

STRATEGIC STUDY DRAFT TECHNICAL NOTE

**PRIVATE SECTOR DEVELOPMENT AND
ENTREPRENEURSHIP FOR 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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Introduction

Entrepreneurship development is arguably the cornerstone of the emergence and transformation processes for any given country. This is true, most particularly for Cape Verde, given its uniqueness.

Indeed, due to the sheer size and archipelagic nature of the country, Cape Verde's economy, hence its entrepreneurial fabric is small, insular and fragmented.

This puts Cape Verde's business scenery - as far as entrepreneurs, partners and funders, are concerned - at a pivotal challenge regarding its attractiveness.

There are three key issues that raise doubts about the fundamental viability of an economically sustainable private sector in Cape Verde:

1. Small size and relatively high insularity-related complexity/risk profile; Cape Verde's economic fabric is of sub-critical dimension, insufficient to justify the "pain & inconvenience" of doing business locally, without financial risk or opportunity cost.
2. Lack of visibility for sizeable business opportunities; it is doubtful whether business opportunities in and out of Cape Verde are at all economically viable, hence, whether Cape Verdean businesses can be competitive on the global scene.
3. Lack of evidence of a robust and productive collaborative dialogue within and between the private and public sectors; this leads to questioning whether conditions exist in Cape Verde to overcome the size issue and produce a compelling collection of projects capable of engaging local and foreign stakeholders, public and private, in ambitious, high impact, joint efforts.

In addition to these structural factors, the current macro-economic context is also putting pressure on the overall emergence process, in particular on the entrepreneurial system. The mid-income country status, the current high public and private indebtedness and the slower GDP growth will increasingly oblige Cape Verde, if it is to actually "emerge," to attract local and foreign business leaders, business partners and funders with very clear blueprints.

To be actually attractive, these blueprints will need to display the following:

- Clear and competitive business positioning;
- Sizeable opportunities with an as-global-as-possible footprint;
- Sustainable profit perspectives.

The focus of this Technical Note is to identify the key objectives and processes capable of accelerating the development of the entrepreneurial fabric Cape Verde critically needs, given its constraints and ambitions.

The vision is that of the birth of a generation of entrepreneurs collectively responsible for the successful development of a set of high value-adding business opportunities with a continental/global footprint. We believe that this "birth" would be continuous, as Cape Verde goes developing its clusters, and hopefully sustainable. We expect that the process would be as follows:

- Strategic Planning Phase: Design of the Clusters (6 months). During this phase strategic activities, i.e., enterprises opportunities, would be defined.
- A process by which, candidates entrepreneurs and a management teams and all project opportunities would be matched. A variety of possible matching processes could be envisaged:
 - Business plan competition
 - Examination of spontaneous candidatures emerging from the Clustering phase

With its ambition of actual economic transformation, we believe Cape Verde has the opportunity to seek and address a challenge that the archipelago has been facing along its history: i.e., the ever-recurring "economic viability" challenge in its micro-economic, business and entrepreneurial dimension.

By gaining an in-depth understanding of the attractiveness factors for key stakeholders, Cape Verde can crack the viability issue and consistently attract entrepreneurs, partners and funders from Cape Verde and from across the world, to economic activities capable of sustainably creating high economic and social value, in Cape Verde as well as on a more global scope. This will make the ventures less dependent on the challenging context prevailing inside the boundaries of Cape Verde.

The Technocal Note will review the key issues faced by Cape Verde's entrepreneurship, and offer a perspective on two key elements capable of reviving business/entrepreneurship attractiveness in Cape Verde.

It then offers a cluster-based approach to entrepreneurship development, in the context of Cape Verde, the single most relevant approach to meeting stakeholders' expectations in terms of business opportunities as well as of business environment.

"Ease of doing business" will need to be facilitated as business has not been historically attractive in the country, and that large-scale, sustainable businesses are and will be in the early stages of their life cycle, and will thus need compelling motives to competitively attract business partners and finance.

In that sense, this Technical Note illustrates how much Entrepreneurship development relates organically to:

- Competitive cluster development, as a means to shed light on sizeable, competitive and sustainably profitable business opportunities;
- Business environment, as a means to attract funders and entrepreneurs, local and foreign, that over time, have unfortunately been accustomed to a relatively unattractive business environment;
- Financing, namely Foreign Direct Investment and/or non-concessional debt, as key determinants of funders' expectation of the robustness of the business cases submitted to them by the candidate-countries, clusters or individual ventures.

