

Committee for Development Policy
Expert Group Meeting
Review of the list of Least Developed Countries

Monitoring the progress of graduated countries –
Cape Verde

(Background note by the Secretariat)

New York, 27-29 January 2009
Conference Room DC2 – 1st floor

On the basis of the recommendation of the CDP in its 2004 report, and General Assembly resolution 59/210 in 2004, Cape Verde's graduation from the list of least developed countries became effective on 20 December 2007. General Assembly resolution 59/209 (paragraph 12) requests the CDP to continue monitoring the development progress of countries that have graduated from the LDC category and to report its findings to ECOSOC as a complement to the triennial review. This report was prepared in response to the resolution and marks the first time the CDP monitors the development progress of a graduated LDC.

to the countries that were reviewed in 2009: Cape Verde's EVI is now lower than about half the countries included in the 2009 review.

1.2. Progress on the MDGs and poverty reduction

On the base of available data, Cape Verde continues to progress towards meeting

improvements. Poverty remains significant¹, but if the country is able to sustain its

Foreign direct investment has grown rapidly, particularly in the tourism sector. For instance the volume of approved projects increased from about US\$44 million in 2004 to about US\$509 million in 2006, contributing to about 38 percent to the real GDP growth rate (2006) as well as to job creation. This positive trend has continued in 2007, and the level of approved FDI in 2008 is very high.

Tourism represents a large share of GDP. As Cape Verde's economy becomes more dependent on tourism income and its export base remains narrow, a reduction in demand for tourism from foreign markets during a global economic downturn will be felt throughout the entire economy. Moreover, Cape Verde remains dependent on imports and is vulnerable to external economic shocks caused by changing prices, particular for food and fuel. But, so far, the effects of the global financial crisis have been limited and the country's growth continues to be sound.

	2001	2002	2003	2004	2005	2006	2007
Exports of goods and services (current US\$)	107	130	119	138	171	233	290
Remittances, receipts (BoP, current US\$)	80	85	108	113	137	136	138
FDI, net (BoP, current US\$ millions)	9	15	38	68	17	123	130
ODA (gross disbursement, million US\$)							
DAC countries	50.39	44.41	93.42	96.87	113.33	107.24	122.60
non-DAC countries	..	0.1	0.07	1.16	2.71	2.19	1.34
Multilateral	31.48	54.54	56.4	56.82	61.61	44.1	58.77
All donors	81.87	99.05	149.89	154.85	177.65	153.53	182.71
of which: loans	40.25	36.41	36.12	41.23	60.36	51.94	56.72

2. International cooperation

In preparation of Cape Verde's graduation from the list of least developed countries, the Government and its development partners set up a donor support group (Grupo de Apoio à Transição- GAT) in 2006, to prepare a transition strategy to adjust to the eventual phasing out of the support measures associated with the membership on the LDC list. The GAT has met 7 times. Its latest meeting on 18-19 January 2009 focused particularly on the diagnostic trade integration study (DTIS) of the Enhanced Integrated Framework for Trade-related technical assistance (EIF) and measures on how to achieve Cape Verde's insertion in the global economy" as summarized in the Priority Action Matrix (see below).

⁴ IMF Country Report No. 08/242, July 2008, "Cape Verde: Poverty Reduction and Growth Strategy Paper – II"

In June 2007, GAT adopted a declaration supporting Cape Verde's socioeconomic transformation agenda. Additionally, a Budget Support Group (BSG)—composed by the Government of Cape Verde, the World Bank, the European Union, and the Netherlands—was created in 2005 to align and harmonize donor support around the Growth and Poverty Reduction Strategy. In 2007 the African Development Bank, Austria, Spain and Portugal joined the BSG. During the last three years, around 25 per cent of ODA was in the form of budget support.

A few developments are worth mentioning:

Bilateral and multilateral ODA flows increased to a total of \$183 million (see table 2). In 2007, Cape Verde's major bilateral donors were France,

that Cape Verde's prudent economic management, reduction of domestic debt and buildup of official reserves has put the country in an advantageous position to deal with the current global economic crisis.

The World Bank's 2008-11 Country Partnership Strategy is being prepared in collaboration with the African Development Bank. Under this partnership, support will be provided to the Cape Verde's GPRSP with an emphasis on growth, infrastructure, development of the private sector and small and medium enterprises, and human development capacity building.

The UN World Food Programme provides assistance in the form of school meals to primary schools and kindergartens in the amount of \$5.6 million which will end in July 2010.

3. Conclusions and Recommendations

- Cape Verde's development progress continues to be very satisfactory,
- The country remains economically vulnerable and sustained efforts are needed to achieve success in the structural transformation and upgrading of the economy.
- In view of the country's track record of positive performance, together with its enduring vulnerabilities, the international community should continue to support Cape Verde's development
- Cape Verde should be able to access Tier 1 and Tier 2 of the EIF (or equivalent resources) as part of the recommended smooth transition measures in favour of recently graduated LDCs.

The next monitoring review by the Committee will take place in 2012.