urban areas. In municipalities heavily reliant on tourism like Sal and Boa Vista, informal employment rates are notably lower at 23% and 30.7%, respectively.

Cabo Verde has established the Special Micro and Small Businesses Tax Regime (REMPE) under Law No. 70/VIII/2014. This tax regime applies to businesses registered in Cabo Verdean territory and includes micro and small businesses that meet specific criteria. These businesses may opt for simplified accounting structures.

The country maintains a government-mandated minimum wage, ensuring that no worker is paid less than this prescribed rate. As of 2023, the minimum wage in Cabo Verde remains unchanged at 13,000 CVE/Month (approximately 126 USD/Month). The minimum and maximum rates for non-self-employed

workers adhere to the Labor Code's provisions, encompassing public entity employees, mixed capital corporation employees, and public enterprise workers. The minimum wage is adjusted in conjunction with public sector wage updates and decisions by the Social Coordination Council.

Unemployment benefits provided by the National Social Security Institute (INPS) in Cabo Verde experienced fluctuations in early 2022, reaching their highest monthly level in six months. In January 2022, INPS spent 2,926,000 escudos (26,600 euros) to support 180 beneficiaries, increasing to 3,806,000 escudos (34,600 euros) for 202 beneficiaries in February 2022. The surge in spending on unemployment benefits coincided with the conclusion, on December 31, 2021, of the simplified employment contract suspension mechanism introduced in response to the Covid-19 pandemic. This regime, known as "furlough," was in effect since April 2020 and involved INPS subsidizing over half of workers' salaries. The Cabo Verdean government is set to extend unemployment benefits to domestic workers in 2024 and introduce a new legal framework for compulsory labor accident insurance. The country aims to establish an effective labor authority, with the process slated for tripartite talks council deliberation, Cabinet approval, and formalization (<https://www.aman-alliance.org/data/newsDetails.php?id=66809>).

### 10.c. Labour market regulations

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

Access to work and residence permits for foreign workers, managers, and investors is governed by the Labor Code and Law 80/VIII/2014 in Cabo Verde. Foreign individuals are obligated to apply for a work permit, but this authorization process is not unduly burdensome. Notably, there is no requirement for "forced localization" in any sector within Cabo Verde. Investors are eligible for work and residence permits independently of the amount they invest. The specifics of the foreign hiring process diverge based on the category of the individual.

The Labor Code in Cabo Verde provides regulations for residence permits for foreign workers, managers, and investors. Until April 2022, the Foreigners Law had imposed a condition where migrants needed a residence permit to work and vice versa, resulting in a challenging cycle. This situation was rectified by streamlining the requirements for obtaining a residence permit. The government has reviewed the regularization process, with plans to amend the law and reduce requirements by June 2022. Furthermore, communication campaigns have been conducted to educate migrants about the regularization process. The government remains committed to reducing the vulnerability of West African migrants working in the construction and hospitality sectors to exploitation while enhancing their integration into society.

Foreign individuals in Cabo Verde can obtain permits falling into one of four categories: investors, employees, independent professionals, and highly qualified employees. It's noteworthy that Cabo Verde has ratified all eight of the International Labor Organization (ILO)'s fundamental conventions.

The National Social Security Institute (INPS) plays a pivotal role in managing the social security system for employees in Cabo Verde, overseeing various types of pensions. Recent data indicates that 41% of INPS beneficiaries are actively insured, comprising workers, while 48.6% are their family members, and 6.1% are pensioners, among others. As of the end of 2021, INPS had 103,108 active insured members, providing coverage to 40.6% of the insured population, and 126,462 enrolled family members, representing 49.8% coverage. This signifies a 2% increase in coverage, with a marginal 0.1% decrease in the number of contributors compared to 2020.

The country maintains a government-mandated minimum wage, ensuring that no worker is paid less than this prescribed rate. As of 2023, the minimum wage in Cabo Verde remains unchanged at 13,000 CVE/Month (approximately 126 USD/Month). The legal workweek is limited to 44 hours for adults, with mandatory provisions for 12 consecutive hours of rest per week and premium pay rates for overtime. While larger employers generally adhere to these restrictions, it's worth noting that agricultural and domestic laborers often work longer hours.

#### 10.d. Community driven initiatives

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

In Cabo Verde, the majority of policies implemented by the central government involve active community participation. These policies are transparently documented and made accessible to all citizens through the official website. Importantly, the community plays a pivotal role in shaping these policies. Their perspectives and concerns are directly conveyed to the government through representatives, unions, associations, and other channels.

Recognizing the constraints of limited resources, efforts are consistently made to seek consensus among all stakeholders. Consequently, many of the country's strategic policies are the result of substantial contributions from society. In situations where unforeseen economic or other challenges arise, the government and the Social Concertation Council convene regular and special seminars to deliberate and formulate the most suitable policies for each unique circumstance.

This participatory process ensures that the general public is well-informed about the primary issues discussed during these meetings. The media also provides comprehensive coverage of the outcomes and results of these deliberations.

#### 10.e. Pension and old age savings programs

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

Cabo Verde took two major steps towards a universal pension system: the creation of the National Centre of Social Pensions (CNPS) in 2006 and the unification of pre-existing non-contributory pension programmes. The sole national institution in Cabo Verde dedicated to mitigating risks and losses in the workplace is the National Institute for Social Security (INPS). Its services are widely accessible to all citizens. Cabo Verde has actively worked to enhance its social protection system. In 2017, social insurance encompassed all sectors and achieved a coverage rate of 42%, a notable figure within the region. However, the government is committed to expanding this coverage by linking it to the formalization of the economy.

Health coverage in Cabo Verde is nearly universal and extends to all residents, whether through contributory or non-contributory means. In the realm of social assistance (SA), the Social Pension stands as a well-established benefit, consistently disbursed through the State Budget to approximately half of the population aged 60 and above for over a decade. Recognizing the need for a more cohesive and sustainable social protection framework, the government initiated the creation of a central management tool known as the Single Social Registry. This tool has been instrumental in facilitating the implementation of a novel cash transfer program aimed at assisting impoverished families.

The International Labour Organization (ILO) has played a role in strengthening the National Centre for Social Pensions, aiding in the expansion of social pension coverage, supporting the development and execution of new programs, including cash transfers for disadvantaged families and benefits for immigrants in the diaspora, and assisting in the restructuring of external evacuation services for individuals not covered by social insurance.

Moreover, the INPS has been progressively extending its coverage in recent years and has introduced a new program with the objective of broadening the social security net to encompass various groups of workers, including domestic workers and taxi drivers. This reform enables more individuals, particularly those susceptible to adverse shocks, to access social benefits, ultimately contributing to a more resilient environment (<https://www.social-protection.org/gimi/gess/ShowCountryProfile.action?iso=CV>).

## 11. Environmental Policies and Regulations

Score du critère: 4.5

### 11. Environmental Policies and Regulations

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

In the past few years, the government of Cabo Verde has demonstrated the desire to confronted environmental and climate change challenges by engaging in a series of international conventions and national reforms. As a Sahelian country and a Small Island Developing State that is extremely vulnerable to climate change, Cabo Verde has stood out for its good governance, degree of development and broad integration of equality issues in its policies and practices, despite the erosion that the harsh climate causes on its environment, society, and economy. This highlights how important it is for the country to assume the climate leadership in the region, in the various spheres and latitudes in which it is positioned: an example of low carbon and resilience practices as the basis for its development through its connections with Europe and America, within the community of West Africa, and of Portuguese-speaking African Countries. Cabo Verde's National Plan for Adaptation to Climate Change - NAP CV, is yet another important contribution in this regard, given the submission of its Nationally Determined Contribution, which is guided by a high level of ambition. The 2021 Nationally Determined Contribution (NDC) focuses on adaptation measures in water, agriculture, oceans, spatial planning, disaster risk reduction, and health. Infrastructure plans include increasing water storage capacity, establishing a waste recycling center on Santiago Island, and improving agricultural water through efficient irrigation. Reforms and investments in the energy sector are geared towards transition to a low-carbon economy with a focus on renewable energy, universal electricity access, and energy efficiency. Cabo Verde is already advancing with investment projects that include renewable measures to promote decarbonization in different sectors. Despite these desired efforts, the country has not experienced any institutional and legal environmental reforms in the past years. Beside institutional and reform stagnancy, For funding for climate initiative remains a serious bottleneck issue. Funding could increase with a clearer articulation and preparation of climate mitigation and adaptation plans that are ranked and evaluated as per the C-PIMA recommendations. The authorities are aware that the investment needs of the country need to be balanced against their public debt reduction objectives – they are seeking concessional financing from bilateral and multilateral funding agencies and the involvement of private finance (including through the issuance of blue bonds) to move forward.

Environmental concerns hold a central position in Cabo Verde's strategic sustainable development planning. The National Environmental Action Plan offers strategic guidance for addressing these critical environmental challenges, including the preservation of marine biodiversity and the management of water scarcity. Cabo Verde prioritizes climate change adaptation and has various policies and strategies in place

to bolster the country's capacity to adapt. These include the National Environmental Action Plan, Strategic Water and Sanitation Plan, National Basic Sanitation Plan, National Adaptation Program of Action, Strategic Plan (and accompanying action plans) for Agricultural Development, and the Growth and Poverty Reduction Strategy. Key objectives outlined in these strategic documents encompass enhancing water security, improving waste management, ensuring food security from both land and marine sources, strengthening marine protected areas, safeguarding marine resources and coastal zones, utilizing spatial planning for climate impact mitigation and adaptation, and reducing vulnerability to climate-related disasters and health risks.

Legislation mandates that private companies actively promote an ecologically balanced environment. Both local businesses and foreign investment ventures are required to conduct environmental-impact assessments, evaluated by relevant government authorities (<https://www.state.gov/reports/2023-investment-climate-statements/cabo-verde/>). The financial commitment needed to fund adaptation and mitigation measures is estimated to be approximately 2 billion euros over the next decade. This equates to nearly 6.3 percent of GDP per year, surpassing the planned annual public investment budget of 3.8 percent of GDP.

The Ministry of Agriculture and Environment (MAA) plays a pivotal role in guiding, coordinating, implementing, and evaluating government policies related to the environment, agriculture, livestock, water resources, food security, meteorology, and geophysics. Significant strides have been made in recent years in terms of the legal framework and organization of the sector, with support from international partners. Notable strategy documents that have been approved include the National Environment Plan 2001-2014, the Action Plan on Biodiversity (2000), the Second Action Plan for the Environment (2005), and the National Adaptation Programme of Action (2007).

