



UNITED  
NATIONS  
CABO VERDE



# THE SUSTAINABLE DEVELOPMENT

# BULLETIN

*The Sustainable Development Bulletin published at the end of each month, provides empirical and objective analysis on macroeconomic trends and other relevant sustainable development issues in Cabo Verde.*

*The bulletin is prepared by the UN in Cabo Verde, based on national and international data, as well as the work of the UN on the ground.*

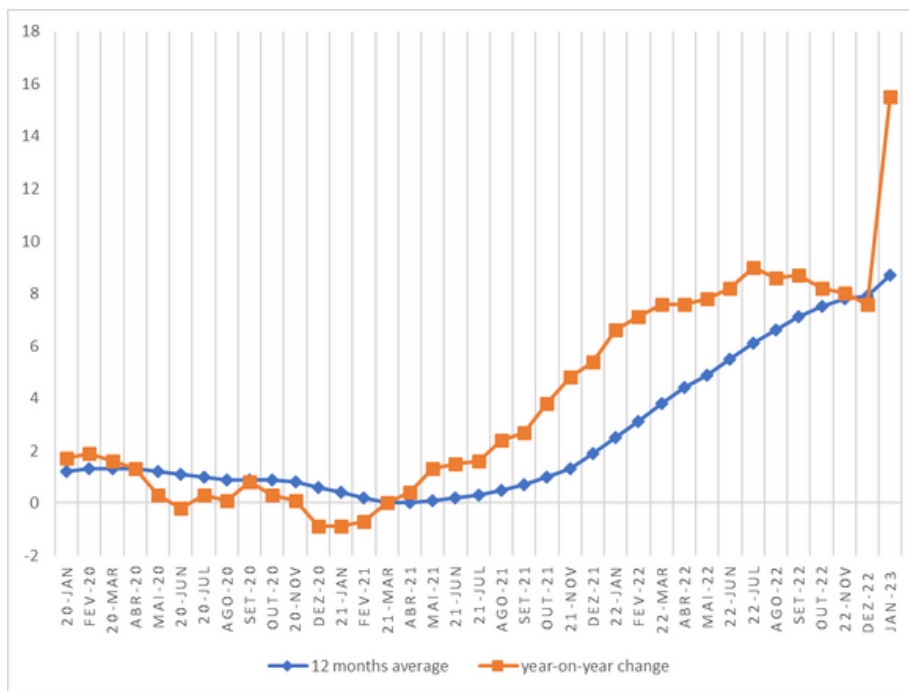




# 1

## MACROECONOMIC SITUATION

**Figure 1:**  
Consumer Price Index – January 2020 to January 2023 (percentage)



Source: INE – Índice de Precos ao Consumidor - Janeiro 2022 (published February 2023)

