



**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

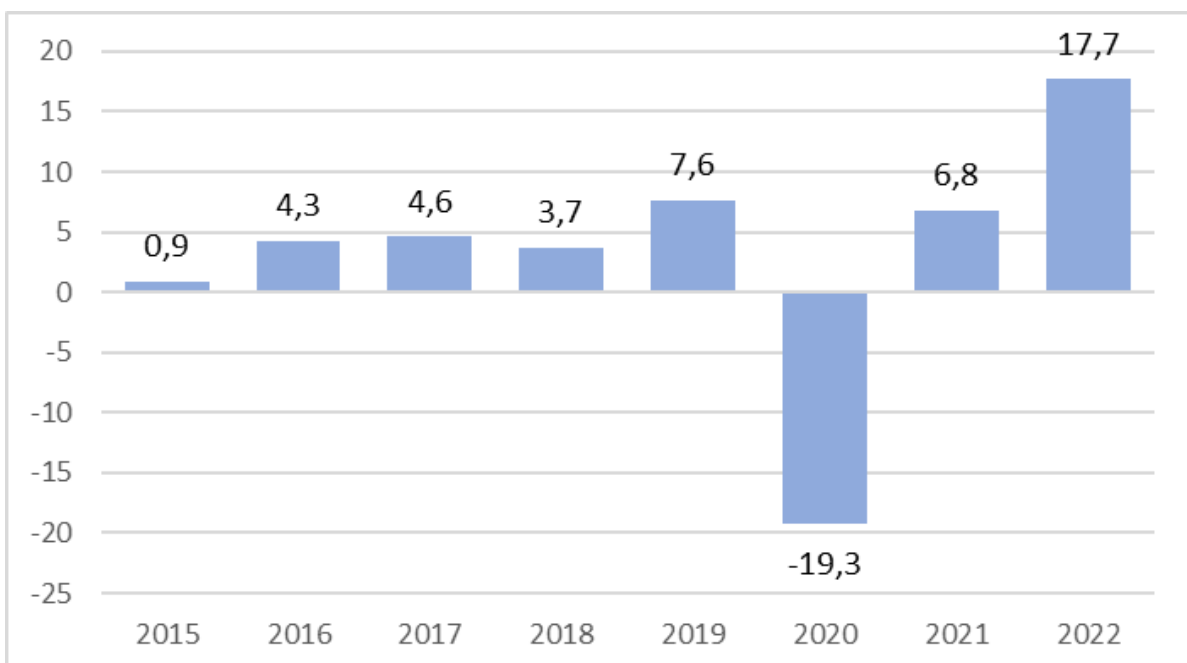
## MACROECONOMIC SITUATION

### A • GDP grew by 17.7% in 2022 - the fastest growth on record

In 2022, GDP grew by 17.7% in real terms, the highest recorded over the revised series, after a 6.8% growth in 2021, preceded by a historic contraction in 2020 (-19.3%), as a result of the negative impacts of COVID 19 on the global and the Cabo Verdean economies (Figure 1).

The total GDP has now overtaken the pre-pandemic level, reaching 214 748 million CVE (GDP level was 211 654 million CVE in 2019) (figure 2). This is a remarkable economic recovery, especially considering the relative adverse global environment in 2022 and the slow down of all major economies.

