

Since independence, Cabo Verde has established a series of strategic documents highlighting the development vision for the country. Over the past 40 years, one constant found in these national development plans has been the drive to diversify the economy through new sources of production added value, the promotion of foreign direct investment (FDI) and the strengthening of competitiveness. Most recently, the government elaborated a growth and poverty reduction paper, DECRP III 2012-2016. It highlights the importance of macro stability, public management, labour efficiency, and the role of reform in the promotion of economic development. Additionally, the document underscores the most strategic sectors for the country, namely: i) agro-business; ii) tourism; iii) financing; iv) creative economy; v) aero-business; and finally vi) information and communication technology (ICT). Going forward, a new strategic document will be prepared and presented in 2017 in order to guide the government's overall strategy and development vision.

In order to promote increased effectiveness policies regarding incentives in favour of industrialisation, the government published a study on the competitiveness of the industry (manufactures) for the period 2009-12 (*Relatório da Competitividade Industrial de Cabo Verde*). This study was supposed to provide a baseline analysis of the situation of industry in Cabo Verde and the outcomes to be used in order to improve national policies regarding industries. The results of the study showed that there is a set of economic constraints that have been negatively affecting industry development in Cabo Verde, including: i) limited transport among and between islands; ii) high cost of energy; iii) high cost of water; iv) small market size; and v) limited access to financing.

Successive governments have been putting efforts into promoting the transformation of industry, such as measures to increase exports and promote job creation. For instance, in 2003 the government inaugurated the Lazareto Industrial Zone in São Vicente. However, despite these policies and incentives, Cabo Verde's range of exports remains limited, mainly focused on fish and fish-related products (more than 60% of all goods exports). As for FDI, efforts to diversify its sources, notably towards light industries, have not been successful as the tourism sector retains the bulk of it.

According to the World Travel and Tourism Council (2016), the tourism industry has accounted for more than 40% of GDP on average over the past years. Regarding employment, it was responsible (directly and indirectly) for more than 85 000 jobs in 2015. Notwithstanding the importance of the tourism sector, its main impact is concentrated in three islands, namely Sal, Santiago, and Boa Vista. FDI flows highlight the level of concentration: in the last three years, 2013, 2014 and 2015, Cabo Verde received 6 billion, 6.8 billion and 3.3 billion escudos respectively. Sal, Boa Vista and Santiago accounted for 90% to 100% of the total.

Entrepreneurship and self-employment are the main tools used by successive governments to fight youth unemployment, as per the DECRP III. This focus is all the more important as the newly elected government's strategy has placed the private sector at the centre of economic growth in an effort to change the growth paradigm. Indeed, considering the country's debt level, the government is seeking to change the underlying growth driver, which up to now has been based to a large extent on the public sector. This has in fact been largely the case since the European financial crisis affected the country's economy and the government took counter-cyclical spending measures that led to ballooning deficits and debts. The failure of such measures to lead to sustainable growth suggests a low spending multiplier, most likely due to the high import propensity of the country.

Against this background, it is important that the government sustain business environment reform based on the proposals of the World Bank report, *Doing Business 2017*, as well as other recommendations based on field assessments from the multi-donor budget support group



(comprising the World bank, the African Development Bank, the European Union, Portugal and Luxemburg) related to the special regime for micro, small and medium-sized enterprises (MSMEs), and the implementation of the new Financial Sector Development Strategy with a particular emphasis on such firms (including the registry of non-movable assets and a private credit bureau).

On entrepreneurship, the Institute for Professional Training and Employment (IEFP) and the Agency for Innovation and Enterprise Development (ADEI) are two key institutions. Created in 2009, ADEI is the national agency responsible for the promotion of the innovation and development of national enterprises, namely micro, small and medium-sized enterprises. In order to reach its objectives, ADEI works directly to support enterprises in the formulation of projects and in the organisation and promotion of the new enterprises (especially those in ICT areas). It also organises courses and seminars oriented to small and micro enterprises. As for the IEFP, it is a public institution responsible for the execution of policies regarding employment, entrepreneurship and technical education. Through its centres scattered across the islands, it has been able to support more than 24 000 beneficiaries of employment services over the past five years, and more than 3 000 interns in the last ten years.