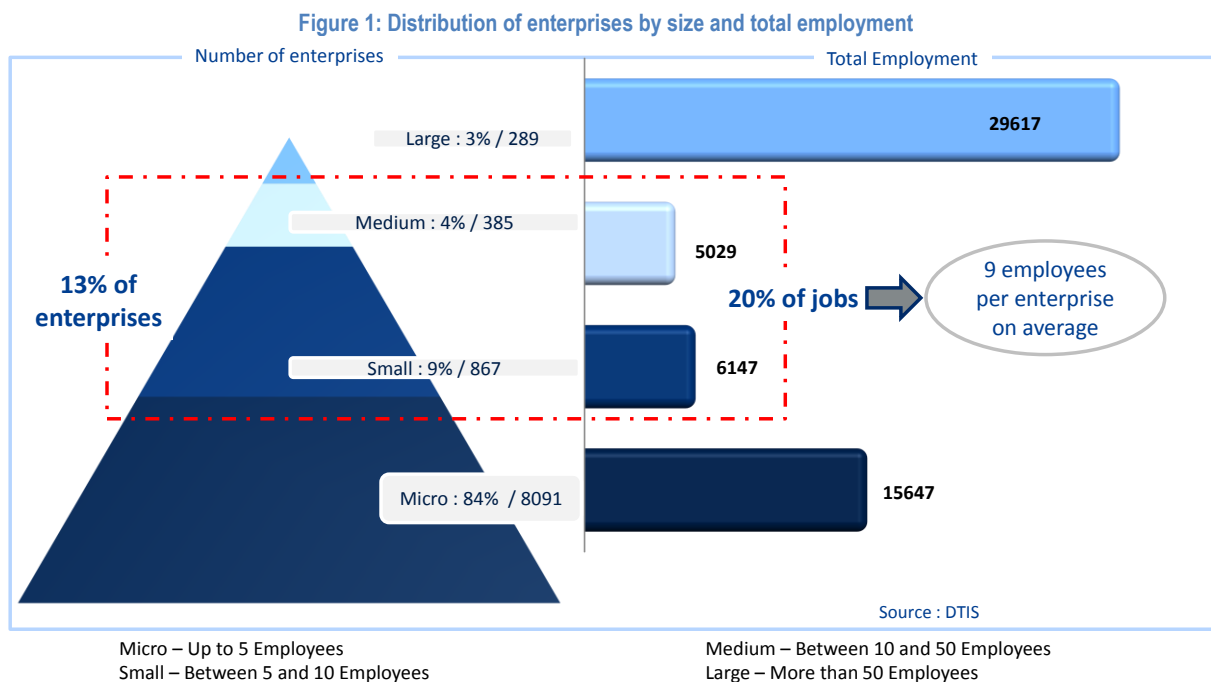
Complementarily, this note addresses how entrepreneurship can contribute to the inclusiveness and to the green dimensions of Cape Verde's emergence strategy.

The Entrepreneurship context in Cape Verde

A lack of a critical mass and capacity of SMEs as a substrate for emergence

The scenery of Cape Verde enterprises reveals a deficit of mid-sized enterprises, typically the core engine of an “emerged” economy. Micro enterprises represent 84% of enterprises. The SME group, seen as the main driver of growth in emerging economies, represents 13% of enterprises and have on average less than 10 employees.

Except for tourism and fisheries, large companies comprise mostly public or para-public utilities. Scale is a major issue given the subcritical size and footprint of most enterprises. The relative financial fragility of local enterprises calls for a new protective bankruptcy/financial-difficulty legal framework. To address consequent effects, it will first be necessary to promote constructive dialogue between the private and public sectors, though existing trust issues will make this difficult.



Entrepreneurs lack incentives to enter or remain in business:

- the pool of entrepreneurs is mostly local enterprise based,
- information about market opportunities and the ability to spot market opportunities are both lacking,
- weak availability of competitive infrastructures and human capital,
- low ease of starting and launching business, with multiple and lengthy steps to create a business, difficult access to credit or technical support for non formal businesses
- poor business development & nurturing services (education & training, linkages & networking opportunities),
- lack of financial support and overly stringent terms and conditions for access to credit,
- cost of factors and rigid labor market,
- insufficient organic growth.

Figure 2 : Cape-Verde Entrepreneurship and Private Sector overview

1. Existence of a pool of entrepreneurs	☹️ Local Enterprise base
2. Market opportunities/ Ability to spot market opportunities	😊 Information about Sector Opportunities ☹️ Information about Entrepreneurship ☹️ Information about Global/Export Opportunities (B2B, B2C)
3. Availability of factors	☹️ Human Capital Development / performance oriented HR ☹️ Competitiveness factors (electricity, transport and other utilities availability and costs)
4. Enabling environment	☹️ Ease of Starting & Launching Business 😊 Taxation & Fiscal Incentives ☹️ Labor Market Flexibility 😊 Dedicated Agency
5. Business development & Nurturing Services	😊 Mentoring & Counseling ☹️ Education & Training ☹️ Linkages & Networking Opportunities
6. Financing	😊 Linkages with Banking and Micro-finance institutions 😊 Secured lines of credit and loan guarantee facilities 😊 Financing innovations, e.g. crowd-funding & VC
7. Organic growth	☹️ Capacity of Management to sustain profitable growth

Source: Performances analysis

Need for a larger business scope

The internal market seems to be the scope of most of Cape Verde's enterprises. As such, it is likely to be too limited to support a robust and sustainable emergence. In order to augment their scope, Cape Verde's enterprises will gain from developing services-based business models as opposed to goods-based models.