**Figure 1: GDP growth in real terms – annual variation (percentage) – 2015-2022**



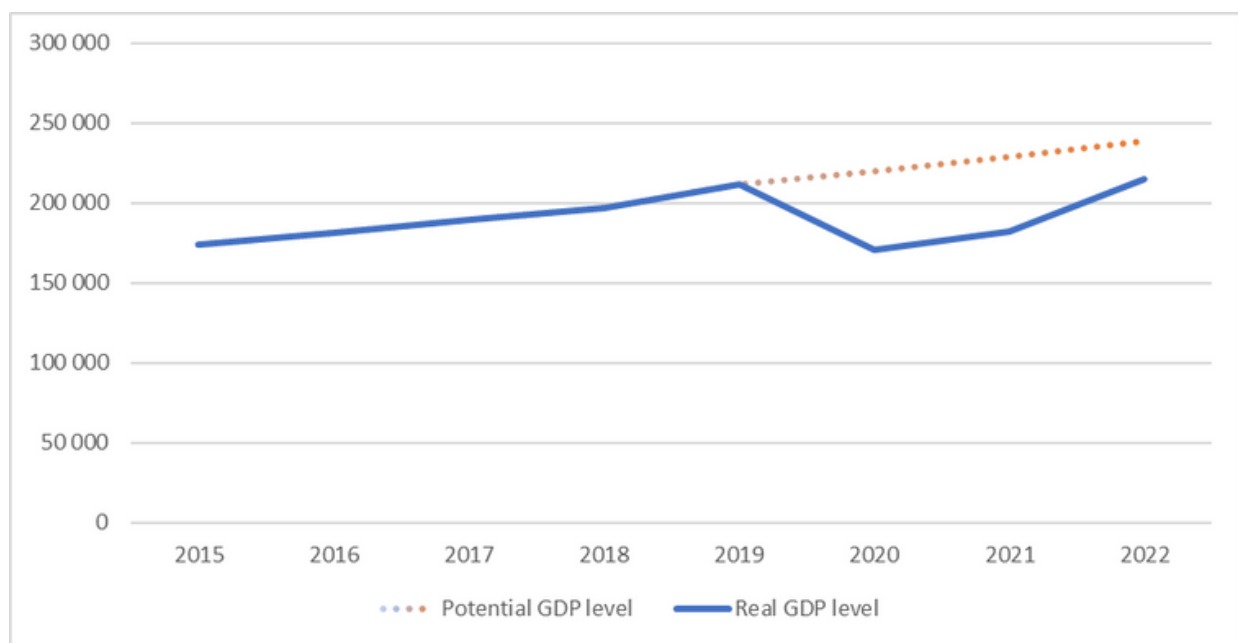
Source: INE – Contas Nacionais Trimestriais - 4º Trimestre 2022 (published March 31st 2023)

However, there is still an economic gap between the current GDP level and the potential GDP level (figure 2). The potential GDP for the years 2020-2022 assumes here the same growth pace than the annual average achieved between 2015-2019. This way, it is possible to observe that the economic loss as a result of the Covid-19 pandemic remains persistent.

At the sectoral level, the economic performance has been quite diverse. The main engine of the recovery in 2022 was the tourism sector, reflected in the category “Alojamento e restauração”, which increased by 264.4% (see following section for more details).

However, the agricultural sector (Agricultura, pecuaria e siveicultura) and the fish sector (Pesca e aquaculture) have contracted by 8.3% and 30.2%, respectively. This is mainly explained by the lagging effects of several years of droughts and less fish available on the shores of Cabo Verde. The contraction of these two sectors is concerning for Cabo Verde, as the country faces recurrent food insecurity, while imported food prices have increased considerably with the war in Ukraine (see [Bulletin February 2023](#)).

Figure 2: Real GDP level and potential GDP level (millions of CVE)



Source: INE - Contas Nacionais and author's calculations

## B • The tourism sector is back to pre-pandemic levels

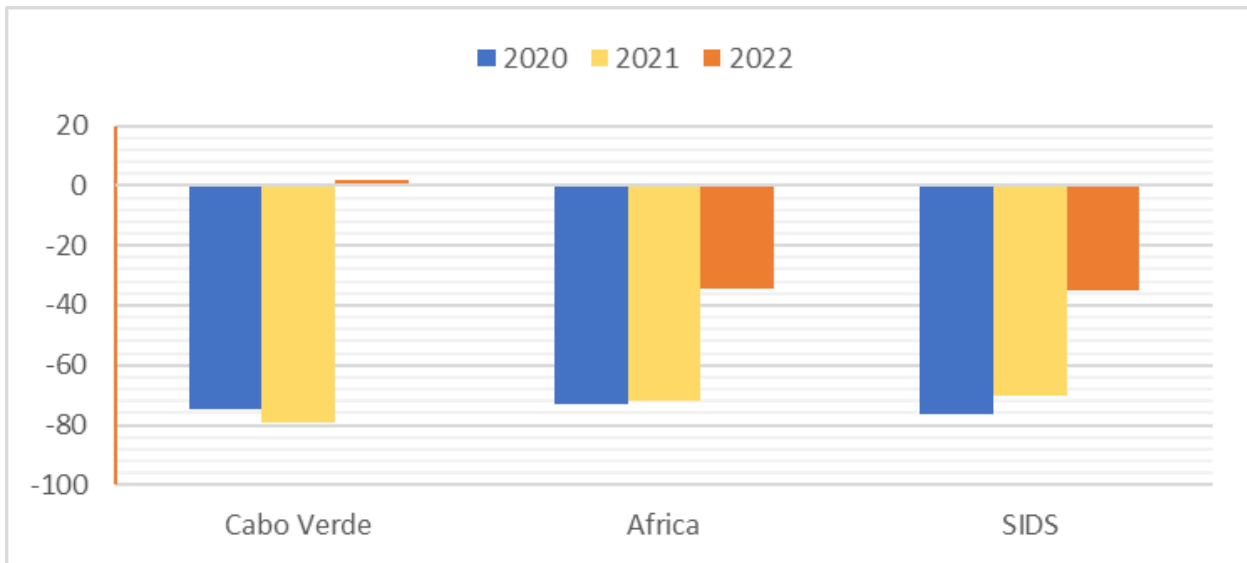
As in many other SIDS, the tourism sector plays a central role in the economy of Cabo Verde, contributing significantly to the GDP, generating FDI and employment. The latest available date published in March 2023 provides a complete picture for the year of 2022.

