



### **Terms of Reference:**

#### Business development and private sector competitiveness

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There is a worldwide consensus today that innovative entrepreneurs and a robust private sector are the engines for competitiveness and national transformation, since entrepreneurship is first and foremost a question of value creation and the private sector is who competes in the global market. In short, entrepreneurship and private sector development are essential for the transformation of economies, enabling job creation, including self-employment, innovation and competitiveness, and promoting wealth creation and economic development. For a country like Cape Verde, private sector development is crucial to ensure a robust and sustained economic growth.

The Cape Verdean private sector, almost nonexistent at the time of the country's Independence, has grown over the years, especially since the shift to a market-oriented economy that occurred in the 1990s. Today, the private sector is the main employer and an important part of the national economy. Nevertheless, the private sector is still weak and fragile. Companies are mostly small to medium size, and only a small percentage of them employs more than 20 people.

In an effort to promote growth, the government has put emphasis on private sector development, given the policy option to build an economy led by the private sector and to transform the Cape Verdean economy. Therefore, in recent years it adopted incentives such as reducing the tax burden for domestic companies and foreign investment. However, in spite of these incentives, tools and policies to support the domestic private sector remain insufficient to meet the need for private sector growth.

The private sector still faces significant constraints in Cape Verde. One of these constraints is the small, even micro, nature of the market. Couple that with the fragmentation of the national territory, which adds substantial costs for local producers. Moreover, the cost of smallness is evident in all areas, especially in the cost of inputs. These structural issues are compounded by the fact that the business environment is uncompetitive.

Among the main challenges faced by the domestic private sector, we may add access to finance, which has been the main demand of entrepreneurs. The Cape Verdean financial market is not very developed or adapted to finance start-ups and SMEs. Venture capital is almost nonexistent. Government programs to support areas such as incubators are new and have not yet had the desired impact. The educational system is still inadequate to meet market needs and only recently has it focused on entrepreneurship and the training of innovative entrepreneurs.

In an effort to facilitate private sector development, in 2008 the Government launched ADEI, a business development and innovation agency, to promote growth in the private sector. The key elements of ADEI's agenda have been

entrepreneurship development, private sector promotion and technical assistance to strengthen the capacity of Cape Verdean companies. ADEI became active particularly by supporting small businesses and trying to promote start-up creation, through incubation programs. However, it is too early to assess its impact and effectiveness.

This brief analysis shows that the Cape Verdean private sector grew, but still faces obstacles and challenges.

The workshop will examine the efforts to develop the private sector and promote entrepreneurial spirit in Cape Verde. It will focus on the challenges and opportunities to facilitate the growth of innovative entrepreneurs, exports and private sector development in Cape Verde. The workshop will explore the potential to transform the private sector in Cape Verde, and it will make suggestions on what is working and analyze lessons from other experiences that can be adapted to Cape Verde's situation. Specifically, the workshop will examine and provide answers to the following:

1. What are the challenges to transferring the leadership of development from the public sector to the private sector?
2. What are the constraints to developing a regionally and globally competitive private sector: how do we support the internationalization of domestic companies and exports; how do we expedite conflict resolution and legal system intervention?
3. How do we create more synergies between the public and private sectors?
4. How do we facilitate private sector access to funding?
5. What are the challenges to developing a corporate culture based on more entrepreneurship, risk tolerance, autonomy and collaboration?