

STRATEGIC STUDY DRAFT TECHNICAL NOTE

**BUSINESS ENVIRONMENT REFORMS FOR CABO
VERDE TRANSFORMATION**



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



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Executive Summary

Cape Verde has achieved since the 1st National Economic Forum for Economic Transformation of 2003 great achievements in terms of governance and economic transformation. This has placed the country onto the global map of international investors, particularly in the tourism sector, as a result of remarkable progresses in governance and reforms. Such progresses allowed Cape Verde to be seen as an opened, market and reform-oriented economy aiming at building a business friendly environment.

Business environment reforms have been undertaken through widespread government initiatives that allowed making business registration easier, restructuring of promotion and support agencies, putting in place progressively an institutional framework for private sector development, privatizing number of state-owned enterprises, rationalizing public institutions. Modernization has also been stressed through e-governance projects to streamline administrative processes and services.

However, many challenges still lie ahead. The reform dynamic stalls as a result of difficult issues to tackle. Macroeconomic issues are the first ones. Public debt, declining economic growth rate, insufficient tax collection in a context of a strong exposure of Cape Verde's economy to global shocks put a burden on public finances. Therefore, financing transformation, particularly reforms has become difficult. This translates into slower state reform and little progress in world business climate rankings.

Another key issue has to do with implementation capacities. Major decisions, laws or projects aiming at accelerating reforms do not really progress. A law has been taken to improve SMEs development but appear to suffer from a lack of inclusiveness in their preparation particularly with workers' unions; projects to develop competitiveness areas do not appear as really getting into an execution phase. Such insufficiencies reveal mainly a lack of project management capacity in taking charge of different projects at the time. Funding and availability of a critical mass of competencies are in that regard critical bottlenecks that call for an integrated approach to their solution.

Finally, the effectiveness of public-private dialogue will be a key issue to bring about solutions to the slower reform dynamic and identify innovative solutions to financing, competencies, economic growth, etc. Public-private partnerships have to be fostered for the next phase of economic transformation. Therefore, dialogue between public and private operators should be well-structured, institutionalized and coordinated. Initiatives have been taken in this direction that should move quickly into a reality, particularly with an instance like the National Council for Entrepreneurship development. Such a council can help building a shared understanding on reforms and accelerate their implementation both by public and private actors. At the top of its agenda should figure the importance of prioritizing business environment reforms that will help diversifying the economy and unleash the emergence of targeted clusters that will drive economic growth.

This note states that Cape Verde in 2030 means business. Four objectives should be sought after: (1) become one of the highest-ranking African and insular countries in the Doing Business; (2) ensure efficient and optimal administrative processes; (3) build effective & best-in-class private sector support institutions; and (4) implement a permanent public-private dialogue.

- **Become one of the highest-ranking African and insular countries in the Doing Business:** achieving this objective will require accelerating reforms measured by Doing Business rankings (as well as other rankings such as the World Competitiveness report). Such rankings have the characteristic of being highly visible and provide international exposure to countries that achieved important business climate progresses, which happened for Rwanda or Georgia for example. Accelerating reforms in that regard will require setting up a management team similar to Rwanda's Doing business Unit, backed by a strong political and civil society to plan and execute timely reforms. The aim will be to figure in the next five 5 years constantly among the top 10 reformers of the Doing Business Rankings.
- **Ensure efficient and optimal administrative processes:** the process of realizing substantive reforms will have to continue. Progressing in rankings will provide visibility and hopefully attractiveness *vis-à-vis* Cape Verde. Investors will need to find as well efficient government services and diligent procedures. A faster way of achieving this objective is to set up Competitiveness areas such as special economic zones which gather incentives and operational conditions for business to quickly start, produce, sell and export. Some initiatives have been proclaimed such as the creation of an International Business Center or a Technology Park. However, implementation of some projects need to be accelerated in order not to make those projects look mainly as mere announcements that would in reverse give less credibility to Cape Verde Business environment. State reform should also be strengthened under the axes of Mudar para Competir program. Modernization, rationalization of institutions, e-governance projects need to be pursued and extended progressively to make the administration lean and up to address any complex issue arising in terms of creating a conducive business climate.

- **Build best in class private sector development supporting institutions:** Support institutions such as Cabo Verde Investimentos, ADEI, the coming Tourism Promotion agencies, Novo Banco represent first contacts points of investors or existing enterprises. They should compare to their private sector counterparts in terms of efficiency and agility. Their capacity in treating demands swiftly will lie in the quality of their resources in terms of human capital, sufficient funding as well as the quality their organization and processes. Empowering them will be important to attract more investment. They will also require a strong coordination in their actions in order to avoid overlapping and duplication of efforts. Acting as executing arms of the government, they will have to deliver results, which have to be defined and planned by clear Performances Contracts.
- **Implement a permanent public private dialogue:** in the process of realizing strong reforms that should yield being part of double or single-digit international rankings, agreements and cooperation between public sector and international and local private investors, as well as civil society will be extremely important. Making constant progress and being seen as a top reformer or investment destination will mainly be at this price. Accelerating reforms will require to identify all bottlenecks in administrative processes and propose reforms to solve them, a shared understanding among partners to make difficult decisions (the new SMEs and labor law illustrate this), and regular meetings among stakeholders to drive the reform process. As previously stated, the Council for Entrepreneurship Development could represent a driving force towards business environment reforms as it has been experienced in some African countries with similar instances (labelled as Presidential Investment Councils). This council, as it will gather key leaders from public and private actors, can build consensus and impulse the required movement on reforms.

The initial short-term steps towards realizing this Agenda will require setting the stage for reform. Actions will need to be taken to make operational the National Council on Entrepreneurship Development through its designed secretariat, the Agency for Enterprise Development and Innovation (ADEI), in collaboration with the actual Unit coordinating state reforms (UCRE). Then, other actions could follow with the implementation of a Doing Business unit, the preparation of an annual reform plan that will receive full backstopping from the Council. The following technical note outlines in further details the context, the objectives aiming at making Cape Verde an outstanding business destination and proposes policy recommendations.

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Introduction

The importance of a business friendly environment

"A good investment climate is an essential pillar of a country's strategy to stimulate economic growth, which in turn generates opportunities for poor people to have more productive jobs and higher income" – World Bank

Cape Verde in 2030 should mean business. Major achievements have already followed the 1st National Forum of 2003: strong state reforms, governance and economic progress, high level of foreign direct investment (FDI) in particular in the tourism sector, and a progressive development of new sectors. However, Cape Verde is too exposed to global economic trends and the benefits of past reforms are wearing out. Cape Verde should mean business in a larger set of economic sectors, defined as clusters in Government Strategy documents, within a larger geographical scope in order to become a diversified and strong economy.

Maintaining a business friendly environment will be key in that regard. Strong links have been established between a favorable business environment and economic growth. Countries with a conducive business climate tend to attain better productivity levels and hence encourage local and international investment, leading to wealth creation, development of entrepreneurship and small and medium enterprises (SMEs), more jobs and poverty reduction.

Reforming the business environment requires a high level of engagement, first from Government and political leaders who should share a clear vision. It requires enhancing laws and regulations on a continuous basis, strengthening institutions and administrative processes, developing public investment in infrastructure and human capital, facilitating access to credit, and easing access to local, regional and international markets. Government should deeply involve key stakeholders in the process, including the national and international private sectors as well as development partners. In a context of global competition to attract FDI, Cape Verde should stand out in terms of business environment from other African and similar insular countries which benefit today of a higher level of attention, as they are viewed as the new frontier for global economic growth.

The Business Environment in Cape Verde

In terms of Good Governance, Cape Verde is ranked among the best countries in Africa

After a successful transition to democracy in the 1990's, Cape Verde is viewed as one of the best African States in terms of Good Governance. Cape Verde compares to the best countries in the world in that area with some of the best rankings in Africa in terms of freedom, democracy (best Portuguese-speaking country), transparency, and economic liberties. The quality of Cape Verde's governance is seen today as an example to be replicated throughout Africa.

This has resulted in one of the best track records in the Millennium Development Goals, in poverty reduction and in unemployment in Africa. Economic recovery in the first decade of the millennium has, along with increases in exports, allowed graduation of Cape Verde to Middle Income Country, among other achievements.