Figure 3 : Market-view of business opportunities



For example, private sector development in the Agriculture sector could be limited only to the production of goods (staple foods, papayas, bananas, strawberries...) for food safety purposes, which remains valuable. However, due to insularity, its business scope would probably be geographically limited. Cape Verde could consider developing a specific know-how in the field of high-yield agricultural production under arid and poor soil conditions and export it. Israel, with its successful green revolution, provides today one of most interesting benchmarks, with a well-recognized and sought after expertise in high-yield horticulture equipment and techniques.

The macroeconomic context illustrates the challenge posed to entrepreneurship

GDP growth has been slowing down since 2009. Cape Verde's economy growth has been below the west-African average, with issues that even stressed a slower than expected GDP growth (revised to +1,2% vs. announced at +4,3% for year 2012).

Country ratings (Fitch, S&P) have been downgraded, due to the economic slowdown, the high public debt/GDP ratio (96%), and a double-digit public deficit (13%, considered very high within the frame of the fixed CVE parity with the Euro).

The main implications of these macroeconomic challenges for entrepreneurship development can be summarized as follows:

- The current local entrepreneurial fabric does not seem to have the means (size, footprint, competitiveness, profitability, resources) to drive the GDP growth, hence carry the emergence process.
- The public sector, too indebted and less likely to benefit from concessional debt than in the past due to the mid-income country status, will probably not be in a position to remain the principal funder of the emergence process,
- In the scenario of emergence, the private sector will have to play a major role in the funding of growth (equity and debt).
- Although it will be the anchor partner for foreign investors, the local private sector is likely to play a limited role in the financing of the coming phases of the emergence process, given its size and financial challenges,
- In this context, FDI will need to be a key contributor to emergence, and hence will have to be attracted appropriately.
- Together with robust business cases, the local existence of sound "anchor" entrepreneurs and a remarkably business-friendly environment, will constitute the key attractiveness factors for the very competitive FDI and business partnerships.

Cape Verde will have to address these challenges in a context where it is not high on the priority list of leading private investors.

Although not yet impactful, decisive steps to entrepreneurship development have been taken

Among the decisive steps to foment entrepreneurship development are the creation of ADEI and the National Council of Entrepreneurship Development.

Figure 4: Mapping of supporting institutions

Steering and coordination		Central Unit for Reforms of the State (UCRE)
Promotion	Investments	Cabo Verde Investimentos DG Turismo SDTIBM
	Exportations	
Support to Enterprises and entrepreneurs	Assistance to SME & private sector	Agency for the development of enterprise and innovation (ADEI) Chambers of Commerce (CCISS/CCIASB) AJEC Institute for Professional Development (IEFP) Escola de Hotelaria e Turismo (EHTCV)
	Technology & standards	Núcleo Operacional para a Sociedade de informação (NOSi)
	Financing	Venture capital fund (50 MUSD) Growth and Competitiveness Fund Novo Banco program

ADEI, for example, offers a range of services and has others planned to provide entrepreneurs with the information they need to launch, develop and nurture their businesses, and to develop the business skills of entrepreneurs.

Figure 5: Mapping of ADEI services. Source: Interviews with ADEI

Policies & Programs	<u>National support policies to SMEs</u> <ul style="list-style-type: none"> ADEI, IEFP, Novo Bank, EHTCV : institutions to support private sector development REMPE : law established to support SMEs (not fully implemented) 	<u>Public-Private Partnerships</u> <ul style="list-style-type: none"> FCC (Growth and competitiveness fund) IFH (Public housing development, but PPP is not formal) 	<ul style="list-style-type: none"> Planned or not fully implemented 	
	<u>Information services to SMEs</u> <ul style="list-style-type: none"> SEBRAE Office of Entrepreneurship 	<u>Sector and strategic intelligence</u> <ul style="list-style-type: none"> Business opportunity brochure on website Study on CV entrepreneurship 		
Mentoring & counseling	<u>Technical assistance</u> <ul style="list-style-type: none"> CRIA : start up helpdesk RENOVAR : SMEs helpdesk PME+ : help companies move to next stage of their development INNOVAR : Assistance to innovate (products, process, marketing...) Market Access Program 	<u>Access to credit support</u> <ul style="list-style-type: none"> ADEI helps SMEs to prepare for credit applications 	<u>Incubators</u> <ul style="list-style-type: none"> BIC incubator covering multi industry Agro-business, ICT and tourism incubators 	<u>Business plan support</u> <ul style="list-style-type: none"> PME+ Guidance on website to help SMEs in proper creation of business plans
	<u>Vocational training</u> <ul style="list-style-type: none"> MPMES 	<u>Alternate training</u> <ul style="list-style-type: none"> Informal mentoring match-making Formal mentoring programs 	<u>Tax incentives</u> <ul style="list-style-type: none"> Information on tax benefits on existing laws provided on website 	
Education & training	<u>Networking : enterprise, diaspora, local entrepreneurs, diaspora</u> <ul style="list-style-type: none"> Startup weekend Speed networking Companies in Sal Various events in 2013 Connections with diaspora in Luxembourg, France, Netherlands, US, Luxembourg Participate in municipal festivals 	<u>Sensitization programs (youth, unemployed...)</u> <ul style="list-style-type: none"> Close working relationship with AJEC (youth entrepreneurs) 		
	<u>Partnerships with banks, microfinance institutions</u> <ul style="list-style-type: none"> Novo Banco program (to be formalized soon) 	<u>Secured lines of credit</u> <ul style="list-style-type: none"> Novo Banco provides loan guarantee program BCA participation in National Network Incubators Program 	<u>Innovative finance</u> <ul style="list-style-type: none"> New \$50 million VC fund was launched (but not yet seeded with funds) Crowd-funding Program 	
Communication & networking				
Financial system				