The number of tourists increased by 394.4% in 2022, when compared with the previous year, registering a total of 835 000 tourist arrivals (almost twice the population of Cabo Verde).

This represents a full return to the pre-pandemic level of tourist arrivals.

This has not been the case in many other parts of the world. For instance, tourist arrivals in Africa and SIDS dropped by 73% and 76% in 2020 respectively when comparing with 2019, similarly to Cabo Verde. However, in 2022, Cabo Verde has registered 2% more tourist arrivals than in 2019, while Africa and SIDS have registered 34% less tourist arrivals than in 2019 (figure 3).

**Figure 3: Tourist arrivals in Cabo Verde, Africa, and SIDS (2020-2022) vis a vis 2019 (percentage)**



Source: INE – Estatísticas do Turismo 2022 and author's calculations

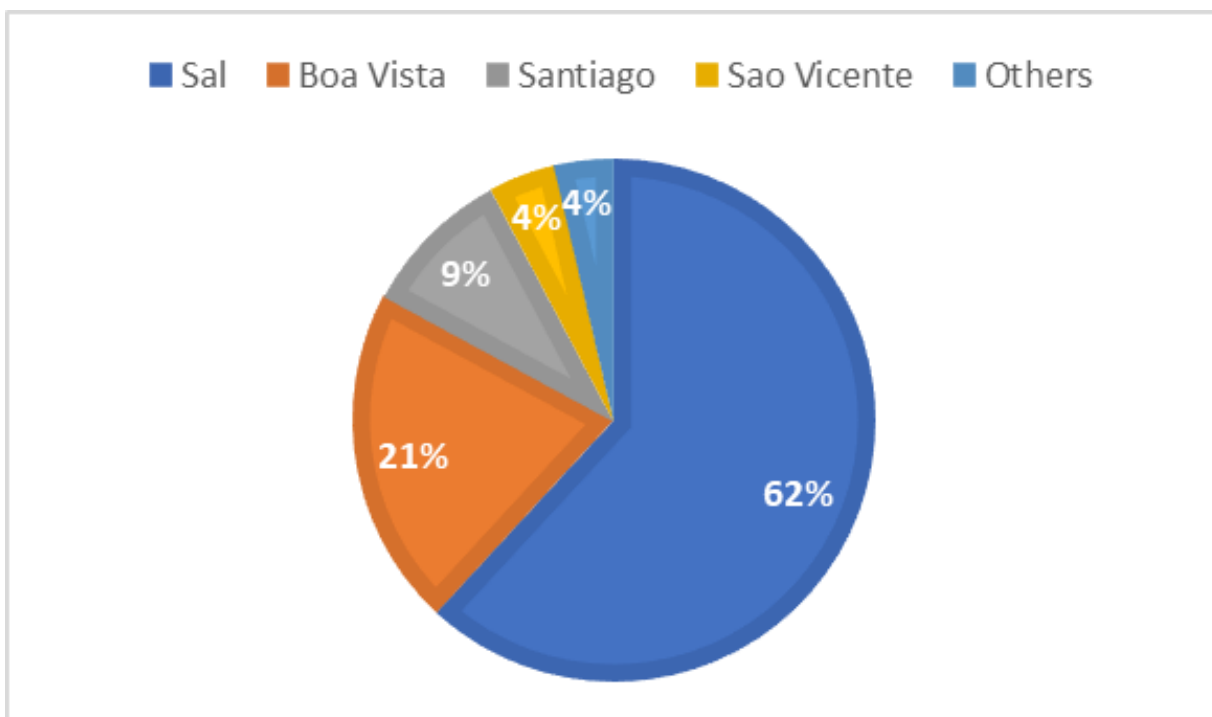
The destinations within the archipelago remain highly concentrated, as the Island Sal received 61.8% of all the tourists, Boa Vista 21%, and Santiago 9.3% (figure 4). The concentration of the visits is even more accentuated when taking into consideration the length of tourists' stays, as Sal, Boa Vista, and Santiago count for 96.1% of all overnight stays spent in Cabo Verde.