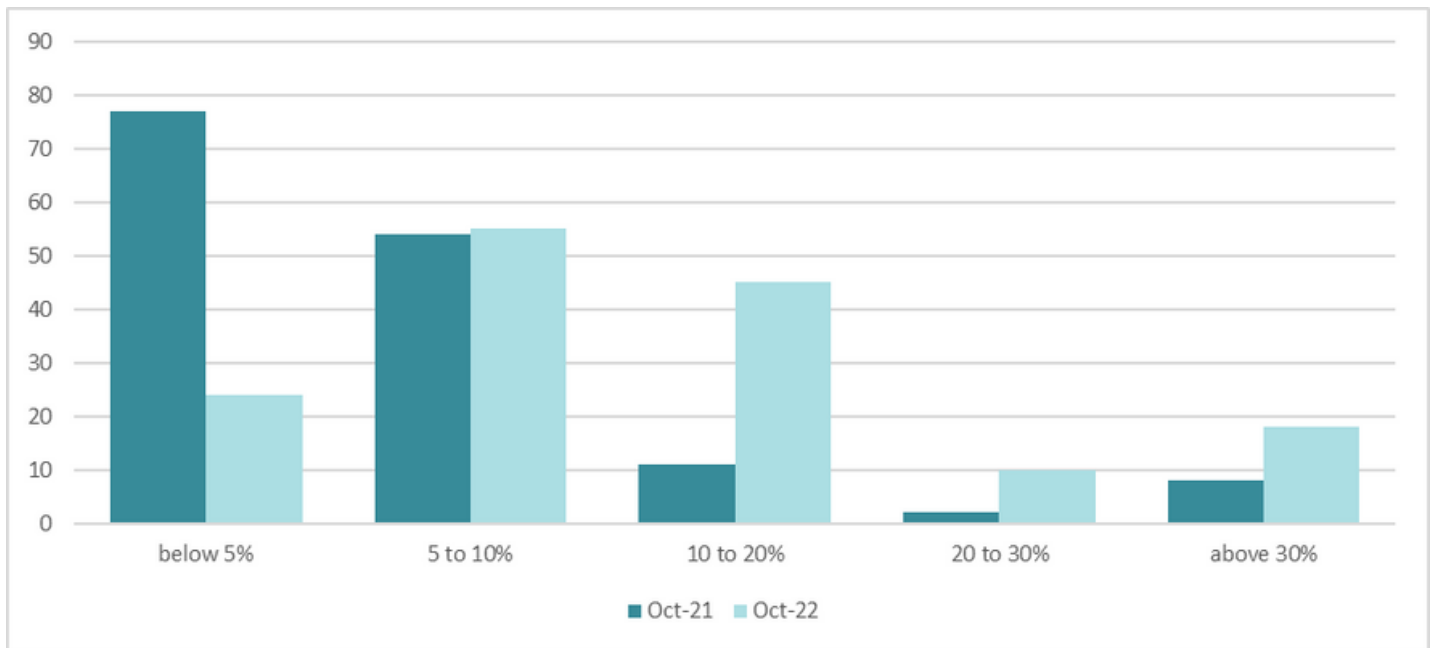
**The inflation rate in Cabo Verde jumped to 15.5% in January 2023 (year-on-year), after registering 7.9% on average in 2022 (figure 1). The main contributor to inflation has been the category of food products and non-alcoholic beverages, whose prices increased by 15.7% on average in 2022 and by 33.9% in January 2023 (year-on-year).**

The recent pick-up in inflation in Cabo Verde is the result of several factors combined.

Global commodity prices, especially food and energy, have been ramping up due to global supply shocks, aggravated since the beginning of the war in Ukraine.

The appreciation of the US dollar against many currencies, including the Euro (to which the Cabo Verde Escudo is pegged) also contributed to the appreciation of imported commodities in many countries.

**Figure 2: Distribution of annual inflation rate in 146 countries (October 2021 and October 2022)**



Source: United Nations – DESA – [Monthly Briefing of the World Economic Situation and Prospects – No. 168/January 2023](#)

Thus, **world inflation has picked up, averaging about 9 per cent in 2022, the highest in two decades** ([UN-DESA, World Economic Situation and Prospects 2023](#)). Also, the number of countries with inflation above 10% increased from 11 to 45 in 2022, out of 146 countries, (figure 2).

Cabo Verde was not immune to this global upward trend on prices. Even though the Cabo Verde escudo (CVE) is pegged to the Euro, commodity prices commercialized in US dollars still contributed to imported inflation, especially considering that the country imports about 80% of its food products. In addition, droughts affected agricultural production in Cabo Verde with a lagging effect on agricultural production in 2022 (see [SD Bulletin January 2023](#)).

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In 2022, inflation was still contained as the government had introduced several subsidy programs in order to control the price of essential products. As these programs started to be rolled back in January 2023, inflation spiked suddenly (figure 1).

**The inflation rate in Cabo Verde is projected to abate in 2023.** The projection from the central bank (Banco de Cabo Verde -Relatório de Política Monetária – Outubro 2022) is a 4.2% inflation rate in 2023. On the one hand, this is in line with recent downward trends observed in many parts of the world, amid slower aggregate demand and lower energy prices. On the other hand, risks to this scenario remain elevated, given uncertainties on the impact of the war in Ukraine on the energy market, fertilizers and grains, the impact monetary tightening in many developed economies, and the possible roll back of price subsidies in Cabo Verde.