In recent decades, Cabo Verde has made significant progress in its climate strategy by incorporating environmental concerns into elementary, secondary, and university curricula and presenting the 2nd Determined National Contribution. The country adopted the 2017-2030 National Disaster Risk Reduction Strategy in 2017, operationalized by the SSDP through programs like "Environmental, Geological, and Climate Risk Management" and "Biodiversity and Environmental Quality Conservation." Presently, Cabo Verde is in the process of developing the National Climate Change Adaptation Plan, with a strong focus on climate resilience.

To effectively implement Cabo Verde's climate strategy while ensuring debt sustainability, substantial concessional resources are required for public investment. Current funds in the country are primarily sourced from limited government budgets, fees, taxes, and small donations. For instance, there is a dedicated environmental fund that generates approximately USD 7 million annually, largely from taxes on plastics. However, this fund is expected to deplete as the country plans to cease plastic imports. As a result, authorities are exploring the establishment of a new Climate and Nature Fund in collaboration with the World Bank, adhering to international governance and operational standards. This initiative aims to mobilize financial resources more efficiently from the international community. Cabo Verde has updated its Nationally Determined Contributions, targeting a reduction of greenhouse gas emissions by 20 percent below the business-as-usual scenario by 2030, with the possibility of reaching 30 percent reduction with international support. The long-term goal is to achieve a decarbonized net-zero emissions economy by 2050. The private sector can play a significant role in achieving these objectives, especially in areas such as waste reduction, involvement in waste management policies, introduction of innovative financial products, participation in climate-related investments, and technology development transfer and capacity building.

Cabo Verde has formulated and endorsed governance instruments to transition from a maritime economy to a blue economy. These instruments include the Policy Charter for the Blue Economy, the Unified Blue Economy Strategic Framework, the National Plan for the Blue Economy, and the Blue Economy Promotion Program. Initiatives such as supplying electricity to docked ships and participating in green port initiatives underscore the country's commitment to reducing the environmental impact of maritime activities.

The transport sector in Cabo Verde remains a significant consumer of fossil fuels, primarily gasoline, diesel, or jet fuel for internal combustion engines in passenger cars, sea vessels, and air vessels. The government has identified the promotion of active and electric mobility as a strategy to mitigate road transport-related greenhouse gas emissions and increase renewable energy storage and penetration. International support has been secured for the implementation of the 'Promotion of Electric Mobility' program, the country's first nationally appropriate mitigation action (NAMA).

Cabo Verde has made notable progress in mainstreaming ecosystem and biodiversity values into national and local planning efforts. However, the absence of a Biodiversity Observatory and a comprehensive statistical information base hinders precise assessments of biodiversity status in the country. Nevertheless, in areas where Protected Areas have been established, there is evidence of improved biodiversity conservation.

Since ratifying the UN Framework Convention on Climate Change (UNFCCC) in 1995, Cabo Verde has diligently studied and monitored climate vulnerabilities. Despite resource limitations, the government has been committed to reducing overall vulnerabilities and exposure to disasters while addressing climate change. Several significant policy documents have been produced under the Ministry of Agriculture and Environment's guidance, including the First and Second National Action Plans for the Environment, National Inventory Reports on Greenhouse Gases, National Communications to the UNFCCC, and the National Programme of Action for Adaptation to Climate Change.

Cabo Verde is actively pursuing a low-carbon energy transition, with the adoption of the Electricity Master Plan (EMP 2018-2040) in 2018 serving as a milestone for the electricity sector. This plan focuses on developing and investing in domestically available renewable energy sources to reduce the country's reliance on imported fossil fuels. Modernizing the electricity grid is a key component, aimed at stabilizing networks, reducing distribution losses, lowering electricity prices, expanding access to electricity, and integrating various networks across the archipelago.

## (D) Public Sector Management and Institutions

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**Score du cluster: 4.5**

### 12. Property Rights and Rule-based Governance

**Score du critère: 4.875**

## 12.a. Legal basis for secure property and contract rights

Type de score	Valeur
Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

### Notes du pays:

The constitution guarantees the right to private ownership and establishment in Cabo Verde. Property rights are further safeguarded by various Cabo Verdean laws. There is an official entity responsible for recording secured interests in property, encompassing both personal and real estate property. The legal system in the country also facilitates and protects the acquisition and transfer of all types of property rights. Local judges are appointed by the Ministry of Justice and Labor. Private property is shielded against unilateral requisition and nationalization, except when it is deemed necessary for public interest reasons, in accordance with the law and the principle of non-discrimination. In such cases, prompt, complete, and equitable compensation is mandated.

The judiciary generally upholds due process rights, but its effectiveness is hampered by a judicial system that is burdened and understaffed, resulting in delays in trial proceedings. Cabo Verde boasts modern commercial and contractual laws. The country's judicial system is known for its transparency and independence, with no governmental interference. However, court decisions are often subject to significant delays, sometimes spanning years.

Cabo Verde's Investment Law guards against both direct and indirect expropriation, ensuring that private property is shielded from requisition and nationalization, except when there are legitimate public interest grounds (as outlined in Investment Law, art. 6.1). According to the law, in cases of expropriation, the government is required to compensate property owners based on prevailing market prices or the actual market value of the property. To date, there have been no reported instances of unlawful expropriation or claims of discriminatory treatment against foreign individuals or entities by the government. In instances of non-compliance with investment projects, the law permits the state to reclaim land and make it available for new investment projects.

Legislation pertaining to intellectual property rights (IPR) in Cabo Verde aligns with international standards. The legal framework has been updated to conform to the provisions of agreements from the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). The Institute of Quality and Intellectual Property (IGOPC) is the designated entity responsible for standardization in Cabo Verde. While the IGOPC officially safeguards against IP infringement, its enforcement capabilities are constrained due to resource limitations, including inadequate digitalization (although online registration and trademark searches have recently become available), weaknesses in the judicial system, and a lack of awareness among businesses and consumers regarding intellectual property rights. Furthermore, Cabo Verde is a party to international copyright treaties.

Overall, all property rights are transparent and well protected. Property registries are current and non-corrupt. Contracts are routinely enforced." Moreover the property rights index over the period 2020-2023 has marginally increased. While the country demonstrates a clear intent to uphold property rights, the lengthy judicial processes and limited enforcement capabilities in certain areas, especially intellectual property rights.

## 12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Type de score	Valeur
Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

### Notes du pays:

Cabo Verde serves as a regional exemplar of transparency and good governance. The government is dedicated to enhancing conditions for foreign investment and fostering a more transparent and competitive economic landscape. Cabo Verde has not only signed but also ratified the UN Convention against Corruption. In Transparency International's 2022 Corruption Perception Index (CPI), Cabo Verde achieved a score of 60 points, ranking 35th globally and second in the sub-Saharan Africa region.

Legislation promoting exports and free-zone enterprises underscores the government's commitment to encouraging investment in export-driven industries. The tax system is designed to stimulate entrepreneurial activity, and government policies actively endorse free trade and open markets. The government's Ambition 2030 strategy, finalized in September 2020, underscores the importance of developing sustainable tourism, positioning the country as a transportation and logistics hub, advancing renewable energy, fostering the blue and digital economy, and nurturing export-oriented sectors. The government advocates for a market-oriented economic model in which all investors, regardless of their nationality, enjoy the same rights and are subject to the same legal duties and obligations.

Enhancing the business climate to attract investment remains a top economic priority, alongside reducing the state's involvement in the economy. In 2020, approved investment projects reached a record-breaking USD 1.5 billion, underscoring investor confidence in Cabo Verde even amid pandemic-related uncertainties. Foreign investment predominantly centers on tourism and light manufacturing. In 2022, Cabo Verde TradeInvest sanctioned investment projects valued at an unprecedented USD 3.8 billion. Foreign direct investment surged nearly 60 percent in 2022 compared to 2021, reaching USD 133.6 million, with a continued focus on the tourism sector. Cabo Verdean law provides tax incentives to foreign citizens purchasing a second home in the country and grants permanent residence to foreigners whose investments exceed 180 million escudos (USD 2 million). The legal framework also outlines conditions for investments by Cabo Verdean emigrants, including fiscal incentives.

Cabo Verde TradeInvest (CVTI), the investment promotion agency, offers a comprehensive service for all investors. Through CVTI, the government maintains ongoing communication with investors through personalized and virtual meetings, roundtables, conferences, and workshops. CVTI provides an "One-Stop Shop for Investments" digital platform, assists in formalizing expressions of interest, and oversees the investment process. Additionally, CVTI furnishes investors and exporters with information about trade agreements and benefits (including AGOA and ECOWAS), market insights, details on trade exhibitions and events, and connections to other government institutions and potential partners. CVTI can also aid in securing authorizations and licenses, accessing tax and customs incentives, obtaining work permits for foreign employees, securing visas for company personnel, registering workers with social security, and introducing investors to service providers such as banks, legal experts, accountants, and real estate agents.

In 2020, the Cabo Verdean government established the Corruption Prevention Council, an administrative body responsible for leading anti-corruption initiatives in the country. The Prime Minister announced the impending formation of the Council in early 2022. Other institutions actively engaged in anti-corruption efforts include the Judicial Police, the Prosecuting Counsel, and the courts.

There is an ongoing commitment to enhance the country's investment climate, and the cost and duration of contract enforcement are notably favorable compared to regional averages. The current government has taken multiple measures to improve transparency, including increased online disclosure of state operations and finances, while generally adhering to legal provisions ensuring public access to information. However, some public officials do not consistently comply with regulations mandating the declaration of their personal assets and income.

### 12.c. Difficulty in obtaining business licenses

Type de score	Valeur
Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

#### Notes du pays:

Cabo Verde provides incentives to attract private-sector investments. While all investors are assured of equal treatment and non-discrimination, specific investment projects, based on their nature or size, may receive special government support. In a bid to expedite the approval process for investment and export projects, the government has set a maximum time frame of 15 days for assessment and 30 days for approval.

Moreover, Cabo Verde has implemented measures aimed at simplifying and stimulating business activities. These measures include a reduction of the maximum personal income tax (IRPS) rate by one percentage point to 24 percent, the elimination of double taxation, and the exemption of tax instalment payments for taxpayers who reported negative results or commenced their business activities in the previous year. Investments amounting to at least 500 million escudos (USD 4.8 million) qualify for contractual benefits. Projects that generate a minimum number of jobs or expand into new strategic sectors can benefit from a 50 percent investment credit, which can be spread over 15 years. Cabo Verdean laws commit the government to settling its bills within 45 days and pledge to pay interest on late payments. These measures were put in place to ensure the predictability of the government's payment obligations to businesses.

