

CABO VERDE

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: ESCUDO DE CABO VERDE (ECV)

POPULATION AND GEOGRAPHY

Area: 4 033 km²**Population:** 0.546 million inhabitants (2017), an increase of 1.8% per year (2010-2015)**Density:** 136 inhabitants/km²**Urban population:** 65.3% of national population**Urban population growth:** 2% (2017 vs 2016)**Capital city:** Praia (26% of national population)

ECONOMIC DATA

GDP: 3.73 billion (current PPP international dollars) i.e. 6 657 dollars per inhabitant (2017)**Real GDP growth:** 4% (2017 vs 2016)**Unemployment rate:** 9% (2017)**Foreign direct investment, net inflows (FDI):** 110 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 34.5% of GDP (2014)**HDI:** 0.648 (medium), rank 122 (2017)**Poverty rate:** 8.1% (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The current constitution was adopted in 1980 and revised in 1992, 1995 and 1999. The country's Second Constitution (Act No. 1/99 of 23 November 1999) recognizes the unitary nature of the State and the existence of the autonomy of a local power, as well as a pluralist democracy and interdependence between the different levels of power. It organizes a political system close to a parliamentary regime. The President of the Republic, elected by direct universal suffrage for a five-year term, is not the head of government. This function is carried out by a Prime Minister, leader of the parliamentary majority. Legislative power is exercised by a unicameral parliament. The National Assembly is composed of 72 deputies. Deputies are elected from multi-member lists. The National Assembly is elected for a five-year term. The last parliamentary elections were held on 20 March 2016 and the next parliamentary and presidential elections will be held in 2021. Cape Verde is considered by many institutions as the most stable country in Africa. It generally stands out among African countries for its good governance. In 2017, the country ranked 4th out of 54 African countries on the Mo Ibrahim Index of African Governance, 3rd least corrupt country in Africa (Transparency International) and 27th in the world press freedom index.

The legal framework for decentralization is governed by Law No. 134/IV/95, which defines the administrative autonomy (Article 2) and financial autonomy (Article 3) of local authorities. In 2010, the government approved the Decentralization Framework Law No. 69/VII/2010. The last municipal elections were held on 4 September 2016, the next elections are scheduled for 2020.

The municipalities are under the supervision of the Ministry of State Reform, Public Administration and Local Government. They are grouped within the National Association of Cape Verde Municipalities (ANMCV).

As part of the 2018-202 Economic Plan for Sustainable Development (PEDS), the Programme for the Improvement of Private Sector Competitiveness and Development of the Local Economy, supported by the African Development Bank, calls for a reduction in municipalities' dependency ratios on public transfers and recommends the development of local economic plans. The legislative corpus on decentralization should also be revised. The revision of the 2005 Law on Municipal Financing, the Law on the Status of Municipalities and the Framework Law on Decentralization (No. 69/VII/2010) are planned. A law on regionalisation is being finalised and will introduce a new level (regions) between the central government and municipalities.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	22 Municipalities (<i>Concelhos</i>)			
	Average municipal size: 24 818 inhabitants			
	22			22

OVERALL DESCRIPTION. The territorial organisation of the State is inspired by that of Portugal, taking into account the specific characteristics of an archipelagic country. The administrative divisions are *Concelhos* (Councils), *freguesias* (parishes or subdivisions of councils) and *povoados* or *bairros*.

CONCELHO is the administrative district in which not only the powers of the State with the decentralized services of the ministries are organized, but also the local power with the local authorities (*Municípios*). This constituency is also the reference framework for legislative elections.

MUNICIPALITIES. Since 2005, Cape Verde has been divided into 22 municipalities (*concelhos*) and 32 parishes (*freguesias*).

Municipalities are spread over the 9 inhabited islands (on 10 islands in the country). Santiago Island, the most populated island, has 9 municipalities while 5 islands have only one municipality, another has 2 municipalities and 2 islands (Santo Antão and Fogo) have 3 municipalities.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Through Act No. 134/IV/95 on the status of municipalities, the State transferred certain prerogatives and powers to municipalities, in particular in the following areas: sanitation, planning, rural development, health, housing, land, transport, education, social promotion, culture, sport, tourism, the environment, internal trade, civil protection, employment and vocational training, police and municipal investment. The transfer of powers to municipalities has not always been accompanied by the transfer of resources (financial, material and human) necessary for the exercise of the transferred powers.