The main outbound tourist market has been the United Kingdom, with 30.9% of total entries in 2022, followed by Germany with 11.5%,

2022, followed by Germany with 11.5%, the Netherlands (and Belgium) with 10.5%, Portugal with 10.5%, and France with 5.6%.

As such there is strong potential to diversify the tourism destinations within Cabo Verde, as well as the outbound tourist markets, increase the size of this sector for the national economy, and its contribution to a more balanced regional development.

**Figure 4: Destination of tourists per island (percentage)**



Source: INE – Estatísticas do Turismo 2022

# SUSTAINABLE DEVELOPMENT

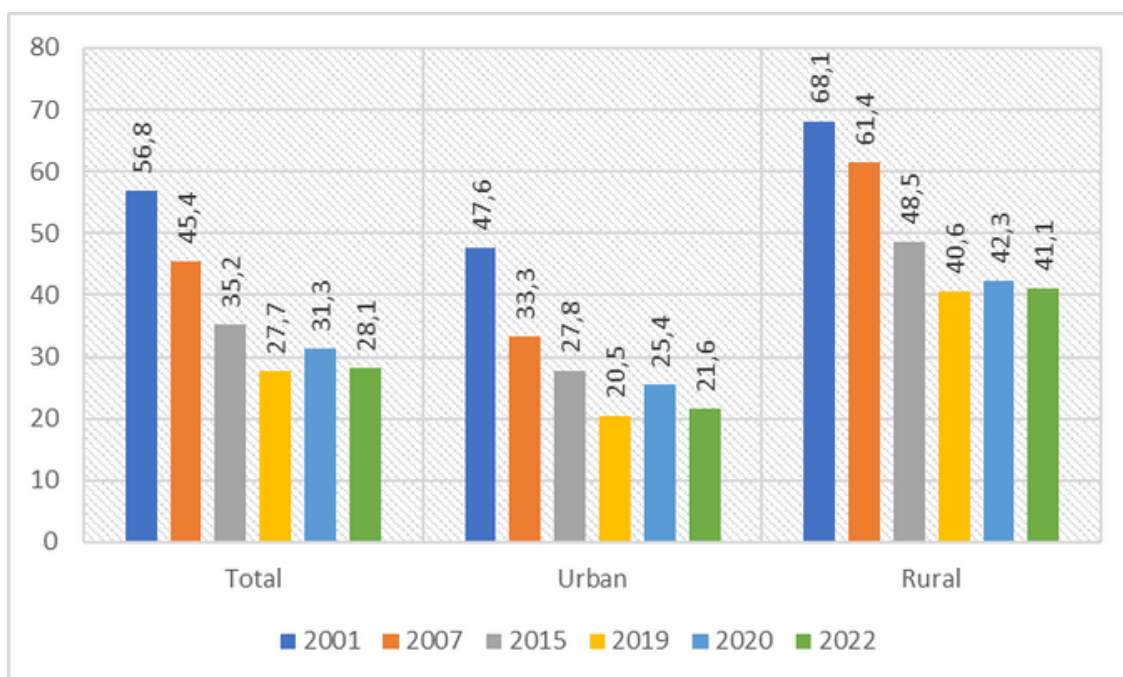


## A • New poverty estimations point to a lower incidence in 2022, but inequalities increased

Revised estimations of national poverty were published by INE in April 2023, covering all years since the last household income and expenditure survey from 2015 (Inquérito as Despesas e Receitas Familiares).

