

# CAPE VERDE

UNITARY COUNTRY

AFRICA

## BASIC SOCIO-ECONOMIC INDICATORS

Income group - LOWER MIDDLE INCOME Local currency - Cape Verde escudo (CVE)

### POPULATION AND GEOGRAPHY

AREA: **4 033** km<sup>2</sup>

POPULATION: **513 906** inhabitants (2014),  
an increase of 1.2% per year (2010-14)

DENSITY: **127** inhabitants/km<sup>2</sup>

URBAN POPULATION: **65.5%** of national population

CAPITAL CITY: **Praia** (28.2% of national population)

Sources: World Bank World Development Indicators, UN World Urbanisation Prospects, <http://publications.europa.eu>, ILO

### ECONOMIC DATA

GDP: **3.4** billion (current PPP international dollars)  
i.e. 6 531 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.8%** (2014 vs 2013)

UNEMPLOYMENT RATE: **10.7%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **132** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **34.1%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.646** (medium), **rank 122**

## TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>22</b> MUNICIPALITIES AVERAGE MUNICIPAL SIZE: <b>23 359 INHABITANTS</b>	-	-	<b>22</b>

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** Cape Verde is a unitary country, with a single level of sub-national governments composed of 22 municipalities. Decentralization has been established in the country since 1991, with the laws on local governments and municipal elections, and strengthened with the constitutional amendment of 1999. Municipalities are enshrined within the Constitution, as well as deconcentrated State entities (*concelhos*) sub-municipal entities (*freguesias*) which correspond to administrative subdivisions of municipal territories. The country is sub-divided in 32 freguesias. According to the Constitution of 1992 (art. 230 and 232), municipalities are separate legal entities with administrative and patrimonial autonomy. Municipal governors (*Presidentes da Câmara*) are elected through direct universal suffrage, and municipal Councils are elected through direct universal suffrage with proportional voting.

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** According to the Estatuto dos Municípios (Law 134/IV, 1995), municipal responsibilities include functions that are closer to the population: municipal planning, sanitation, healthcare, housing, education, road transportation, culture, sports, tourism, municipal police, rural development, etc. Yet, they lack the necessary legislative framework to exercise the responsibilities that are devolved upon them, such as an updated law on local finances, law on city and territorial planning, and framework for decentralization progress. Besides, because of the geographical situation of the country, it is particularly difficult to mobilize and to supervise municipal staff.

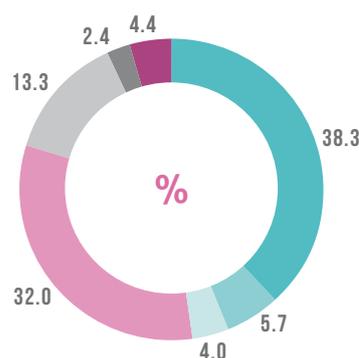
## SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2011)	<b>4.2%</b>	<b>18.2%</b>	<b>100%</b>
CURRENT EXPENDITURE	2.7%	-	64.1%
STAFF EXPENDITURE	1.4%	13.4%	33.7%
INVESTMENT	1.5%	40.7%	36.0%

Municipalities in Cape Verde were responsible for expenditures up to 4.2% of the national GDP. They are mostly dedicated to current expenditures, with a high share dedicated to wages and other staff expenditures, leaving few resources for local investment (barely 1.5% of the national GDP).

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE



Municipalities' main area of spending include, by order of magnitude: general public services (38.3%), housing and community amenities (32%) and recreation, culture and religion (13.3%). They are also in charge, to a small extent, of expenditures in public order, economic affairs and social protection and education (16.5% in total of subnational expenditures). The sector of services still needs to be developed, and the government plans to devolve more responsibilities to local governments on public transportation and social protection.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2011)	3.6%	14.0%	100.0%
TAX REVENUE	0.7%	3.6%	20.1%
GRANTS AND SUBSIDIES	2.2%	-	60.2%
OTHER REVENUES	0.7%	-	19.7%

The share of subnational revenues is relatively low in Cape Verde, reaching 3.6% of national GDP. Tax revenues represented 20.1% of total subnational revenues in 2011, which was almost equal to other types of revenues such as service fees and revenues from property, which made 19.7% of total subnational revenues. On the other hand, grants and subsidies through dedicated funds represented the highest share of revenues, up to 60.2%.

**TAX REVENUE.** Most municipal tax revenues (91% in 2013) include the wealth tax (Imposto Único sobre o Património-IUP). Other taxes include a tax on motor vehicle circulation (7% of tax receipts in 2013), and income tax (0.4% of tax receipts in 2013).

**GRANTS AND SUBSIDIES.** A major source of transfer revenues for municipalities in Cape Verde is the Fund for Financing Municipalities (Fundo de Financiamento dos Municípios, FFM), which represent over 90% of transfers from the central government. Transfers from the FFM represent in most cases more than 50% of municipalities' revenues. The FFM is subdivided into two funds, the Common Municipal Fund (Fundo Municipal Comum, FMC, representing 75% of the total fund) and the Solidarity Municipal Fund (Fundo de Solidariedade Municipal, FSM, representing the remaining 25%). Transfers from the FMC are formula-based: 20% of the funds are allocated equally among municipalities, 50% are based on the population, 15% on the percentage of children, and 15% on the surface area of the municipality. The FSM is an equalisation fund; transfers are also formula-based. Other sources of transfers for municipalities include for instance public donations from the central government or international public bodies.

**OTHER REVENUES.** Other municipal revenues include profits from municipal companies, service fees, products from the sale of assets, revenues from property, etc.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2011)	-	-

According to the Law of Local Finance (Lei das Finanças Locais, nº 79/VI/2005), short-term debt cannot be used to cover treasury gaps; moreover short-term debt should not exceed 10% of revenues from the previous year. Long-term debt should not exceed 15% of current revenues (including transfers from the FFM), and should not exceed 15% of the value of investments carried out during the previous year. Yet, many municipalities are facing high levels of debt.

A joint study of:



**Source of Statistics:** • Ministério do Ambiente, Habitação e Ordenamento do Território (2013): "Diagnóstico do Processo de descentralização em Cabo Verde nos últimos 20 anos" • IMF Government Finance Statistics • CIA World Factbook Cape Verde • J. Floresvindo Barbosa (2010): "Elaboração Da Conta De Gerência Dos Municípios" • D. Tavares Furtado (2013): "Descentralização e Autonomia Financeira do Município de São Miguel"; • P. J. Lopes Ferreira (2012): "O impacto dos impostos no orçamento das Câmaras Municipais: O caso do Município do Tarrafal de Santiago" • Republica de Cabo Verde (2015): "Conta Geral do Estado 2013" • P. Fagundes Visentini (2011): "Cabo Verde", Thesaurus Editora