**In order to control inflation,** especially considering the recent spike in inflation, **the monetary policy in Cabo Verde is expected to be more restrictive in 2023.** The central bank will prioritize maintaining price stability and the fixed peg to the Euro. Interest rates remained unchanged in 2022, but this may change in 2023 as the BCV is expected to reduce the interest-rate differential with the European Central Bank.

Domestic liquidity conditions may become less favorable for the private sector and families given possible higher interest rates and the phasing out of the credit moratorium introduced in July 2021, as a support measure during the Covid-19 economic crisis.

**Higher inflation in 2022 has eroded real incomes**, lowering purchasing power for families, **especially poorer families** who spend most of their income on essential goods. This has an obvious potential negative effect on poverty and food insecurity, but only once new estimations become available the impact of inflation can be fully assessed.

**The government has sought to protect vulnerable families with a mix of direct and indirect transfers**, rather than adjusting salaries. The government expanded social protection, which supported families' incomes, while it introduced subsidies on energy and food prices. Together, these fiscal measures corresponded to 12.2% of the annual public budget.

Considering that the economic and social conditions are still relatively fragile in Cabo Verde in the aftermath of the Covid-19 crisis, while tighter monetary policy is expected to control inflation, **fiscal support measures to support lower income families will continue to be important in 2023**. In this regard, Cabo Verde has the intention to expand social protection measure as part of the new National Strategy to Eradicated Extreme Poverty (see section II) and an increase of the minimum salary from US\$126 to US\$135.7.

However, pressures for fiscal consolidation may require domestic reforms (see recommendations from "Estudo sobre Espaço Fiscal para a Protecção Social em Cabo Verde" in the [SD Bulletin of January](#), but also external support.



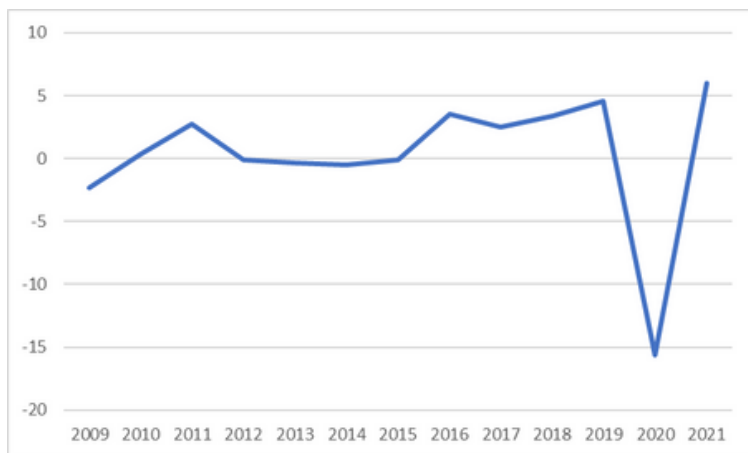
# SUSTAINABLE DEVELOPMENT

# 2



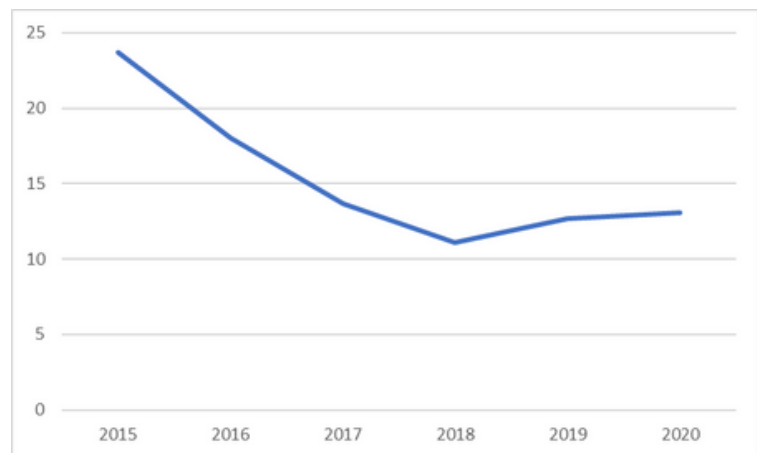
## ERADICATING EXTREME POVERTY IN CABO VERDE – SUSTAINABLE DEVELOPMENT GOAL 1

**Figure 3:**  
GDP per capita growth (annual %) in Cabo Verde - 2015



Source: [World Bank](https://data.worldbank.org)

