Board Meeting of December 23, 1997
Statement by Pieter Stek

Cape Verde
Country Assistance Strategy

We welcome the opportunity to discuss CAS for Cape Verde and would like to support its main objectives (i) achievement of a viable and stable macroeconomic framework (ii) private sector development and (iii) poverty reduction and social sector development.

Over the past year Cape Verde has shown a strong commitment to build on lessons learned and to co-operate closely with the Bank. The prospects for the future are excellent owing to the sound policies foreseen in the National Development Plan 1997-2000.

This chair is very pleased with the progress made in the portfolio performance. The disbursement ratio increased from 20.3 percent in FY96 to 26.1 percent in FY97 which is still above of the average African disbursement ratio. However, we concur with staff's intention to continue addressing the issue of capacity building through non-lending activities.

We are also pleased with the fact that the CAS was extensively discussed both with the government and with donor community which is strongly present in the country.

Public finance management has appeared to be one of the few areas in which strong improvement is necessary. The CAS properly addresses this issue and we concur with staff's recommendations to the government to eliminate the budget deficit and the current stock of domestic borrowings as it is putting pressure on budgetary allocations for social sector and crowding out private investment.

This chair is of the view that the forthcoming operation for restructuring the large domestic debt of Cape Verde deserves support. The Netherlands' authorities are reconsidering the possibility for financial support of this operation. However, it appears that close monitoring will be needed and disbursement should depend on progress made in fiscal performance and the reduction of domestic borrowing.
As a viable and stable macroeconomic framework is necessary for the next CAS period we welcome the intention of the government to start the negotiation with the IMF on Stand-by arrangement.

Finally, we would like to support the Economic Reforms Support Operation and its main objectives to promote private sector development, privatization and public management.