Cape Verde has done substantial efforts to build a favorable Business Environment

Following the 1st National Economic Forum in 2003, the government has engaged on the path of reforming its business environment. A number of initiatives have been undertaken to open the country to foreign investment, to raise and develop human capital, and to increase access to utilities (electricity, water and sanitation). The country has also implemented specific regulatory reforms that resulted in the rise of a significant number of places in rankings such as the Doing Business and the Global Competitiveness Report. Cape Verde was amongst the top 10 reformers in years 2011 and 2012 of the World Bank Doing Business rankings. However, more effort is needed for greater improvements.

- **Registering a business has become much easier**

Business and investment climates are the key indicators to attract FDI and develop SMEs. A healthy business climate includes clear regulations that do not overburden private operators, while minimizing costs and risks. Cape Verde has already started to implement business reforms in order to simplify new business development as well as attract FDI. These continued economic reforms to encourage business and investment contribute to diversifying the economy and mitigating high unemployment.

One of the successful achievements is the Improvement of Business Lifecycle Services (IBLCS) Project. An agreement between registered trustees of the Investment Climate Facility for Africa (ICF) and the Government of Cape Verde was signed in June 2009 to enhance the legal framework, as well as automate and simplify administrative processes in order to reduce time and costs for business licensing and closure. The project was implemented by NOSi (Operational Nucleus for the Information Society) through the creation of one-stop shops, better known as "Casa do Cidadão". Business registration services have been spread to nine out of ten Cape Verdean islands through the establishment of counters, franchising with various institutions and also via mobile units. A web platform was developed and installed with licensing components for retail, wholesale, industry, tourism and construction. Registration and licensing can now be carried out in the expanded network of one-stop shops, municipalities (for retail licensing only), Chambers of Commerce, Trade, Tourism and Industry Directorates.

Cape Verde emerged as a top reformer in the 2011 and 2012 Doing Business rankings partly due to this project, and the Government is actively working to improve the country's business environment.

Table 1: IBLCS Key Performance Indicators

Business registration and licensing	Before	Target	At Completion
Business registration in one day and for CVE 10.000 (USD 137)	Praia and Fogo only	Country-wide access	Country-wide access
Retail trade licensing	25/15 days	7/2 days	7/2 days
Wholesale licensing	15 days	2 days	2 days
Tourism licensing	30 days	10 days	10 days
Travel Agency licensing	15 days	3 days	3 days
Construction licensing	30 days	10 days	10 days
Industrial licensing	15 days	3 days	3 days

Average cost of licensing (wholesale & retail)	USD 770	Not defined	USD 380
------------------------------------------------	---------	-------------	---------

Still, this project achievements need to be taken further. Some administrative steps before getting to “Casa de Cidadão” still represent preprocessing lead times that are not necessarily included in the actual business registration performances (production of an accountant statement for example). Further actions could consider enlarging the scope of the one-stop shop to external procedures that result in longer delays in creating an enterprise.

- **Restructuring of the Investment Promotion Agency**

Across the world, national Investment Promotion Agencies (IPAs) have played a major role in attracting considerable amounts of FDI to their respective countries. Such agencies often represent the first contact point for investors, and should therefore deploy competent human resources, knowledgeable about business opportunities and administrative procedures regarding the investment process.

An IPA attains its high-level goal by:

- Making a tangible and significant impact on the removal of barriers to investment, and improving the business environment by striving to understand investor requirements and by developing policy and program alternatives, investment friendly policy advocacy, and effective communications and collaboration with other bodies in the government;
- Developing the country’s image as an attractive investment destination by using best practices in investment promotion and generation;
- Facilitating generation of investments by providing useful business information to prospective investors as soon as they need it;
- Establishing its identity as the focal point for current investors to liaise with government and to obtain information for their initiatives and “aftercare services” to expedite their investments;
- Increasing the size of existing investment, and recruiting the support of existing investors in image promotion;
- Acting as an independent agency without political orientation; focused on quality, customer service, and increased investment.

Source: Best practices for a positive business and investment climate, OSCE, 2006

The Government of Cape Verde has recognized the need for such an agency, and created Cabo Verde Investimentos (CI) in 2004. Previous assessments made in 2011 emphasized that the agency did not meet the basic requirements needed to stand out at an international level, such as demonstrating a private-sector oriented culture, openness, understanding of foreign languages, and lack of strategic focus.

Following this diagnosis, the Government of Cape Verde put in place a new management team at CI which has successfully started the implementation of an effective one-stop shop where potential investors can receive all the services needed to create enterprises and obtain various licenses or permits. CI today seems to have improved its capabilities in terms of welcoming investors and providing services and aftercare. Still, CI’s effectiveness remains limited, mainly because of budget constraints that do not allow it to effectively carry out its mandate. CI does not carry out an important activity such as Promotion, which requires prospecting international markets, performing sector studies, developing marketing materials, etc. As a consequence, the Government has deemed it necessary to transfer the promotion of tourism, which is strategic to the economy, to the Director General of Tourism which will be converted into an Agency for Tourism Promotion.

Despite these limitations, CI strives to develop innovative solutions to promote Cape Verde through partnerships that do not require financing with Business Developers who host large-scale events bringing together governments and private investors.

Further reforms that could be considered include the elaboration of a Performance Contract for CI (as well as for other government execution arms) ensuring accountability of their Management. It should be made sure within those contracts that such an investment agency is managed following world-class best practices particularly when recruiting staff (through competitive recruitment campaigns for example) and managing resources.

Business Environment Reform is recognized as one of the major axes of competitiveness

- **Improving the Business Environment is one of the axes of the program, 100 Mudar para Competir**

The 'Mudar para Competir' (Change to Compete) program was designed with the aim of modernizing the state and public administration, as well as increasing the competitiveness of Cape Verde. The program, which includes a package of 100 urgent steps towards modernization, simplification and greater efficiency of public administration, has had significant impacts since its start in October 2011. The program has three pillars, each with its specific objective. The first is **rationalization of internal structures** which aims at *creating the most functional and simple structures to provide efficiency, effectiveness and cost savings. The second is modernization and simplification of public administration* in order to *build a culture of service and make public services more accessible and productive while ensuring satisfaction of citizens and businesses. The third is improving the business environment.*

Based on reforms being carried out in 2013-2014 in accordance with the Doing Business project, Cape Verde has realized significant achievements and is considered efficient in the development of certain Doing Business elements. These include 'getting electricity' (strong investment in mobilization of renewable energy, more efficient distribution, replacement of distribution networks and greater control on surveillance of theft, defaults and payments), 'payment of taxes' (implementation of e-payment in Praia and improvement in the process of special scheme development for SMEs) and 'resolving insolvency' (law on enterprises liquidation has been reinforced while the one for NGOs is in preparation), where the majority of reforms set have been implemented or are in process of successful implementation.

Fields where comprehensive additional reforms are needed refer to 'enforcement of contracts' (the arbitration center part of Chamber of Commerce and Industry in Sotavento has not been created yet), as well as 'international trading' (one-stop center for foreign trade is still under development, as well as integration of all platforms and agents enabling international trade). The Government is determined to address challenges through additional efforts and, through improvement of the Doing Business ranking, modernizing and empowering the economy. Labor law reform appears also as a major challenge for government and social partners. Progresses have been done within the new SME law (REMPE) that gives 7 years of increased flexibility to SMEs in staff lay-offs, reduced vacation time, and eliminates the requirement of formal labor contracts provided salaries paid are at least the national minimum wage. However, consensus is yet to be built on this law with workers unions, and further discussions are necessary on this subject in order to improve perceptions on Cape Verde Labor market which is often qualified as rigid (Cape Verde Labor Market Efficiency ranked 129th out of 148 economies in the last World Competitiveness Report)

- **Cape Verde is also making more substantive reforms within State Reform and modernization**

State reform is monitored by a Unit that oversees the whole process, UCRE. The Unit is headed by the Minister of State Reform, who at this moment is also the Prime Minister. The model of coordination of the state reform process includes two different levels of intervention with: a) intervention at the political level; b) intervention and the operational and management level.

E-Governance is one of the pillars of development of the Information Society in Cape Verde. The importance goes well beyond a component of efficiency and good governance but to the more fundamental desire to create an Information-based Economy. The Government established a working group, led by NOSi, to set a Performance Strategy and Action Plan and to mobilize major internal and external stakeholders with a goal of increasing sources of production, exports, employment and tax revenue in the economy, using technology platforms for innovative methods of promoting and governing the activity.

