



Terms of Reference: WS. 1.2 Financing Development

Over the past ten years, Cape Verde embarked on the implementation of the economic transformation strategy. The government undertook significant reforms and invested substantial amounts of resources in infrastructure development (water mobilization, energy production, roads, airports, education, etc...). The government also made important reforms to improve the business environment and make Cape Verde a very attractive place for business.

However, the ongoing economic transformation in Cape Verde may stop, if the global economy continues to be in crisis and the Eurozone countries, to which Cape Verde's economy is closely linked, continue to be affected by the multifaceted crisis they are immersed in. Cape Verde is already feeling the effects of this crisis and economic growth has slowed substantially. At the same time, Cape Verde's successes, including its graduation to middle-income country status, has made access to official development assistance much more difficult.

Therefore, there have been serious concerns, especially with regard to access to external financing to fund Cape Verde's transformation agenda. Budget support to Cape Verde has decreased substantially, as has FDI. The government responded by mobilizing more concessional loans, but over time, it will become increasingly harder for the State to get such loans. The paradox is that this drastic reduction in access to cheap sources of funding comes at a time when the need for funding and investment has increased substantially.

In order to develop, Cape Verde must build an economy that is able to compete on the basis of high productivity, quality and efficiency. Therefore, it will need a substantial amount of resources to develop socio-economic infrastructure capable of solving many of the persistent challenges to the economy.

Besides investment in infrastructure, there is a need to develop the private sector and to ensure access to funding, so that the various clusters of the transformation agenda can be implemented. The development of value chains, be it in agribusiness, air transportation, tourism, ICT, cultural economy, financial services or maritime services, requires investments that the local banking sector has no capacity to finance.

It is a fact that the financing needs of many public projects are beyond the government's financial capacity. The traditional sources of financing for Cape Verde's development no longer fulfill the country's needs, and

there is a national consensus that the country must find new sources and new approaches to finance its development.

There is, thus, an urgent need to seek new solutions and ideas on how to finance Cape Verde's transformation process. The workshop must focus on this key question: how to ensure access to finance to implement the transformation agenda? The workshop will also examine the challenges and explore potential opportunities, in order to advance an agenda going forward to ensure greater access to finance and to attract new and innovative ways to fund Cape Verde's development process. It will propose a strategy and an agenda to ensure Cape Verde is able to meet potential challenges and identify and pursue funding opportunities.

What should the government do to meet this emerging challenge related to financing for development, without jeopardizing the country's sustainable economic growth? Where will the necessary financing come from, in an environment of declining aid and reduced access to cheap sources of funding?

More specifically, the workshop will examine and provide answers to the following questions:

1. What are the challenges in managing the transition and how do we finance the transformation in an environment of declining ODA and FDI, growing public debt and international crisis?
2. What are the challenges to attract investment, in line with the national transformation strategy (PPP, Privatization, Sovereign Wealth Funds, Crowdfunding, etc.)?
3. Domestic and diaspora investment – what are the challenges to encourage and integrate it?
4. How do we operationalize the International Business Center to attract FDI?