Board Meeting of Tuesday, December 23, 1997
Statement by Joaquim Carvalho

**Cape Verde: Country Assistance Strategy**

We endorse this country assistance strategy for Cape Verde. We are impressed by the level of dialogue and consultation process that went into its preparation with the active participation of the Government, the private sector, labor unions and NGOs. We note that this CAS also took into consideration the lessons learnt from the implementation of the last CAS and the unfinished agenda. We therefore have no difficulty in supporting the proposed volume, composition and triggers of the proposed Bank strategy as they are appropriate and in line with the Government’s new National Development Plan.

The Government of Cape Verde has made great strides in its economic reform. The country has achieved some of the best social indicators in Sub-Saharan Africa. The macro-economic indicators have also been very impressive, with economic growth stabilizing at 4 percent, inflation on the decline, and overall revenue collection has also been on the increase while expenditure has declined considerably. The Government has also opened the economy to private sector participation. However, many challenges remain. Cape Verde consists of small drought prone islands and depends largely on foreign donor support and remittances from abroad.

On portfolio management, we note with satisfaction the improved quality of Cape Verde’s portfolio. We also note the recommendations of the Country Portfolio Performance Review and are pleased to learn that the implementation of these recommendations have started producing positive results.

With respect to private sector development, significant progress has been made, with several state-owned enterprises restructured and privatized. The legal framework and regulatory system has also been strengthened. We, therefore, endorse the proposed proactive role of IFC and MIGA in mobilizing external private sources of finance to invest in the country, especially in the manufacturing and tourism sectors.

We note, with concern the increasing reliance on domestic borrowing for government financing. We are, however, pleased that the proposed Economic Reforms Support Operation credit accompanying this CAS will address this problem. We also hope that with the credit, more funds will be available for social sectors.
We note the strong presence of other donors and the Bank’s collaboration with other development partners in Cape Verde. For aid to be effective, however, there is need for extensive coordination. We, therefore, endorse the Bank’s proposal to take the lead in coordinating donor activities in the country, and concentrate its activities in areas where it has comparative advantage.

We are concerned that the document does not give food security and water problem serious attention. While the proposed CAS mentions these problems, we are of the view that these two issues are very important to Cape Verde’s economic development prospects and hence deserve special attention if the issue of poverty is to be addressed adequately. We would, therefore, appreciate staff’s elaboration on this issue.

We support the Economic Reforms Support Operation Credit that accompanies this CAS, in view of the fact that it supports the government’s ongoing economic reform program, which is aimed at reducing the role of the state in productive sectors and providing an environment that is conducive for private sector growth.

Finally, we thank management and staff for this candid and well-articulated document and wish the Cape Verde authorities the best in their future endeavors.