

Africa's secret success story: Cape Verde

GIVEN THE global economic downturn one wouldn't put much hope in the economy of a small African country that has no natural resources, little drinking water and suffers frequent droughts. Nor does one normally associate West Africa with the best democracies and high life expectancy and literacy. Yet a small archipelago of 10 islands, 300 miles off the coast of mainland Senegal, with a population of just 530,000 has, by most assessments, one of the fastest growing economies and the best democracies in Africa. How has this small island state managed to punch above its weight? Interviews conducted in late 2008 with some 30 key informants in central and local government executives and assemblies, business, the civil service, media, human rights groups, women's groups, trade unions and education suggest a striking answer. It appears that it is more than marketing sun and sea for tourists. The positive growth is in large measure due to the fact that the government has learnt that, though good governance is expensive, complex and not without political risks, it has a significant effect in stimulating development. This is not just because it makes domestic institutions more effective, but because, when 'marketed', good governance attracts inward investment.

Background

It is often forgotten that in the wave of democratisation that swept Africa in the 1990s, Cape Verde, a socialist country from its independence from Portugal in 1975, was the first country to abandon one party rule and to hold multi-party elections – in January 1991. Today it is widely regarded as the best democratic state in sub-Saharan Africa, ahead of its nearest rivals, South Africa, Mauritius and São Tomé e Príncipe. According to Freedom House's aggregated scoring system, it was given a 1 for political rights and 2 for civil liberties between 1993 and 2003; and since then has been given 1,1 (see Table 1).

If people have heard of Cape Verde it is usually due to its rapidly growing tourist industry. Tourism has grown over the last few years between 18 and 25 per cent with

Professor Bruce Baker explains how one small nation's approach to government has lessons for the rest of Africa.

numbers especially high from Portugal and Italy and to a lesser degree from Germany and UK. Instead of the single international airport of 2004, there are now four. In 2008, 300,000 visitors were expected. The tourist sector currently accounts for about 95 per cent of foreign direct investment of 1,000 million euros. The government is well aware of the dangers of over-reliance on a single industry, especially one as volatile as tourism in a highly competitive market and in the context of a global recession. Within the sector itself it is seeking to diversify its countries of origin of investment; its location beyond the most popular islands; its tourist product from sun and sand to rural and cultural, and from cheaper to more luxury products. This may be good governance of the tourist industry, but even so, if the economy does not diversify beyond tourism it will remain a fragile economic growth. Tourism may have lifted Cape Verde from 'Least Developed Countries' (LDC) status to 'Middle-Income Country' (MIC) status, but there are very real fears that further and persistent growth is not sustainable or even desirable.

Managing the tourist industry with thoughtful strategic planning has been part of a wider government strategy that has placed value on good governance. I would like to draw attention to three areas where it seems to me good governance is proved not to be an expensive luxury that rich countries alone can afford, but a vital 'product' for developing countries.

Table 1: Leading democracies of Africa

Country	1999	2002	2005	2008
Cape Verde	1,2	1,2	1,1	1,1
South Africa	1,2	1,2	1,2	2,2
São Tomé	1,2	1,2	2,2	2,2
Mauritius	1,2	1,2	1,1	1,2

Source: Freedom House, Inc

E-government

The biggest change in the mechanics of government in the last few years has probably been the electronic government project, the Information Society Strategic Programme. Driven by a desire for efficiency and transparency, and to insert itself into the global economy, the current government is rolling out a programme that is seeing the integration of government databases and their availability to the public and international bodies. It is already possible for citizens to print off copies of important documents like birth certificates, to access the government budget, to examine electoral rolls, to register companies and vehicles, and to visit an increasing number of ministry websites for information and enquiries (all valuable facilities when citizens are scattered across nine islands and without quick access to the capital). Beyond that, through integrating the financial income and expenditure of all government ministries and an increasing number of government agencies, both individual ministers and international financial institutions can track at any time the current state of the finances by sector or as a whole, according to one single set of internationally required indicators. Within government there has not only been the widespread use of computers and internet services, but an intranet that records and allows appropriate access to all important government documents and publications. According to one assessment, in Africa Cape Verde is second only to Botswana in the quality of its e-government, and 46th in world.

As an exercise in enhancing government management, government integration, government transparency, government access and government-public communication, this has been transformative. As one deputy argued, a better-informed public will know its rights better, will ask more questions, 'and will want more', thus putting pressure on parties to deliver on their promises. The commitment in terms of supportive infrastructure (not only computers and databases, but the demanding system of

electronically gathering statistics and tracking) has been expensive, but the outcome in terms of democracy is that it has been appreciably strengthened. In terms of the economy, the programme is part of a strategy to reduce transaction costs, improve global connectivity and thus overcome the handicaps of the country's size and isolation.

The state transformation agenda

The debate about the nature and functions of the state began within Cape Verde during the democratic transition of 1990–91. Initially there was widespread agreement amongst the political elite that the way forward was structural adjustment: for the state to withdraw from the economy through privatisation and to adopt a lean administration. Yet with the failure of a process that handed the state monopoly of electricity and water to a private monopoly, it has become increasingly clear to the entire political establishment that the state must retain an important regulatory function. A debate in 2003–04 that drew in former Prime Ministers, Heads of State and other experts, established that the country must go beyond an 'aid recycling' economy. This was the origin of the state transformation agenda. The vision of state reform adopted by the current government now sees that, though there should be a smaller state, it should still be a social state. With hindsight they see that they went too far in shrinking the state. As Christina Fontes, the current minister of state reform, articulates it: 'we now want a state that creates wealth and not just one that is a good manager of aid'. Beyond that there is a concerted effort being made both to review state requirements and to ensure state integration.