The process of registering a company is straightforward, facilitated by the Commercial Registry Department (Casa do Cidadão), a one-stop shop where companies can be established and registered in under a day. Detailed information on the procedures, timeframes, and costs associated with starting a business can be accessed at: <http://www.doingbusiness.org/data/exploreeconomies/cabo-verde/starting-a-business/>. Additionally, the CVTI website offers comprehensive information on investing in Cabo Verde, encompassing Cabo Verde's Investment Law, the Code of Fiscal Benefits, and Contractual Tax Benefits-Incentives: <https://cvtradeinvest.com/>.

Cabo Verde's "starting a business score" of 83 surpasses the regional average of 80.1, and its cost of doing business, expressed as a percentage of income per capita (8.3), is significantly lower than the regional average of 36.3. The country boasts a high score of 92/100 points in the Freedom in the World 2022 report, indicating robust civil liberties protection, which translates to the overall safeguarding of citizens and their properties. The government's continued commitment to citizen safety is exemplified by the recent installation of surveillance systems in major cities, contributing to a reduction in crime rates.

Overall, Cabo Verde displays a strong commitment to fostering a conducive business environment. The streamlined timeframes for the analysis and approval of investment projects, coupled with fiscal incentives such as reduced personal income tax and the waiver of tax instalment payments, highlight the government's determination to promote private-sector investment. Additional financial incentives for large investments and those that lead to significant job creation further enhance the country's investment attractiveness. The guarantee by the law that the government will settle its financial obligations to businesses within a stipulated time frame provides added assurance and predictability for investors. Moreover, the simplification of the company registration process and the availability of comprehensive information online about starting a business in Cabo Verde further underscore the nation's business-friendly orientation. The efforts to prioritise support for companies amidst a pandemic shows adaptability and a keen sense to current global challenges. Given all these factors, Cabo Verde is aligned mostly with a well-structured and efficient investment climate.

#### 12.d. Crime and violence as an impediment to economic activity

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5

Score final	4.5
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### Notes du pays:

Cabo Verde stands as an exemplar of political stability, marked by a tradition of peaceful transitions of power. The country has experienced no recent instances of political, social, or religious conflicts resulting in violence. While civil liberties are generally upheld, access to justice is hindered by an overloaded court system, and crime remains a concern.

In February 2021, the US Government, in collaboration with the United Nations Office on Drugs and Crime (UNODC), allocated USD 1 million to Cabo Verde to implement a three-year program aimed at combating and preventing organized crime within the nation. In November 2020, the government disclosed plans to extend the controversial surveillance camera system to São Vicente, Sal, and Boa Vista, as part of its Smart City initiative. According to government statistics released in February, this surveillance system had successfully thwarted over 2,000 crimes in Praia.

Cabo Verde generally enjoys a low incidence of major crimes[A1] or civil unrest. However, instances of violent crime do occur, and street crime, smuggling, and drug trafficking are seen as persistent issues. As of November 2020, the male population constituted 97.1 percent of the prison population. Responding to a rise in sexual abuse cases involving minors, the National Assembly engaged in debates in late 2020 with the aim of bolstering penalties for offenders convicted of such crimes and criminalizing actions like sexting to minors and sex tourism involving minors.

Overall, Cabo Verde exhibits a relatively stable environment with a history of peaceful political transitions and minimal instances of violent conflicts. The country has proactively taken steps to address and deter crime, including the introduction of surveillance systems in key areas that have reportedly reduced criminal activities. However, while major crimes are not rampant, there are persistent concerns about street crime, smuggling, and drug trafficking. The country's efforts to combat these challenges, evident through collaborations with international bodies like the US Government and UNODC, demonstrate a commitment to maintaining safety and security. Nevertheless, issues such as an overloaded court system, rising cases of specific crimes such as sexual abuse against minors, and a high male prison population suggest there is room for improvement in the overall law enforcement and justice sector. Therefore, while Cabo Verde is effective in ensuring the safety and protection of its citizens' lives and property most of the time, some challenges persist that preclude it from achieving a higher score.

[A1]Crime rates 2022

## 13. Quality of Budgetary and Financial Management

Score du critère: 4.875

### 13.a. Comprehensive and credible budget

Type de score	Valeur
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Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

### Notes du pays:

The budget's comprehensiveness and transparency have improved through the introduction of new economic, administrative, and sub-functional classifications that align with the GFS-COFOG norm. These changes have enhanced the conception, implementation, and reporting of financial accounts. The budgetary documentation has expanded between budget planning and financial reporting. Non-budgeted and undisclosed expenditures have been eliminated from the budget implementation, excluding projects funded by external sources. Transparency has also been bolstered in fund transfers to municipalities, which now follow clear and transparent criteria. Municipalities have access to credible information regarding funding for the upcoming year, enabling them to prepare their budgets in advance. Additionally, there has been an enhancement in the financial reporting of municipalities regarding the utilization of these resources, which is included in the State general account. This account undergoes external audit by the Court of Audit, further ensuring transparency. The Ministry of Finance and Plans' website has seen improvements in the publication of key budgetary documents, enhancing budgetary management transparency. Budgeting is centred on public policies has been effectively organized, and the Medium-Term Expenditure Framework (MTFF) has demonstrated high quality. This framework allows for the development of medium-term budgetary plans that align with sectorial strategies, macroeconomic goals, and fiscal objectives. The forecasting systems have seen enhancements with the implementation of the budget management system program.

The government's spending has aligned with the priorities outlined in the Strategic Plan for Sustainable Development (PEDS, 2017-2021). There have been increased allocations for social services such as education, healthcare, and social protection. Additionally, external creditors have granted a 5-year debt relief, reducing fiscal pressures and creating more space for developmental investments.

2022 public expenditure measures involve withholding 20 percent of the budget allocation for investment spending and the purchase of goods and services, amounting to 5.3 billion escudos or 1.9 percent of GDP, as permitted by the budget law until revenue performance stabilizes. Capital expenditure is projected to increase from 1.9 percent of GDP in 2022 to 4.2 percent in 2023, and current spending is expected to rise from 23.8 to 24.8 percent of GDP. This increase in current spending is driven by higher expenditures on goods and services, reflecting increased prices, as well as a moderate salary adjustment (<https://www.imf.org/en/Publications/CR/Issues/2023/07/18/Cabo-Verde-2023-Article-IV-Consultation-Second-Review-Under-the-Extended-Credit-Facility-536530>).

Cabo Verde is widely acknowledged for its good governance among African countries. The Mo Ibrahim Index of African Governance (IIAG) for 2022 awarded the country a score of 70 out of 100, ranking it fourth out of 54 African nations. Furthermore, through the Ministry of Family and Social Inclusion, the government has been implementing various programs and projects, including the 'Guaranteed Access to Pre-school' project, the promotion of social inclusion for individuals with special needs, and the 'Integrated Support to Families Program Guaranteeing Access to Income, Health, Education, and Care.' It is worth

noting that the government has significantly increased national expenditures on social benefits, which have risen from 4.867 million CVE in 2016 to 7.383 million CVE in 2020.

### 13.b. Effective financial management systems

Type de score	Valeur
Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

#### Notes du pays:

The laws and procedures governing larger taxes are clear and comprehensive, and they limit discretionary powers to government entities. The review mechanism is in place and appears to be functioning effectively. SIGOF has its monitoring mechanism, and a reliable manual for budgetary procedures has been established. However, improvements are needed in the compliance of the internal control system and the effectiveness of internal audits, particularly in following up on the implementation of recommendations from inspection and audit reports.

**Accounting and financial reports.** There have been enhancements in auditing treasury accounts, but weaknesses persist in the accounting system and report production process. While the new accounting plan, designed to replace cash accounting, aligns with IPSAS norms, its implementation remains limited. The shift to accrual accounting and the inventory project for state-owned buildings and properties, aimed at generating comprehensive financial statements, represent significant progress. The State's management account is prepared and submitted to the Court of Audit in a timely manner. However, the 2016 general account is still pending, as it should have been transferred by the end of the 2017 financial year, which is close to the legal deadline of 18 months after the budgetary year's closure.

**Audit and internal monitoring.** the Inspectorate-General for Finance has strengthened its internal audit function. Criteria for evaluating risks, based on a combination of transaction volume (number and amount) and the strength of the internal monitoring system, have been developed to focus audits on high-risk areas. Nevertheless, there remains a need for stronger follow-up on the implementation of recommendations from inspection and audit reports. The Inspectorate-General for Finance also seeks to bolster its capabilities in digital technologies and expand its focus to areas like Public-Private Partnerships (PPPs).

In terms of **monitoring and external audit**, a bill passed in February 2018 revised the Court of Audit's mandate to align with international standards and expand its investigative scope to cover the entire public sector and all entities using public funds. This includes public and quasi-public companies, as well as public concessions, all of which are now subject to audit by the Court of Audit. While this bill addresses

some deficiencies, there is still a need for qualified and competent staff in sufficient numbers for the Court of Audit to effectively carry out its responsibilities.

Cabo Verde's municipalities enjoy administrative, financial, and organizational autonomy and formulate their own development policies and programs. They have the authority to create services but lack the capacity for adequate follow-up and operational monitoring. State subsidies are now communicated promptly to the municipalities, enabling them to develop their budgets with these subsidies in mind. In return, they provide updates on the status of subsidy utilization, which are consolidated in the State's general account.

Overall, Cabo Verde has maintained a high budget execution rate averaging 95% over the period 2018 to 2022 (file:///C:/Users/mzm3915/Downloads/Contas%20do%20Quarto%20Trimestre%20-%202018.pdf)

### 13.c. Timely and accurate fiscal reporting

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Substantial improvements have been made in enhancing Public Finance Management (PFM) and Procurement, although the challenge of bolstering institutional capacity persists. The institutional and legal framework for PFM has been reinforced since the last Public Expenditure and Financial Accountability (PEFA) assessment in 2015, primarily due to the enactment of the 2018 PFM law and the Supreme Audit Institution's approval. Additionally, the full implementation of the Integrated Financial and Budget Management System (SIGOF) across all ministries represents a notable achievement.