However, these programs, neither fully operational nor well-known by the private sector, are yet to show significant impact.

This is where the recommendations need to start being more obvious: The attractiveness challenge

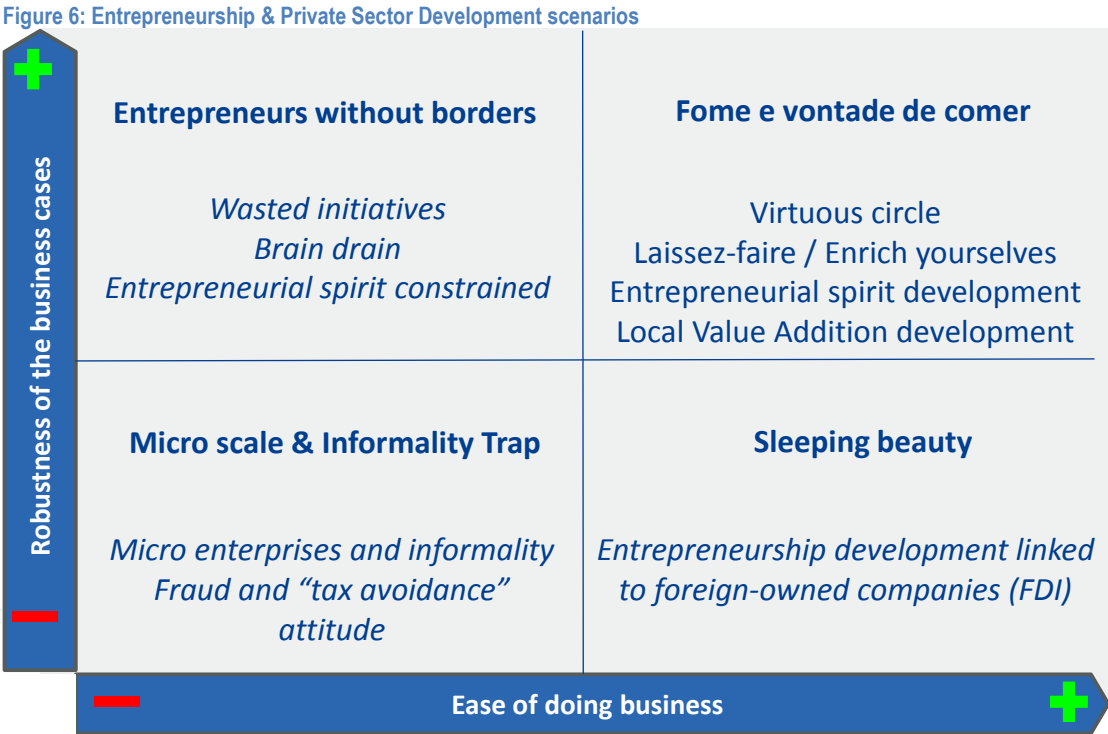
As per the business/financing context described above, it clearly appears that attractiveness is likely to become the name of the “emergence game” going forward. Therefore, understanding attractiveness factors will provide useful perspectives on how to efficiently create conditions of a vivid entrepreneurial development for Cape Verde.

4 Attractiveness Scenarios

We have identified four scenarios where attractiveness varies according to the business per se and to the business context.

To assess attractiveness in Cape Verde, two variables need to be considered:

1. Robustness of the business cases to be put to partners (i.e., endogenous to the enterprise)
2. Ease of doing business (i.e., exogenous to the enterprise)



The ideal situation is when business cases are all very compelling and the environment very business-friendly. It describes a situation where Cape Verde has taken all the necessary steps and reforms to build a conducive business climate with clear business opportunities that have been robustly identified and assessed.

However, Cape Verde is probably today in a situation characterized by a low-to-mid level of business environment attractiveness on the one hand, and by relatively low attractiveness of business cases.

In order to attract entrepreneurs and investors (local and foreign), Cape Verde will have to improve its position “as a place where robust, sizeable, competitive, profitable business opportunities are happening and keep happening” and “as a particularly business-friendly place”.

Improving attractiveness as far as business opportunities are concerned

Cape Verde needs to “mean business” to its strategic partners. Foreign partners are to be considered primarily in terms of equity or business partnership. In this case, the foreign partner will request the existence of a local anchor as well as of a robust business case. Once the *tour de table* and the business case are established, financing partners will be called in.

Addressing the debt issue will require attracting private partners and raising the interest of potential partners such as Development Finance Institutions (DFIs) or their Private Equity arms (SOFID, the Portuguese Sociedade para o Financiamento do Desenvolvimento, CDC, the British DFI, or Proparco the French one, etc), as well as Venture Capital, Private Equity funds or Investment Banks.

Cape Verde should “mean business” to these types of clients.

Therefore, Cape Verde, through the Clustering process, will have to put together a series of very compelling business cases that will need to display:

- Competitiveness,
- Sizeable and scalable opportunities,
- A compelling roadmap to business development,
- A regional, continental, or global business scope (beyond Cape Verde’s boundaries),
- Detailed planning.

The intent of this process is to shed light on opportunities likely to attract the attention of the targeted partners.

The Cluster approach is particularly relevant to shaping robust, competitive business cases. This is under the condition that the cluster be designed with *competitiveness in mind*, not merely around good sectorial practices that contribute to the efficiency of processes, but do not, per se, determine the uniqueness of a competitive positioning.

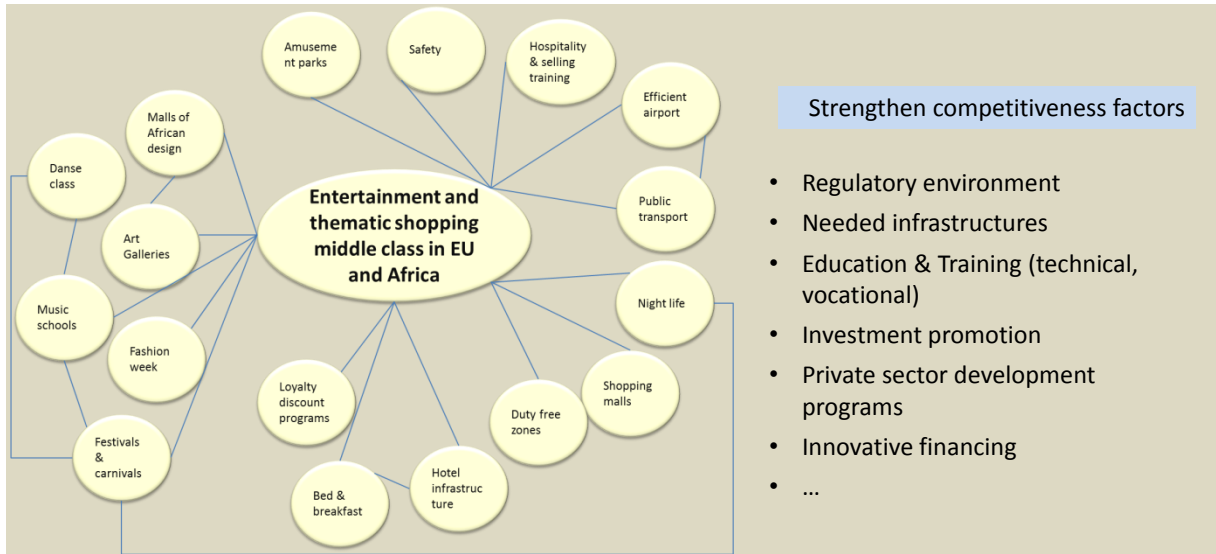
The clustering approach implies the development of a compelling vision, of a competitive positioning at a Regional, Continental or Global level and of a set of strategic activities embodying the cluster’s actual competitive positioning.

The strategic activities reinforce one another and will represent potential business opportunities. It is important to note that the very existence of the cluster will mitigate risk for the cluster actors, and hence for the funders and investors.

A 4-step approach is proposed, aiming at: (1) exploring and identifying possible strategic positionings for each targeted cluster; (2) short-listing the positioning; (3) developing the strategic activities for the shortlisted positioning; and (4) identifying enabling factors that will strengthen competitiveness.

We believe that when all actors have a shared compelling vision for the cluster and understand the benefits at stake, they will be willing to engage in a collective approach (within a precise governance framework) that will lead to the success of the whole process.

Figure 7: An example of a set of strategic activities for a positioning in the Tourism cluster



Improving attractiveness as far as business environment is concerned

Ranked 121st out of 189 countries in the Doing Business report 2014, Cape Verde is not amongst the likely preferred destinations of FDI. In addition today, besides tourism, Cape Verde is not “*naturally attractive for FDI*”. The rhythm of business environment reforms needs to accelerate drastically. Business environment rankings have stalled since 2012.

A variety of dimensions could be targeted to improve the business environment in Cape Verde, among which are: judicial reforms, infrastructures, tax policies, land property rights, governance, insolvency regulations, access to credit, labor laws.