- **Several laws aimed at creating a conducive, world-class business environment have been enacted**

Legislative reforms are of critical significance for the development of a conducive and sustainable investment and business environment. With the adoption of a new investment law in January 2013, the government sought to establish a favorable background to accelerate and facilitate investments. The law states the rights, guarantees and incentives to be given to investments that could contribute to the country's socio-economic development.

The new law also ensures the legal protection of investors. It establishes the principle of equal treatment between foreign and local investors. It also gives foreign investors important guarantees such as privately managed foreign currency accounts, which can be credited from abroad or from other foreign accounts in Cape Verde. It allows undisputed repatriation of dividends at reduced tax rates, profits and capital from foreign investment operations.

The new investment law has been put in place at the same time as the Code of Fiscal Benefits that establishes the principles and rules applicable to tax benefits in different domains (internationalization, International Business Centre, savings and other financial sector services, customs, social nature) as well as tax incentives for investment. By defining fiscal benefits and tax incentives, the government has enabled a clear, risk-minimizing business climate that is attractive to investments.

The Government has also approved a special regime for SMEs, which is a measure inserted in the 'Mudar para Competir' program (Change to Compete). This special regime, called REGIME ESPECIAL DAS MICRO E PEQUENAS EMPRESAS, or simply REMPE, aims at responding to public demand for a business environment that is favorable to SMEs. It encourages business density and consolidation, reduces informality, broadens the tax base, as well as modernizes, simplifies and reduces the bureaucracy of tax, labor and social security systems.

REMPE objectives and measures

The Special Regime for SMEs - the reform is called REMPE - is aimed at small and micro businesses with under 10 million escudos of annual turnover. It was intended to relax the labor laws and provide tax relief for small businesses. REMPE also provides for the establishment of a National Credit Guarantee System, with the aim of facilitating access to finance for SMEs. Upon passage in early 2014, parts of REMPE were struck down by the Constitutional Court and the law is thus not fully implemented.

REMPE gives 7 years of increased flexibility to SMEs in staff lay-offs, reduced vacation time, and eliminates the requirement of formal labor contracts provided salaries paid are at least the national minimum wage.

SMEs, which are no longer required to have a minimum capital, will also have a special regime of taxation and social security through a Unified Special Tribute (TEU), which replaces the Single Income Tax (IUR), the Value Added Tax (VAT) and the Fire insurance. The TEU would apply only to SMEs incorporated after the law comes into force. Companies automatically lose these incentives if they do not comply. Source: Performances Group analysis from REMPE law.

- **Business environment is indicated as a major area to improve in all Cape Verde strategic documents**

Both the DECRP III and the Government Program for the 8th Legislature stress the importance of building a competitive economy and fostering the growth of the private sector, investments and productivity.

The Government is undertaking several projects to accelerate the country competitiveness. Cape Verde currently has 2 Industrial Parks with capacity for several companies, situated on the islands of greatest potential for establishment of industrial and commercial investments: Industrial Zone of Achada Grande Trás in Praia, Santiago, and the Lazaretto Industrial Park in São Vicente. These zones were intended to create the basic conditions to strengthen and support entrepreneurs in the private sector, reduce unemployment and increase the country's exports. A Technology Park project has been launched as an instrument to develop the ICT cluster and offshoring services. The International Business Center is also a project aimed at developing a geographic area where economic operators can develop industrial, commercial, or service-based activities with non-resident entities or with other entities domiciled in the Center. The legislation introduced an incentive for internationalized services and commerce. However, the reform has not yet been fully implemented.

Other projects such as Mundu Novu or Konekta aim respectively at increasing the use of technology in Education and increasing individual and SME awareness and access to the Internet.

However, all these projects will require within government, **implementing a strong and coordinated Project Management Approach**. Some projects that have been announced three years ago have not shown any preliminary results. More efforts should be made in terms of planning, prioritizing and financing of these projects in order to see them taking off the ground. Otherwise, little consideration will be given to these announcements from the international private sector or development partners. The Government could consider creating a unique execution arm¹ that is in charge of planning and executing such large projects.

A reform-oriented country that has transformed a centrally-planned economy into a market-oriented economy

In the last ten years, a variety of reforms have been implemented in Cape Verde to develop a market-oriented economy. Donors have supported the government throughout the process, but the biggest contribution came from the government itself, which is committed to improving the conditions for foreign investment and to ensuring a more transparent and competitive economic environment. Reforms have been made in the tourism and fisheries sectors, the financial sector, in legislation and compliance, etc. The measures taken are thorough and some improvements are visible: for instance, the number of publicly-owned enterprises has decreased from forty in the 1990s to six as of today. Privatization came either through private sector sales or through liquidation. The two main utility companies, Electra (electricity and water) and Cape Verde Telecom, the

¹ Typically referred as an Agency of major or large infrastructure projects in some countries.

country's three banks, and the main state-owned entities in the tourism sector have all been set up for privatization. However, Electra's privatization did not succeed.

Cape Verde is the first country to have successfully concluded a Millennium Challenge Corporation (MCC) compact and consistently displayed good economic and political governance. The first compact (USD 110 million) was used to improve the country's investment climate and reform the financial sector; improve infrastructure to support increased economic activity; increase agricultural productivity, raise the income of the rural population and carry out key policy reforms needed for sustained economic growth. A second compact (USD 66.2 million) was secured and will be used to carry out wide-reaching reforms in water, sanitation and land management.

Cape Verde also has bilateral investment agreements with 12 countries. Cape Verde has signed a Special Partnership with the EU as a Peripheral Region Nation, focusing on cooperation at the political level and on security, regional integration, the knowledge-based society and poverty alleviation.

Two engines of growth these last 10 years: tourism and fisheries; however they rely heavily on global markets.

Despite improving economic performance and a constant commitment to reforms, the economy of Cape Verde remains mostly based on tourism and fisheries. Tourism is the main generator of economic growth and contributes to more than 20% of the overall GDP, driven by FDI (70% of total FDI in tourism in 2011, growing to 80% in recent years).

As a typical insular economy, fishing is the second most important sector in Cape Verde, accounting for only around 1% of GDP, but more than 70% of exports. The market reforms aimed at complying with European standards has increased the sector's contribution to exports, as more fisheries are able to meet the required quality criteria. However, the fishing potential, mostly concerning lobster and tuna, is not fully exploited. The Cape Verde fishing potential in terms of capture is estimated at 100000 tonnes whereas the current level of captures stands at a little less than 15000 tonnes.

More than 85% of external trade is with Portugal and Spain. High dependence on aforementioned investors, as well as on two industries, requires an intervention by the government based on a prioritization of sectors, in order to target potential funders and investors in countries presenting best practices in the development of the identified sectors.

Cape Verde needs to be better known as a place of business by taking profit of its good image in governance rankings. Business environment reforms also need to tackle specific issues of priority clusters in order to make them more competitive for private investment.

Table 2: Examples of Business Environment issues with the tourism cluster

Clusters	Sector issues	Governance/Regulatory	Institutional	Financing	Human Capital	Infrastructure	Environment
Maritime Economy		<ul style="list-style-type: none"> Lack of resource for supervision, quality reclassification Inefficient, lengthy bureaucratic process in managing investment cycle and associated procedures Ambiguity between technical regulation and supervision (and respective actors) particularly with compliance ex post investments vs. proposed approved project Need to regulate other tourism segments 	<ul style="list-style-type: none"> Planning and implementation of sector strategies fragmented between various actors Poor sector Management - creation of an Institute of Tourism of Cabo Verde projected ... 	<ul style="list-style-type: none"> Difficult Access to finance especially for national operators Gov' funding for SMEs Long term financing for investment Insufficient number of finance institutions ... 	<ul style="list-style-type: none"> Availability of qualified HR Vocational training Rigid Labor Market with direct effects on costs and procedures Need to develop a culture of service 	<ul style="list-style-type: none"> Lack of basic infrastructure Cost of utilities significantly high Utilities Service quality weak compared to competing countries Unreliable and expensive transports 	<ul style="list-style-type: none"> Legal framework on sector-specific environment issues Sustainability issues Climate change ...
Tourism	<ul style="list-style-type: none"> Sector concentration on Sun & Beach and two regions 						
Cultural Economy	<ul style="list-style-type: none"> Need for diversification to other tourism products 						
Agro-Business	<ul style="list-style-type: none"> Poor linkages with other clusters despite laws 						
Air Services	<ul style="list-style-type: none"> Tourism spending limited 						
ICT	<ul style="list-style-type: none"> Foreign-owned Investment dominates 						
Finance							

However, the rhythm of Business Environment Reforms needs to accelerate

- **There are important constraints to economic growth**

Despite the reforms, the economy is still dependent on external funds and major constraints in this area must be addressed. In 2013, total public debt reached 96% of GDP (higher than the cap of 70% set by ECOWAS convergence criteria). The 2013 budget deficit amounts to 13% of GDP with a rising trend according to World Bank estimations, due to public funding of the important investment program and insufficient tax revenues. As the economy struggles with high indebtedness, international ratings are deteriorating, leading to higher funding costs.