Nevertheless, there have been considerable delays in reporting on public accounts, which have diminished the relevance and effectiveness of the court. A bill intended to modernize the Court of Accounts, initially submitted to Parliament in 2007, languished for nearly a decade. While public accounts are prepared on a suitable basis and audited in a timely and appropriate manner by the Court of Accounts, measures have been taken to enhance the oversight of the national public finance system. These measures include ensuring full access to the System (SIGOF) for the Court of Auditors, encompassing all judges and technicians within that institution, in response to recommendations from the Budget Support Group (BDG) partners in 2019. Furthermore, in the context of several reforms and innovations, additional measures introduced in 2021 to improve budget reporting encompass: (i) The National Directorate of Planning at the Ministry of Finance will furnish a detailed quarterly summary of domestic payment arrears, encompassing accumulation, payment, rescheduling, and write-off of arrears during the quarter. These

data are to be provided within six weeks following the quarter's conclusion. (ii) The introduction of electronic billing and the adoption of a plan for public acquisitions and E-procurement. (iii) Enhancement of the Medium-Term Fiscal Framework with technical assistance from the World Bank, coupled with the government's commitment to enhance the use of the national investment system to optimize resource allocation and enhance the quality of public investment projects.

Draft amendments, developed with support from the IMF, were submitted to the Ministry of Finance in December 2022. These amendments aim to reinforce the decision-making structure, autonomy, accountability, transparency of the BCV (Central Bank of Cabo Verde). The government has expressed its intention to present these draft amendments to the National Assembly for approval in 2023. Additionally, the BCV has taken steps to implement other key safeguards recommendations, such as adopting International Financial Reporting Standards as its accounting framework and approving a revised internal audit charter that bolsters the independence of its functions.

#### 13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Type de score	Valeur
Score de brouillon	5.0
Score révisé	5.0
Score de deuxième brouillon	5.0
Score final	5.0

#### Notes du pays:

The robust revenue performance has persisted into early 2023, marked by a broad-based increase in tax revenue of 21 percent during the first quarter. Concurrently, spending has risen by 8.1 percent, driven by stronger capital expenditures and moderate growth in current expenses. This sustained fiscal performance improvement continued during the initial quarter of the year. Notably, the public debt-to-GDP ratio declined from 144.6 percent in 2021 to 121.2 percent in 2022. External financing sources include loans and grants from institutions like the World Bank, the African Development Bank, bilateral development partners, and debt service suspension as part of the G-20 Initiative.

Expectations are for tax revenues to increase in tandem with nominal GDP, while budgeted expenditures remain fixed. Grants are anticipated to rise by approximately 1 percent of GDP, mainly stemming from China, and property income will see a boost due to revenues from the airport concession, which was deferred from 2022 (equivalent to 1.4 percent of GDP). The achievement of program targets hinges on the authorities' adherence to contingency spending measures in case one-off revenue from the airport concession is delayed, and there are concerns of underperformance in overall tax revenues due to potential downside risks to growth. These contingency measures involve withholding 20 percent of the budget allocation for investment spending and the purchase of goods and services, as permitted by budget law, until revenue performance is assured. Capital expenditure is projected to increase from 1.9 percent of GDP in 2022 to 4.2 percent in 2023, and current spending is expected to rise slightly from 23.8 to 24.8 percent of GDP. This increase is primarily driven by higher spending on goods and services,

reflecting increased prices, and a modest salary adjustment.

As outlined by the IMF, Cabo Verde's current spending is projected to decrease by approximately 1 percent of GDP. This reduction is aimed at supporting investments under the PEDS II program while the authorities continue to exercise restraint to create room for capital spending that fosters economic growth and invests in climate change resilience. Wage containment is anchored in strong stakeholder support for limiting wage growth in the public sector, establishing a benchmark for the private sector.

## 14. Efficiency of Revenue Mobilization

Score du critère: 4.25

### 14.a. Tax policy

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

The medium-term fiscal framework is designed to align with Cabo Verde's development objectives while safeguarding macroeconomic stability and debt sustainability. Efforts to fortify the fiscal position will emphasize increasing revenue collection and strengthening expenditure and Treasury cash flow management. The enhancement of revenue collection will be driven by tax policy adjustments and efficiency improvements in tax administration, facilitated by the reforms described below.

Cabo Verde has devised a comprehensive revenue mobilization plan that encompasses sustaining ongoing tax administration reforms through the digitization of revenue collection to boost compliance. Additionally, policy measures such as the implementation of tobacco and tourism taxes and the imposition of import duties on previously exempted goods have already been put into effect. The authorities are committed to assessing tax expenditures and executing the delayed ECOWAS common tariff, which could yield up to 1 percent of GDP in additional revenue by 2025. These revenue gains will contribute to achieving a surplus in the primary balance over the medium term.

To further support fiscal and debt sustainability, two new Structural Benchmarks (SBs) have been proposed: i) The development and publication of an action plan to reduce tax expenditures, including the publication of estimates of annual tax expenditures in the budget to enhance transparency, and the phased implementation of the ECOWAS tariff, with the goal of increasing revenue by 1 percent of GDP by

the end of September 2024.

ii) The implementation of the action plan in the 2025 budget, to be accomplished by the end of December 2024. The authorities recognize the importance of improved fiscal transparency and have welcomed IMF support in formulating the fiscal transparency law and establishing a transparency portal. Capacity development assistance from the Fund related to revenue mobilization, budget frameworks, PIMA (Public Investment Management Assessment), accounting, and debt management would be instrumental in executing fiscal policy while mitigating associated risks.

In 2022, the fiscal deficit narrowed to 3.8% of GDP, buoyed by strong economic performance and increased fiscal revenues. Public debt decreased from 142.7% to 126.2% of GDP, primarily driven by GDP growth. Total revenue surged by 39%, attributed to personal income and VAT taxes, while total expenditure grew by 20.6%, mainly due to higher current expenditure aimed at addressing rising food insecurity and controlling fuel and energy prices. Cash transfers within the social protection system supported the most vulnerable segments of the population.

Domestic revenues of the Cape Verdean state expanded by 17.5% in 2022 compared to the previous year, surpassing 53,100 million escudos (480 million euros). This growth was primarily attributed to increased tax collections and is projected to rise to 30.2 percent of GDP by 2026. Taxes on incomes and profits contribute 22.4% to total revenue, taxes on goods and services make up 34.7% of total revenue, and taxes on international trade constitute 15.1% of total revenue. Cabo Verde's applied MFN tariffs generally remain below the bound level, and efforts to broaden the tax base, combat tax evasion, and enhance tax administration efficiency will be pivotal in achieving medium-term fiscal goals.

The ongoing reforms, initiated in 2020, to rationalize exemptions for VAT and excises are expected to be finalized by the end of 2021. The implementation of the ECOWAS Common External Tariff (CET), originally scheduled for 2021, is now set for end-2023, with a positive impact on revenues due to relatively higher CET rates. Other measures to augment revenue will encompass the full deployment of an electronic invoicing system covering all enterprises and the effective operation of the Standard Audit File for tax purposes (SAF-T) system.

#### 14.b. Tax administration

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

**Notes du pays:**

Taxation in Cabo Verde is governed by the General Tax Code and the Tax Procedure Code, with the General Tax Code outlining general rights and obligations in tax matters rather than specifying individual tax applicability. Additionally, the Tax Execution Code regulates the enforcement of tax debts and refunds. Notable efforts have been made in Cabo Verde to modernize the legal framework and enhance institutional oversight in tax administration. These reforms align with broader improvements in the business environment, such as online business registration procedures, the establishment of a single window for investment, the transition to paperless customs clearance, and the ongoing consolidation of customs, port, and trade information systems to create a single window for international trade known as JUCE.

Cape Verde introduced VAT and modern personal and corporate income taxes, thus equipping itself with a modern tax system in line with international best practice. The decision of the single referee or the arbitration committee is final and not subject to appeal. In 2018, the Tax Arbitration Center was created to resolve disputes regarding tax matters.

Furthermore, Cabo Verde has implemented measures aimed at facilitating and promoting business activity, including reducing the maximum personal income tax (IRPS) rate by one percentage point to 24 percent, eliminating double taxation, and providing waivers for tax instalment payments for taxpayers with negative results or those initiating their business activity in the preceding year. Investments of at least 500 million escudos (USD 4.8 million) qualify for contractual benefits, including customs and stamp duty reductions or exemptions, property tax exemptions, and certain fiscal duty exemptions. Investments generating a minimum number of jobs or expanding into new strategic sectors are eligible for a 50 percent investment credit, which can be deducted over a 15-year period.

Cabo Verde is a member of the Organization for Economic Cooperation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting and has endorsed the October 2021 Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy.

Furthermore, additional measures introduced in 2021 are expected to have a positive impact on revenues. These measures encompass: i) Enhanced digitalization of tax administration for collection, inspection, and audit purposes. ii) Reduction of informal activities, particularly through the promotion of electronic payment systems. iii) Strengthening post-customs clearance controls. iv) Enhancing administrative and decision-making capacity within the tax administration. In this context, with support from key international partners, Cabo Verde places increasing importance and priority on modernizing the tax system and administration, expanding the tax base, and enhancing compliance with tax obligations in the years ahead.

Cabo Verde is widely acknowledged for its good governance among African countries. The Mo Ibrahim Index of African Governance (IIAG) for 2022 awarded the country a score of 70 out of 100, ranking it fourth out of 54 African nations. Freedom House consistently classifies Cabo Verde as a free economy, with a score of 92/100 reflecting the strong quality of its institutions. The country has made significant progress in reducing corruption, moving from 43rd out of 175 countries in 2014 to 35th out of 180 countries according to the 2022 Corruption Perception Index by Transparency International. To enhance the measurement of tax administration performance, the use of the TADAT methodology can provide valuable insights into a country's tax administration system.

In 2020, the Cabo Verdean government provided for the creation of the Corruption Prevention Council, though the Prime Minister noted in March 2023 that it was not yet fully staffed. Other institutions active in combating corruption include the Judicial Police, the Prosecuting Council, and the courts. Cabo Verde's Public Procurement Code requires that public officials involved in a public procurement process provide

written disclosure of any personal interest resulting from a special connection to a bidder or potential bidder and recuse themselves from participation in the process.