These estimations point to a reduction of the incidence of poverty from 31.3% in 2020 to 28.1% in 2022 (figure 5). This represents a reduction of 3.2 percentage points, almost as much as the 3.6 percentage points added during the pandemic (2019).

Figure 5: Incidence of poverty in Cabo Verde – 2001-2022 (percentage)



Source: INE – Estimativas da pobreza 2016-2022

Estimations confirm the fast reduction pace between 2001 and 2019. During this time poverty incidence declined by more than 50%, from 56.8% in 2001 to 27.7% in 2019, demonstrating the great performance of the country in poverty reduction, considered one of the champions among Sub-Saharan African countries.

This period was characterized by a pro-poor growth, leading not only to faster poverty reduction, but also to a reduction in inequalities. The annual consumption per capita grew faster for the 40% poorer (by 3.9%) than for the 60% richer (by 3.4%), between 2015 and 2019.

The downward trend was interrupted with the Covid-19 pandemic, as the country suffered the most severe economic contraction, and poverty increased by 3.6 percentage points in one single year, in 2020, reaching 31.3%. **As soon as GDP growth rebounded in 2021 and especially in 2022, in combination with additional social protection measures, poverty declined to 28.1%, but remains still slightly above the pre-pandemic level** (figure 5).

**The economic rebound after the pandemic was more unequal and less pro-poor than previously**, as the annual consumption per capita increased faster for the richest income groups than the lower income ones. Further analysis will need to be developed to understand the exact factors that have contributed to an unequal economic rebound,

but one factor may have been inflation which affected more adversely lower income groups.

The fact that **poverty incidence in rural areas is almost as twice as in urban areas** is a known phenomenon, however it is worth noting that the pandemic hit harder urban areas, mainly as a result of its impact on the tourism sector and on the activities in the informal sector.

The most significant change in the social composition of the poor, as a result of the pandemic, was the increase in the proportion of women versus men. In 2019, women represented 57% of the poor and men 43%, but after the pandemic, **in 2022 women represent 66% of the poor. Not only women were more strongly affected by the pandemic**, as they tend to work in higher percentages in the service sector, **but the economic rebound in 2021/2022 also perpetuated the gender consumption gap.**

Overall, households in Cabo Verde, and women in particular, remain highly vulnerable to economic shocks, especially when they affect disproportionately the tourism sector and informal activities. **The recent economic rebound and the expansion of social protection, as designed in the National Strategy to Eradicate Extreme Poverty (ENEPE) will help reducing poverty, while efforts to contain inflation will be as important.**

## **B** • Most market labour indicators returned to pre-pandemic levels

The latest labour market data was published in March 2023, indicating an overall improvement in the labour market conditions with indicators close to pre-pandemic levels (table 1).

In the spirit of highlighting the progress made towards the achievement of the SDGs, this section fo

focuses on the available labour market indicators that are used to assess the SDG 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

**Table 1: Labour market indicators – a comparison with pre-pandemic levels (2019-2022)**

	2019	2022
<b>Total population</b>	549699	491223
<b>Working age population</b>	405007	352494
<b>Labour force participation</b>	57.40%	57.40%
<b>Employment rate</b>	50.90%	50.50%
<b>Underemployment rate</b>	12.70%	12.60%
<b>Unemployment rate (SGD 8 /Target 8.5.2)</b>	11.30%	12.10%
<b>NEET (15-24 age group) (SDG 8/Target 8.6.1)</b>	28%	27.80%
<b>Proportion of informal employment (SDG 8/Target 8.3.1)</b>	53.70%	53.80%

Source: INE – Estatísticas do Mercado de Trabalho 2022

SDG 8 - target 8.3.1 Proportion of informal employment in total employment, by sector and sex

The number of **workers in the informal sector** is 95,708 employees and **represent a proportion of 53.8%**. By sex, it appears that 57.9% of men and 42.1% of women work in informal jobs. Even though this proportion is still high, it is comparable and even slightly lower than many other African economies.