The banking system of Cape Verde is very concentrated - the two largest onshore banks hold 70% of total loans. The significant weight of the offshore banking sector and the high focus of banks on real estate and tourism (42% of total loans to the private sector) represent major risk factors as the volume of non-performing loans is increasing.

Alongside these constraints, the development of the capital market is still limited to a small equity market with only 4 listed companies and a very low turnover (2% of stocks traded). The private sector of Cape Verde is mainly composed of informal SMEs. They represent 93% of the total number of enterprises and employ 41% of the workforce. Despite this significant number, they are facing a lot of challenges in their activities – from difficulty in access to credit to complicated and rigid labor markets and business regulations, and non-regulated insolvency process. Another challenge a new entrepreneur could face in opening a business is the lack and inefficiency of environmental and public services such as electricity. Some of the aforementioned issues are addressed with the implementation of REMPE but there are still many challenges to tackle to encourage SME development.

- **Stalled progress in Doing Business recent rankings**

In a context of global slowdown of FDI and stiff competition between developing countries, Cape Verde still lags behind peer countries in Doing Business rankings. Reforms under the 'Mudar para Competir' program has allowed Cape Verde to rank among the best reformers two years in a row (2011 and 2012). However, since then, the country's ranking in terms of ease of doing business has experienced little progress. Moreover, **on a long term perspective, the current ranking (121th) is not much better than Cape Verde's ranking in 2007 (125th), taking into account that 14 more countries entered the Doing Business rankings. Therefore, progress in the Doing Business has mainly allowed catching up on position lost after**

2007. Similarly, no recent progress has been noted on the Global Competitiveness report (122nd in both GCI 2012-2013 and 2013-2014 reports).

Among insular countries, Cape Verde stands below that group average both in terms of rankings and in FDI as a percentage of GDP (appendix 2) suggesting that further reforms need to be implemented. A comprehensive and substantive reform plan, with a subset of actions reflecting Doing Business areas, needs to be designed in order to place Cape Verde at higher Doing Business levels compared to similar countries. This will require updating and prioritizing in a more result-oriented manner, the measures under the Mudar para Competir program, by distinguishing clearly their impacts on business environment international rankings (Doing Business, Global Competitiveness Report index, and other Governance Indices) as well as institutional rationalization and other reforms. It will also require better monitoring systems to ensure the implemented reforms operate in the desired fashion and have the desired impact on the citizen's experience.

- **State reform is still slow**

Cape Verde has defined a number of well-placed reforms to drive economic transformation. However, if such transformation is to be rapid or accelerated, it follows that the reforms necessary to drive the transformation must be quickly implemented. A slow pace of state of reform is misleading because it gives the perception that things are being done, meanwhile competitive position could actually be lost to other more aggressive countries which execute their reforms at a faster pace. There is a need to gather sufficient financial resources to drive reform and increase coordination between areas of public administration. Judiciary reforms, such as implementation of commercial courts for quick dispute resolution in businesses, need to be accelerated.

- **The effectiveness of public-private dialogue remains to be seen**

Public-private dialogue aims at building an atmosphere of mutual trust and understanding between public and private sectors, improving social cohesion and civil society. It helps in promoting better diagnosis of investment issues, policy reform design, prioritization and ease of implementation.

Public-private dialogue has yet to become more effective. The private sector is represented under major change programs such as Mudar para Competir. However, this inclusion does not always translate into effective collaboration or cooperation. It appears that meetings are not held on a regular basis and on a shared agenda. Private board members complain not to be informed in a timely fashion when they are organized. On the other hand, government representatives stress the need for private sector to be present at board meetings and to better prepare for making appropriate decisions regarding their sector. Therefore, satisfaction on reforms remains to be shared between public and private entities.

The private sector is satisfied with some achievements such as “Empresa no Dia”, however it stresses that there are still difficulties in collaborating with the administration. The general feeling is that procedures become more complex as the private operator engages deeper in the administration.

A good initiative that has been recently taken is the creation of the National Council of Entrepreneurship Development². Even though its main focus is on entrepreneurship, the Council also intends to build consensus on Business Environment Reforms. Such councils have proven effective in public-private dialogue as well as boosting reforms in some African countries. However, it is important not to overestimate their effects as the inherent difficulties in a reform process make take time to address (see appendix 3).

Other level of dialogues, such as Public to Public dialogue, need to not made effective as well. Actions of ministries and agencies should be coordinated, discussed, and relevant to their respective mandates, to avoid redundancies and overlapping (as well as frustrations). Multiplying similar actions among administrative bodies does not give also credibility to government in the eyes of the private sector, particularly the international private sector.

Cape Verde also needs to strengthen enabling factors for Business Environment

- **Infrastructures**

Economic growth in the past decade has required significant public and private funding for infrastructure development. The Government of Cape Verde has devoted substantial financial resources to roads, airports, and energy and water infrastructure.

²Resolucao n.º 1/2014 - Conselho de Ministros.

For instance, the installed power generation capacity has tripled over the last 10 years. Cape Verde has also developed capacity in renewable energy. These investments were coupled with institutional reforms in a variety of sectors.

Institutional reforms in the infrastructure sectors

A number of policy reforms paved the way for successful investment programs. For instance, the creation of the Road Institute helped to develop and manage the national road network. The ongoing reform efforts in water and sanitation aim at attracting the private sector, improving sector governance and management, strengthening utilities, facilitating economies of scale, and increasing efficiencies in the sector. The telecommunication sector has also witnessed major improvements as a result of changes in the institutional and regulatory framework. There is now increased competition, and prices, although still high, have decreased. Mobile and internet penetration has increased substantially over the last decade.

Source: Cape-Verde, The Road Ahead, ADB, 2012.

Clearly, these efforts need to be sustained as infrastructure represents a critical enabler of the business environment. An important issue is the persistent need to strengthen inter-island transportation and infrastructure. Initiatives in that regard are implemented by the government, with funding secured from World Bank and other partners to preserve roads, boost institutional skills, road safety and inter-island transport.

There are also needs to develop specific cluster-related infrastructures such as cold chain for fisheries, road and sea access to special economic zones, storage and logistics infrastructures for agriculture. In short, a whole range of supporting infrastructure for priority clusters needs to be built to ensure their development. Identifying them is crucial, as they are important opportunities for private investment (FDI or local) that allow the emergence of new businesses (entrepreneurship) and jobs.

- **Human Capital**

Human Capital is recognized as the highest competitive advantage a country has to offer. It is one of the key success factors to develop for a country not to fall in the Middle Income Trap. Qualified human resources should be available at a competitive cost, with solid education - particularly technical and vocational education. Moreover, for countries such as Cape Verde, without vast natural resources, qualified and sufficient human capital represents a major asset.

General education has represented an area where Cape Verde has invested resources for its development in the past decades. Those investments have allowed development of critical competencies for the country to gain a leadership in good governance in Africa and transform its economy.

However, more efforts in terms of human capital development need to be done to sustain growth. For example in the tourism sector as well as in other priority clusters, the government has to tackle some critical issues that private operators encounter today: inadequacy between qualifications and job requirements, insufficient vocational training, need to develop a culture of service, a rigid labor market regime that has direct effect on costs and procedures, low instruction of foreign languages, etc. The government itself needs to develop more critical human capacity to deal with the international private sector on more and more complex projects. The availability of a critical mass of competencies also represents a major issue at all levels (public or private) to tackle all the challenges regarding the transformation process.