## 15. Quality of Public Administration

Score du critère: 4.167

### 15.a. Policy coordination and responsiveness

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

Currently, Cabo Verde's State and Public Administration Reform Programme is overseen by UCRE, operating under the direct supervision of the Prime Minister and a coordinating counselor. Given the comprehensive nature of the reform program, UCRE collaborates with the line Ministries responsible for respective areas and also coordinates with the Directorate General of Planning, Budgeting and Management (DGPOG) in designing and implementing specific projects. The program encompasses a rationalization of government structures, affecting a total of 114 institutions. Some of the key ongoing projects include those in the energy sector (pertaining to electricity generation, distribution, access, and accounting), sanitation and water, the establishment of a single window for investors, the development of unified electronic platforms for port services and foreign trade, the recapitalization of the Fund for Growth and Competitiveness (FCC) to support SME development, revisions to the Commercial Code (Código das Sociedades Comerciais) aimed at strengthening minority shareholder protection, a review of Cabo Verde's bankruptcy legislation, and the transformation of Cabo Verde into a digital hub.

Cabo Verde employs various legal instruments to regulate economic activities, including those in the realm of trade. An important pragmatic measure taken at the time of independence was to extend the validity of all laws, rules, regulations, and procedures, unless they were explicitly revoked or deemed incompatible with Cabo Verde's sovereignty. Over the years, newly enacted laws and regulations have gradually replaced pre-independence legislation, with the majority of this process completed in 2020. According to USAID's country roadmap of 2022, Cabo Verde achieved a government effectiveness score of 0.58 out of 1.

As the country faces challenges such as shortages of essential medical personnel, equipment, and laboratory supplies, along with geographical disparities straining capacity, the authorities have taken steps to reinforce the healthcare system. They activated the National Emergency Fund, providing \$10 million to support preventive and responsive measures within the national health system and civil protection. To bolster human resources, 235 healthcare workers were directly hired by the public sector with financial assistance from international partners. Social protection initiatives encompass aid for informal sector workers, those without income, and the elderly. The rise in healthcare and social expenditures has been partially offset by reallocating capital spending and restraining non-essential current expenditures.

#### 15.b. Service delivery and operational efficiency

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

#### Notes du pays:

The services in Cabo Verde are relatively efficient, and ongoing efforts are being made to enhance the efficiency of public institutions. According to the Global Competitiveness Report (GCR), the country is ranked 113th in terms of the strength of auditing and accounting standards. The government's primary focus is on fostering economic growth and enabling the private sector to generate employment and contribute value to the economy. To achieve this goal, the public sector must be viewed as an ideal partner by private enterprises.

In line with this objective, the Cape Verdean government conducted a functional review of the public administration to identify areas that directly impact the performance of the public sector. In 2020, with technical support from UNIDO, the government, through the National Directorate of Public Administration (DNAP), decided to implement the Common Assessment Framework (CAF) at the national level and establish a CAF Resource Center to promote and sustain its use. It's important to note that the introduction of CAF in the Public Administration stemmed from a study on improving the business environment in Cabo Verde.

Access to services has significantly improved in Cabo Verde. For instance, electricity access reached 93% in 2019, up from 87.1% in 2012, although rural areas still have lower access rates compared to the national average (83.1%). Nevertheless, the quality of the electricity supply faces challenges, including an aging power distribution network, the coexistence of networks with different voltages, insufficient investments in renewable energy storage technologies, and inadequate metering equipment. These issues contribute to high losses, estimated at 23% in 2019. The reliance on costly fuel imports for thermal power generation also leads to elevated operational and maintenance expenses, resulting in high electricity tariffs, around USD 0.257/KWh, compared to the average of USD 0.19/KWh for residential

customers in Mauritius.

While the government has established a Nucleus for the Information Society (NOSi) and aims to transform the country into a digital hub, challenges such as high electricity costs, limited internet bandwidth, and a weak regulatory framework hinder competitiveness. The geographic fragmentation of the territory and the lack of adequate maritime and air transportation services contribute to the high costs of inter-island connectivity.

Overall, in 2022, Cabo Verde performed well according to the African Infrastructure Development Index (AIDI), scoring 49.80. Ongoing efforts in the transport sector restructuring aim to reduce regional disparities and enhance connectivity to markets. Privatization initiatives have been undertaken, including the privatization of 51% of the Cabo Verde Air Transport Company (TACV) in March 2019 and the signing of an inter-island maritime transportation concession contract with Cabo Verde Inter-Ilhas. Additionally, there are plans for the privatization of the national ports company (ENAPOR) and the Airport Services Company (ASA).

#### 15.c. Merit and ethics

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Cabo Verde has received high rankings in governance and corruption indices. In the 2022 Ibrahim Index of African Governance, the country was ranked 4th out of 54 African nations, with a score of 70 out of 100. Additionally, in the 2022 Transparency International Corruption Perception Index (CPI), Cabo Verde secured the 35th position out of 180 countries, with a score of 60/100. These rankings suggest that corruption may not significantly influence hiring and promotions in the public sector. Moreover, as of The Heritage Foundation's 2023 report, Cabo Verde's government integrity score surpasses the global average, standing at 60.8.

According to the Global Competitiveness Report 2019, [A1] Cabo Verde was ranked 97th out of 141 countries concerning pay and productivity.

It is important to note that Cabo Verdeans understand that public positions can only be filled through a transparent public tender process. This system has been firmly established and cannot be circumvented. This practice, institutionalized in 2013 through the approval of Budget Law No. 31 December 23/VIII/2012, is exclusive to the public sector and does not apply to the private sector.

In this process, promotions are typically based on merit, which includes factors such as years of dedicated service. The labor framework in Cabo Verde is governed by the Labour Code, Decree-Legislative n° 5/2007, and the Civil Service Basic Law, Law no. 42 / VII / 2009, which have been recently revised. Together with other relevant legislation, these laws outline the country's labor legal framework. The Labour Code and the Civil Service Basic Law establish a comprehensive set of guarantees, both individual and collective rights of employees, as well as the duties and obligations of employers. These include the right to fair compensation, the provision of a safe and healthy work environment, opportunities for career development based on principles of equality, merit, and capability, and the reconciliation of public service responsibilities with family life, among other essential aspects.

[A1]GCR 2022 update

#### 15.d. Pay adequacy and management of the wage bill

*Aucune donnée de score disponible pour ce sous-critère.*

### 16. Transparency, Accountability, and Corruption in the Public Sector

Score du critère: 4.333

#### 16.a. Accountability of the executive to oversight institutions

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

**Notes du pays:**

The policies of the government in Cabo Verde are determined by the prime minister and the cabinet, and they operate under the oversight of the National Assembly and the president. The government enjoys the ability to implement laws and policies without significant interference from non-elected entities. While Cabo Verde generally has low levels of corruption, issues like bribery and nepotism are particularly prevalent at the municipal level. Allegations of corruption persist in various areas, including costly infrastructure projects, public procurement, management of public lands, and operations of public companies. The current government has taken numerous measures to enhance transparency, such as increasing the online publication of state operations and financial information, and generally upholds legal guarantees regarding public access to information. However, many officials still do not fully comply with rules mandating the declaration of their personal assets and income.

In terms of external oversight, the positive development of the February 2018 law expanding the Court of Auditors' authority is notable. This law strengthens and broadens the Court of Auditors' role, including extending its oversight to more entities, introducing performance audits, and enabling concurrent audits. Increased transparency is also evident through the publication of draft Budget Framework and Public Debt Bills on the Ministry of Finance website for public consultation, both of which have been approved by the Council of Ministers. These revisions represent fundamental steps in enhancing the legal framework for public financial management and reforming it to modernize financial control processes.

Additionally, there is a pressing need to expedite efforts in cultivating a culture of performance evaluation within the public sector. Given the ongoing modernization of the economy, it is increasingly crucial to allocate adequate resources and mechanisms to ensure the proper functioning of checks and balances and uphold the overall efficiency of the administration. Notably, Cabo Verde has made progress in combating corruption, as evidenced by its four-place improvement in Transparency International's 2022 Corruption Perceptions Index. The country now ranks 35th out of 180 nations, making it the third least corrupt in Africa and the second among Portuguese-speaking countries.

The Unidade de Acompanhamento do Setor Empresarial do Estado (UASE) in Cape Verde was established in 2016 as a unit of the Ministry of Finance to oversee the operations of state-owned enterprises (SOEs), the privatization process, and public-private partnerships (PPPs). In 2022, the Unit published an Annual Consolidated SOE Performance Report, and started releasing quarterly performance reports, that incorporate much additional information on SOEs.

This important achievement is the first step of an ambitious reform agenda, led by the UASE, aiming to modernize the management and accountability of SOEs, the identification and mitigation of fiscal risks, and the mobilization of external partnerships. This reform agenda comprises three pillars:

(i) Reform of the SOE sector and independent regulatory entities; an enhanced governance framework; a review of the legal framework; and an agenda for privatizing SOEs.

(ii) Strengthening the human resources and technical capacity of the UASE; and the digitalization of processes for overseeing the performance of SOEs.

(iii) Transforming the UASE into a holding company in which SOE shares would be held and managed.  
(source: <https://blog-pfm.imf.org/en/pfmblog/2022/09/new-tools-to-strengthen-the-oversight-of-soes-in->

cape-verde)

In 2022, the parliament adopted a number of legislative reforms during the year, including measures to combat tax evasion and improve oversight of public spending.

In March 2022, the cabinet approved a revision of the penal code to extend the statute of limitations for offenses related to corruption and influence peddling, correcting an error in a previous amendment. The current government has taken numerous steps to improve transparency, including the online publication of more information about state operations and finances; it generally adheres to legal guarantees of public access to information (source: <https://freedomhouse.org/country/cabo-verde/freedom-world/2023>).

#### 16.b. Access of civil society to information on public affairs

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Cabo Verde's Public Procurement Code mandates that public officials involved in any public procurement process must provide a written disclosure if they have a personal interest connected to a bidder or potential bidder and must abstain from participating in the process.

In 2020, the Cabo Verdean government initiated the establishment of the Corruption Prevention Council, an administrative body responsible for leading anti-corruption efforts within the country. In early 2022, the Prime Minister announced the imminent formation of this council. Other entities actively engaged in the fight against corruption include the Judicial Police, the Prosecuting Counsel, and the judiciary.

Cabo Verde also introduced a series of public debates to raise awareness and increase transparency of the state budget. The sessions called "Orçamento Cidadão" (Citizens Budget) were supported by the Ministry of Finance and in partnership with development partners (UNDP and European Union) - <https://www.agora-parl.org/pt-pt/pro-palop-tl-sai/webinar/pro-palop-tl-isc-ibp-orcamento-de-cidadao-em-cabo-verde-mais-transparencia>.

Both publicly and privately owned media outlets enjoy a substantial degree of independence from government control. In 2019, the government relinquished its authority to appoint trustees for RTC, further bolstering the autonomy of the public broadcasting company, which subsequently installed an independent board of governors in July 2020. Nevertheless, financial instability at many media organizations can

undermine job security for journalists and their capacity to carry out investigative reporting projects. The financial challenges have even led to the closure of several privately owned newspapers, reducing diversity in the print sector's information landscape.