The new regulations to be adopted on the status and financing of municipalities aim to ensure the political autonomy of sub-national entities. Under the PDES, the strategic objective is the decentralization (not delegation) of key functions. In this regard, municipalities will be responsible for the planning and implementation of local economic development plans that will be integrated into the overall framework provided for in the regionalized PDES. At the end of 2018, 8 municipalities completed the diagnosis and began drafting participatory economic plans with UNDP support.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

MUNICIPAL LEVEL	
1. General public services	Administrative services (marriages, births, etc.); Public buildings and equipment
2. Public order and safety	Municipal police; Urban signage
3. Economic affairs/transport	Urban roads; Public parks; Urban transport; Local tourism
4. Environmental protection	Parks and green spaces; Waste management; Street cleaning
5. Housing and community amenities	Construction/renovation; Drinking water supply; Street lighting; Urban planning
6. Health	Primary health care (health centres); Preventive health
7. Recreation, culture & religion	Sports; Libraries; Local museums
8. Education	Pre-primary and primary education
9. Social protection	Social protection of children and young people; Family support services

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: municipalities.	Conta Geral do Estado 2016	Availability of fiscal data: Medium	Quality/reliability of fiscal data: Medium
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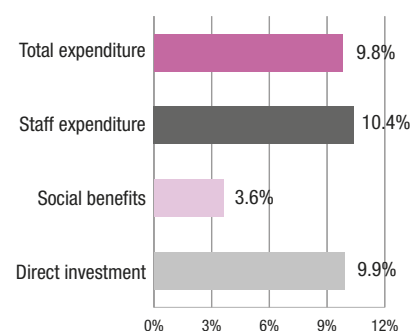
GENERAL INTRODUCTION. The Law on Municipal Financing No. 79/VI/2005 defines the rules and way in which each municipality must manage its revenues, can accumulate debts and receives transfers from the central government.

Despite significant changes in the structure of expenditure and revenue since the 1990s, the self-financing capacity of municipalities remains limited. Municipalities are struggling to broaden their tax base and remain significantly dependent on government transfers.

The new law on municipal financing, currently in preparation, is expected to improve the framework for revenue generation, clarify the distribution of public resources between the State and municipalities and refine the criteria for the distribution of the Municipal Finance Fund (FFM), the main national tool for financing decentralization.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	213	3.3%	100%	
Incl. current expenditure	158	2.4%	74.0%	
Staff expenditure	85	1.3%	39.9%	
Intermediate consumption	25	0.4%	11.9%	
Social expenditure	8	0.1%	3.6%	
Subsidies and current transfers	3	0.0%	1.3%	
Financial charges	11	0.2%	5.4%	
Others	26	0.4%	12.0%	
Incl. capital expenditure	55	0.8%	26.0%	
Capital transfers				
Direct investment (or GFCF)	25	0.4%	11.6%	



EXPENDITURE. 3/4 of the municipalities' expenditure is current expenditure. Staff costs represent almost 40% of total expenditure (54% of current expenditure); they are the highest expenditure item. Five municipalities (out of a total of 22) account for 62% of total expenditure: the capital Praia (27%), São Vicente (12%) Porto Novo (8%), Boa Vista (7.5%) and Santa Catarina (7.5%).

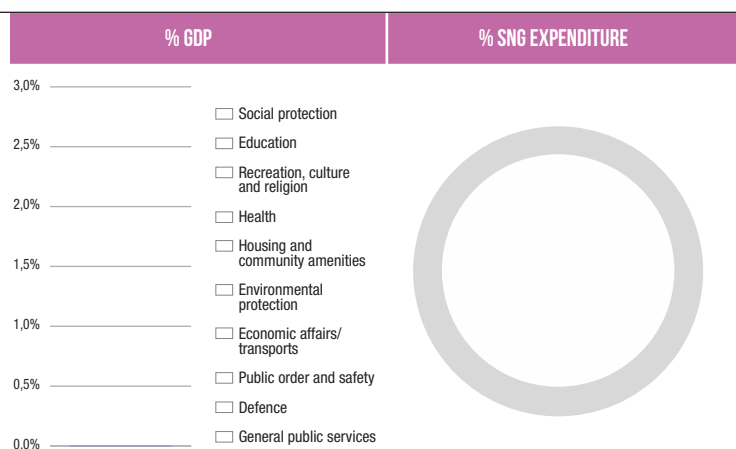
DIRECT INVESTMENT. ICT, water, energy and transport are the main areas of capital investment, also supported by national investment but deficits remain high. They represent barely 10% of national investment expenditure and not even 1% of GDP. The new provisions of the PDES in terms of supporting local economic development and strengthening decentralization should lead to an increased role for municipalities in direct investment.