- **International and regional integration**

International and regional integration is also a critical characteristic of a positive business climate. Cape Verde is an open economy - export and service oriented - that has taken essential measures to be part of the world economy. Following its graduation to Middle Income Country, Cape Verde acceded to the World Trade Organization, qualified for AGOA preferences and maintained its special partnerships with the EU as a peripheral Region Nation³. These are positive factors that allow Cape Verde to be considered, from an investor perspective, as an internationally integrated economy.

Cape Verde is also a member of the Economic Community of West African States (ECOWAS) which comprises 15 countries and 300 million inhabitants. Membership to ECOWAS gives investors access to a much larger market base.

Cape Verde does not take enough advantage of these large integration opportunities. Economic exchanges with ECOWAS have been low. Cape Verde has taken little profit of benefiting from AGOA. With the development of tourism, a high dependency on the global market, in particular European has developed. The need for regional integration has become more acute as the country has to diversify its external markets. More business opportunities need to be sought in West Africa, which

³ The European Union will continue to offer enhanced access to the EU market for vulnerable developing countries as of 1st January 2014: Armenia, Bolivia, **Cape Verde**, Costa Rica, Ecuador, Georgia, Mongolia, Paraguay, Pakistan and Peru.

benefits from above world-average economic growth and a rising middle-class. Indeed, Nigeria has recently become the top economic power of Africa and economic prospects appear positive for other countries such as Côte d'Ivoire, Ghana and the region as a whole.

Figure 1: ECOWAS potential



Cape Verde in 2030 means Business

Become one of the highest-ranking African and insular countries in the Doing Business

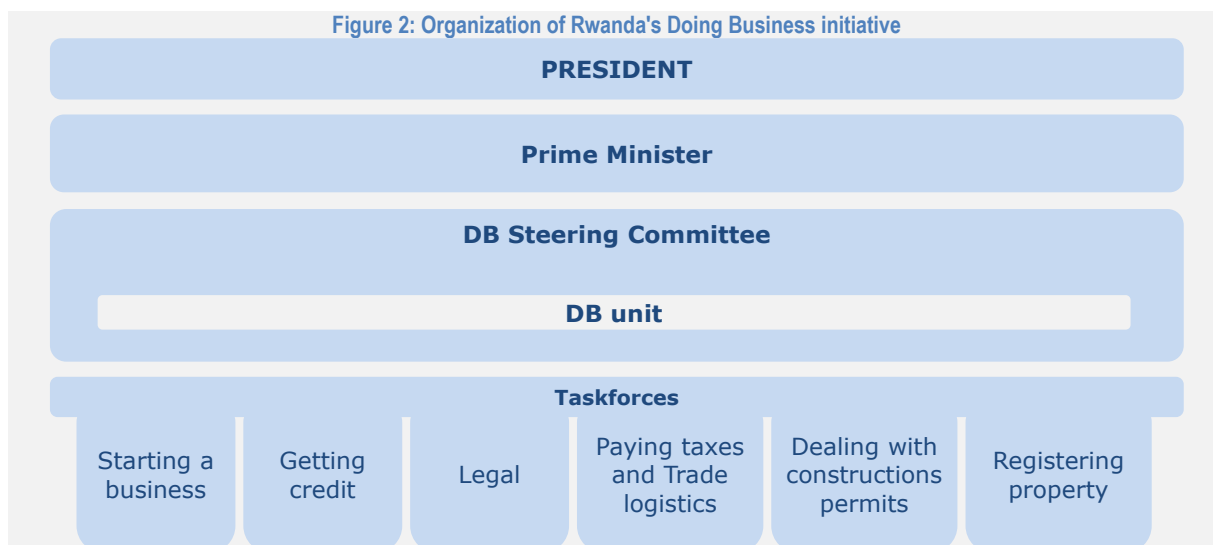
Cape Verde has demonstrated its capacity to belong to the world's top reformers according to the Doing Business rankings. However, this has not resulted in being part of the best countries in international business environment rankings. Reforms should be engaged with a long term and continuous improvement vision. In that regard, an African country like Rwanda has proven to be very effective. Rwanda's reform program has been gradual but consistent and sustained. It has been backed by effective governance reflecting an easy regulatory environment and zero tolerance of corruption in private sector reforms. The table below underlines a few milestones in the process that allowed Rwanda to become one of the best reformers of the world.

Table 3: Rwanda Doing Business reforms

2005	Law reform commission created to review the existing business laws and recommend efficiency
2007	Rwanda commercial registration agency established
	RIEPA (Rwanda Investment and Export Promotion Agency) receives mandate to coordinate the regulatory reforms and improve Rwanda's ranking in the Doing Business index
	Doing Business Unit established to coordinate the national task force of Doing Business
2008	4 commercial courts established
	Rwanda Development Board created – merging 8 institutions (including RIEPA) to accelerate economic development
2009	Rwanda jumps 10 positions in the 2009 Doing Business and the results generate reform momentum
	The National Taskforce targets to move to a double digit position in the 2010 Doing Business - identifies opportunities for short and medium term reforms
2010	Top global reformer in the 2010 ranking - results inspired reforms across the entire government
2011	Positive results maintained. Shift of focus beyond Doing Business indicators towards more substantive reforms

The Rwandese experience highlights the fact that business environment reforms need to be clearly monitored and evaluated at the highest level. In Rwanda, the Doing Business Unit identifies reform opportunities which are submitted to a technical taskforce that approves proposals. Ownership is secured with all stakeholders and implementation overseen by the Doing Business steering Committee. Doing Business reform plans are prepared on an annual basis and communicated to the government. National leadership retreats to evaluate achievements and challenges to doing business reforms among other actions to monitor effective implementation. Rwanda was ranked 32nd in the Doing Business 2014 from the 143rd place in 2009, gaining 111 places.

Figure 2: Organization of Rwanda's Doing Business initiative



Another country that has achieved unprecedented progress in the Doing Business ranking is Georgia. This country has moved from the 112th in 2006 to the 9th rank in 2010, gaining 113 places in four years. Georgia stands at the 8th best place for Doing Business in 2014. In September 2005, the government engaged the Georgia Business Climate Reform (GBCR) project which aimed at transformational reforms of the business environment. This project has been successful due to an optimal combination of organizational and legislative reforms and a deep integration of information technology in all processes that allowed streamlining business and property registration procedures. Widespread use of one-stop shops has been promoted for registration, licensing and permits, along with capacity building for government officials and use of competitive fiscal incentives. Sufficient funding (USD 13 million) was secured prior to launching the project in order to ensure its success through careful implementation and organization.

Cape Verde has started similar initiatives with the “Mudar para Competir” and e-governance projects. Results need to be further consolidated to place Cape Verde into the world’s top double or single-digit rankings. UCRE and NOSi represent good bases to attain that objective. However, there is a need to ensure optimal implementation through well-coordinated actions throughout government departments and private sector involvement. Lessons from Rwanda’s organization in implementing Doing Business reforms could be valuable for Cape Verde. The country can also exploit its e-governance strengths (NOSi) to develop more advanced capacities to improve its Doing Business ranking and its business environment in a short amount of time.

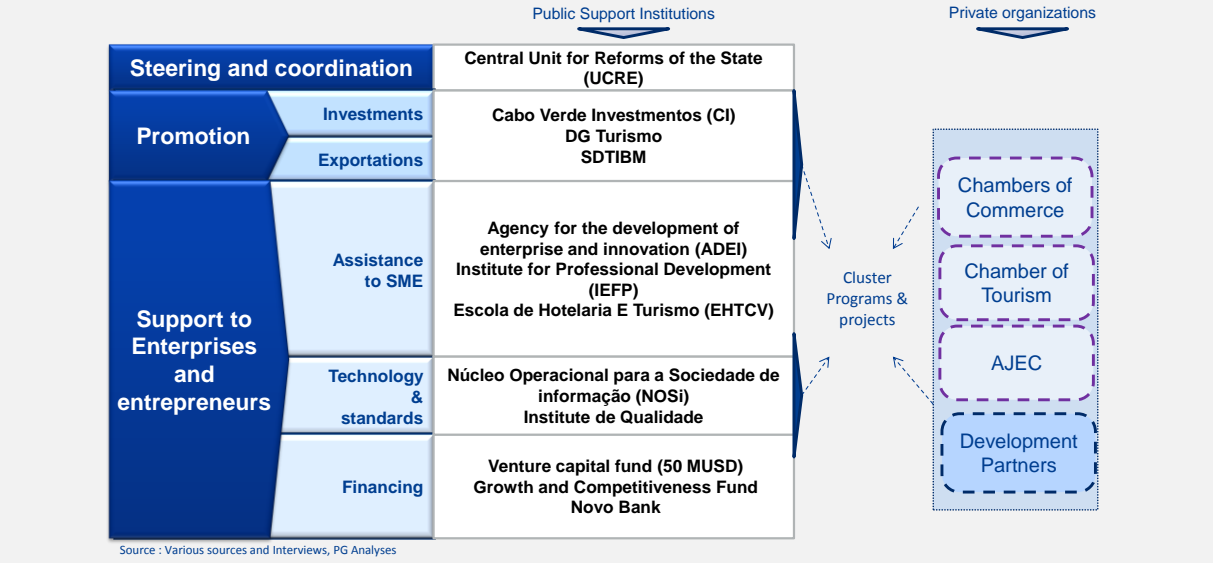
Build effective & best-in-class private sector support institutions

Government supporting institutions are key to ensuring a conducive and business friendly environment. They have an important role in promoting investment in Cape Verde, assisting enterprise development, developing effective public-private dialogue and problem-solving, as well as providing solutions to the complex financing issue.