The current government has undertaken several initiatives to enhance transparency, including increased online disclosure of state operations and financial information, and generally adheres to legal guarantees concerning public access to information. However, there remains a significant number of public officials who do not comply with regulations mandating the declaration of their personal assets and income.

Overall, Cabo Verde achieved a score of 92 out of 100 in the 2022 Freedom in the World Report. The country supports numerous civil society organizations that operate without constraints, focusing on various social, economic, environmental, and cultural matters. International human rights bodies, local organizations, and journalists have the capacity to monitor prison conditions and other human rights indicators without encountering interference from the government. Similarly, the current administration has made efforts to boost transparency by providing more information online regarding state operations and finances, and it generally respects the legal provisions granting public access to information. However, there persists a lack of compliance among numerous officeholders when it comes to disclosing their personal assets and income.

#### 16.c. State captured by narrow vested interests

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Cabo Verde has both signed and ratified the UN Convention against Corruption. Under Cabo Verdean legislation, the act of giving or accepting a bribe is deemed a criminal offense that can result in a prison sentence of up to eight years. To effectively combat corruption, the Cabo Verdean government established the High Authority against Corruption, and the National Assembly has augmented the number of prosecutors dedicated to enforcing anti-corruption laws. Other entities actively engaged in the fight against corruption include the Judicial Police, the Prosecuting Counsel, and the judiciary.

The Penal Code and the Electoral Code address corruption in the context of electoral crimes, particularly the offering of advantages to voters by political parties or other actors involved in elections. Cabo Verde's Public Procurement Code requires that public officials involved in a public procurement process provide written disclosure of any personal interest resulting from a special connection to a bidder or potential

bidder and recuse themselves from participation in the process.

In 2020, the Cabo Verdean government provided for the creation of the Corruption Prevention Council, though the Prime Minister noted in March 2023 that it was not yet fully staffed. Other institutions active in combating corruption include the Judicial Police, the Prosecuting Council, and the courts.

As part of the reinforcement of the magistrates' capacities and other judiciary operators in resolution of cases of organized crime including financial crime, corruption and money laundering, the partnership established between UNODC and the Public Prosecutor's Office regarding the compilation of three volumes of criminal legislation in force in the country was successfully concluded. This compilation followed the amendments to the Penal Code and to the Penal Procedure Code and has filled a long-felt need to compile all the criminal legislation and related laws existing in Cabo Verdean legal system, with the purpose of facilitating the work of the law enforcement agents ([https://mptf.undp.org/sites/default/files/documents/2023-05/cape\\_verde.pdf](https://mptf.undp.org/sites/default/files/documents/2023-05/cape_verde.pdf)).

The assessment of money laundering and corruption risk and vulnerabilities in Cabo Verde was carried out in January 2021 aiming at evaluating the implementation of the Action Plan and associated recommendations of recent assessments pertaining to Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and Anti-Corruption (AC) regimes in Cabo Verde (NRA 2017 and its action 2018-2019, Mutual Evaluation Report (MER 2019) and UN Convention against Corruption and its Implementation Review Mechanism (UNCAC IRM 2017 & 2018) designed to mitigate vulnerabilities regarding AML/CFT and AC in Cabo Verde.

Cabo Verde receives positive assessments on international transparency and corruption indices. In the 2022 Corruption Perception Index by Transparency International, Cabo Verde is ranked 35th out of 180 countries. The country is widely recognized for its good governance within the African continent, as evidenced by its score of 70 out of 100 and a fourth place ranking out of 54 African nations in the 2022 Ibrahim Index of African Governance (IIAG).

Although Cabo Verde generally maintains low levels of corruption, issues such as bribery and nepotism are prevalent at the municipal level. Allegations of corruption persist in connection with costly infrastructure projects, various expenditure measures, public procurements, public-sector companies, and the administration of public lands. It is worth noting that in Cabo Verde, the per capita income stands at \$3,060 annually, which is relatively modest when viewed in the context of global standards. This comparatively lower cost of living reflects challenges related to prosperity and socioeconomic issues in the country.

## **(E) Infrastructure and Regional Integration**

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**Score du cluster: 3.875**

### **17. Infrastructure Development**

**Score du critère: 4**

## 17.a. Sector strategy/policy

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

### Notes du pays:

Presently, Cabo Verde possesses essential infrastructure to facilitate its economic growth. In the energy sector, investments have been channelled toward addressing constraints in electricity generation and improving the distribution network, primarily through the state-owned enterprise ELECTRA. The country's energy policy is focused on further advancing renewable energy sources, with a target of achieving 50% of electricity generation from renewables by 2030. This initiative aims to reduce Cabo Verde's reliance on imported fuel. To enhance ELECTRA's financial performance, regulatory reforms, including adjustments to tariff mechanisms, have been implemented.

State-owned enterprises play a significant role in the Cabo Verdean economy. Foreign direct investment (FDI) in the tourism industry receives support through tax incentives and other inducements. Currently, Cabo Verde boasts approximately 230 hotel establishments. Maritime and air transport sectors are pivotal due to their connection to tourism and the widespread population. Over the past decade, infrastructure improvements have modernized roads, ports, and airports. The government's overarching strategy is to position Cabo Verde as a hub linking Africa, Europe, and the Americas. The management of ports is undergoing restructuring, transitioning from a service port to a state-operated landlord port under ENAPOR.

In the field of air transport, enhancing the efficiency and reducing the fiscal burden of the state-owned national carrier, Transportes Aéreos de Cabo Verde (TACV), remains a significant challenge. As of 2019, Cabo Verde had approximately 1,130 kilometers of roads, with a notable portion located on the islands of Santiago and Santo Antão. The country possesses four international airports on the islands of Santiago, Boa Vista, Sal, and São Vicente, with domestic flight aerodromes on other islands. Binter, a company based in the Canary Islands, currently handles internal flights.

In November 2022, Cabo Verde approved Phase II of the Technology Park (CVTP) project, which aims to transform the nation into a digital and innovation hub. The CVTP will offer modern infrastructure and workspaces to accommodate various companies, from emerging start-ups to established multinational technology firms. The park features advanced facilities, including a conference center and a training center with a capacity for 1,000 individuals. Climate-friendly, energy-efficient data processing centers and bandwidth-optimizing infrastructure are among the park's features.

In 2022, Cabo Verde performed favorably on the African Infrastructure Development Index (AIDI), earning a score of 49.80. The country achieved a score of 25.51 in the transport composite index and demonstrated strength in the electricity composite index (score of 15.56) and the ICT composite index (8th position). Cabo Verde's score of 54.7 exceeded the regional average for sub-Saharan Africa (50.4 points). On average, a total of six procedures are required over a span of 81 days for various processes, significantly less than the regional average of 109.6 days. However, the 2019 Global Competitiveness Index [A1] ranked the country 123rd in terms of transport infrastructure and 98th for utility infrastructure. The growth of the digital economy in Cabo Verde is expected to promote the ICT services sector and facilitate economic diversification.

Cabo Verde recently finalized a new five-year development strategy based on the long-term development plan known as "Cabo Verde Ambition 2030." Key objectives include completing reforms for state-owned enterprises (SOEs), including privatization, improving public enterprise efficiency, promoting economic diversification with a focus on the blue economy, reducing informality, and enhancing access to finance, particularly for small and medium-sized enterprises. These reforms will receive support from the World Bank and the ongoing Extended Credit Facility (ECF) arrangement.

Additionally, Cabo Verde's Water, Sanitation, and Hygiene (WASH) strategy involves revising tariffs to ensure they align with cost-of-service principles and are designed to benefit low-income populations. However, challenges arise in accurately identifying poor and vulnerable households for tariff subsidies, as a national database for targeting the poor is lacking. Reforms have been implemented to reduce water costs for the poor who predominantly use public standpipes.

Regarding energy supply, Cabo Verde faces challenges in small and remote islands that are not connected to larger grids and rely on expensive fossil fuel imports. To address this, Cabo Verde has embarked on a low-carbon energy transition, emphasizing the development and investment in domestically available renewable energy sources. The Electricity Master Plan (EMP 2018–2040), adopted in 2018, plays a pivotal role in this transition by modernizing the electricity grid, reducing distribution losses, stabilizing networks, and expanding access to electricity.

Cabo Verde's energy matrix primarily relies on wind and solar sources, with minimal contributions from hydropower, wave, geothermal, waste, and biomass sources. Diesel and fuel oil are predominantly used in thermal power plants for electricity production. In 2020, renewable sources accounted for an average of 19% of domestic electricity production, with several islands, including Santiago, Sal, Sao Vicente, and Boavista, leading in renewable energy adoption. While electric and active mobility initiatives are being promoted to reduce road transport-related greenhouse gas emissions, maritime transport remains a significant contributor to national emissions. Therefore, efforts to mitigate emissions in maritime transport can help lower supply costs and promote sustainable practices. Cabo Verde aims to join regional and international initiatives to foster low-carbon maritime transport along the North-West African routes, leveraging its strategic Atlantic location to become a regional information and communications hub. The Cabo Verde Digital Strategy, aiming to transform the country into a 'Cyber Island,' focuses on enhancing digital connectivity, capacity building, service provisions, and governance.

[A1]GCI 2022 not available for Cabo Verde

## 17.b. Legal and regulatory frameworks for infrastructure

Type de score	Valeur
Score de brouillon	4.0
Score révisé	4.0
Score de deuxième brouillon	4.0
Score final	4.0

### Notes du pays:

Efforts have been focused on the consolidation and modernization of public infrastructure in an economy where the State plays a regulatory role while also nurturing entrepreneurship and innovation. A contemporary Public-Private Partnership (PPP) law was recently enacted (Decree-Law 63/2015, November 2015), and a Policy Framework and Procedures Manual for PPP implementation followed in 2016. The Administration for Telecommunications and Postal Services (ANAC) was established in 2006 as an autonomous regulatory body responsible for overseeing telecommunications and postal services. ANAC's funding is derived from contributions from regulated operators (equivalent to 0.45% of their revenues), licensing fees, spectrum auction proceeds, and fines. The total revenue generated from telecommunications amounts to approximately €140 million.