SDG 8 - target 8.5.2 Unemployment rate by sex, age and persons with disabilities

Considering an overall labour force participation of 202 435 people, the **unemployment declined in 2022 to 12.1% from 14.5% in 2020**, along with the expansion of the tourism sector by 264% (see section 1. Macroeconomic situation). This rate is still slightly higher than the pre-pandemic unemployment rate (table 1).

SDG 8 - target 8.6.1 - Proportion of youth (aged 15-24 years) not in education, employment or training (NEET).

Youth unemployment (15-24 age group) remains relatively high with a rate of 27.3% in 2022, as well

as the **youth NEET (Not in Employment, Education or Training) with a rate of 27.8%**.

Nevertheless, the proportion of youth NEET is slightly lower than in 2019 (table 1). The percentage of women NEET in this age group is slightly higher, with a rate of 28.9%.

In addition to the indicators used for the SDG 8, it is worth noting that the **labour force participation** - the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work - **is much lower for women (50.4%) than men (65.5%)**.

In terms of economic sectors, the primary sector absorbs only 10.1% of the total employment, the secondary sector 23%, while the tertiary sector absorbs 66.9%. The private sector is the main employer in Cabo Verde, absorbing 42.8% of the total employed population, while the self-employed account for 23.6%, and the public administration absorbs 18.9%.



# THE WORK OF THE UN IN CABO VERDE

# 3



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## **The Economic Specialization Profile of the Islands of Cabo Verde ("Perfil de Especialização Económica das Ilhas").**

The report Economic Specialization Profile of the Islands of Cabo Verde, launched by UN-Habitat, responds to the recognition that territorial inequality in Cabo Verde is one of the main challenges for the development of the country and the fact that the Government is committed to not leaving behind any territory, be it an island, municipality or community.

As such, the Government intends to combat the inter- and intra-regional economic and social asymmetries, contributing to the convergence and equity in access to development opportunities by all individuals, regardless of their island of origin and residence. In order to achieve this goal, the Government (through the Ministries of Finance (MF), more specifically the National Planning Directorate (DNP), and the Ministry of Territorial Cohesion (MCT)) envisaged the elaboration of the Economic Specialization Profile of the Islands.

The United Nations Program for Human Settlements (UN-Habitat) in Cabo Verde, based on its expertise in this area, was responsible for the preparation of this report. We spoke with Jeiza Barbosa the UN-Habitat National Technical Analyst in Cabo Verde to understand better how the report supports the design and implementation of the new PEDS II, and guides the development of future Regional Development Plans and spatial distribution of investments.



### **1. How can the “Perfil de Especialização Económica das Ilhas” support the implementation of PEDS II?**

The PEEI supports national and local decision-making on the regionalization and decentralization processes, which will contribute to a more equitable territorial development in Cape Verde. In this sense, the report considers not only the economic perspective regarding the priority sectors for each of the islands and regions, but also the territory's own vocation to promote these sectors. The results combine technical elements (for example, topographical conditions), on the one hand, and, on the other hand, a strategic component from the participation of a series of actors at the local and national levels.

### **2. Can we identify “economic regions” within the archipelago?**

The spatial analysis identified three development areas or “clusters” of islands (based on current territorial conditions and dynamics): two centred on the island of Santiago, which serves as a link between the eastern region (Maio-Sal-Boa Vista) and the southern region (Fogo-Brava), while the northern region (São Vicente-Santo Antão, São Nicolau and Santa Luzia) much further from the capital is centred in the municipality of São Vicente.

The economic specialization shows that the Northern Region is the cultural and mountain tourism hub, and production of fish products, the Eastern Region is the cultural and beach tourism hub, and livestock production and animal processing. The Southern Region is the agro-tourism hub, agricultural and horticultural production, and agro-processing. The island of Santiago is the main commercial and industrial centre for the entire country.

### **3. In the case of the most isolated islands (for example Santo Antão, São Nicolau, and Brava) what are the main recommendations to develop their economic potential?**

Santo Antão and São Nicolau are part of the Northern Region. It is recommended to improve transport services and infrastructure, both the maritime connection with the neighboring islands of São Vicente and Sal, and the road networks in each island and investments to strengthen fish processing activities on the island of São Nicolau.

Brava is part of the Southern Region. It is recommended to improve the frequency of maritime connections with the island of Fogo, expand the electricity grid through renewable energy sources and improve agricultural practices to diversify crop and vegetable varieties.



#### Credits:

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