Therefore public support institutions need to be run by qualified and experienced professionals who understand the challenges inherent to business environment and private sector development. Their setting should always be aligned to best practices in their domain of expertise (e.g. investment promotion, export promotion, assistance to SMEs, quality certification, etc.).

Cape Verde has created several institutions that oversee business reforms and provide services to enterprises. They are not all at the same level of maturity or effectiveness, as some of them have been created more recently than others (or others like CI have undergone restructuring). It is important to ensure coherence when defining their activities (avoid overlapping attributions) through proper coordination, and to make sure they are effective compared to their objectives and performance targets.

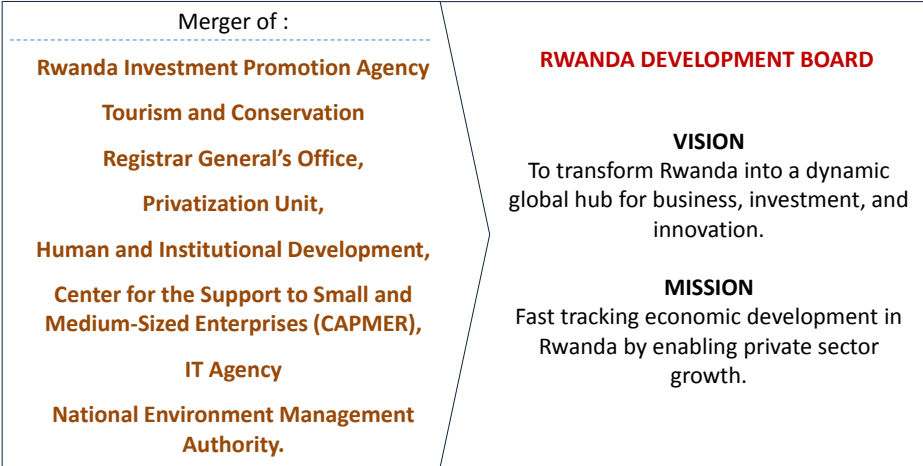
Figure 3 : Mapping of public and private supports institutions



For example, the promotion function of this institutional framework involves three organizations. There might be some overlapping if concerted actions are not initiated regularly. Similarly, export promotion will target mainly SMEs in the economic context, which implies cooperation between CI and ADEI. The steering and coordination entity will have an important role in organizing clear strategies and programs for all private support institutions.

For comparison, in Rwanda, all similar supporting agencies have been merged into a unique one, the Rwanda Development Board. This scheme could be of interest particularly when there are needs of critical mass in terms of competencies, needs of greater cooperation between public organizations, as well as optimization resource allocation in general (IT, materials, funding...).

Figure 4 : Vision and mission of the Rwanda development board



Ensure efficient and optimal administrative processes

Long delays and costly procedures are obstacles to enterprise creation and investments. Most countries have undertaken simplification projects for enterprise creation. 105 out of 183 countries in the Doing Business offer electronic registry systems, 72 have implemented one-stop shops or similar organizations. Many of them still run projects to improve the functioning and scope of one-stop shops.

Processes also need to be optimal for tax systems, customs procedures, licensing and permits, registering and managing property rights, getting connected to utility networks, etc. Cabo Verde is among those countries that have implemented online systems to ease enterprise creation either through the one-stop shop of CI or Casa do Cidadão. The process of having state-

of-the-art, fully-integrated one-stop shops should be encouraged and maintained. Throughout their development, it should be made sure that they help simplify regulations and allow for rapid response to investors at minimum cost.

One of the most difficult issues related to administrative processes is access to land. The Government has a plain awareness of this issue and is working with the MCC to bring about solutions to property rights.

LAND MANAGEMENT FOR INVESTMENT PROJECT (LMIP)

Cape Verde's current system for registering and managing property rights is unreliable, and procedures to register rights are costly and time-consuming. The absence of a reliable and efficient property rights system is a constraint to effective economic development planning and the facilitation of investment linked to land use. With private investment increasing, there is significant momentum in the country to address these constraints and the MCC Compact activities are intended to provide support to the Government.

The overall goal of the LMIP is to reduce the transaction costs and investment constraints arising from unreliable land rights information, the lack of legally secure land rights, and the time and costs implied by the existing procedures. There are two broad activities under the LMIP. One is intended to establish the legal and institutional foundations, while the other will clarify rights and boundaries in the 4 target islands.
Source: MCA-CV II

However, such land management reforms may be lengthy since they tackle very complex issues. A good practice that has emerged in past decades to accelerate investments consists in setting up special economic zones, where land access has been secured, administrative processes completely facilitated, installation costs minimized and fiscal incentives very attractive.

Supporting institutions such as CI or the coming Tourism Promotion Agency will also need to develop strong problem-solving capabilities, particularly regarding land access.

Senegal's IPA paves a path to land for investors

APIX, Senegal's national IPA, has played a vital role in helping companies acquire land and bring FDI into agribusiness. Assisting the investor during the site selection stage and the subsequent negotiations with all stakeholders has helped Senegal attract a number of foreign companies. Van Oers, an agricultural production company, contacted APIX about a potential investment in the production of green beans. APIX facilitated meetings between Van Oers and leaders in the rural community and participated in these negotiations. The facilitation role played by APIX helped to build trust between the community and the investor and to ensure that all parties would respect their commitments. Van Oers has thrived in Senegal, expanding its workforce from 250 employees in 2007 to 2,000 employees in 2010, while more than doubling its production of green beans in that period. Other companies benefitting from APIX's facilitation include: Versen, an agricultural production company that acquired a 100-hectare site; B&A, a fruit and vegetable producer that received help from APIX for site selection and settlement support on 100 hectares; and Société de Cultures Légumières, a vegetable-growing company which, with APIX's support, obtained a land lease and has increased its output six-fold since 2007, with estimated sales of US\$7 million in 2010.

Source: Global Investment Promotion Best Practices, World Bank Group, 2012

Streamlining processes also requires having efficient public services at all stages. Modernization as well as other state reforms under "Mudar para Competir" should be continued, with appropriate funding to guarantee their realization.

Have a world-class country investment promotion

*Investment facilitation is not just about helping firms navigate administrative barriers. Once the country starts to attract the interest of investors, the process of country visits, negotiations, advice, legal and regulatory matters, visits with existing investors, financing, location choice, property, recruitment, training, and post-investment facilitation must all be **provided in a professional way to the investor.***

Source: Policy Framework for investment, OECD, 2006

Investment promotion agencies (CI and the planned tourism promotion agency) should compare to the best IPAs in the world. They represent the main instruments to drive FDI promotion and economic diversification. They should possess tools to identify, on a regular basis, business opportunities to promote and be sufficiently autonomous to quickly progress in their realization. They should also contribute in enhancing the business environment and private sector development. Investment promotion agencies need to be adequately funded to attract and retain talented, multilingual and motivated staff, ideally with private sector experience. Underfunded agencies may lack effectiveness which could be counterproductive, and reflect negatively on the overall business climate in the eyes of investors. According to the International Finance Corporation, "an IPA with a staff of 25 to 30 persons, managing a significant advertising and public relations budget, can have operating costs of US\$1 million/year and upward". Agencies need also to build strong links with private sector representatives and the public administration to establish legitimacy and credibility.