**Figure 4:**  
Incidence of extreme poverty in Cabo Verde (international poverty line (1,9 USD per day) (2015-2020) (percentage)



Source: INE (2022) – Estimations based on 2020 data and the “Inquérito Despesas e Receitas das Famílias” from 2015

On January 30th the government of Cabo Verde has launched the National Strategy to Eradicate Extreme Poverty (Estratégia Nacional para a Erradicação da Pobreza Extrema em Cabo Verde – ENEPE – 2022-2026). This strategy is centered on the expansion of social protection to the most vulnerable, as a response to the goal of eradicating extreme poverty by 2026 set by the government (PEDS II).

Extreme poverty in Cabo Verde decreased rapidly in the years leading up to the Covid-19 crisis, from 23.7% in 2015 to 12.7% in 2019. This fast downward trend was the result of the combination of several factors: several years of rapid GDP per capita growth (figure 3), lower unemployment, and the expansion of social protection (covering 50% of the population with at least one social protection measure in

2019), which included the creation of the “Cadastro Social Único” (CSU) and the introduction of the Social Inclusion Remuneration (RSI).

This downward trend of the poverty rate was interrupted with the Covid-19 pandemic. The economy contracted by 14.8% in 2020, while unemployment increased by more than 25%. During that time, the government increased social spending and implemented new measures, such as the Emergency Social Inclusion Remuneration (“RSI de Emergência”). Nevertheless, extreme poverty jumped to 13.1% in 2020 and national poverty increased from 25% to 31.2%.

In 2023, INE will launch a new national survey “Inquérito Despesas e Receitas das Famílias” which will be determinant to update poverty data, taking into account higher inflation from recent years, as well as new factors that may have affected poverty conditions in Cabo Verde.

A similar trend has been observed in many parts of the world and for the first time in more than two decades extreme poverty increased globally (World Bank 2022.) In West Africa alone, the Covid-19 has pushed 8.2 million people into poverty (Africa SDGs). This setback has implications for long-term trends in poverty reduction and the achievement of SDG 1 globally, requiring a new wave of fiscal measures supporting vulnerable groups.

In Cabo Verde, the ENEPE was conceived with that purpose and uses the CSU database, which is a multidimensional analysis of vulnerability, rather than an income deprivation analysis. The most vulnerable group correspond to 127 989 people, which is about 25,7% of the overall population. Assuming direct relationship between income deprivation and other deprivations, the 13.1% extreme (monetary) poor should correspond to half of the most vulnerable group (Group 1 of CSU).

## THE MOST VULNERABLE IN CABO VERDE



127,989 people registered in Cadastro Social Único (CSU) are the most vulnerable

127,989  
people

55,4%

live in rural areas

2,369

households and

12,517

individuals



25,1%

live in Praia (capital) and in Santa Catarina

6,014

households and

32,208

individuals

### Living conditions



88,8%

live in overcrowded houses

52,6%

lack access to water and sanitation

### Families

85%

are headed by women



48,2%

are single parent



### Children



37%

of the most vulnerable are children aged 0-15 years

65%

Have less than 4 years old



The CSU reveals that 55.4% of the extreme poor in Cabo Verde are living in rural areas, 85% are female headed households, and 37% are children between 0 and 15 years. Thus, among the 24 536 most vulnerable households, **the "Estratatégia Nacional para a Redução da Pobreza Extrema" (ENEPE) will target households with children, expanding social programmes already in place.** These include direct income transfers, such as the RSI and productive inclusion (IP).