State reform should happen much faster. The quality and productivity of public-private dialogue should be dramatically improved. We suggest that Cape Verde aim at becoming one of the highest-ranking African and insular countries in terms of ease of doing business, building effective and best-in-class private sector support institutions, and developing world-class capabilities to attract and retain FDI through efficient and optimal administrative procedures¹.

In addition to the transversal approach described above, the Cluster approach can be, in and of itself, an instrument for improving the specific business environment of each cluster. Once each cluster is developed (Competitive positioning + strategic activities deployment), it should become very clear whether basic enablers are in place to support its development. If not, specific objectives should be developed.

For example, in the case of *holidays/entertainment/shopping for tourism*, specific business enablers could be identified around: the legal framework for the establishment of duty free zones, air transport policies for incoming shopping tourists, and law-and-order regulation for the safety of tourists.

All cluster-specific enablers could then be consolidated under the overall business environment transformation agenda.

Cluster approach and entrepreneurship development

We believe that the clustering approach has the potential to foster entrepreneurship development in Cape Verde in two ways:

1. The process of identifying strategic activities will give visibility to a series of business opportunities. Each strategic activity being either a new enterprise opportunity, a business opportunity for an existing venture, or an opportunity for the development of an ecosystem of enterprises. For instances, within the tourism cluster example, the thematic shopping malls proposition could give birth to sourcing companies, real estate developers, wholesalers, etc.

¹ Refer to the Technical Note on Business Environment Reforms

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2. The process would shed light on “entry point projects” that entrepreneurs could take on. These entrepreneurs (existing or to be) would have taken part in the clustering process, hence, would progressively emerge as strong “entry point project holder” candidates. Similarly these entrepreneurs would become natural “anchors” for the future partners of the given projects. A selection process aimed at identifying the most promising entrepreneurs would be designed at this stage. The selected individuals would receive support in priority.

Cape Verdean enterprises need to strengthen capacity in conducting larger and more competitive ventures. Entrepreneurship capacity building will happen in two ways:

1. Through the clustering process: as described above, the journey of identifying cluster positionings and strategic activities will be a learning experience where entrepreneurs will progressively visualize and subsequently shape their business case. A capacity building process could also be encouraged along the “business opportunities-entrepreneurs” matching process described on p3. Selected businesses entrepreneurs could also go through a training program sponsored by investors and public entities.
2. Through transverse capacity building approaches:
 - a. Generic entrepreneurship capacity-building facilities such ADEI, and the Chambers of Commerce which will need to dedicate additional resources to this matter. Executive, graduate and post-graduate education programs on entrepreneurship, leadership and management should be developed to support the emergence and success of the new generation of entrepreneurs.
 - b. Cluster-specific capacity building facilities around the core competencies that cluster leadership would have identified (e.g., for the shopping tourism example, develop supply chain management competencies; for the arid land agricultural positioning, benchmark on world-class techniques). Each cluster will generate an ecosystem of activities among which, hopefully, a great number of microenterprises. To support their development, cluster-specific vocational programs should be widely developed.

From a systemic perspective on entrepreneurial capacity building, it is important to consider that the overall governance capacity for the process must be assessed and eventually strengthened (see below, on Governance).

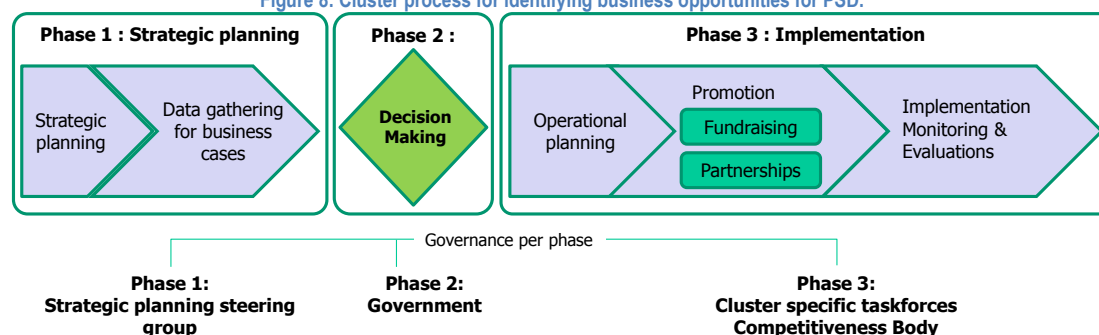
- **Process and Governance**

The whole process can be articulated around three phases:

- Phase I: production of “possibles”. Brainstorming possible positionings and strategic activities for each cluster. Shortlisting of likely finalists and data gathering to support the corresponding business cases. This phase can be understood as the strategic planning/reality check phase.
- Phase II: for each cluster, a decision on which competitive positioning should be retained for Cape Verde going forward will be necessary. In addition, cluster-specific business enablers will be identified. The 7-cluster positionings/set of activities will be consolidated and harmonized within a country-wide master-map. The decision will take the form of concise set of strategic guidelines comprising for each cluster, 1 competitive positioning +1 set of strategic activities and business-enabling measures.
- Phase III: implementation. This phase begins with the design of an Operational Plan articulated around a list of programs and projects rooted in the strategic activities and business-enablers defined in Phase II. The strategic and operational plans will be promoted in a variety of ways among which is a road show to potential partners². Subsequently, programs and projects will be executed under the appropriate governance.