Take the example of security. A defence review determined that the principal state threats were not traditional, but centred on organised crime, particularly drug trafficking from South America using Cape Verde as a transshipment point for Europe, and also money laundering. Not wanting the economy to be overcome by these elements in the way that Guinea Bissau has in recent years, the government has reformed the state defence force to meet these new security threats. It has created two main corps: the coastal guard and a national guard to



Figure 1. Cape Verde joins the World Trade Organization.

Top: Economy, Growth and Competitiveness Minister Jose Brito and the Cape Verde delegation attend the accession session of their country to the WTO, on 18 December 2007, in Geneva.

Bottom: A commemorative banner hanging from the WTO headquarters in Geneva, July 2008. Photos: Fabrice Coffrini/AFP/Getty Images.

support the police. It is also seeking to co-ordinate the response to the threats across the ministry of justice, ministry of defence and ministry of internal administration. Thus tougher laws on money laundering (2002 and 2008) have accompanied proposed reforms to the police and criminal justice system and the strengthening of the coast guard protection of the territorial waters (larger than the land area of France) in partnership with the EU. According to Christina Fontes, whereas until recently 25 per cent of cocaine from South America en route to Europe came through Cape Verde, it is now declining in attraction as a transshipment point for drug traffickers.

In the state transformation agenda the government demonstrates that it has learnt that there is value in marketing good governance. It is this that is the attraction to outside investors, IMF loans and US security ratings. As the head of the government agency Cape Verde Investments argues: 'for success in investment, governance is the most important resource'. And this is why there is a minister of state reform working in the Prime Minister's office with responsibility for the transformation agenda at the institutional level.

International openness

Whether it was seizing the opportunities to make a living on American whaling boats when drought prevailed on the islands in the nineteenth century, or whether it was the taking of aid from both East and West in the Cold War when it was a socialist country, Cape Verde has always maintained an open international policy. Since democratisation, it has not only continued to profit from a wide range of partners, but has been careful to keep good relations with all those alliances that might benefit the country. Survival has dictated a pragmatic 'no closed doors' policy. Membership with the sub-regional political and economic union of West African states (ECOWAS) was essential, given the trade and transshipment connections with its neighbours. But for the same reason it was eager to be part of the global benefits of the World Trade Organization, which it joined in 2007 (Figure 1). And though NATO (2006) has conducted exercises in its territorial waters and the US navy has used its deep water anchorage at the port of Mindelo, the

Chinese have equally been courted for their economic investment.

Cape Verde is very insistent that it is an African country with African slave blood in its ancestry, nevertheless it is more than African. Its early inter-marriages with and its later colonisation by the Portuguese inevitably left an European imprint on the islands as well. Today the Cape Verdean diaspora population is estimated at roughly 510,000 of which 150,000 or 30 per cent live in Europe. And 60 per cent of its exports are to Europe, especially to Portugal, Netherlands, Spain and Italy. The biggest source of imports to Cape Verde is Portugal (116.79 million euros in 2007). Cape Verde's exports to Portugal were worth 4.41 million euros in 2007. And together Cape Verde and Europe share two security problems: South American drugs and African illegal migrants, whether in transshipment or destination. It therefore was strategically shrewd for Cape Verde (and Europe) to seek a closer relationship with Europe beyond the narrow economic confines of the Cotonou Agreement between the African, Caribbean and Pacific (ACP) Group of States and the EU. The special partnership was concluded in November 2007. Regarding security it includes joint boat patrols of Cape Verde's extensive territorial waters and biometrics on passports. It also covers technical standards and other aid, investment and development issues. Once again Cape Verde has sold good governance (this time, of security) for assistance, with Cape Verde especially proud that it took the initiative and that the EU responded positively.

The future

Ironically, the lack of resources may have proved to have been to the advantage of Cape Verde, since the determination to make the very most of what it does have has made Cape Verde turn to good governance of these few resources so as to survive against the odds in a very competitive world. The government could have played the role of worthy beggar with nothing to feed themselves with; the victim of no resources, cruel slavery, negligent colonisation and isolated location. Instead they have chosen the path of offering what so few can offer in Africa – good public management and political stability.

The government of Cape Verde demonstrates that it has learnt that there is value in marketing good governance. It is this that has formed the basis of the special relationship with the EU. It is this that is the attraction to outside investors. It is this that won the approval of the IMF and with it access to new windows of credit. It is this that won from the World Bank a \$10 million poverty reduction credit in 2007 to support good governance, develop human capital, and improve access to social services, and \$3 million in additional financing to support the implementation of the Cape Verde Growth and Competitiveness Programme. It is this that has attracted \$110 million from the US Millennium Challenge Compact (MCC) for 2005–10. As the MCC said: 'The size and depth of the program is a recognition of Cape Verde's strong record of democratic governance, intolerance of corruption, commitment to supporting and promoting private sector activity, and effective use of limited resources to address the needs of its people in a sustainable way'. It is good governance that has given them their top US rating for air security that permits airfreight to Boston direct. It is this, if anything, that will deter organised crime. Good governance is Cape Verde's most valuable product. It is a secret worth telling the rest of Africa.

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