There are different budget scenarios, depending on the number of households that would need to

on the number of households that would need to be covered by social protection measures, which will be also determined by other economic and social factors. However, considering Cabo Verde's limited fiscal space, as a result of high public debt accumulated during the pandemic years, **the additional budget needed to expand social protection (the RSI and IP) to cover enough households and eradicate extreme poverty will require alternative sources of financing** (see [SD Bulletin January 2023](#)) and external support.



# THE WORK OF THE UN IN CABO VERDE

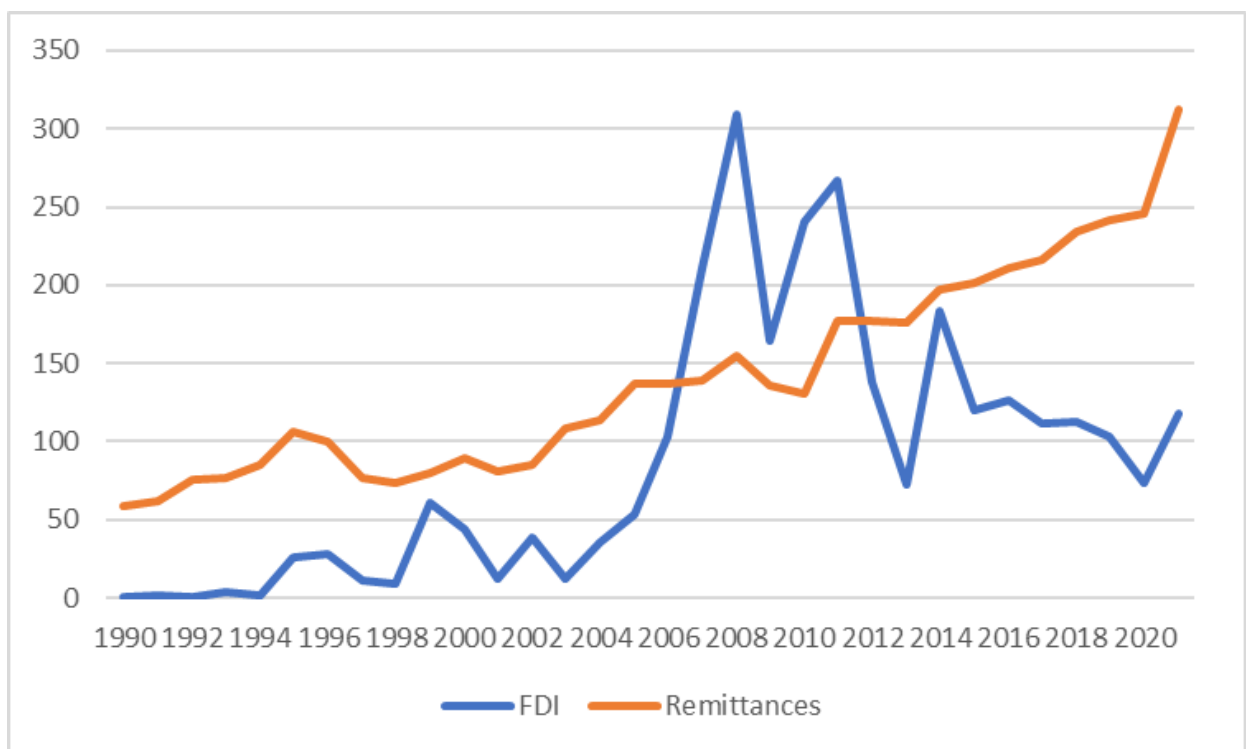


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## THE WORK OF IOM IN CABO VERDE WITH THE DIASPORA.