Investment promotion agencies also need to master key steps in promoting investments in the priority clusters. For example, promoting agribusiness will require having ready strategic information for potential investors interested in Cabo Verde. Such competencies have to be developed for all priority clusters.

Table 4 : Key steps in promoting investment in the Agribusiness cluster

Investment climate information commonly sought by Agro business investors and operators	
1.	Land costs and acquisition Strategic direction of the country in agribusiness
2.	Availability of infrastructure (roads, water, energy)
3.	Relevant taxes, levies and custom duties, and procedures
4.	Labor costs and qualification of the workforce
5.	Trade policies and agricultural inputs legislation
6.	Communications costs and connection procedures
7.	Tax incentives related to agribusiness investment
8.	Law, regulations and policies for a safe and reliable environment for agricultural investors
9.	Performance of the agricultural sector and processing industry
10.	Inventory of relevant reports (research by agronomic firms, development partners, and others)

Still, critical mass and funding could represent major issues for the local IPAs. Therefore, they will need to become innovative enough and develop strong capacities in answering investors’ requests, as a small IPA like Grenada’s, succeeds in.

How Grenada Topped the Ranks of ACP IPAs with a Small Team

At the Grenada Industrial Development Corporation (GIDC), just one person is in charge of research, website maintenance, and inquiry screening, and the entire Investment Promotion Department comprises only five people. So, how did GIDC rank #1 among ACP countries and #26 among national IPAs globally? By focusing on speed and teamwork.

Knowing it must distinguish itself from other small and relatively remote Caribbean countries competing for FDI, GIDC set about making speed its competitive advantage. All informational inquiries—and it receives one or two a day, on average—must receive an initial response within 48 hours, with the CEO copied on every response. All inquiries regarding specific investment projects also must be acknowledged within 48 hours, and must be given a full response by a project manager within 5 working days. GIDC takes the same approach to its Web site, requiring that content be updated every week. The IPI can provide lightning-quick responses because it has a deep store of quality content on hand. GIDC’s one-person research department developed comprehensive, sector-specific information by working closely with ministries and private sector partners to find and package data. The information is shared with the IPI’s investment promotion department and stored in a common server. The agency’s entire staff knows what data is available and can easily access it. Further, GIDC involves the whole team in helping the lone researcher maintain and augment the data stores.

Source: Global Investment Promotion Report, World Bank Group, 2012

Implement a permanent public-private dialogue

Efficiency and shared mutual interest in public-private dialogue will need to support reforms at all levels (business environment, private sector development, infrastructures, justice, financing, etc). Under the setting of the National Council for Entrepreneurship Development, a permanent structured of dialogue, monitoring and impact-assessment could be developed. It will require having a careful balance of participants from the private sector (local and international) as well as from the public sector. Development partners could be invited to meetings to bring their experience and gain knowledge of critical issues in order to secured funding for reforms. It will be important for workings groups to coordinate under an effective secretariat, assume their missions and accept accountability for results. Such dialogue, chaired by the highest authority, will be important in building trust and understanding among all actors, whether public or private, as a consensus on the reform agenda is vital for economic transformation.

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Policy recommendations

Recommendations for making Cape Verde a high-profile place to do business and encourage a sustainable reform approach in the long run are proposed below.

Table 5: Policy recommendations

Objectives	Suggested reforms	Specific Interventions/Actions/Recommendations	Reference benchmark country/agency, etc/potential model and apply to CV institution	Main actor		
Become one of the highest-ranking African and Insular countries in the Doing Business	Accelerate Doing Business Reforms (Doing Business rankings)	Create a Doing Business Steering Committee and Doing Business Unit	See Rwanda reform process. Organize task force in Doing Business area and develop reform plan to submit to the PM via UCRE Seek if possible external assistance	UCRE		
		Develop an annual reform plan and implement further reforms measured by Doing Business rankings		Doing Business Unit		
		Secure highest authority support for Doing Business reforms				
				Develop a comprehensive mid to long term strategy for reforms in line with international best practices	ToR on developing a long term reform strategy aiming at having organizations similar to the Rwanda Development Board. Seek external technical assistance or debate and build the strategy within the National Council for Entrepreneurship Development	Doing Business Unit
				Strengthen capacities to assess laws and regulations for impacts on ease of doing business	Strengthen UCRE team Realize regular surveys on the impacts of law and regulations	UCRE
				Accelerate labor reforms and REMPE law implementation	Seek consensus with unions within instance of dialogue such as the Council for Entrepreneurship Amend law if necessary	Ministry in charge of Labor
				Develop a Monitoring & Evaluation plan Monitor results and progress of the country competitiveness		UCRE UCRE
Ensure efficient and optimal administrative processes	Sustain the development of Competitiveness areas	Accelerate the implementation of the International Business Centre	Adopt a project management approach Identify target investment project within IBC and other competitiveness areas	CI		
		Develop project books for existing industrial parks and tourism special zones		CI		
		Strengthen business intelligence capabilities to identify potential investors with interest in such projects	Acquire or train market leads within agencies to business intelligence	Tourism Promotion Agency SDTBM		
		Multiply Investment Promotion and Protection Agreements and non-double taxation treaties	Identify target countries (benchmark Mauritius) Estimate cost/budget requirements Plan the development of IPPA and NDTA	Min. external relations		

Objectives	Suggested reforms	Specific Interventions/Actions/Recommendations	Reference benchmark country/agency, etc/potential model and apply to CV institution	Main actor
	Stimulate state reform	Develop Private Partnerships to manage and promote existing competitiveness areas	Develop ToR Competitive bids to select potential area managers	CI
		Implement and update annually, modernization and administration simplification projects	Develop within Mudar par Competir and ongoing NOSi projects	UCRE
		Extend e-Government projects		UCRE, NOSi
		Develop business intelligence capabilities on Cape Verde competitiveness regarding tax incentives and investments benefits		CI
		Rationalize institutions and monitor their effectiveness through Performance Contracts		UCRE
Have a world-class country investment promotion	Empower private sector support institutions	Develop a detailed Strategy for investment promotion and private sector development	Develop ToR Seek if possible external assistance Prepare reports	CI
		Strengthen private sector support entities (CI, ADEI, DG Tourism, SDTIMB...)		UCRE
		Assess and secure funding needs and develop sustainable financing strategy		UCRE
		Rationalize, where possible, supporting institutions for private sector development		UCRE
Implement a permanent public-private dialogue	Operationalize the National Entrepreneurship Development Council	Plan and prepare the first meetings of the Council (June 2014)	Organize the permanent secretary	ADEI
		Organize preparatory meeting with the private sector for background materials on key themes of business environment reforms and private sector development	Prepare an agenda for the meetings: identify themes to be address in priority, structure the committees, prepare background materials, etc.	ADEI
		Organize planned committees : chairs, members, ToRs, etc.	Benchmark/organize visits to similar organizations: President Investment Council in Senegal, Uganda, Ghana.	ADEI