CABO VERDE

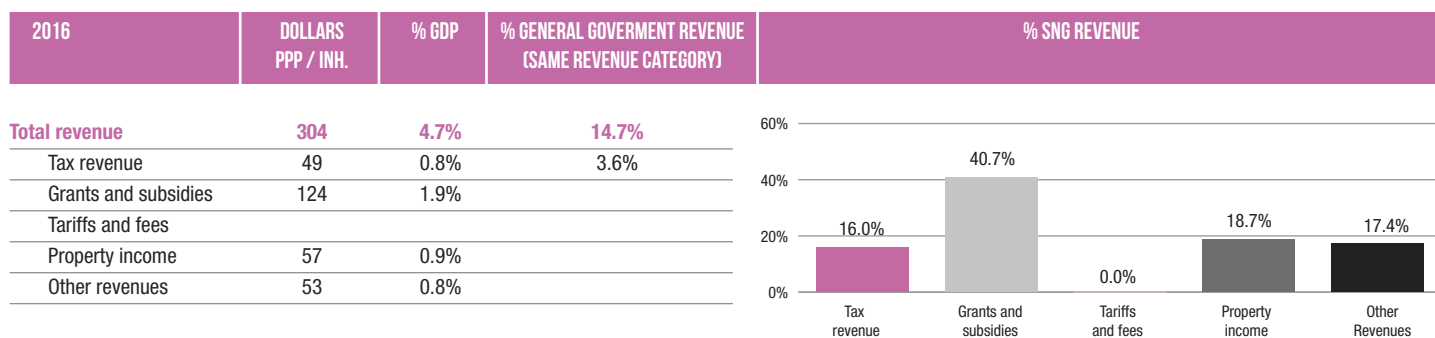
UNITARY COUNTRY

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

At the beginning of the 2010 decade, general public services, housing and amenities, recreation, culture and religion together accounted for more than 80% of total municipal spending. These figures have probably changed little since then, but they are likely to evolve with the gradual implementation of the PDES, which places greater emphasis on economic development and the transport sector.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. The total revenue of municipalities represents just under 5% of GDP. This is a percentage that remains low but has nevertheless increased slightly since the beginning of the decade (it was 3.6% in 2011). With more than 40%, grants and subsidies represent a significant part of municipalities' resources. This percentage is lower than in 2011, when it amounted to 60%, reflecting a decrease in municipalities' dependence on state transfers.

TAX REVENUE. Almost all of the municipalities' tax revenues (95% in 2016) come from property taxes (*Imposto Único sobre o Património-IUP*) and the rest mainly from a tax on motor traffic (4.5% of tax revenue in 2016). 65% of the total amount of revenue is generated by six municipalities (out of 22 in the country): the capital Praia (27%), Santa Catarina (9%), Sao Vicente (9%), Sal (8%), Porto Novo (5.5%) and Boa Vista (5.5%).

GRANTS AND SUBSIDIES. Data are not available on the distribution of grants and subsidies between current and capital grants. The Municipal Finance Fund (FFM) provides more than 90% of central government grants to municipalities. FFM grants in many cases represent more than 50% of municipal revenues. The FFM consists of two funds, the Municipal Common Fund (*Fundo Municipal Comum, FMC*, representing 75% of the total fund) and the Municipal Solidarity Fund (*Fundo de Solidariedade Municipal, FSM*, representing the remaining 25%). The distribution formula for MFF grants is as follows: 20% of the funds are distributed equally among municipalities, 50% are based on population, 15% on the percentage of children and 15% on the area of the municipality. Municipalities can benefit from other subsidies, in particular under 'programme contracts' for infrastructure financing and also receive contributions from public international bodies. Nearly 40% of FFM grants go to 4 out of 22 municipalities: the capital Praia (13%), Santa Catarina (10%), Sao Vicente (8%) and Santa Cruz (8%).

OTHER REVENUES. Property income is a significant part of the revenues of most municipalities. It represents nearly 40% of the revenues of the capital Praia.

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. No data available.

DEBT. The Law on Municipal Financing (No. 79/VI/2005) allows local governments to borrow on national financial markets to finance local investments. Debt in international financial markets requires government approval. In 2016, 12 of 22 municipalities reported borrowing in their revenue accounts. In total, borrowing revenues represent less than 5% of municipal revenues.