Figure 6: FDI and Remittances in Cabo Verde (millions of US dollars at current prices) - 1990-2021



Source: UNCTAD - <https://unctadstat.unctad.org/>





Quelita Gonçalves  
Head of Office at International Organization for Migration

*Remittances are an important source of external capital in Cabo Verde, more than FDI, and have been on the rise for several years, especially since the beginning of the Covid-19 pandemic (figure 6), representing around 14% of GDP in 2020. Recent estimations also point to a new record in 2022. As such, we wanted to hear from Quelita Gonçalves – Head of Office – from IOM in Cabo Verde on their work with the diaspora and their potential contribution to national development.*

### **Why is the Government of Cabo Verde requesting IOM support to work with the diaspora?**

First, Cabo Verde has an estimated two thirds of its population living abroad and according to IOM's [World Migration Report \(2022\)](#) (page 65), Cabo Verde was among the top five African countries whose inflow of remittances represented a significant amount of their GDP (14%) in 2020. As such, Cabo Verde can benefit from an effective engagement of the human and economic capital of the Diaspora, which would contribute to national development strategies, including the National Sustainable Development Plan (PEDS 2023-2027).

Second, In April 2022, the first Global Diaspora Summit took place in Dublin, Ireland, with the support of IOM. Participating governments set out a future global agenda for action to support and strengthen the positive roles that diaspora communities play for development and humanitarianism, reflected in a non-binding document entitled the Dublin Declaration. Cabo Verde is among the thirty countries that have expressed their support for this agenda.

Therefore, the Government of Cabo Verde recognizes IOM as a key partner for its expertise and experience working on diaspora engagement globally, as well as its recognition of the need for more collaborative ecosystems where diasporas can access the necessary information, resources, networks and partnerships to fully contribute to sustainable development.

### **Which programs is IOM currently implementing with the diaspora in Cabo Verde?**

Since its initial activities in 2001, IOM has been working in Cabo Verde through various programs to maximize the potential of migration for development, notably in support of Diaspora engagement. One key intervention for instance was the 'Diaspora for the Development of Cabo Verde' - Dias De Cabo Verde, a project through which the Instituto das Comunidades and IOM worked together to mobilize the human, social and professional resources of Cabo Verdeans living abroad.

More recently, IOM, together with other members of the UN family (namely FAO, UNDP and UNIDO) received financing through the Joint SDG Fund focusing on Building Resilience and Ending Vulnerability in Small Island Developing States (SIDS). Under this program entitled 'Connecting blue economy actors: Generating employment, supporting livelihoods and mobilizing resources', IOM will continue

livelihoods and mobilizing resources', IOM will continue supporting the mobilization of the Cabo Verdean Diaspora, which included successful business owners and highly skilled professionals with goodwill, availability, financial capacity and technical know-how.

Complementary to this program, the Diaspora Investment Programme, which aims to encourage diaspora entrepreneurs to develop and implement their business in Cabo Verde, will give hands to the joint programme in order to foster entrepreneurship, support innovation, develop priority sectors of the economy and ultimately alleviating poverty.

Lastly, the recently launched project to support the Cabo Verde's Local and National Government Towards Sustainable and Inclusive Diaspora Engagement, aims to review the Government strategy to better engage with its diaspora and level-up the potential of their valuable contribution.

### **What are the objectives of IOM's work in Cabo Verde with the diaspora?**

IOM recognizes that in Cabo Verde, the capital of the Diaspora assets represent human, social, intellectual, political, cultural, and financial resources that are available for the country sustainable development. Therefore, it is important for IOM to continue supporting diaspora communities, so they have the potential to contribute to Cabo Verde in different forms through bonds, tourism, trade, investment, skills and networks.

In order to maximize the diaspora's contribution to the Cabo Verdean economy, IOM's overall objective is aligned with the key lessons that emerged from the Global Diaspora Summit in Dublin:


- 1) enabling environments where diasporas are fully recognised as development actors. Diaspora engagement can benefit from further institutionalisation and coordination with key stakeholders from the local to the global levels.
- 2) recognising the varied and diverse skillsets of diaspora members and tailor programmes to maximise their potential for development in their specific areas of expertise and interest.
- 3) partnerships are fundamental for sustainable and impactful initiatives. We need to enhance inter-agency and inter-governmental cooperation as well as whole-of-government approaches to mainstream diaspora engagement into different sectoral policies.




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Coordination: Daniel Kertesz, Resident Coordinator a.i  
Content, Analysis and Interview: Sergio Pires Vieira, Economist, RCO  
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