Air transport policy falls under the purview of the Ministry of Infrastructure and Maritime Economy (Ministério das Infraestruturas e Economia Marítima – MIEM). In 2013, the government endorsed a Transport Policy Charter outlining its strategic goals in transportation for the 2013-2020 period. This charter complements earlier initiatives such as the Transformation Agenda of 2003 and the Growth and Poverty Reduction Strategy (2012-2016). To promote the aviation sector, the government established the "Núcleo Operacional para o Cluster do Aeronegócio" (NOCAN) with its dedicated budget.

The government has separated ground-handling services from the activities of TACV (Transportes Aéreos de Cabo Verde), establishing a new handling company called Cabo Verde Handling, with ownership transferred to ASA (Aerportos e Segurança Aérea). TACV continues to provide repair and maintenance services. Maritime transport policy is informed by documents like the Transport Policy Charter of 2013, with one of the strategic objectives being the development of Cabo Verdean ports into a maritime transport hub serving Africa. Plans are underway for a Strategic Plan for the Cluster of the Maritime Economy (Plano Estratégico do Cluster da Economia Marítima - PECMAR). Cabo Verde has made significant commitments related to maritime services under the General Agreement on Trade in Services (GATS), with most subsectors being open to foreign participation, albeit with certain citizenship requirements in specific subsectors. Cabo Verde has committed to providing a range of essential port services on a non-discriminatory basis under its GATS commitments.

Cabo Verde's public procurement laws are robust and draw inspiration from Portuguese regulations, indirectly aligning with European legislation. Cabo Verde maintains favorable trade relations with various countries, including the United States, EU member states, and China, while also participating in international agreements such as the Economic Community of West African States (ECOWAS) and the

Community of Portuguese-Speaking Countries (PALOP). The country has established procurement laws, including the Procurement Code (Law n° 88/VIII/2015, April 14, 2015), and Decree-Law 1/2009, January 5, 2009. The legal framework for foreign investment is transparent and straightforward, fostering a favorable regulatory environment for investors. In addition to its strong ties with Europe, particularly through its close relationship with Portugal, Cabo Verde is actively working to enact more comprehensive legislation, aligning itself with modern market standards. Cabo Verde is renowned for its flexibility in terms of repatriating funds, particularly when compared to many other African jurisdictions. This flexibility is supported by a simplified framework governing foreign exchange matters, complemented by the country's currency peg to the Euro.

To facilitate the implementation of the PPP policy outlined by the Cabo Verdean government, the Ministry of Finance of Cabo Verde, through the former Unit for Privatization and Public-Private Partnerships (UPPPP), engaged the Brazilian PPP company Radar to collaborate on developing new information, processes, and tools. These collaborative efforts are instrumental in enhancing Cabo Verde's institutional capacity concerning PPPs. The country's experience with long-term public-private contracts dates back several years, but the publication of Decree-Law no. 63/2015 in November 2015, which sets out the "general rules applicable to the State's actions in prioritizing, planning, preparation, consultation, tendering, procurement, modification, supervision, overall monitoring, and termination of public-private partnerships (PPPs)," has created a favorable environment for advancing the PPP program as a state policy instrument for the economic and social development of the country. Furthermore, it underscores the importance of consistent and ongoing monitoring of PPPs, emphasizing the need for the public partner to establish regular and effective processes and mechanisms in partnership management to create an attractive environment for investors and provide enhanced guarantees for economic stakeholders.

Cabo Verde joined SWA (Sanitation and Water for All) in 2020. The national vision for the sector is to promote water supply and sanitation systems that are capable of responding to the demands of the population and improve the living conditions of Cape Verdean. Through this, the government aims to generate a healthy environment through balanced universal access to sanitation and water for all, exceeding all goals of the Sustainable Development goals. Cabo Verde's priorities within the partnership lie in improving financing for the sector whilst finding cost effective ways of delivering water, sanitation and hygiene services, as well as in addressing paramount issues related to climate change. Cabo Verdean authorities have made a commitment for a horizon of 2022-2026 to massify water supply networks, guaranteeing all households access to water supply through the public network and average per capita consumption from 43 to 90 liters per day, densification of access to the sewage network and domestic sanitary facilities, promotion of home water and sewage connections and the construction of sanitary facilities, prioritizing basic sanitation (solid waste and rainwater drainage and torrential correction), the densification of the production of desalinated water for human consumption, for irrigation and other purposes of economic activity, the promotion of the construction of controlled landfills, conversion of controlled landfills into sanitary landfills, closing dumps and building service centers at landfills (<https://peds.gov.cv/caboverde4dev/wp-content/uploads/2023/04/English-Version-of-Strategic-Note-for-Water-Sanitation-.pdf>).

#### 17.c. Public resource management and accountability in the infrastructure sector

Type de score	Valeur
Score de brouillon	3.5
Score révisé	3.5

Score de deuxième brouillon	3.5
Score final	3.5

### Notes du pays:

In early 2015, Cabo Verde enacted a new Public Procurement Law, this law has replaced the previous procurement legislation from 2007 and its associated regulations from 2009. To oversee and regulate public procurement, a regulatory agency known as ARAP was established in 2008. ARAP's responsibilities include formulating procurement standards, providing guidance on procurement processes, and supervising contract implementation. The primary objective of the new legislation is to clarify the roles and responsibilities of regulatory, supervisory, and procurement entities, streamline administrative procedures, and simplify the procurement process, especially to encourage the participation of small- and medium-sized enterprises (SMEs).

According to the IMF Staff Report from April 2021, Cabo Verde's authorities are committed to conducting a comprehensive review of the public investments portfolio initiated in 2020. This review aims to enhance procurement processes, particularly for domestically financed projects, and improve the IT system to facilitate online dissemination of information related to public procurement contracts. Technical assistance on public investment management from AFRITAC WEST 2 is expected to support these efforts. In December 2019, Cabo Verde also adopted a plan for public acquisitions, E-procurement, and public purchasing.

To facilitate the implementation of the PPP policy outlined by the Cabo Verdean government, the Ministry of Finance of Cabo Verde, through the former Unit for Privatization and Public-Private Partnerships (UPPPP), engaged the Brazilian PPP company Radar to collaborate on developing new information, processes, and tools. These collaborative efforts are instrumental in enhancing Cabo Verde's institutional capacity concerning PPPs. The country's experience with long-term public-private contracts dates back several years, but the publication of Decree-Law no. 63/2015 in November 2015, which sets out the "general rules applicable to the State's actions in prioritizing, planning, preparation, consultation, tendering, procurement, modification, supervision, overall monitoring, and termination of public-private partnerships (PPPs)," has created a favorable environment for advancing the PPP program as a state policy instrument for the economic and social development of the country. Furthermore, it underscores the importance of consistent and ongoing monitoring of PPPs, emphasizing the need for the public partner to establish regular and effective processes and mechanisms in partnership management to create an attractive environment for investors and provide enhanced guarantees for economic stakeholders.

Air transport policy falls under the purview of the Ministry of Infrastructure and Maritime Economy (Ministério das Infraestruturas e Economia Marítima – MIEM). In 2013, the government endorsed a Transport Policy Charter outlining its strategic goals in transportation for the 2013-2020 period. This charter complements earlier initiatives such as the Transformation Agenda of 2003 and the Growth and Poverty Reduction Strategy (2012-2016). To promote the aviation sector, the government established the "Núcleo Operacional para o Cluster do Aeronegócio" (NOCAN) with its dedicated budget.

The government has separated ground-handling services from the activities of TACV (Transportes Aéreos de Cabo Verde), establishing a new handling company called Cabo Verde Handling, with ownership transferred to ASA (Aeroportos e Segurança Aérea). TACV continues to provide repair and maintenance services. Maritime transport policy is informed by documents like the Transport Policy Charter of 2013, with one of the strategic objectives being the development of Cabo Verdean ports into a maritime transport hub serving Africa. Plans are underway for a Strategic Plan for the Cluster of the Maritime Economy (Plano Estratégico do Cluster da Economia Marítima - PECMAR). Cabo Verde has made significant commitments related to maritime services under the General Agreement on Trade in Services (GATS), with most subsectors being open to foreign participation, albeit with certain citizenship requirements in specific subsectors. Cabo Verde has committed to providing a range of essential port services on a non-discriminatory basis under its GATS commitments.

ARAP has undertaken audits of procurements carried out between 2015 and 2019, spanning all Project Implementation Agencies (UGAs). These audits were conducted to evaluate procurement performance and ensure compliance with the provisions outlined in the public procurement code. The audit findings identified various areas that require attention, including deficiencies in market planning, the use of direct agreements without justification (accounting for 35.68% of audited procurements), inadequate transmission of offer evaluation reports to ARAP, procurement conducted outside of UGAs in certain ministries, and deficiencies in contract project submission to provisional procurement contractors for approval of contractual clauses before negotiations. The audits also highlighted issues related to the official appointment of evaluation committee members and the absence of systematic conflict of interest agreements. Additionally, the audit reports are not readily accessible on ARAP's website, making it challenging to access information regarding identified deficiencies in the audited procurement processes. ARAP's annual reports provide procurement statistics but do not specify whether the audited procurements complied with the provisions of the public procurement code.

In early 2015, Cabo Verde enacted a new Public Procurement Law that is scheduled to take effect on October 15, 2015. This law will replace the previous procurement legislation from 2007 and its associated regulations from 2009. To oversee and regulate public procurement, a regulatory agency known as ARAP was established in 2008. ARAP's responsibilities include formulating procurement standards, providing guidance on procurement processes, and supervising contract implementation. The primary objective of the new legislation is to clarify the roles and responsibilities of regulatory, supervisory, and procurement entities, streamline administrative procedures, and simplify the procurement process, especially to encourage the participation of small- and medium-sized enterprises (SMEs). According to the IMF Staff Report from April 2021, Cabo Verde's authorities are committed to conducting a comprehensive review of the public investments portfolio initiated in 2020. This review aims to enhance procurement processes, particularly for domestically financed projects, and improve the IT system to facilitate online dissemination of information related to public procurement contracts. Technical assistance on public investment management from AFRITAC WEST 2 is expected to support these efforts. In December 2019, Cabo Verde also adopted a plan for public acquisitions, E-procurement, and public purchasing. ARAP has undertaken audits of procurements carried out between 2015 and 2019, spanning all Project Implementation Agencies (UGAs). These audits were conducted to evaluate procurement performance and ensure compliance with the provisions outlined in the public procurement code. The audit findings identified various areas that require attention, including deficiencies in market planning, the use of direct agreements without justification (accounting for 35.68% of audited procurements), inadequate transmission of offer evaluation reports to ARAP, procurement conducted outside of UGAs in certain ministries, and deficiencies in contract project submission to provisional procurement contractors for approval of contractual clauses before negotiations. The audits also highlighted issues related to the official appointment of evaluation committee members and the absence of systematic conflict of interest agreements. Additionally, the audit reports are not readily accessible on ARAP's website, making it challenging to access information regarding identified deficiencies in the audited procurement processes.