² Refer to the Technical Note on Financing Development

Figure 8: Cluster process for identifying business opportunities for PSD.



The governance at all stages should involve representatives of the private sector, relevant Ministries and cluster taskforces, and dedicated entities such as ADEI and the National Council of Entrepreneurship Development.

The actual governance instances should be specific for each phase:

Phase I - Strategic planning steering group: this phase being eminently practical and hands-on with numerous focus-groups and brainstorming workshops, the governance should be able to engage the diverse participants into a co-creation process. It should have authority over and proximity to the various economic sectors. The governance should be multi-sectorial and able to manage the process very precisely.

Phase II – Government of Cape Verde: having collected proposals from the relevant stakeholders and after an inclusive and detailed data-based process, the Government will be in a position to arbitrate and propose to the Nation the strategic guidelines for the way forward. The financial and economic implications of this plan will be defined at this stage.

Phase III – Cluster-specific taskforces under the guidance of an Emergence body: the Government, in agreement with the participants of phase I & II, will appoint the governance bodies that will become the face of Emergence and interface between Government and the actors of transformation organized in the 7 clusters.

A budget should be dimensioned and secured to run these three phases namely in terms of logistics, facilitation and administrative costs.

The project's governance and facilitation are of paramount importance. In fact, its very success is dependent on the leadership and efficiency competences displayed at the steering instances level.

It cannot be overemphasized that the process leadership has to be adequately equipped in terms of:

- Leadership capacity and formal attributions, such as authority over stakeholders involved in the process, or capacity to arbitrate on the content (e.g., positioning proposal shortlist) and the process itself (e.g., whether the process would involve cluster-centered workshop or not).
- Position within the Government system of Cape Verde, as this is a National cross-cutting program
- Representation and credibility *vis-à-vis* the key stakeholders, namely the Private Sector. This is an essential piece as, unless strong credibility and co-creation trust is established with Private Sector, a blocking suspicion could come across the way. Facilitation with strong private sector background can ease considerably the process. The example of China with Deng Xiaoping's led Special Economic Zones, is there to remind that State-planned process, if ambitious and well governed can give birth to a burgeoning entrepreneurial fabric.
- Human resources: headcount, training and experience,
- Financial resources: capacity to autonomously run all of the project logistic aspects.

We recommend that Governance capacity building be placed very high on the agenda and that very early on in the process, a capacity building sub-project be established, with diagnosis, objectives and action plan.

The challenge of Private sector involvement and of a quality public-private dialogue .

The process, being of strategic importance for the country, on the one hand, and dealing essentially with the Private Sector on the other hand, there will be a fundamental dilemma as to whether the process leadership should pertain to the Public or to the Private sector.

The resolution of this dilemma is in establishing an authentic joint leadership of both Private and Public sectors.

However, Cape Verde will be coming form far: the current situation is not that of a practical and participative involvement of private sector. In the current cluster “process”, Government is the effective leader, the private sector being relatively left aside. From this situation, the challenge is that of the effective involvement of the private sector.

In addition, a number of issues complicate the genuine involvement of Private Sector:

- History of perception of lack of will of inclusion from Public Sector
- Poor public-private dialogue and consecutive resentment from Private Sector
- Private Sector distrust of the Public Sector
- Fragmentation / lack of common purpose of the Private Sector
- Apprehension of being led as “pupils” into a public led process

In addition, the end of the current legislature in 2016, may provide, from the private sector view point, some additional distrust over the continuity and sustainability of the process.

To address the issue of the Private Sector participation, we suggest the establishment of a strong cross-sectorial Authority that would govern a demanding, genuine, competitive Clustering Process.

In order to be effective this Authority should have the following characteristics:

- Very high profile
- Recognized authority and credibility
- Cross sectorial
- Engaged in the necessity of a robust Clustering process
- Chaired by a recognized non-political individual, private sector if possible

Illustratively we suggest that this Authority could be comprised of (in limited number):

- Acclaimed representatives of the local finance private sector (e.g., Chairman of a bank)
- Accomplished entrepreneurs with International footprint (e.g., Djo Da Silva)
- Representative of the Civil society (high profile Foundation)
- Foreign representation by individuals experienced with such process in benchmarked countries (e.g., Singapore, Rwanda)
- Representation of the CV diaspora
- High profile individual Representative of the Government of Cape Verde
- Foreign Development Institutions (e.g., LuxDev)
- Other as appropriate

The focus should not be on institutional representation of private sector, but on the individual character and their commitment with the Cluster approach. Prior personal contacts should be performed in the “recruitment” process.

A charter would be proposed to the members; they would amend and collectively sign it..

