STRATEGIC STUDY
DRAFT
EXECUTIVE SUMMARY

INFRASTRUCTURE FOR TRANSFORMATION

The Centro de Políticas Estratégicas produced this strategic study technical note. This is the Executive Summary of the draft version of the Technical Note for comments and to be used for Forum Events. Please share comments at luci.fonseca@palgov.gov.cv.

II Fórum Nacional de Transformação
CABO VERDE 2030

Executive Summary

Thirty-nine (39) years after it gained its independence, Cabo Verde has clearly taken an enormous leap regarding infrastructure, both quantitatively and qualitatively, in a journey that can be divided into two phases.

In the first phase (roughly up to the early 2000s), priority was given, above all, to infrastructure to support human capital development – schools, hospitals, water and sanitation, among others. In the second phase (over the past 10 years or so), the main focus was on infrastructure to support mobility and integration, with an average of 15% of annual GDP being invested in ports, airports, roads, electricity, water, communications, and others.

This emphasis on infrastructure development contributed strongly to boost economic growth, promote the country's development, and improve people's living conditions. In 2008, Cabo Verde ascended to middle-income status, with a per capita GDP that has surpassed the $3,500.00 line, one of the highest Human Development Indexes in Africa (0.586), a democratic and stable political system, with normal alternations of power, among other positive indicators.

Despite the progress made, old challenges persist and new ones are emerging, resulting from development dynamics and changes in the external environment. In terms of transportation infrastructure, bulky investments have not yet resulted in the improvement of services and, particularly with regard to road infrastructure, maintenance is beginning to present itself as a major challenge. Electricity, water and communications costs are among the highest in Africa, despite the comparatively high rate of coverage. Sanitation infrastructure must also be adjusted, not only to extend coverage to the whole population, but also to keep up with dynamics in sectors such as tourism. In rural areas, agricultural infrastructure will have to actually translate into improved household income, which also requires reforms and improvements in the organization of production and of agricultural product distribution systems.

In the long term, infrastructure must fulfill four main purposes: (i) support regional integration and Cabo Verde's insertion in the world economy; (ii) maximize its effectiveness and efficiency; (iii) contribute to increase Cabo Verde's competitiveness and attractiveness to private investment; and (iv) help to leverage economic growth, the country's development and empowerment of society. Thus, this "3rd Phase" of infrastructure development shall be based upon 03 pillars: CONSOLIDATION, EFFICIENCY and SUSTAINABILITY:

Consolidation	Efficiency	Sustainability
Construction	Linkage/Strategic alignment	Cost optimization
Maintenance	Governance/Institutional management	Revenue optimization
	Human capital	Environmental sustainability
	Regulation	
	Competitiveness	

With regard to the first pillar, special attention shall continue to be given to infrastructure investment, to complete the process. The implementation of policies and mechanisms to maintain them shall also receive the attention of the authorities, to minimize long-term costs.

Infrastructure must also become more efficient in terms of fulfilling its role in the country's transformation, economic modernization and development. With that in mind, infrastructure must be aligned with the long-term vision for the country, with regard to policies, procedures and mechanisms for mapping and prioritizing needs, allocating resources, and developing and implementing infrastructure projects. In the same vein, infrastructure governance models should be reconsidered and adapted to this new goal, as should human capital (both in the public and the private sector). The same applies to regulatory mechanisms, which should take a more holistic and less compartmentalized approach. A major goal should be to ensure the competitiveness of the infrastructure itself, so that it may contribute to the country's overall competitiveness and its attractiveness to the private sector.

The infrastructure should also be increasingly sustainable. Be it with regard to the economic and financial dimension (cost optimization and revenue maximization), or in terms of environmental sustainability, considering Cabo Verde's fragile equilibrium in this matter.

Given its impact, cross-cutting and long-term nature, implementation of Phase 3 of infrastructure development requires political, financial, institutional and human resources, as well as social capital. There will be a need to mobilize political will to achieve consensus on a single vision for infrastructure development in Cabo Verde, – as well as general principles for its materialization, – a vision that must be shared and lasting, so as to make it stable and to ensure the confidence of economic agents and potential partners. Financial resources will require more innovative approaches and alternative models for funding infrastructure implementation and management, such as public-private partnerships, and public resources will need to be mobilized through economic growth and tax efficiency policies, leading to increased tax revenue. The institutional architecture and human resources needed to implement Phase 3 should be adjusted accordingly. Society should also be more involved – through the adoption of mechanisms for consultation with and participation of civil society – during assessment and prioritization of needs, resource allocation, project design, implementation, management and evaluation.

Greater involvement of the (national and international) private sector is strongly recommended for this new stage of infrastructure development in the country. Be it during the needs mapping phase, or during implementation and management, through mechanisms for consultation and participation, public-private partnership models based on shared risks and benefits and impact optimization, appropriate financing instruments, among others.