ARAP's annual reports provide procurement statistics but do not specify whether the audited procurements complied with the provisions of the public procurement code. Cabo Verde faces extreme water scarcity, relying heavily on energy-intensive desalination processes to meet most of its municipal water requirements. At the time of compact development, domestic water consumption was only slightly above subsistence levels, particularly on the island of Santiago. Public water points were costly to use, and a significant portion of the population had limited access to sanitation services. Water costs for connected customers were among the highest in Africa, with approximately half of the water pumped into the system going unpaid due to physical leaks, inadequate metering practices, and uncollected fees. The unreliability of the water supply meant that customers had no predictability regarding water availability. While Cabo Verde's infrastructure is generally adequate, the government is committed to improving its ports and roads. Approximately 600 kilometres (373 miles) of the country's 2,250 kilometres (1,398 miles) of roads are paved. Irregular maritime transport has presented challenges for exports, but the government has made efforts to establish regular connections to Africa and Europe. Ferry services are available between most islands, with the main ports being the newly expanded Porto Grande in Mindelo and the modernized Praia port. Another port to the north of the capital is under construction. Regarding the energy sector, Cabo Verde has been striving to increase its installed wind energy capacity since the 1990s. In 2006, the government set a target to achieve 25% renewable energy by 2011, which laid the foundation for projects like Cabeólica PPP, the first wind power PPP in Sub-Saharan Africa. Debt financing was secured from the European Investment Bank and the African Development Bank. The project, completed in 2011, installed 30 turbines, four substations, and 33 kilometres of power cable across four islands, adding over 28 megawatts (MW) of capacity. Wind power has significantly reduced Cabo Verde's reliance on imported heavy fuel oils and diesel, providing 25% of the country's energy needs. Additionally, the project created both construction and operational jobs.

## 18. Regional Integration

Score du critère: 3.75

### 18.a. Movement of persons and labor and right of establishment

Type de score	Valeur
Score de brouillon	4.5
Score révisé	4.5
Score de deuxième brouillon	4.5
Score final	4.5

#### Notes du pays:

Cabo Verde is part of ECOWAS and has signed the ECOWAS free movement protocol. Cabo Verde scored 0.845 ranking 8th place in the 2022 Visa Openness Index, thus reflecting progress made in easing entry requirements to Cabo Verde. Citizens of ECOWAS have visa-free access to Cabo Verde while several other Africa countries have either visa-free or visa on arrival access to Cabo Verde. Foreigners can apply and receive work permit and are given fair treatment in Cabo Verde. With the progress made by

Cabo Verde made steady progress in easing entry requirements as reflected in its exceptional performance in the 2022 Visa Openness Index.

In the 2022 Africa Regional Integration Index, Cabo Verde is positioned 19th out of 54 countries in terms of free movement of people, achieving a score of 0.44. However, when assessing regional integration, Cabo Verde is placed 23rd with a score of 0.32 and 43rd for trade integration with a score of 0.29. Additionally, as indicated by the 2022 report on the Regional Integration Index in Africa (IIRA), Cabo Verde ranks fifth out of the 15 ECOWAS countries in terms of free movement of people, scoring 0.67 (compared to the ECOWAS average of 0.733). Moreover, Cabo Verde stands at the 8th position out of 54 countries, with a score of 0.845, according to the Africa Visa Openness Index 2022.

Cabo Verde is also assessed in the 2022 Freedom in the World Report by Freedom House, receiving a score of 92 out of 100 and earning a classification of "free." The country achieves a civil liberties score of 54 out of 60. Workers, except for civil servants, household workers, and security forces, have the right to form unions, strike, and engage in wage negotiations. Cabo Verde boasts multiple trade unions operating without government restrictions. In collaboration with civil society organizations and immigrant associations, Cabo Verde has developed initiatives and tools to disseminate information about the Convention and the rights and responsibilities of migrants. Enhancing statistical data on migration has been a priority, with the establishment of the High Immigration Authority to coordinate immigration policies and measures. Additionally, local immigration units are set to be established in five municipalities in 2022 to facilitate immigrant access to public services.

In 2020, Cape Verde registered 15,788 international migrants (and 49.92% of them were women). Regarding their main countries of origin, 33.75% of the immigrant population was from Guinea Bissau, 11.45% from Sao Tome and Principe, 9.89% from Senegal, and 7.75% from Portugal. Cabo Verde has historically been an emigrant nation sending people into mainland African countries. Recently, this trend has been reversing since Cabo Verde has become a common destination because of its geographical location in the region, at the crossroads of three continents, as well as its relative political stability. Cabo Verde's regulations for work and residence permits for foreign workers, managers, and investors are governed by the Labor Code and Law 80/VIII/2014 (<https://migrants-refugees.va/pt/blog/country-profile/cabo-verde/>).

The government of Cabo Verde developed and is implementing the II Action Plan for Immigration and Social Inclusion of Immigrants (2018-2021). Its overall objective is to strengthen the mechanisms for the reception, regularization and social inclusion of immigrants, through an integrated action of public services (central and local), private and civil society actors to reduce risks and vulnerabilities and enhance the positive effects of immigration to Cabo Verde. Moreover, in 2020, the government established the High Authority for Immigration with the mission of coordinating and implementing policies and measures in the field of Immigration, with a particular focus on the setting up and monitoring an integrated system at national level to the reception and integration of immigrants in Cabo Verde (<https://www.un.org/sites/un2.un.org/files/imrf-cabo-verde.pdf>).

The majority of immigrants in Cabo Verde originate from the African continent (79.8 percent), with a significant portion coming from the ECOWAS region (43.4 percent). Within the ECOWAS region, 31.3 percent of immigrants were born in Guinea-Bissau. Other African countries account for 36.4 percent of immigrants, notably São Tomé and Príncipe (23.5 percent) and Angola (12.4 percent). European continent immigrants constitute 11.8 percent, with Portugal being the primary origin (7.6 percent). From the American continent, 5.9 percent of immigrants come, with Brazil being the prominent source at 3.5 percent. Lastly, 2.4 percent of immigrants originate from the Asian continent, predominantly China (2.3

percent).

While foreigners are required to apply for work permits, the authorization process is not burdensome. Notably, there are no requirements for "forced localization" in any sector in Cabo Verde. Investors are granted work and residence permits regardless of the amount they invest. Different categories of permits are available for foreigners, including investors, employees, independent professionals, and highly qualified employees.

#### 18.b. Regional financial integration

Type de score	Valeur
Score de brouillon	3.0
Score révisé	3.0
Score de deuxième brouillon	3.0
Score final	3.0

#### Notes du pays:

Overall, Cabo Verde financial sector is regulated by the Central Bank of Cape Verde. The financial sector is small and comprises few banks. Financial inclusion is solid with 90% of the population having access to banking services. Cape Verde is part of ECOWAS and has signed the ECOWAS treaty promoting custom and tariff harmonization. Cabo Verde holds a macroeconomic integration score of 0.5 within the ECOWAS region, according to the IIRA (2022). It's a member of ECOWAS and has ratified nearly all financial integration agreements. Throughout its history, Cabo Verde has ratified several agreements to facilitate its integration into the global market. The country maintains a small financial sector, overseen and regulated by the Central Bank of Cabo Verde (BCV). BCV data shows that over 90 percent of the Cabo Verdean population has access to banking services. The banking sector in Cabo Verde has witnessed significant growth in internet-based tools and services, particularly during the COVID-19 pandemic, reshaping the client-bank relationship model. New ICT products provide customers with alternatives to in-person assistance, enabling decision-making outside of regular hours through the internet. Banking represents over 80 percent of the assets in the entire Cabo Verdean financial system. Prior to the pandemic, Banco Comercial do Atlantico (BCA) and Caixa Economica de Cabo Verde (CECV) jointly held 67.3 percent of the credit market share and 71.8 percent of deposits.

In line with developments seen in previous years, BCV once again confirmed the increasing use of cards as a payment instrument. Of the total number of transactions made in the country using payment instruments, 88.7% were made with cards, accounting for 27,025,750 transactions, worth CVE 103.6738 billion. In fact, these developments are reflected in the downward trend in the "preference for Central Bank money" ratio, reinforcing Cabo Verdeans' continued preference for electronic payment instruments. In addition, 2,403,660 transfers, worth CVE 277.3186 billion, and 1,080,108 checks, worth CVE 192.6005 billion, were processed. Furthermore, the fact that technological innovation itself gives central banks the possibility of issuing a digital currency (CBDC - Central Bank Digital Coin), thus also challenging them to adopt new digital technologies for themselves. In the case of retail, CBDC is expected to lead to a

reduction in the use of cash, which will contribute to greater micropayment efficiency, a reduction in the cost of issuing, transporting and sanitizing physical money, more financial inclusion, and greater traceability of transactions, thus avoiding the informality of the economy, tax evasion and other illicit practices

(<https://www.bcv.cv/SiteCollectionDocuments/2021/Cabo%20Verde%27s%20Payment%20System%20Report%202019.pdf>)

Despite these endeavors, Cabo Verde's exports to ECOWAS countries represented only 0.02 percent of total goods exports in 2018, showing slight improvement in 2020, reaching 0.26 percent. Regionally, Cabo Verde is committed to integration into ECOWAS but has announced postponement of implementation of the ECOWAS Common External Tariffs to a later time and does not foresee adoption of an ECOWAS single currency (source: [https://www.state.gov/reports/2023-investment-climate-statements/cabo-verde/#:~:text=Regionally%2C%20Cabo%20Verde%20is%20committed,Organization%20\(WTO\)%20in%202008.](https://www.state.gov/reports/2023-investment-climate-statements/cabo-verde/#:~:text=Regionally%2C%20Cabo%20Verde%20is%20committed,Organization%20(WTO)%20in%202008.))

While economic and trade ties with Africa are relatively weak, Cabo Verde has been increasing its pharmaceutical sector's presence in countries such as Angola and Sao Tome and Principe. The country's financial integration with the region is also benefiting from the presence of financial institutions that enhance business interactions within the region. Moreover, to play an active role in the region, the Cape Verdean government officially established an Embassy in Nigeria, recognizing the strategic importance of Nigeria in the West African sub-region.