The principal mission of this Authority would be to coordinate a Collective Impact³ effort on clustering for Cape Verde. It would aim to establish the following key success factors of any collective impact effort:

- Common agenda (Charter)
- Shared measurement
- Mutually reinforcing activities (Clusters)
- Continuous communication
- Backbone organization, for the overatl Clustering process (the Authority) and for each Cluster

³ On “Collective Impact” see Stanford Social Innovation Review see: http://www.ssireview.org/articles/entry/collective_impact

The Authority would also define the appropriate process for the production of the possible positionings and corresponding strategic activities. For this the Authority would:

- Appoint Cluster Task Forces
- Ensure the Task Forces organize Focus Groups and Workshops with the appropriate participants to produce appropriate options
- Put in place the appropriate facilitation process with the appropriate resources

Two complementary entrepreneurial strategies

Cape Verde's Vision articulated in the DECRP III and the Government Programs under the VIII legislature aim at building “**An inclusive Nation, fair, prosperous, with opportunities for all**”. This emergence strategy provides two main guidelines:

- **Inclusiveness**, i.e., the ability of the economy, in its early emergence process, to share the fruit of prosperity with all, namely the Base of the Pyramid (BoP),
- **Environmental sustainability**, i.e., the ability of the economy, in its early emergence process, to sustainably make use of the natural resources as well as to remediate, care for and revitalize the environment.

An innovative type of entrepreneurship addressing specifically those two issues can become the engine of the development for both an inclusive economy and a green economy.

- **Entrepreneurship for the BoP (E4BOP)**

The core cluster emergence strategy will be essentially based on large, mainstream business. The *inclusiveness* aspect will reside in the progressive sharing of the economic prosperity hopefully generated. However, it is realistic to anticipate that this prosperity may only reach the BoP progressively, with some delay and with possible efficiency losses.

An entrepreneurial BoP-focused strategy, if successful, would engage the private sector to address the BoP needs specifically and produce timely, positive social and economic value.

Social Enterprises have been known to solve some of the main issues facing the BoP, while engaging in an entrepreneurial, often for-profit model. Global benchmarks show how much, in a number of cases, models are impactful, replicable and scalable. Among the sectors where social enterprises are striving are education, access to safe water, access to power, habitat, safe nutrition, health, irrigation, ICT4D (Development), etc.

Cape Verde could become a pioneer in Africa (and possibly globally) in designing a national Social Enterprise-based BoP strategy by:

1. Shortlisting the priority areas (e.g., habitat, education, health...) for the BoP,
2. Benchmark global best practices and replicable models for the shortlisted areas,
3. Establish a replication fund financed by large corporations, venture capital funds, private sector CSR money and the Government. This fund would aim at establishing an ecosystem of social enterprises across Cape Verde by:
 - a. Identifying the most relevant social business models,
 - b. Identifying managers, entrepreneurs and funders,
 - c. Seed-funding initial validation studies,
 - d. Funding (equity and debt) the development of the BoP enterprises ecosystem.

- **Green/Blue economy:**

It is expected that the mainstream economy would work under stringent “green guidelines”. However, these guidelines are likely not to provide enough focus to specifically leverage the green opportunities available for Cape Verde.

The ultimate model would be to establish “circular” entrepreneurial concept, leveraging existing technical innovation, sustainably using natural local resources in an innovative manner. In addition the model could seek to be self-financed⁴.

200 Blue-Economy entrepreneurial models have been developed so far globally. Cape Verde can engage in a pioneering national initiative as follows:

- SCAN: review the Blue Economy models and possible areas of implementation in Cape Verde,
- SCREEN: review the existing database and identify a short list of replicable models,
- IMPLEMENT: together with experienced individuals, organizations and countries, replicate and implement selected models in Cape Verde.

Conclusion

The overall conditions of Cape Verde, as well as the current macroeconomic situation, pose a major challenge to entrepreneurship development, and hence to the very prospects of emergence in Cape Verde. This is the viability challenge for Cape Verde at the micro-economic level.

Attractiveness of the private sector has been identified as the key lever to crack this challenge.

Central to boosting business attractiveness in Cape Verde is a clustering process conducted along a demanding competitiveness dimension.

By doing so, Cape Verde should be in a position to take forward, very compelling visions and detailed plans, key to engaging local and foreign entrepreneurs, partners and funders. By expanding the geographic/market scope of its enterprises beyond the sheer boundaries of the country, Cape Verde will establish the fundamental basis of sustainable growth.

The proposed way to address the viability challenge is to engage in a collaborative approach facilitating the emergence of competitive business clusters capable of:

1. Stimulating the emergence of an entire generation of local entrepreneurs,
2. Gathering local and international business partners and funders around the entrepreneurs,
3. Engaging public and private parties in a collaborative approach that can accelerate reforms and the implementation of business enabling factors.

Provided a specific high profile Governance and demanding facilitation is put in place, taking Cape Verde through this process, into decision-making and implementation, is very much at hand.

⁴These concepts described by ZERI (Zero Emission and Research Initiative) have been labeled “Blue Economy” and have been supported by the UNDP/Club of Rome.