Appendices

Appendix 1: Undertaken and planned reforms for Doing Business

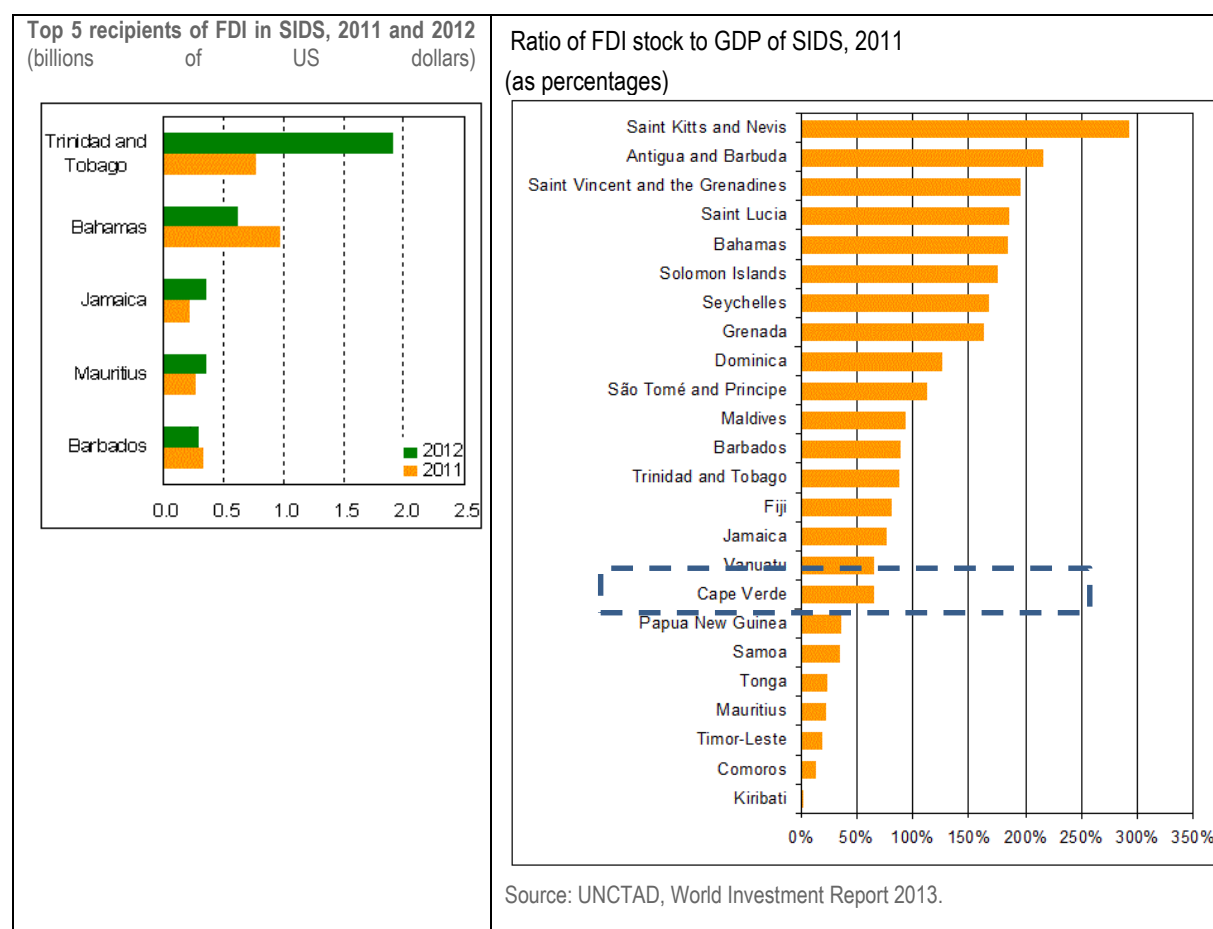
Indicator	2014 Rank	2013 Rank	Change	Reforms Taken or <i>Planned</i>
Starting a Business	66	129	+ 63	Empresa no Dia reduced time to open a business to 1 day; Elimination of Minimum Capital Requirement; Issuance of commercial license reduced from 15 days to 2 days in some cases; Janela Única (one-stop-shop); Revised investment law; New code of fiscal benefits; Internationalization fund; Fund for growth and competitiveness; Center for International Business.
Obtaining a Construction License	135	128	-7	
Obtaining Electricity/Water	151	149	-2	Central Unica of Santiago; Investments in renewable energy; Improve control & monitoring; Replace/improve electricity distribution network; Reforms in water and sanitation via MCA funded projects
Registration of Property	64	69	+5	Digitalization of the building registry reduced registration of buildings from 15 days to 1 day.
Obtaining Credit	109	105	-4	
Protection of Investors	138	137	-1	Review of commercial companies code;
Payment of Taxes	80	82	+2	New tax code for 2014 will reduce property taxes;
Trading Across Borders	95	94	-1	Janela Única of ports; Janela Única de external commerce.
Enforcement of Contracts	35	35	0	
Closing a Business	189	189	0	Revise laws for Insolvency and Corporate Recovery.

Appendix 2: Investment in Small Island Developing States increases

FDI flows to the 29 small island developing States (SIDS) increased by 10 per cent, to US\$6.2 billion, mainly as a result of strong increases registered by two countries rich in natural resources. The first was Trinidad and Tobago, the group's main recipient (figure 1), which accounted for 41 per cent of the total in 2012, and where FDI inflows increased by 38 per cent. The second was Papua New Guinea, where FDI inflows swung back into positive territory, reaching a modest value of \$29 million, shifting away from a steep decline (down by \$309 million) in 2011. FDI increases in these two countries more than offset the significant net declines in other countries. The wide variation in FDI figures suggests the highly uneven rates of FDI among this group of countries, the report notes.

FDI flows to the 11 Caribbean SIDS increased by 5 per cent in 2012, to \$4.8 billion. These countries have traditionally attracted the bulk of FDI into SIDS, with an average share of nearly four fifths of the total. The significant increase of FDI to Trinidad and Tobago is due to larger reinvested earnings by transnational corporations (TNCs) in the energy sector, the **World Investment Report** notes. Besides important oil and gas wealth in Trinidad and Tobago, the region's geographical proximity to, commonly shared language with, and economic dependence on the large North American market are among the factors explaining its attractiveness as an FDI destination compared with the other SIDS.

FDI to SIDS elsewhere – in Africa, Asia and the Pacific – increased by 31 per cent to \$1.4 billion, largely due to increases in Papua New Guinea. Of the relatively big recipients in this subgroup, FDI to Mauritius increased by 32 per cent to \$361 million, and FDI to the Maldives climbed by 11 per cent to \$284 million. FDI to Fiji fell by 36 per cent to \$268 million, and FDI to the Seychelles dropped by 21 per cent to \$114 million.



Appendix 3: Presidential Investors' Advisory Councils in some African countries.

Presidential Investors' Advisory Councils, a form of private-public dialogue, were launched at the request of the Presidents of Ghana, Tanzania, and Senegal in 2002 and extended to Mali and Uganda in 2004. They are supported by the World Bank and the IMF and coordinated by the World Bank's Africa Private Sector Development unit in Washington, D.C.

The main purpose behind the establishment of the councils was to enable presidents and governments to dialogue with experienced business leaders to identify obstacles to investment, generate recommendations for concrete action, and reinforce and accelerate ongoing policy reforms to improve the overall investment climate.

Backed at the highest political level, these councils have had a positive impact on private sector development. But their nature as small, top-level bodies has implied a limited private sector representation, which raised questions in term of legitimacy vis-à-vis local SME entrepreneurs. Overall, through the effort of a number of working groups coordinated by a secretariat, the main purpose of the Councils is being met. The World Bank's impact assessment study, conducted in 2005, concluded that governments and the private sector recognize the councils as the most effective, credible and high profile public-private dialogue mechanism in these five countries. They reflect a public-private dialogue engagement and shared ownership at the highest level, and have filled a vacuum in providing political leaders with private-sector development policy experience and advice. Examples of successes include:

- Council efforts helped reduce the customs clearing average in Ghana from 1-2 weeks down to 3-5 days.
- The council in Tanzania succeeded in getting legislation enacted to improve land and labor markets and ease the process of establishing a new business.
- By one estimate, 70% of the laws passed by the Parliament in Senegal in the last two years, including an anti-corruption law, were driven by the efforts of Senegal's advisory council.
- Councils in Mali and Uganda, while established only late in 2004, have begun to prioritize reforms and established working groups to support them.

However, progress on more complex strategic priorities, such as identifying and promoting sources of growth, has been relatively uncertain. Where attempted, such work has been constrained by limitations in technical knowledge, data and funding of the Councils. Also, while interested by the dialogue with the private sector, government advisors expressed frustration over what they felt were poor investment responses, which illustrates that difference in expectations, if not dealt with effectively by coordinating secretariats, may lead to an eventual loss in dynamism of such initiative.

Another issue with the Councils is their closeness to the President's office, which can be both an advantage and a source of potential slowdown of the initiatives. The World Bank's impact assessment study concludes that Council secretariats should be anchored in an effective synergistic body that has clout, including close access to the president and credibility with key government ministries, and is respected by the private sector. The IPAs that host the council secretariats in Senegal and Uganda seem to be the good models to follow as they provide private sector access and confidence, while knowing how to get things done in government (although in many countries, the IPAs often have weak authority to carry through on reform recommendations). Anchoring the secretariat in a ministry or in the president's office risks the council being perceived as too close to government and too easily diverted by inevitable political considerations.

Source : The PPD Handbook, a toolkit for Business Environment Reformers, World Bank Group. 2006