



**MILLENNIUM  
CHALLENGE  
CORPORATION**  
REDUCING POVERTY THROUGH GROWTH

 **Fact Sheet**  
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# Cape Verde and Millennium Challenge Corporation: Building a Dynamic Partnership for Poverty Reduction through Economic Growth

Millennium Challenge Corporation (MCC) and the Government of Cape Verde signed a five-year, approximately \$110 million Compact.

Cape Verde has embraced MCC principles. The size and depth of the Millennium Challenge Compact 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.

The Compact will support Cape Verde in achieving its overall national development goal of transforming its economy from aid-dependency to sustainable, private-sector led growth. MCC funds will be used to improve the country's investment climate and reform the financial sector; improve infrastructure to support increased economic activity and provide access to markets, employment, and social services; increase agricultural productivity and raise the income of the rural population; as well as carry out some key policy reforms needed for sustained economic growth. At the completion of the Compact, the program is expected to increase Cape Verde's annual income by at least \$10 million.

## Cape Verde's Development Priority -- Fighting Poverty

Cape Verde suffers from high levels of poverty and unemployment because of limited economic opportunities and scarce natural resources, particularly water. Roughly 25% of Cape Verde's economy is sustained by foreign aid and by remittances from emigrants. After being selected to apply for an MCA grant, Cape Verde's government consulted with local governments, the private sector, community-based associations and the general public to better understand the priorities needed to fight poverty. The program Cape Verde and MCC agreed to is designed to:

- Increase agricultural productivity on the islands of Santo Antão, Fogo, and São Nicolau by improving water management and soil conservation, strengthening agribusiness development services, and increasing access to credit and capacity of financial institutions;

- Integrate internal markets and reduce transportation costs by improving transportation networks through road and bridge infrastructure on the islands of Santiago and Santo Antão and upgrading the Port of Praia; and
- Develop the private sector by reducing obstacles to private sector investment, particularly in priority sectors, and reforming the financial sector.

## **The Watershed Management and Agriculture Support Project**

MCC will provide approximately \$10.8 million to fund activities to increase the capture, storage and distribution of rainfall water, which will allow poor farmers to irrigate their fields and increase agricultural productivity. It is expected that this will more than double farmers' household income. A more reliable water supply, combined with increases in irrigated land, will help Cape Verdean farmers shift from low-value, rain-fed agriculture to higher value-added crops that require more intensive cultivation. This project is designed to mobilize agricultural support activities such as applied research, pest-control, training and extension services, and credit. More than 70,000 people may benefit from the improved access to water, agribusiness development and marketing services, and access to credit.

## **Infrastructure Project**

Cape Verde consists of nine inhabited islands that are not linked by an efficient transportation system. This lack of transportation infrastructure hinders the development of a common national market, increases the costs of production, and impedes the movement of people and goods between islands. MCC will provide up to approximately \$78.7 million for road and small bridge investments to ensure improved transportation links to social services, employment opportunities, local markets, and ports and airports; and for improvements to the Port of Praia, which handles half of the island nation's cargo. The roads and bridges in the Infrastructure Project will impact over 60,000 people on the islands of Santiago and Santo Antão. The improvements in the Port of Praia to be funded by MCC, combined with the concurrent privatization of port services, are expected increase the efficiency of the port and to prevent a bottleneck to growth in commerce, in particular in the tourism industry.

## **Private Sector Development Project**

MCC will provide up to approximately \$7.2 million for this Project. The Government of Cape Verde, with the assistance of the International Finance Corporation (IFC), will focus on removing constraints to private sector investment. These may include policy reforms and/or projects such as vocational training and education, human resource development, infrastructure development, access to financial services, entrepreneurship development, and small and medium-sized business linkages. MCC funding will also be provided to enable the Government of Cape Verde to make reforms in the financial sector to help increase access to financial services and expand access to the primary market for government securities.

The Compact also includes approximately \$13.3 million for program management, oversight, monitoring and evaluation. Based on Cape Verde's record of good governance, certain government ministries will have key roles in implementing the Compact program. For additional transparency, at the request of Cape Verde, MCC will provide funding to make an open and transparent procurement system available to every level of government in the country through an electronic procurement system and reforms for a unified procurement law.

While the proposed total funding by MCC will make MCC one the largest donors in Cape Verde, this program will involve significant donor coordination, e.g., with the World Bank and IFC, particularly in the infrastructure and private sector development projects. It is further expected that civil society and other beneficiaries of this program will also have an integral role in the implementation of the program.

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*Millennium Challenge Corporation (MCC), a United States government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty*