

# SOCIOECONOMIC IMPACT ASSESSMENT

COVID-19 PCNA+  
FASE 1

COVID-19 PCNA+ FASE 1

SOCIOECONOMIC IMPACT ASSESSMENT



# **SOCIOECONOMIC IMPACT ASSESSMENT**

---

COVID-19 PCNA+  
FASE 1

# STATUS OF THE ECONOMY IN 2020

04	ABREVIATIONS
07	INTRODUCTION
11	METODOLOGY
15	KEY FINDINGS
20	CONTEXT ANALYSIS
24	COVID-19 EFFECTS AND IMPACTS

<b>Pillar 1: Economic</b>	<b>24</b>
Markets and Growth	24
Micro, Small and Medium Enterprises	27
Trade (External), FDI, and cross-border supply chains	29
Finance	32
Employment and Job Creation	35
Informal Sector	37

<b>Pillar 2: Social</b>	<b>39</b>
Health	39
Education	42
Child Protection	45
Poverty and Inequality	48
Social Protection	51
Gender	54
Food and nutrition security	56
<b>Pillar 3: Environment</b>	<b>59</b>
Water and climate change	59
Energy	61
Waste management	63
Urbanization Land Use and informal settlements	65
<b>Pillar 4: Governance</b>	<b>68</b>
Public Institutions and Administration	68
Security	69
Justice and Human rights	72

<b>78</b>	<b>PRELIMINARY CONCLUSIONS AND RECOMEMENDATIONS</b>
Relief Phase: Health, Social Protection and Economic response	78
Restructuration and Resilient Recovery	80
The longer-term perspective: Ambition 2030	85

\*Cover photo by FAO Cabo Verde

## ABBREVIATIONS

**AfDB** African Development Bank

**ANAS** National Agency for Water and Sanitation

**ARAP** Public Adquisition Regulation Agency

**BBB** BuildBackBetter

**BCV** Cabo Verde Central Bank

**WB** World Bank

**CRNA** COVID-19 Recovery Needs Assessment

**CSU** Unique Social Registry

**ICCA** Cabo Verdean Institute for Children and Adolescent

**FDI** Foreign Direct Investment

**IDSR** Demographic and Sexual Health Survey

**INE** National Statistic Institute

**INFF** Integrated National Financing Framework

**INPS** National Institute for Social Protection

**MIC** Middle-Income Countries

**MF** Ministry of Finance

**MSME** Micro, Small and Medium Enterprises

**NPL** Non-Performing Loan

**PEDS** Strategic Sustainable Development Plan (Plano Estratégico de Desenvolvimento Sustentável)

**PEE** Strategic Education Sector Plan

**SIDS** Small Islands Development States

**NOSI** Information System Operational Nucleus

**SDG** Sustainable Development Goals

**ILO** International Labour Organization

**WHO** World Health Organization

**OR** Rectificatory Budget (Orçamento Retificativo)

**GDP** Gross Domestic Product

**PCNA** Post Crisis Needs Assesemnt

**LDC** Least Developped Countries

**PNSE** National Energy Sustainability Program

**UNDP** United Nations Development Program

**POOC** Coastal Areas Territorial Plan

**PPP** Parity Purchasing Power

**PPP\*** Public-Private Partnerships

**REMPE** Specific Regime for Small Enterprises

**RSI** Inclusion Social Revenue

**RSO** Solidarity Revenue

**SEIA** Socioeconomic Impact Assessment

**JIS** Justice Information System

**SOE** State Owned Enterprises

**EU** European Union

**UNDAF** United Nations Development Assistance Framework

**IPU** Informal Production Units

**GBV** Gender Based Violence

# Introduction

The COVID-19 pandemic has unleashed a series of shocks worldwide, but its effects and impacts have not spread evenly neither geographically nor socially or among vulnerable population groups or regions.

Small Island developing states (SIDS) like Cabo Verde are especially vulnerable to external shocks. Due to its deficient resource base – inhibiting large-scale agriculture, manufacturing, and industry – the country depends heavily on service activities, especially external trade and tourism, and import of goods.

In this context, the negative effects of a pandemic like COVID-19 that radically interrupts international links can be ruinous. This situation in Cabo Verde is further exacerbated by climate change and the propensity for natural disasters, especially drought and volcanic eruptions, which further compromise the already precarious agricultural productivity, which in turn affects food security.

Public authorities reacted decisively in the early stages of the COVID-19 outbreak to contain and mitigate the public health impact of the pandemic. The government initially imposed two-week quarantines on individuals returning from abroad as well as those suspected of having contracted COVID-19. After first case was reported on 21 March and first fatality recorded on 24 March, stricter containment measures were adopted, including the closure of international air and sea borders. A State of Emergency was declared to reinforce the containment measures in force with restrictions on inter-island transportation. Mitigation measures included the closure of all non-essential services and activities, cancellation of major events and gatherings, and closure of public and private schools, affecting educational opportunities for children in a country with limited digital connectivity. Despite these efforts, the number of COVID-19 cases is increasing in Cabo Verde, reaching 1783 cases and 19 deaths on 15 July 2020. The authorities are closely monitoring the situation to contain contagion trajectories.

Effects are multisectoral, expanding from a health emergency to economic, social and environmental impacts. This document explores those effects based on information available at this time. Most of the effects of COVID-19 are largely beyond Cabo Verde's control due to high vulnerability to external events. The country's degree of economic interdependence results in greater exposure to the effects of mobility restrictions in comparison to more self-contained, economically autonomous countries.

The economic effects of the crisis in Cabo Verde have mainly manifested themselves in the contraction of tourist flows, air transport revenues, and economic flows, including risks associated with reduced remittances, and import-related revenues. Another risk is linked to the acceleration of the decrease in foreign direct investment as the principal development and trade partners are also suffering the recession caused globally by the pandemic.

As the COVID-19 crisis continues to unfold, a multitude of variables at national, regional, and global levels remain unknown or subject to change. Predicting the precise repercussions of COVID-19 across sectors and population groups is uncertain as to date the conclusion of the pandemic or its global impacts are uncertain. However, it is reasonable to suggest that many of the underlying assumptions on the country's performance pre-pandemic will have to be revisited. By the same token, the pre-COVID-19 key strategic documents, such as the Strategic Plan for Sustainable Development (PEDS), the UNDAF 2018-21, and the SDG Roadmap and accelerators will require recalibration and redefinition due to the changing of global realities.

The government has undertaken an extensive national consultation process that served as the foundation for the development of Ambition 2030, the ten-year strategy for sustainable development in Cabo Verde. This master plan will include a vision for the immediate stabilization and promotion of the economy as a recovery strategy leading into the medium and long-term strategy. A new set of challenges are to be considered based on the impacts the pandemic has both in terms of economic performance and human development.

The pandemic is exposing the damaging impact of inequalities, structural and geographical challenges in the county. Concerns about job losses, livelihoods sustainability and social protection are key to addressing the impacts of the crisis. This poses a need to revise existing social protection policies, opening the possibility not only to mitigate the impact of the epidemic on all members of society, women, children, the aged and vulnerable groups, such as people in places of detention and other institutions, people with disabilities, and migrants. The COVID-19 crisis is exerting an enormous and disproportionate negative impact on individuals and groups experiencing persistent marginalization and multiple and intersecting forms of discrimination (based on factors such as income, location, race, ethnicity, religion, sexual orientation and gender identity, stigmatized or criminalized livelihoods, and the general denial of human rights). These groups include persons with disabilities, older persons, persons living in informal settlements, women, migrants and persons in detention.

Despite the evolving nature of the situation, the Cabo Verde government, the UN system and its partners, have begun preparing and anticipating the recovery and stabilization phases. To 'build forward' and adapt to a "new normal", in order to enhance Cabo Verde's capacities to withstand the current and future global systemic shocks.

This requires a combination of revised strategic priorities as well as corresponding sources of sustainable financing will be necessary. In order to inform the planning process, this preliminary impact assessment has been carried out, as a first phase of a Post-Crisis Needs Assessment (PCNA+), which will be followed by a more detailed set of assessments.

As the pandemic is ongoing to date, a full comprehensive impact assessment, needs diagnostic,

impossible to conduct in an exhaustive manner in a first moment, is necessary to continue a process that will deliver strategic recommendations, while enhanced support is provided to the most affected sectors (social and economic) and most vulnerable population segments.

This rapid socioeconomic impact assessment is the conclusion of the first phase of the PCNA+ process. It is intended to provide a better understanding of the country context in the pre-COVID-19 phase and also offer some preliminary data and findings on the impact of COVID-19 based on available data and resources, while remaining cognizant of the continuously evolving situation at country, regional, and global levels. Findings are grouped along four pillars: Economic, Social, Environmental and Governance.

# Methodology

---

The PCNA+ builds on the established post-disaster needs assessment (PDNAs) framework and methodology, as adapted to a health crisis such as the COVID-19 pandemic. On the basis of the 2008, EU, World Bank and UN System joint declaration committing to collaborate and develop a common approach to post-crisis needs assessments and recovery planning, special guidelines have been agreed for the COVID-19 Pandemic context. Experience suggests that joint assessments, when effectively designed, are an efficient approach to providing a unified response to post-crisis situations. Together with the PDNA Recovery Framework (PDNA/RF), the approach seeks to harmonize assessment, analysis, and prioritization of needs among a range of stakeholders (United Nations agencies and programmes, the World Bank, donors, non-governmental organizations) in support of the national government.

The shared methodology underlying these assessments was intended to consolidate data and information into a single report, assess damages and losses, as well as evaluate the human impacts and the resulting emerging early and long-term recovery needs and priorities. The entire PCNA+ approach is embedded within the government's core Ambition 2030 strategic planning process and offers a comprehensive framework for all assessments informing the COVID-19 response conducted by the UN system.

This first version was realized based on the data and analysis existing at this stage and preliminary information based on the information available. An update of this first version is ongoing, based on new data analysis and emerging from new research and studies and providing refined political solutions for recovery and sustainable development.

This assessment exercise seeks to be as **comprehensive** and holistic in its assessment approach by eventually covering all sectors and crosscutting themes across four pillars: economic, social, environment and governance. Furthermore, this comprehensive approach will be applied to all of Cabo Verde's territories (particularly with regards to the specificities of individual islands) and their cross-border links at regional and global levels, whether via the diaspora, trade/commerce, financial flows, tourism, etc.

## Box 1

### Brief description of the COVID-19 CRNA (Recovery Needs Assessment Guide) Process

The methodology aims to be both rapid and light, and achievable within a 3-4-week period. It is built around the following 5 steps:

#### Step 1

**Establish a baseline.** Examine the general pre-pandemic financial, economic, social, cultural, and governance context to serve as a baseline to compare with post-pandemic conditions. This information includes data for all sectors and information on key development indicators of the country such as poverty levels, human development indicators, food insecurity status, gender inequality, spatial and horizontal inequalities, social exclusion, child rights violations and vulnerable groups, as well as preparedness capacities for this and other types of emergencies.

#### Step 2

**Assessment of effects including estimating losses.** Assess how all sectors and vulnerable groups are affected by the pandemic. This includes a qualitative and quantitative assessment of the effects on all sectors of the economy but also effects on various vulnerable groups, their livelihoods and income, focusing on access to services (food, health care, education, water and sanitation, social assistance packages, etc.), grants and support by government and other stakeholders. The assessment of effects should include an estimation of the economic losses (loss of revenue, income, increased production costs) for the productive and infrastructure sectors such as agriculture, tourism, industry, transport etc. and identifying the increased expenditures due to COVID-19 for the social sectors (health, education), as well as income loss to households due to the lockdown. Where required, to simplify the methodology, a quantitative loss estimation may only be done for the productive sectors of the economy while the narrative for other sectors would describe the loss incurred by the sector. Cross-sectoral issues such as changes in employment and livelihood, social protection and human rights, gender, governance and environment will also be analysed. Government measures put in place in response to COVID-19, such as safety nets interventions, business and stimulus package, and its distributions amongst region and groups will also be included.

#### Step 3

**Assessment of Impact.** Use the findings to assess the impact of the pandemic on the economy and aggregated social impact on households. The macroeconomic impact should include an analysis of the impact of the confinement measures on macro-economy (country's revenues, expenditures, fiscal resources, balance of payments, imports and exports, GDP growth, and overall implications for external borrowing and balance of payments support) and the social impact in five areas 1) income 2) living conditions, 3) food and nutrition security, 4) social inclusion and 5) gender equality. It also looks at coping mechanisms of vulnerable groups. Where relevant, it should also examine the root causes and drivers of conflict as informed by a conflict analysis. Sources of fragility and potentials for peacebuilding/social cohesion should also be identified along with its implications for recovery planning.

#### Step 4

**Estimate the recovery needs.** These are drawn from the effects and impacts described in steps 2 and 3. The interventions directly respond to the COVID-19 outbreak, are identified in terms of short, medium and long term needs and per sector. Recovery needs target the most vulnerable groups in improving their access to all services (education, health, social protection, etc.).

#### Step 5

**Recovery Strategy.** The final step of the assessment is to develop a brief strategy with policy recommendations for the short, medium and long term with some guidance on implementation arrangements and accountability frameworks

The **methodology** used for the PCNA+ is an adaptation with variations to account for the scope and scale of the crisis. This adaptation reflects the need to account for both endogenous (local and country level) and exogenous (regional and global) factors. The assessment adopts a process-tracing approach, meaning that it is dynamic and cognizant of change over time, thus not only focusing on the situation in the moment of the diagnostic as a static snapshot but rather stressing the tendencies and scenarios of the incipient recovery based on a thorough understanding of the situation preceding the crisis.

This permits a **phased and dynamic** approach that will eventually yield short, medium, and long-term findings and insights to guide necessary urgent actions by Government, while maintaining the perspective of a comprehensive, all-embracing analysis that will form the basis for comprehending the post-COVID-19 “new normal”. The latter is to be understood as an emergent socioeconomic reality wherein all actors are forced to reckon with the fallout of a pandemic that has precipitated unprecedented response measures and has severely destabilized the global economic system. The equilibrium between this comprehensive approach and the constraints that the process will face in terms of time, limitations in trips and fieldwork, etc., will be ensured by a first prioritization determined during the preparation phase, together with national Government. The phases will be interdependent and designed as a sequence toward a final assessment integrating the different dimensions of a new path toward the SDGs.

Along these lines, this preliminary **Socioeconomic Impact Assessment** (SEIA) represents the culmination of the first phase of the PCNA+ process. Under Government leadership following a broad-based consultation process on the initial outline and research design, the data collection process was led by various sector teams composed of government, UN and World Bank specialists in their respective areas of expertise. The sector teams led the data collection process for each identified issue area across the four sectors. In order to assess the impact of COVID19 across the various sectors, the teams sought to establish a pre-COVID19 baseline, gather data and statistics concerning the various forms of impact, offer a preliminary assessment of the needs to minimize impacts, and identify policy responses/strategies in place to mitigate the effects of COVID-19 and how the recovery process could be strengthened (strategies defined before and during COVID-19 were considered).

Given the challenges in collecting, processing and analysing the relevant data in all sectors, in a short period of time, the challenges inherent in a constantly evolving situation and the limited capacity of the National Statistics Institute (INE) in monitoring the indicators in several areas, this assessment phase takes a pragmatic approach, focusing on the information already available. Whenever possible, the PCNA + is based on indicators and statistics used by INE before the crisis, while complementing them with data sources at regional and global levels. Consistent with the phased and dynamic approach, new research and analysis will be conducted by the teams in the respective sectors and by the corresponding experts, as new information and data sources become available. The SEIA report offers baselines, preliminary conclusions and initial recommendations; however, further analysis is needed to inform a set of recommendations and policy responses, particularly on medium and long-term measures to be adopted in the next generation of strategic structures to meet Cabo Verde Ambition 2030.



# Key Findings

# 3



The economic effects of the crisis in Cabo Verde will mostly manifest themselves through reductions in tourism flows, contraction in foreign direct investment, and diminished remittances, as well as an important impact on public finance. FDI will be reduced due to the delay or cancelation of planned private investment projects. Remittances, which account for 9 percent of GDP, will also decrease due the economic downturn that is affecting most of the diaspora countries. The containment and mitigation measures further compound domestic supply disruptions, leading simultaneously to contracted demand and, in turn, impacting public finance with the reduction of revenues and increase in social investment.

Furthermore, the fall in income from trade in commodities, remittances, and tourism has had significant negative impacts on economic growth, employment, household income and food security. The pandemic has halted fiscal consolidation, public debt decline, and poverty reduction in the short term. Current projections seem to indicate that the recovery will be in the form of a 'U-shape' crisis, indicating a slower, drawn-out process, as opposed to a 'V-shape' post-crisis recovery featuring a rapid return to pre-crisis levels.

The socioeconomic impacts are felt especially by women and girls who generally earn less, save less and maintain precarious jobs or live close to poverty. In addition, they also suffer from a drop in health services not linked to COVID-19, such as maternal and child health or sexual and reproductive health. The quarantine period also meant for many of them an increase in unpaid domestic work and, at times, an increase in gender-based violence.

The crisis will produce a substantial increase in poverty, deepen existing vulnerabilities and reinforce inequalities. Poverty is expected to rise from 30.3% to 31.3%, considering the national poverty line of 5.5 US\$PPP/day. Informal business owners and workers will suffer from drastic losses in terms of income, jobs, and other opportunities.

Non-monetary poverty could rise too, due to limited access to non-COVID-19 health services (-90% in the country's main hospital), education (classes interrupted from March 23), and to shrinking fiscal space (revised budget for 2020 increased by 2,7%) inhibiting public investment in many sectors.

## Economic

According to projections from the Ministry of Finance, GDP is expected to **contract by 8.5% and 11% in 2020**, followed by a slow recovery in 2021 (+4.5%), due to demand and supply shocks in **tourism** (25% of GDP, 60% decrease projected in both demand and revenues in 2020) and a drop in **foreign direct investments** (-5% drop at regional level) and **remittances** (9% of GDP, -23.1% projected at regional level), as well as for other internal conditions, which arise from the lockdown and measures of social distance, reducing the demand for goods and services.

This will lead to a **loss of about 19,800 jobs** (52.6% of which are women) within the labour market, wherein unemployment will reach 19.2%. The informal sector (52.5% of jobs) was also dramatically affected by border closures, lock-down, social distance and new patterns of production, marketing, and consumption, in addition to being less resilient to shocks.

Women are especially affected, tending to have lower income, less savings, jobs concentrated in services and informal sectors, and to be most domestic workers, care givers and unpaid care providers. Youth, with more fragile or informal jobs and more need for higher education and vocational training, will be much affected too by despondent short and longer-term socioeconomic prospects, in the absence of a structural agenda for the economy.

Although the financial system is stable, with banks showing an adequate level of capitalization, liquidity of the banking sector is not immediately at risk. Non-Performing Loans (11.2% in 2019) may increase, especially in 2021 with the culmination of the credit moratoria. Monetary authorities must monitor the situation.

## Social

In July 2020, there is **2,354 COVID-19 confirmed cases**, especially affecting women (51%) and 20-40 year-olds (55,7%),

**Demand for health services dropped** (90% reduction in demand of patients with chronic and severe pathologies in the capital's main hospital).

Access to non-COVID-19 health services linked to **child and maternal health** and **sexual and reproductive health**, as well as **malaria and HIV**, has therefore decreased dramatically, mostly due to a shock on the **demand side**.

The measures of the confinement and social distancing could be an important negative impact on **mental health**, especially youth and elderly people.

The **access to care and treatment** services for Substance Abuse Disorders has been significantly limited and for those in the therapeutic communities the recovery process has become more difficult because they limit access to group therapies.

The service reports reveal that social isolation and limited access to therapies has represented a **risk factor for increased alcohol and other drugs use**, as well as relapse for SUD people in recovery process.

Classes in presence were suspended from March 23 and about 17,108 children aged 4-5 years and 110,829 **primary and secondary school students** had to follow classes over radio, television and the internet, leading to increased inequalities in terms of access to education, especially in areas with coverage, like in some parts of Santo Antao, Santiago and Fogo.

The indirect effects of measures to combat the pandemic are reflected in the social and economic realities of families, with short, medium and long-term impacts on children, and with profound effects on their right to well-being, health, development, education, and protection.

## Environment

The health crisis phase also provoked **adverse impacts on the environment**, including greater amounts of hazardous medical waste (e.g. masks, aprons, gloves, pharmaceuticals, medical devices, electrical and electronic equipment) but also residual water that can end up in groundwater and the sea. The massive use of detergents, disinfectants and antimicrobial solutions can also lead to consequences for the environment.

## Food security

Cabo Verde is one of 34 countries that need external aid for food and is **classified as one of the countries that will be in a state of severe food insecurity in the context of COVID-19** due to the fact that Cabo Verde has been subject to drought-induced agricultural production shortages since 2017<sup>1</sup>.

Data from the second quarter of 2020 show that the guarantee for the supply of cereals is regular and stable with an average coverage period of 3.5 months, exceeding the minimum period for guaranteeing food supply, which is 3 months. Regarding the supply of national markets for vegetables, the situation is stable too.

In terms of access to water, several risks are arising, such as the reduction in the levels of production, storage and distribution; increase in the costs of factors of production; increased levels of losses, theft, robbery and sabotage; decrease in revenue collection; exhaustion and collapse of equipment of wells; groundwater salinization; and pollution of water systems.

## Governance

The continuity of the **public administration, the Parliament and the judicial system** has been affected, partly due to the limitation in internet infrastructure capacity with some underserved areas, which limited telework possibilities.

The Parliament has been responding solely to the most urgently needed legislation. The suspension of regular operation of the judicial system - the courts are functioning only for emergency cases - will impact businesses and rights of citizens to timely decisions and access to the justice system. Internal and external control institutions had to limit their activities to the most urgent cases.

---

1 FAO, Second edition of the report on Crop Prospects and Food Situation (July 2020)

The organization of elections and electoral campaigns (municipal in 2020; presidential in 2021) will be affected, making it difficult for political actors to clarify electoral programmes to voters, which may influence the electoral participation of citizens.

Judicial Police records show an **increase in criminal cases**, and the gaps left by security forces affected **law enforcement**, which suffered from several COVID-19 cases among its ranks and had to deal with new priorities in addressing crime more generally associated with the country's vulnerability to illicit trafficking and organized crime.

**Access to justice** has been significantly conditioned in the context of the pandemic. There was a noticeable decrease in justice productivity compared to the same period last year, due to the limitations in carrying out investigations. About 424 judgments were postponed in this period and many cases remained to be decided.

The overall protection of social and economic rights due to the COVID-19 pandemic remains a human rights concern. Certain groups, including women and children at risk of violence and prisoners are acutely affected by these changes. Reduced court operations may also result in the prolonged detention of pretrial detainees or of prisoners eligible for early release.<sup>2</sup>

# Context Analysis



---

2 UNODC & UNDP, Guidance Note "Ensuring Access to Justice in the Context of COVID-19", May 2020

Cabo Verde's development is inextricably linked to globalization, making it particularly vulnerable to ruptures in times of crisis. Since its establishment as a commercial platform in the 16th century with limited production factors, the domestic economy has relied on markets and finance beyond its shores. Over 68% of GDP relies on imports,<sup>3</sup> including 80% of primary energy supplies.<sup>4</sup> Domestic agriculture accounts for less than 10% of food requirements,<sup>5</sup> with the remainder predominantly imported from Portugal and other European countries.<sup>6</sup> About a quarter of GDP derives from a tourism industry, again mostly attracting European visitors, of which Cabo Verdean operators only control a 10% share.<sup>7</sup> Transportation constitutes another 12%,<sup>8</sup> providing maritime and air transport connection abroad and between the islands. A further 10% of GDP is accounted for by remittances,<sup>9</sup> which depend on surplus revenues of the Cabo Verdean diaspora. Beyond this, myriad informal businesses, comprising 60% of the economy and mostly women, are oriented towards meeting demand largely generated by tourists, merchants, and other temporary visitors.<sup>10</sup> Even fish processing, amounting to 15% of GDP, is almost exclusively the work of foreign vessels. In short, Cabo Verde is directly dependent on resources and financial flows of external origin, making the economic system particularly vulnerable to ruptures in times of crisis.

In this context, COVID19 has demonstrated that Cabo Verde's links to the outside world remain indispensable and has exposed some of the country's most fundamental weaknesses, vulnerabilities, and threats. The shuttering of borders effectively severed the islands from tourist demand. On Sal, the main island for tourism, all hotels were closed and converted to quarantine centres for Cabo Verdean citizens returning on repatriation flights. Estimates suggest that half of tourism-related jobs remain at risk of being lost.

Nor does the reopening of borders guarantee a return to pre-crisis demand levels. Tourism depends on substantial levels of disposable income of prospective visitors. These, in turn, rely on market recovery in their respective countries of origin, where growth will be subdued for some time. The effects on this sector and others will be felt for months or even years. Furthermore,

3 World Bank (2020). 'Cape Verde Trade'. World Integrated Trade Solutions. <https://wits.worldbank.org/countrysnapshot/en/CPV>

4 Governo de Cabo Verde (2017). 'Energy Sector'. Strategic Plan for Sustainable Development. Praia, Cabo Verde: Governo de Cabo Verde. <https://peds.gov.cv/caboverdef4dev/wp-content/uploads/2018/12/Enenergy-Sector-web.pdf>

5 UN Economic Commission for Africa. 2017. Country Profile 2016 - Cabo Verde. Addis Ababa: UNECA [https://www.uneca.org/sites/default/files/uploaded-documents/CountryProfiles/2017/cabo\\_verde\\_cp\\_eng.pdf](https://www.uneca.org/sites/default/files/uploaded-documents/CountryProfiles/2017/cabo_verde_cp_eng.pdf).

6 World Bank (2020). 'Cape Verde Trade'. World Integrated Trade Solutions. <https://wits.worldbank.org/countrysnapshot/en/CPV>

7 OECD (2018). Cabo Verde Transition Finance Country Pilot. Paris: OECD. [https://www.oecd-ilibrary.org/development/cabo-verde-transition-finance-country-pilot\\_1affcac6-en](https://www.oecd-ilibrary.org/development/cabo-verde-transition-finance-country-pilot_1affcac6-en)

8 Ibid

9 Ibid

10 Ibid

given already high levels of youth unemployment, the promise of the demographic dividend is at stake.<sup>11</sup> Similar arguments, meanwhile, can be made for remittances. As diaspora communities see their surplus income plummet and jobs dissipate as a result of declining European and American markets, we can expect remittances to follow suit.

From a social perspective, the social protection system in Cabo Verde is one of the fundamental rights of citizens and is considered an indispensable instrument for promoting economic and social development and a guarantee of balance, equity, tranquillity and social justice. Over the last decades, Cabo Verde has made significant efforts to improve its social protection system (extension of the coverage withers in number and risks covered, increase levels of adequacy, new benefits were introduced, among others). The ultimate objective is to build a social protection system that is comprehensive, inclusive, coherent and coordinated to provide lifelong coverage against social risks and vulnerabilities. In short, achieving universal social protection. Regarding non-contributory social protection, in recent years the number of beneficiaries has increased and in 2019 the amount delivered to each beneficiary increased too. In the context of the pandemic, reinforcement measures were introduced

Prior to the Covid-19 pandemic, poverty, and particularly female poverty was already a major problem in Cabo Verde identified as one of challenges in the country's sustainable development plan (PEDS 2017-2021). Poverty in 2015 reached 35% of the population (53% were women, 51% live in middle urban, 38% were children 0-15 years old, 5% were elderly Gender gaps in the labour force indicate salient disparities in disfavour of women. The availability of decent work for women is reduced compared with men, as a result of inequalities in distribution of unpaid work. This responsibility falls disproportionately upon women/girls, reducing the time available for education, paid work and other activities, pushing them towards poorly remunerated and often part-time, informal (women operate most in informal business units (62,5%) - 3 in 5 workers in the informal sector are women) and domestic work. The impact of this unpaid work for women is further aggravated by shortcomings in local infrastructures and public services and lack of work-family reconciliation corporate policies geared toward care. Women are the poorest in the country and women head of households (2 in 5 are poor) with care dependent person are one of the most left behind. Besides, being a poor women and children with disabilities can aggravate vulnerability.

The country is strongly committed to universal social protection through a combination of different benefits, services and interventions. Over the past fifteen years, it has significantly increased social security and social pensions adequacy and coverage, developed social assistance/ inclusion programmes in the areas of education, nutrition, housing, gender equality

11 Ibid

and poverty reduction, and is actually implementing a cash-transfer program which is gender sensitive for poor households with unemployed active people and children.

Nevertheless, even a well-intentioned social policy must be financed via surplus revenues and sustainable levels of income. Moreover, widespread dependencies on social pensions and subsidies also do not guarantee vibrant, self-reliant and sustainable societies over the long-term. In light of a pre-crisis debt-to-GDP ratio exceeding 120%, Cabo Verde's situation remains precarious. The domestic economy has neither the requisite factors of production, nor the structural capacities in place to generate the goods necessary to meet basic needs of the population. The current market structure also suggests that fiscal revenues will dip sharply as local value chains linked to the main service industries are disrupted, while lacking surplus revenues render indefinite reliance on imports unsustainable. As such, Cabo Verde needs to devise new and innovative ways of establishing competitive niches within a global economic system deeply shaken by the COVID-19 crisis.

By identifying the areas that have been most affected and highlighting some of Cabo Verde's pre-existing sources of fragility and vulnerability, this socioeconomic impact assessment is a first step in identifying a pathway towards a more resilient socioeconomic system that offers opportunities for the present and future generations.

# Covid-19

## Effects and Impacts

# 5



In the exercise conducted, the information obtained remains insufficient to develop a full data-based determination of the effects. A quantification or qualitative description of these in terms of losses, lack of production, increased costs, time losses, distribution variation and costs, unexpected expenditures required, etc. across all sectors (economic, social and infrastructural), vulnerable groups or differences between the islands remains incomplete or in the process of being compiled.

This document mostly addresses some of the most salient impacts evident so far as a consequence of the effects, meaning that a full assessment is still to be done. The exercise conducted, nevertheless, already provides an initial profile that should be helpful to determine immediate remedial actions and offers preliminary indications for how the pre-COVID visions for the sustainable development in Cabo Verde could be revised and updated to reflect the challenges posed by the pandemic.

The assessment covered the period from the first officially reported case until July 15. The data presented here and used for the analysis are the most recent data available for each sector. Most of these data cover the period up to the end of June 2020.

## PILLAR 1: ECONOMIC

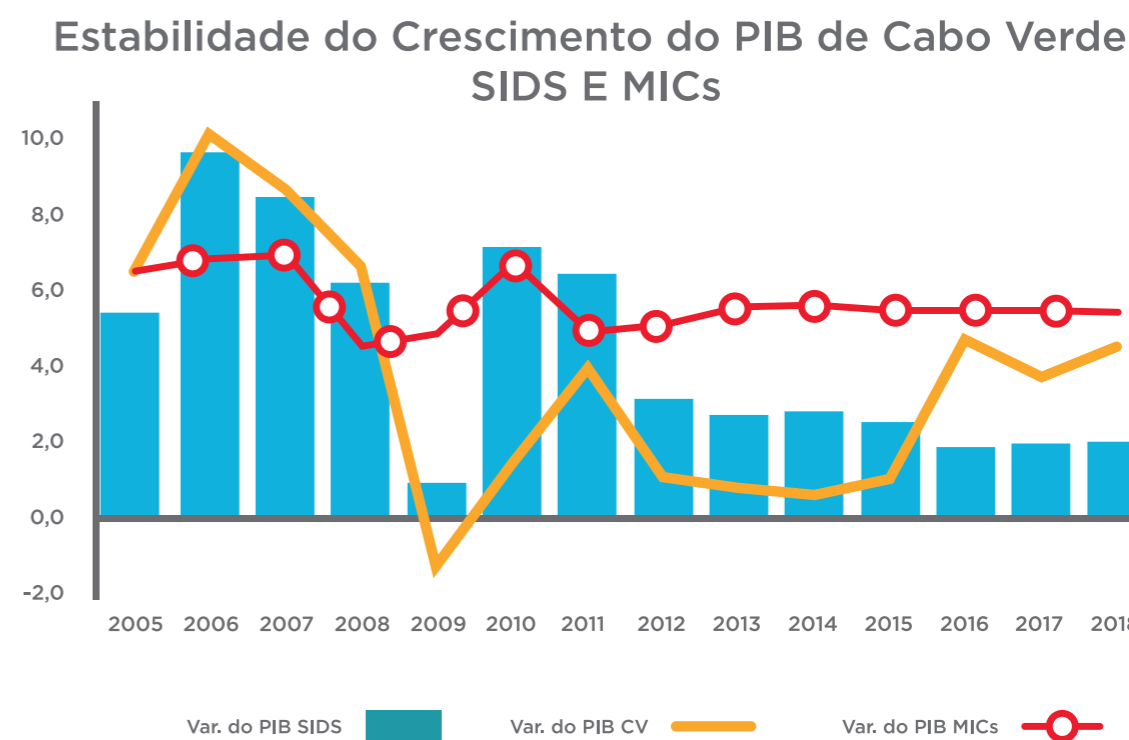
### MARKETS AND GROWTH

#### Pre-crisis baseline

Cabo Verde's economic growth over the past four decades has been positive and driven by strong performance of **tourism services, FDI inflows and migrants' remittances**. The economy continued to perform well throughout 2019<sup>12</sup>, with strong growth, low inflation, and improving external position. Although there were important downside risks, medium-term prospects were positive. Expected sustained activity in tourism, industry, and services, combined with planned infrastructure projects and structural reforms underpinned the favourable growth projections.

12 IMF, Cabo Verde Country Report, April 2020

**FIGURE 1**  
GDP growth volatility (Source: AfDB's calculation using data from World Bank Development Indicators database)



The growth forecast for the national economy in 2020 was around 5.5% before the COVID-19 crisis. In the first quarter of 2020, the economy grew 5.8% according to INE data, despite the fact that the effects of COVID-19 began to be felt during this period, mainly in the tourism and transport sectors.

#### Impact of COVID-19

Given the significant vulnerability of the economy to the pandemic, consumption and investment will be strongly affected, as will the labour market, with projections expecting 19,800 job losses (52.6% women) and unemployment reaching a 19.2%. There will be a reversal of economic dynamics, with an estimated contraction of GDP of 6.8% to 8.5% in 2020.

On the demand side, growth is expected to decline due to lower net exports, investments and private consumption, while public expenditures will increase due to the fiscal mitigation response. Given the significant weight of the tourism sector in both formal and informal active employment, the impact on businesses will substantially affect household incomes. Both the number of tourists and revenues are expected to decrease by approximately 59% in 2020.

On the supply side, the continuing paralysis of the tourism sector would have even more adverse repercussions for the economy, while companies would continue to face a major shock in demand.

There is a strong contraction in hospitality and transport, in addition to more restrained falls in the sectors of real estate and other services, business services and construction. Manufacturing and commerce are expected to decelerate, as well as other sectors due to lockdown and social distancing, and their second-order effects on the demand side.

Other exogenous shock effects include diminished foreign direct investment (mainly concentrated in tourism) and remittances from emigrants as a result of the recession in the main diaspora countries. Remittances represent 9% of GDP (Cabo Verde is in the Top 5 African countries in terms of remittances to GDP ratio), and the decline may reach 23.1% at regional level<sup>13</sup>.

Thus, the crisis caused by COVID-19 will reduce business opportunities, increase unemployment and decrease total factor productivity, which will consequently lead to a sharp contraction in GDP.

**TABLE 1**  
Main Macro-Fiscal Indicators (Fonte: Ministry of Finance)

Indicadores	Unidade	2019	2020 P		2021 P	
			Base	COVID-19	Base	COVID-19
PIB real	Variação em %	5,7	5,5	[-6,8 e -8,5]	5,6	4,5
Inflação	Variação em %	1,1	1,2	1,0	1,2	1,2
Número de Turistas	Variação em %	7,0	6,6	[-59 e -70]	7,4	[22 e 35]
Emprego Líquido	Número	11.344	3.828	-19.780	6.716	10.328
Taxa de Desemprego	Em % População Ativa	11,3	11,4	19,2	10,7	17,2
Câmbio	Valores Médios	98,5	100,3	98,0	100,3	98,0
Conta Corrente	Em % PIB	-0,2	-3,9	-13,8	-3,7	-10,0
Reservas	Em Meses	6,9	5,9	7,4	5,8	6,2
Massa Monetária	Variação em %	8,1	6,4	2,4	5,9	1,5
Crédito à Economia	Variação em %	3,9	4,5	3,2	4,9	3,0
Défice Público	Em % PIB	-1,8	-1,7	-11,4	-1,4	-8,8
Dívida Pública	Em % PIB	124,2	118,5	145,6	113,3	145,9

13 World Bank, Global Economic prospects 2020, June 2020

Three consecutive years of severe drought (one of the most severe since the 1940s) has led to reduced income of already vulnerable populations, rendering food security, nutrition, and sustenance a major challenge. The huge economic contraction will lead to significant increases in people at risk of falling into poverty and will undermine the country's ability to resist drought.

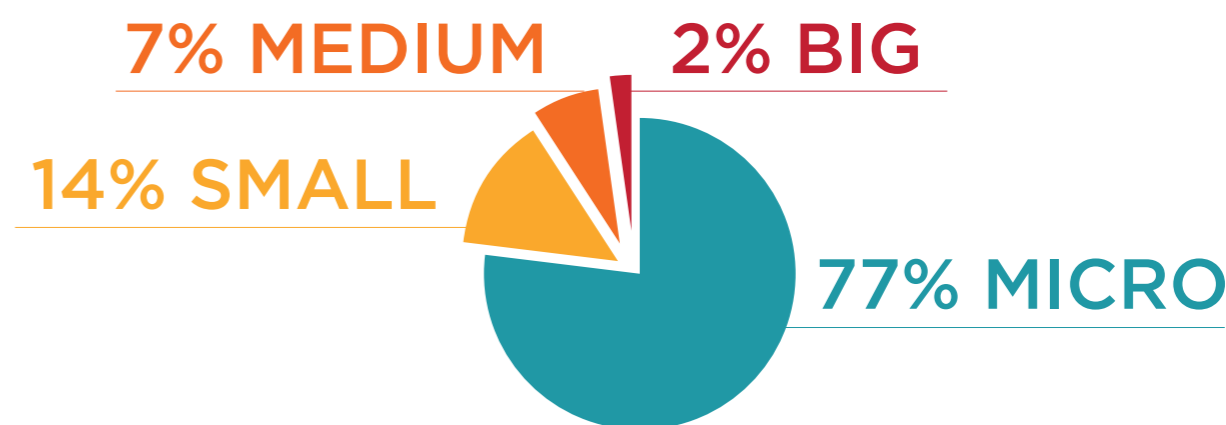
## MICRO, SMALL AND MEDIUM ENTERPRISES

### Pre-crisis baseline

Cabo Verde's economic fabric is characterized by countless micro, small and medium-size companies (MSMEs), however undersized, and by state-owned companies (SOEs), most of which are inefficient. Cabo Verde's economic activity is mainly carried out by small companies, mainly informal, geographically spread across the nine inhabited islands. According to INECV, there was a 10.8% growth in the number of formal companies in Cabo Verde between 2017 and 2018. These companies are based mainly in Santiago (45%), São Vicente (20%) and Sal (11%).

Of the 10,390 companies registered as of 2018, 97.1% are classified as MSMEs<sup>14</sup>. There is a strong concentration of companies in the tertiary sector (8,977 companies or 86.4%), mainly in commerce (44.6%) and hospitality (16.2%). The total volume of business reached CVE 297.1 billion in 2018, and expanded in 2019, given the acceleration in the pace of economic activity.

**FIGURE 2**  
Type of Enterprises in Cabo Verde (Source: INECV)



### Impact of COVID-19

Considering the high preponderance of MSMEs mostly concentrated in vulnerable sectors to the COVID-19 crisis, the pandemic has exposed some of the market structure's core vulnerabilities.

14 IAE, Survey Annual for Companies, 2018)

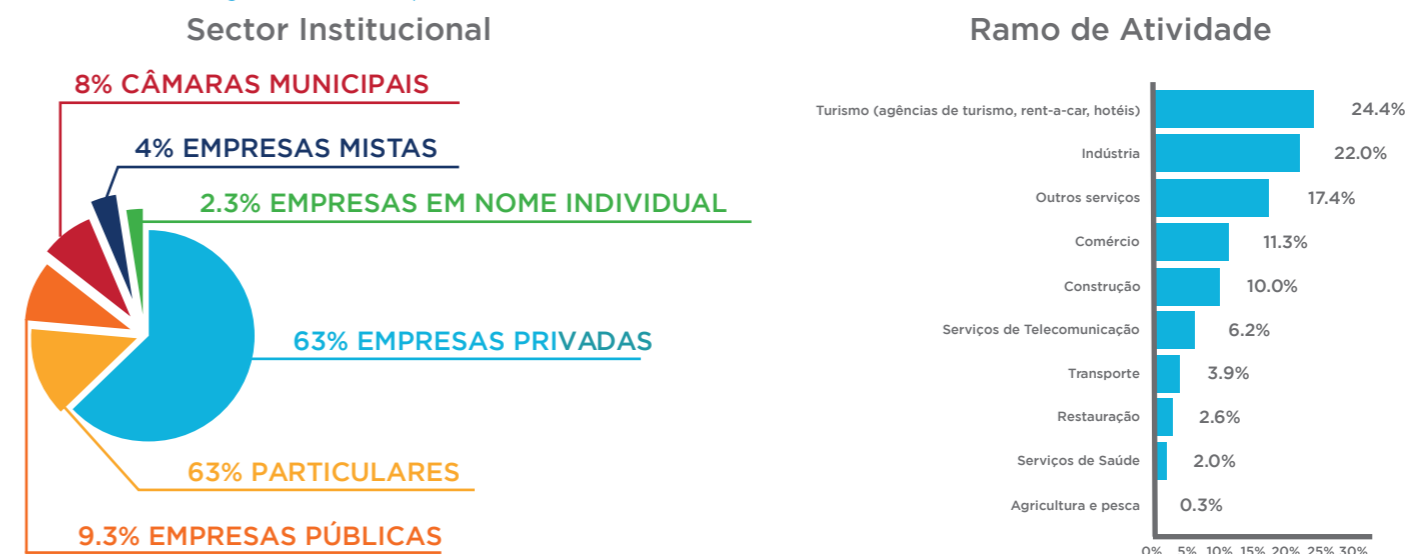
The total volume of business is expected to decline dramatically.

Given the disruptions to consumption, production, and competition patterns, uncertainty, risk aversion, and decline in investor confidence leads to an uncertain investment climate precisely when companies will have to take on more loans and credit. As a result, private debt is likely to increase significantly, adding to the risk of defaults on mortgages, bankruptcies and widespread unemployment, which can have systemic repercussions on the economy. Most MSMEs in both formal and informal sectors are having difficulties in sustaining or recovering business<sup>15</sup>.

Research conducted by the INE suggests that, during the first trimester of 2020,<sup>16</sup> about 20% of national companies suspended their activities due to the declaration of a state of emergency in March, and 67.5% recorded a reduction in their business volume, with 25% consider that they will have a reduction greater than 75%. The main factors include: Reduction or lack of orders by customers (75.0%); restrictions in the state of emergency (67.9%); and difficulties in delivery and / or supply. As a consequence, 42.5% recorded a reduction in the effective workforce, mostly in the form of layoffs (72.2%) in an apparent effort to preserve jobs. 42.5% stated they did not have people working at home and 25.0% indicated a figure of less than 10% of people working at home, possibly reflecting the high costs of internet and lack of consolidation of digital services but also the reality that many occupations are not conducive to remote work. To recover from this crisis, 41.1% of companies affirm that they should continue to benefit from stimulus measures granted by the government, 14.3% intend to opt for the diversification of production / activity as an alternative and 8.9% point to market diversification and price reduction.

According to credit default data made available by BCV for the month of May, a total of 16.5 billion escudos<sup>17</sup> have already been granted to combat the effects of the pandemic in the form of credit moratoria. It appears that the sectors that benefited the most from this policy measure were tourism (24.2%), followed by industry (22%), commerce (11.3%) and construction (10%).

**FIGURE 3**  
Credit Moratoria granted to Companies



However, limited access to credit for micro and small enterprises could hinder economic recovery, especially in an environment characterized by a risk-adverse banking sector and a relatively high rate of non-performing loans (12% in 2019<sup>18</sup>). The data also points out that under the policy measures companies have already accessed a credit in the amount of around PTE 2.1 billion (contos, approximately 21.3 million USD).

Data from countries that have lifted lockdowns also indicates more widespread changes as consumers reassess their choices: spending less, reducing social interaction and limiting the use of certain goods and services<sup>19</sup>.

## TRADE (EXTERNAL), FDI, AND CROSS-BORDER SUPPLY CHAINS

### Pre-crisis baseline

As merchandise exports are low and highly concentrated, local trade and services, like consumption in general, depend heavily on imports (80% of food is imported), therefore, a low elasticity of exports, or than a high deficit in the trade balance. Cape Verde is among the top 10 countries in Africa in terms of vulnerability related to trade intensity with Europe, China and the USA, considering their applicable conditions. This device is offered, in addition to tourism revenues, but also through transfers of FDI and remittances from immigrants (9% of GDP).

15 UNDESA, Policy Brief on impact of COVID-19 in Africa, May 2020

16 National Statistics Institute and Bank of Cabo Verde, COVID-19 Pandemic Impact Survey, June 2020

17 A total PTE 16.5 million is equivalent to 16.5 billion Escudos, approximately 170 USD million.

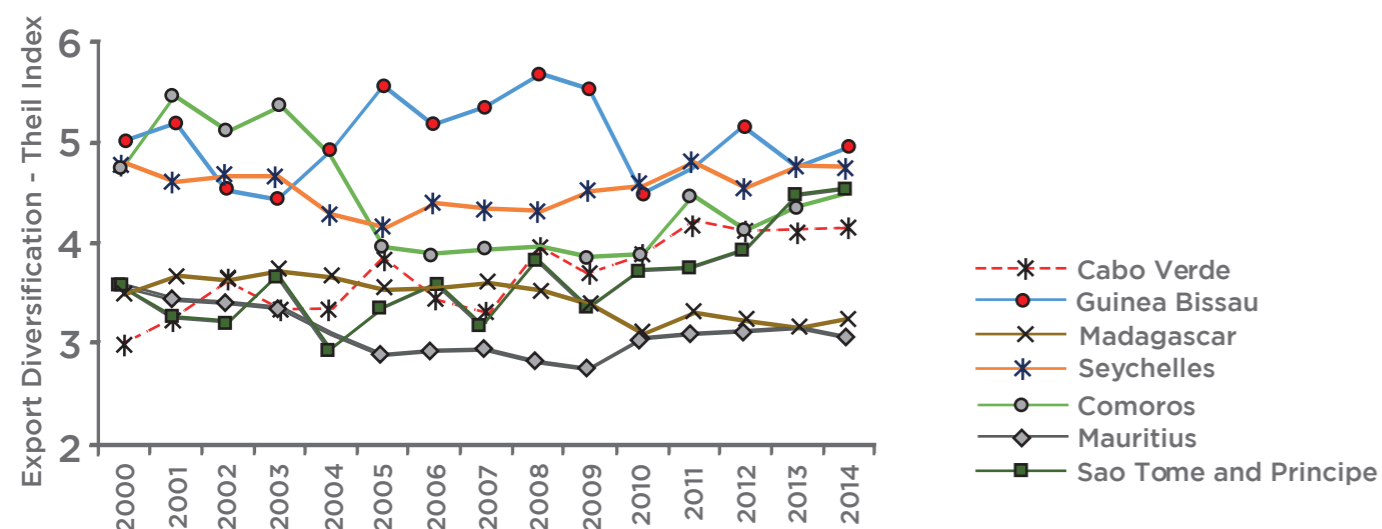
18 IMF, Cabo Verde Country Report, April 2020

19 World Economic Forum, Risks Outlook, May 2020



**FIGURE 4**

Export diversification Index in Small States in Africa (Source: IMF Export diversification and quality database)



Given its substantial trade deficit (80% of consumption is imported) with a very low number of exporters, Cabo Verde's dependence on global value chains is high. Cabo Verde is highly dependent on imports for consumption and for intermediary goods in the manufacturing process. In 2019, 47.6% and 29.2% of imports were consumer goods and intermediate goods, respectively. Cabo Verde ranks among the Top 10 countries in Africa in terms of vulnerability linked to trade intensity with Europe, China and the USA<sup>20</sup>.

The external position improved during the first three quarters of 2019<sup>21</sup>, thanks to increased export receipts of tourism and transport closely linked to the performance of Cabo Verde Airlines (CVA), and remittances, as well as a deceleration in imports. The current account deficit narrowed to 0.2% of GDP in 2019 (5.3% in 2018), and international reserves were at 9 months of prospective imports of goods and services programmed, among the highest in the region<sup>22</sup>. In a non-COVID-19 scenario, the external position was expected to improve further reflecting increased export receipts and remittances<sup>23</sup>.

Before the crisis, Cabo Verde was performing above average for middle-income economies in terms of FDI. FDI attraction, along with a set of economic reforms, was instrumental in the country's designation of middle-income status as it had a transformational impact on the economy, particularly within the tourism industry. However, FDI and economic activity remained concentrated in a few sectors and limited to a few locations<sup>24</sup>.

20 African Development Bank 2020 Outlook amid CoVID-19.  
 21 IMF, Cabo Verde Country Report, April 2020  
 22 African Development Bank 2020 Outlook amid CoVID-19  
 23 IMF, Cabo Verde Country Report, April 2020  
 24 UNCTAD, Investment Policy Review of Cabo Verde, 2018

## Impact of COVID-19

Small Island Developing States (SIDS), which rely heavily on tourism, are particularly affected by the COVID-19 pandemic. In Cabo Verde, tourism demand should decline between 60% and 80% (536,000 tourists) in 2020. The recovery will be slow, as outbound tourism from Europe (65-75% of tourists' arrivals to Cabo Verde) should revive slowly in the coming months; however, visitor numbers for 2021 are not expected to surpass 2011 levels. Given that the high season in Cabo Verde starts in November, a quicker recovery in early 2021 is to be hoped for. Still, it is estimated a loss between US \$ 910 billion and US \$ 1.2 trillion in export earnings from tourism and 100 to 120 million direct jobs in the sector. Tourism represents a direct contribution of 25% of GDP (and an indirect contribution of 46.2%<sup>25</sup>) and boosts all other sectors of activity. In addition to tourism, the condition of SIDS implies other vulnerabilities, which are strongly aggravated by the COVID-19 crisis, such as the restricted tax base, the dependence on global value chains, the tendency to trade deficit, or the limited domestic market and investments.

Other possible channels of transmission of exogenous shocks to the economy are foreign direct investment, through the delay or cancellation of planned private investment projects, and remittances, as a result of the recession in the main diaspora countries. According to World Bank projections, foreign direct investment is expected to shrink globally (-20%), regionally (-5%) and at country level (-50%), given its concentration of FDI in the tourism sector and, to a lesser extent in transport. Remittances represent 9% of GDP and the decline at the regional level could reach 23.1%.

Another channel can be the disruption of global supply chains, and consequent supply shortages for critical products may result in price increases, thus reducing purchasing power in a context aggravated by stagnant or decreasing wages. In addition, the restriction on the export of basic products imposed by some exporting countries may further increase prices on global markets.

The pressure on the country's external position will result from a significant reduction in exports of goods and services (-43.8%), particularly in tourism and air transport services, despite the decrease in imports of goods and services (-16, 2%). The current account deficit will deteriorate and reach 13.8% of GDP, as a result not only of the deterioration of the goods and services account (-85.8%), but also of the primary (-18, 6%) and secondary (-4.2%). In 2021, an improvement in terms of the trade deficit is expected, though the sharp reduction of FDI will result in increased pressure on the balance of trade. The lifting of reserves to finance the balance of payments deficit could destabilize the economy. Due to the concentration of FDI in the tourism sector, the impact of the crisis on FDI is expected to be greater than average but comparable to other SIDS / SIDS.

25 African Development Bank

## FINANCE

### Pre-crisis baseline

Cabo Verde, as well as other SIDS and African countries, is characterized by a structurally limited fiscal/budgetary space due to low domestic saving rates, low levels of domestic resource mobilization, high per capita costs of public services, and relatively high levels of illicit financial flows.

In recent years, the country has benefited from consistent growth, price stability, and modest declines in public debt, which decreased from 127.8% of GDP in 2016 to less than 124.2% in 2019. For 2020, revenue was budgeted at 32.5 percent of GDP, predicated on growth rates projected at 5% as a result of measures introduced in 2019, including administrative reforms. The budget deficit was expected to narrow from 1.7 percent of GDP in 2020 to 0.6 percent of GDP in 2024.<sup>26</sup>

In the Cabo Verdean financial sector, the high levels of liquidity reflect risk aversion in an environment marked by low asset quality, persistently high levels of Non-Performing Loans (NPLs) since the global financial crisis of 2008, and limited investment opportunities meeting acceptable credit standards. In October 2019, NPLs accounted for 12% of the total loans.

### Impact of COVID-19

The revised budget for 2020 features an increase in 2.7% compared to initial 2020 budget, with increased public spending in health (+12%), jobs, socioeconomic stabilization, and water access and agricultural production. The revised budget shows a decrease in public investments in transportation, security, public jobs and a 36,1% moratorium on debt service. Most of the annual budget is made of necessary commitments and is therefore difficult to amend (80%).

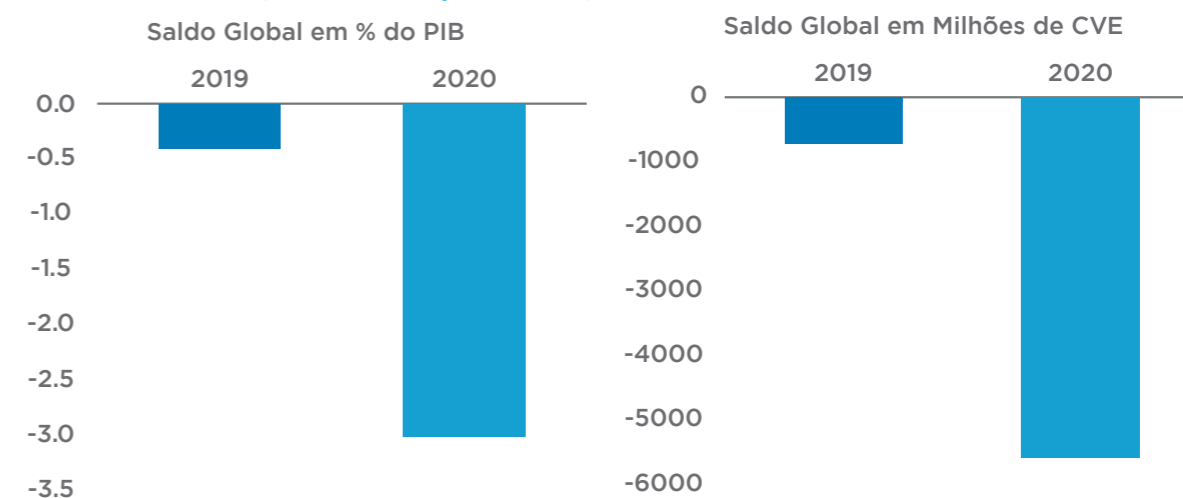
The pandemic has already halted fiscal consolidation, with the revised budget forecasting an increase in the global deficit of 11.4% of GDP, compared to an initial forecast of 1.7% of GDP. This entails a significant impact on public debt, which is expected to increase from 124.2% % of GDP in 2019 to around 145.8% of GDP in 2020. The effect on public finances could already be felt, with the budget deficit in the first semester reaching 3.0% of GDP, marking an increase of 2.6%, compared to the same period in 2019, due to the reduction of global revenues - total revenue collection dropped by 22.3% - and increases in global expenditures<sup>27</sup>.

26 IMF, Cabo Verde Country Report, April 2020

27 Maria Andrade (2020). Análise Sintese: Proposta Orçamento Rectificativo 2020. Praia, Cabo Verde: ProPALOP-TL ISC

**FIGURE 5**

Public deficit as a % of GDP (Source: Ministry of Finance)



Alongside the reduction in revenues and the increase in financing, the public debt / GDP ratio reached 134.7%, about 15.9% above the value recorded in June 2019.

The low asset quality of the banking sector is likely to be exacerbated in the medium term by the economic impacts of COVID-19 on companies and their (in)ability to service loans. Despite the recent increase in the deposit ratio of the banking system, banks in Cabo Verde are exposed to high levels of unprofitable loans. The indebtedness levels of public companies, non-financial corporations and households remain high. In addition, the growing link between sovereign debt and the domestic banking sector makes them increasingly interdependent, which not only raises mutual risks but also alienates the private sector from bank financing.

The country has little autonomy in terms of monetary policy due to the indexation of the exchange rate to the Euro. Given the low level of inflation and the comfortable stock of reserves (about 8 months of imports, among the highest in Africa) to maintain the peg, the central bank announced accommodative policy reforms aimed at the financial sector. The stimulus package includes a reduction of the central bank reference rate from the current 1.5 to 0.25%, the rate on the permanent loan facility from 3 to 0.5%, and the rate on the permanent deposit facility from 0.1 to 0.05%. In addition, the reserve requirement has been reduced from 13 to 10 percent and the discount rate from the current 5.5 to 1%. A new credit line to the bank was also created, with an interest rate of 0.75% and an amount of up to US\$ 450 million.

For 2020, projections point to a decrease in the money supply of around 7.9%, largely reflecting the dynamics of net external assets, which are expected to decrease by -14.8% (24.8% in 2019). This reduction is due to the behaviour of exports and imports of goods and services and to external indebtedness. Likewise, credit to the economy, which grew by 3.9% in 2019, is expected

to decelerate to 2.4% in 2020, despite the policy measures adopted by the monetary authority to reduce the effects of the pandemic. In this group, credit to the private sector, which represents around 95% of total credit to the economy, is expected to grow 2.9% in 2020 and 3.0% in 2021. Credit growth is expected to finance part of the working capital of companies, given the current context. Credit guarantee measures are expected to continue in 2021.

**TABLE 2**  
Reprogramming of Public Debt (Source: MF OGE Revisto 2020)

	em milhões de escudos				Variações %	
	2018 Prov	2019 Proj	2020 OI	2020 OR	2018/2019	2019/OR2020
Dívida Pública	229 008,4	242 355,5	250 116,8	267 880,5	5,8%	10,5%
Dívida Interna	61 099,3	65 456,6	63 924,3	70 994,3	7,1%	8,4%
Dívida Externa	167 909,1	176 898,9	186 192,5	196 936,2	5,4%	11,3%
<b>Variações em valores absolutos</b>	<b>10 903,4</b>	<b>12 832,9</b>	<b>8 243,0</b>	<b>25 525,0</b>	<b>17,7%</b>	<b>98,9%</b>
Dívida Interna	5 404,8	2 028,5	796,5	5 487,7	-62,5%	170,5%
Dívida Externa	5498,6	10 804,5	7 446,5	20 037,2	96,5%	85,5%
<b>PIB</b>	<b>186 661,3</b>	<b>197 814,2</b>	<b>211 094,5</b>	<b>183 747,5</b>		
Dívida Pública em % do PIB	124,0%	122,5%	118,5%	145,8%		
Dívida Interna em % do PIB	33,1%	33,1%	30,3%	38,6%		
Dívida Externa em % do PIB	90,9%	89,4%	88,2%	107,2%		
Variação em pontos percentuais Dívida Pública		-1,5	-4,0	23,3		
Variação em pontos percentuais Dívida Interna		0,0	-2,8	5,5		
Variação em pontos percentuais Dívida Externa		-1,5	-1,2	17,8		

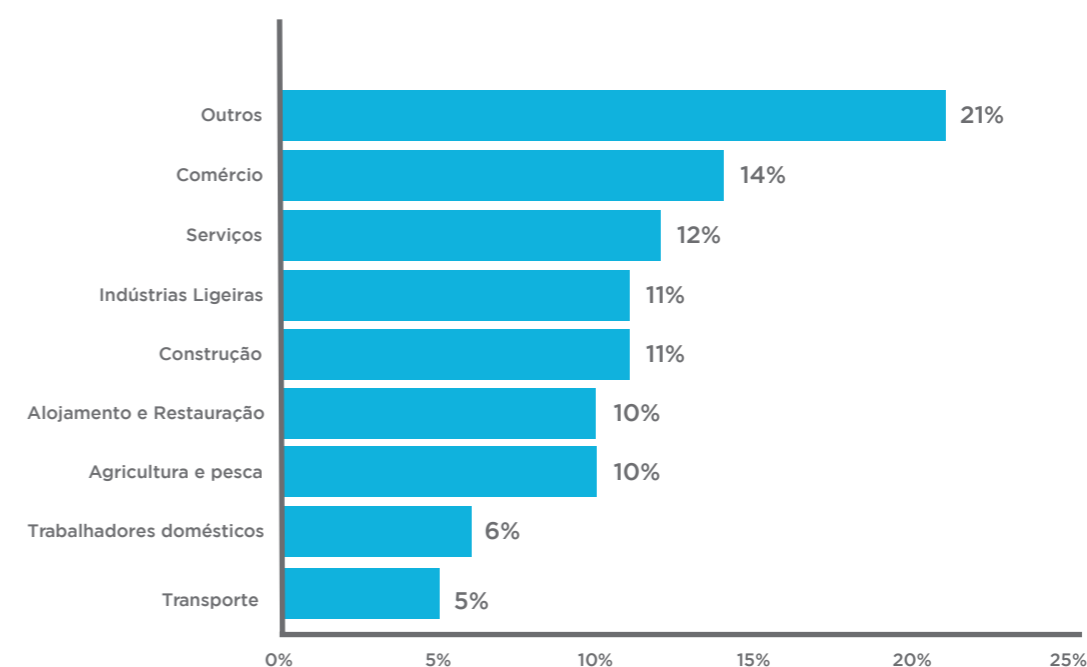
Finally, the decline in tax revenues will cause spending cuts, which may also slow economic growth. The pandemic has put an end to the positive dynamics experienced in the last few years of fiscal consolidation, declining public debt and poverty reduction.

## EMPLOYMENT AND JOB CREATION

### Pre-crisis baseline

The population employed or engaged in income-generating activities was 206,300 people in December 2019<sup>28</sup>. Unemployment decreased from 12.2% in 2018 to 11.3% in 2019 – the best rate in 8 years –, due to a decrease in urban area (-14.4%), and in spite of an increase in rural areas (+11.1%), reflecting three consecutive years of drought. Underemployment affected 15.1% of the employed population, particularly among those working in rural areas (22.1%) and among women (17.2%). In men, contrary to the increase observed between 2017 and 2018, the unemployment rate in 2019 decreased to around 10.7% (12.7% in 2018), different to women, who saw a slight increase from 11.6% in 2018 to 12.0% in 2019.

**FIGURE 6**  
Emprego por setor



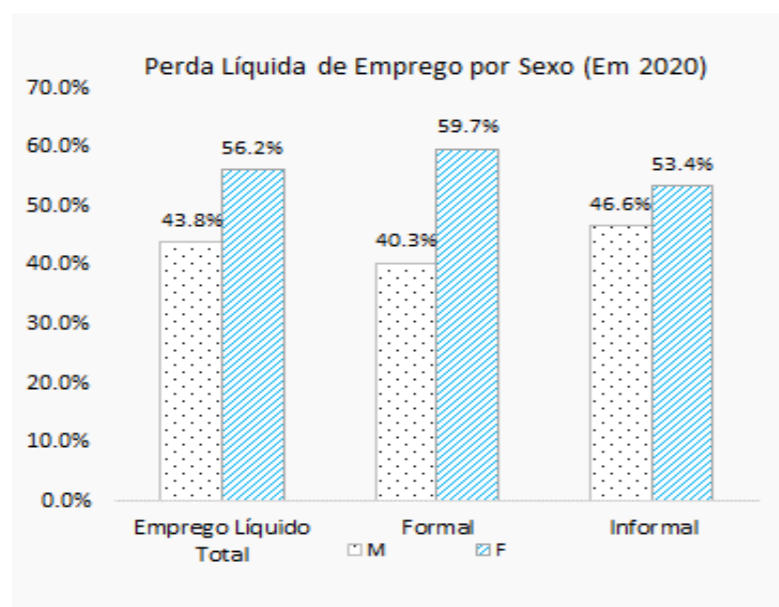
Overall, Cabo Verde experienced a GDP growth that was faster than employment growth over 1991-2019. The elasticity of employment in relation to investments and GDP is low, a fact that contributes to high youth unemployment that, despite the reduction since 2016, has reached 24.9% in 2019. The PEDS 2017-2021 objective aiming to reduce youth unemployment rate from 42.9% in 2016 to 21.5% in 2021 could be compromised given the effects of COVID-19.

## Impact of COVID-19

Considering the factors that may affect employment and the sectoral evolution of GDP, MoF projections point to a loss of around 19,780 jobs in 2020, of which 56.3% from the informal sector and 43.7% from the formal sector, and the majority being in the tertiary sector.

The tertiary sector - which accounts for 66% of total jobs and 82% of women's jobs - will be the most affected. Trade, which represents 15% of total jobs, services, 23% of total jobs, and transport - 5% of jobs - suffered an almost general closure during the quarantine period. The secondary sector, mainly construction and small processing industries (11.2% and 10.6% of jobs, respectively), were also almost completely interrupted during that period (for example, cement imports fell by 52% between April and May). Finally, although the primary sector (Agriculture and Fisheries: 10% of jobs) did not cease operating entirely, they suffered from constraints in production which led to a significant drop in income in the sector, and a drastic increase in underemployment.

**FIGURE 7**  
Employment losses by Gender



Most hotels, including the main all-inclusive resorts, are closed and have temporarily dismissed most of the staff under a special regime enacted by the Government. Under this regime, workers retain 70% of their wages, 35% being borne by the national pension fund (INPS) and 35% by the employer. In total, at the end of June, 14,000 workers have been declared under this regime (61.3% in the tourism sector alone). The service sectors linked to accommodation, such as the food and beverage supply chain, transport, and entertainment, are among the most affected by

the negative effects of shrinking demand. It is expected that after the period of the layoff, due to the liquidity problem caused by the gradual recovery of the economy, increase the number of people who lose their jobs.

In disaggregated terms, by subsectors, the sector most affected is tourism (-9,587 jobs), followed by transport (-3,660 jobs), commerce (-1,519 jobs), construction (-1,364 jobs) and other sectors (-4,613 jobs). Public administration, including health and education, in turn, is expected to increase by about 963 workers. Regarding the net loss of employment by gender, women are likely to be more affected than men; however, due to the high number of women engaged in the informal sector this is difficult to formally quantify.

According to this scenario, the unemployment rate is expected to increase to 19.2% and 17.2% in 2020 and 2021, respectively, posing serious challenges for the country. Macroeconomic policy measures, within the constraints of fiscal realities, will need to respond to the needs of the population in the short, medium and long term perspectives.

## INFORMAL SECTOR

### Pre-crisis baseline

The informal economy refers to all economic activities, exchange, and transactions that are - in law or in practice - not subjected to formal, legal arrangements under the authority of the state jurisdiction where they occur. INE data from 2015 indicate that there were about 33,229 informal production units (UPI) that constitute the informal non-agricultural sector in Cabo Verde and 85.4% were managed by promoters who have this activity as their main source of income.

Regarding the contribution of the informal non-agricultural sector to national wealth (GDP), the numbers point to around 12.1%. According to 2019 labour market data, the informal sector in Cabo Verde accounts for 52,5% of total employment. According to government sources, informal sector provides about 60% of jobs at national level, which would mean approximately 100,000 informal business owners and workers. These street vendors, fishermen and farmers, transport and construction workers, domestic workers, among others, are more vulnerable to shocks because they lack the formal social protection safety nets that formal workers benefit from policy measures, such as lay-offs and unemployment insurance, nor indirectly via measures in the scope of the financing ecosystem aimed at formal sector companies<sup>29</sup>.

In West Africa, 90% of women work in the informal sector. Although this ratio at national level, in the non-agricultural sector, is much lower (55.8%), most women, especially from the poorest households and areas, work in the informal sector.

29 ILO, COVID-19 impact on informal economy in Africa, April 2020

## Impact of COVID-19

In the wake of the global COVID-19 pandemic, the lockdowns imposed by governments seeking to contain and mitigate the health effects of the crisis severely curtailed economic productivity. Economic activity requiring face-to-face interaction, personal forms of exchange, and access to local spaces to effectuate market transactions were stifled. The effects of a government-imposed lockdown and pandemic were not only disruptive but potentially devastating. Nowhere was this harsh reality felt harder than in the informal sector. In Cabo Verde, out of the estimated 19,800 jobs lost in 2020, the informal sector accounts for 56,3% .

Such businesses generally rely on local marketplaces, personal forms of exchange, physical transportation of goods and/or close proximity to clients to offer their services. Even though the informal sector is marked by a vast spectrum of products – ranging from small-scale agriculture to used electronics merchants – as well as enormous differentiation or scope in terms of services at various parts of supply chains, the majority of these market actors would have been adversely affected by government-imposed lockdowns.

Heavily impacted sectors are notably the wholesale and retail trade sector which concentrates one-fourth of informal non-agricultural employment globally but one third in developing countries with a majority of street vendors and other traders without a fixed location.

It concerns agriculture and fisheries too, which represents 10% of formal employment at national level and probably a higher share of informal employment (more than two thirds of informal employment in developing countries), with thousands of small peasants from rural or peri-urban areas producing for the urban markets being unable to sell their produce.

If informal sector workers and businesses are the most vulnerable in the COVID-19 context, these correspondingly tend to emerge as priorities for government and international development agencies. In Cabo Verde, for example, the Government and UNDP sought to avoid devastating and possibly even fatal consequences for informal sector workers via the adaptation of an EU-funded economic competitiveness project in Cabo Verde. Herein, UNDP reprogrammed the 5 million Euro project to not only give a small monthly grant to informal sector beneficiaries to survive the lockdown period but also build more resilience to adverse exogenous effects over the mid-to-long term.

New institutional arrangements and agreements that offer alternative options and opportunities for companies and informal workers to continue their economic activities must be evaluated, analysed and implemented in the long term. However, over the short and medium-term, it will be necessary to support the informal sector workers to not only maintain their livelihoods at the micro level but also to maintain the socioeconomic systems in which they occur at the macro level. In this context, it is essential to remain cognizant of the *de facto* needs of the informal

sector in Cabo Verde, just like many other economies at regional and global levels, as a means of simultaneously meeting subsistence needs and catering to market demand by providing goods and services where formal markets have proved inadequate or even failed. As such, systemic and institutional reforms should be gradual in order to give informal market actors time to adapt and must be analysed from a wide range of perspectives in order to avoid unintended consequences, such as driving informal sector workers to illicit forms of trade.

## PILLAR 2: SOCIAL

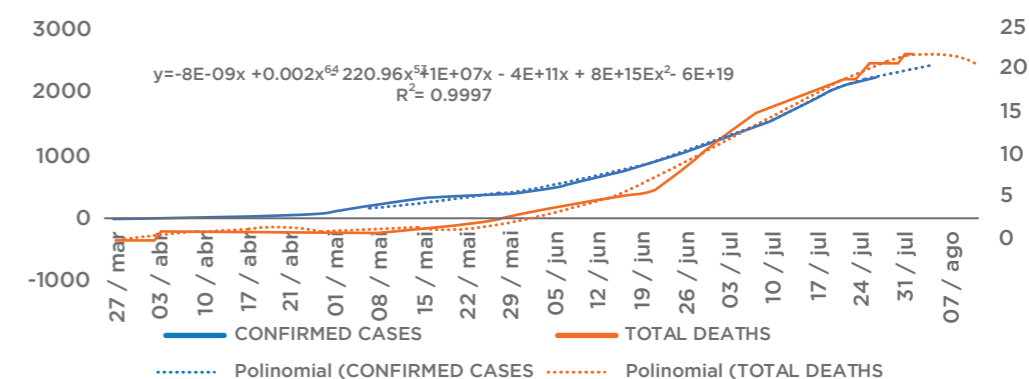
### HEALTH

#### Pandemic evolution in Cabo Verde

Authorities reacted decisively at a very early stage of the COVID-19 outbreak to contain and mitigate the health effects of the pandemic. Initially, the government imposed two-week quarantines for individuals returning from abroad and for those suspected of having contracted COVID-19. After the first case was reported, stricter containment measures were adopted, including the closure of international air and sea borders. A State of Emergency was declared to reinforce the containment measures in place with restrictions on inter-island transportation. Mitigation measures included the closure of all non-essential services and activities, cancellation of large events and gatherings, and closure of public and private schools, thus affecting both children's education opportunities in a country with only limited access to digital connectivity. Despite these efforts, the number of COVID-19 cases is increasing in Cabo Verde, reaching 2,354 cases and 22 deaths on the 28th of July 2020. Authorities are closely monitoring the situation to contain the effects, though contagion trajectories appear to be similar to those observed in other countries. Over the past weeks, there has been a notable upward trend in the number of confirmed cases, while the ratio between fatalities and confirmed cases dropped significantly.

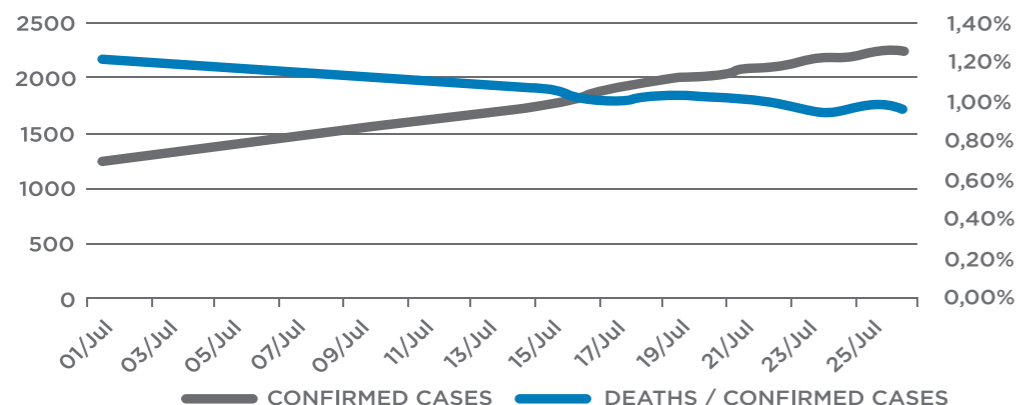
#### SOURCE

WHO COVID-19 Situation Reports



**SOURCE**

WHO COVID-19 Situation Reports

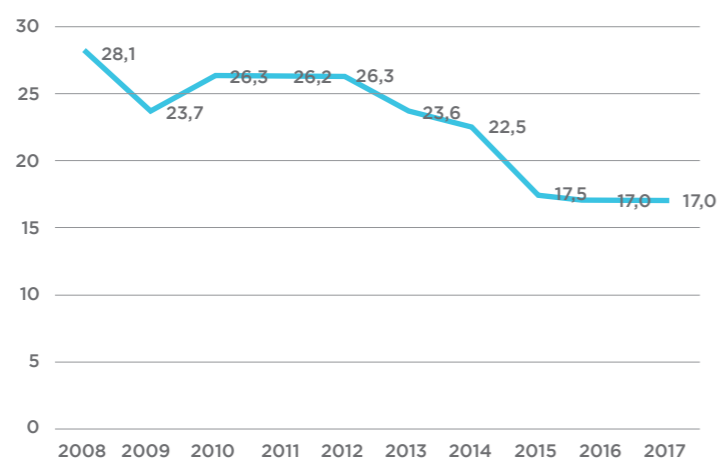


**Pre-crisis baseline**

Cabo Verde has achieved considerable progress in the evolution of health indicators, as a result of policies and strategies geared to the real needs of the population, mainly with regards to the health of women and children. This included a reduction of infant mortality to 15.8 per thousand live births, wherein the perinatal mortality rate of 25.5 represents about 60% of the infant mortality rate. Vaccination coverage has exceeded 95%, acute malnutrition is at 4.4% and 5% in children under five remain underweight, prenatal consultations coverage is at 80% (with 4 ANC), assuring institutional deliveries by qualified personnel (92%) and contraceptive prevalence (54%). Investment in family planning remains a policy priority, with 100 percent coverage of family planning assured under the national budget. The maternal mortality rate fluctuates annually, from 9/100,000 live births in 2015 to 47/100,000 live births in 2017. The prevalence of anaemia in children under-five years of age at 43% is considered a public health problem and adolescent pregnancy continues to demand attention in the public sector and civil society, where 18% of pregnant women in the country are between 10 and 19 years of age.

**FIGURE 10**

Mortality rate, age 5 and under (Source: MoH)



Concerning HIV/AIDS, the country has a prevalence rate of 0.6% (DHS III 2018) and a strong Prevention of mother-to-child transmission (PMTCT) Programme with 98% of pregnant women with access to integrated counselling, screening, treatment services antiretroviral and follow-up of their children at national level, having the mother-to-child HIV transmission rate below 3% in recent years. More than 90% of the population has information on HIV-AIDS (99.8% of women and 94.8% of men) and 100% of exposed children are on prophylactic treatment and 96% of children living with HIV are on antiretroviral (ARV) treatment.

Cabo Verde is in a phase of epidemiological transition, in which acute and communicable infectious diseases and non-communicable diseases (NCDs) still coexist. On the other hand, the country is in a context of continuous demographic transition that translates into an increase in the young population (46.4% of the population is under 25 years of age) requiring important knowledge and availability of data related to the health situation of adolescents/young people. The epidemiological transition implies a simultaneous attention to respiratory and gastrointestinal infections that affect children under the age of five, as well as NCDs, which include, among others, anaemia and cancers, which are responsible for about 70% of deaths in the country and cervical cancer as the second leading cause of death among women of working age.

As for diseases transmitted by mosquito vectors, we highlight malaria, Dengue, ZIKA, yellow fever and other arboviruses, for which the country is vulnerable, due to the presence of vectors.

The emergency situations (epidemics and drought) as well as lifestyle choices associated with social and behavioural issues are exacerbating the country's health vulnerabilities. These demand that the health system be more oriented to the prevention and promotion of health for the implementation of effective interventions and integrated multisectoral approaches.

**Impact of COVID-19**

The effects of COVID-19 on the health sector is particularly evident in areas such as in the population health profile, in the institutional organization at central and local level (human resources, services management), as well as financial and technical aspects. Despite the effects on the population's health and mortality linked directly to the COVID-19 infection, with more than 1.384 COVID-19 confirmed cases reaching women (51%) and people in the 20-40 year category (55,7%), health services demand may be reduced. One of the most important central health structures situated in the capital, Praia, registered a demand reduction of 90% for patients with chronic and severe pathologies.

The COVID-19 pandemic interferes with family planning interventions, antenatal and postnatal care, obstetric care, immunization and preventive and curative care, as well as the supply chains of health products (drugs, vaccines, micronutrients and contraceptives among others) that exert

increased pressure on financial and human resources.

Despite these challenges, continuous monitoring of COVID-19 impact is essential for identifying strategies to ensure the continuity of life-saving services, including the Reproductive Health/maternal and child health, pre-natal services and immunization, to avoid diseases and other outbreaks of preventable diseases (e.g. via immunization) and negative impact on morbidity and mortality, especially of children, adolescents, and women.

The health structures, services and human resources/health technicians have been reorganized to better respond to the pandemic situation as the number of cases increased and spread in the different islands, slowing some of the services. The confinement and social distancing have posed a negative impact on mental health, especially youth and elder people.

The serologic testing and institutional isolation ward in field hospitals for all confirmed COVID-19 cases and the hiring of new healthcare technicians was augmented by more than 10%. These have a tremendous impact on the health sector budget, which could affect the availability and quality of the future health services responses at local and central levels.

The **access to care and treatment** services for the Substance Abuse Disorders has been significantly limited and for those in the therapeutic communities the recovery process has become more difficult because they limit access to group therapies. The service reports reveal that social isolation and limited access to therapies has represented a **risk factor for increased alcohol and other drugs use**, as well as relapse for SUD people in recovery process.

The health sector has not yet had an impact study but, according the first COVID-19 KAP study (online) realized by the Ministry of Health and Social Security, 93.19% of respondents changed their routine, while 6.66% kept their routines and 0.15% did not know.

## EDUCATION

### Pre-crisis baseline

During the 9th legislature, the government introduced a set of bold strategic measures with a view towards achieving the SDGs and, in particular, SDG 4. Deep reforms of the educational system and, also, the professional training system were initiated, focusing on both the curricular and pedagogical domains. This Strategic Education Plan (PEE) 2017-2021 adopted as a vision for the education sector: An educational system centred around the concept of the knowledge economy that offers young people proficiency in languages, integrates sciences, technologies and the construction of a cosmopolitan profile open to the world, internalization of intrinsic values of mutual accountability as members of a community, and preparation for lifelong learning, research culture, experimentation and innovation. In this context, with a view towards

qualitative and quantitative development of human capital to promote macro-level growth and employment, three major lines of intervention were established: **i)** universal access to education, **ii)** improving the quality and relevance of educational services, **iii)** strengthening the efficiency and management of the system. These three PEE priorities are aligned with the PEDS program “Education of Excellence”, translated into four main Objectives:

- Implementation of a formal system of universal pre-school education;
- Ensure free and equitable access to compulsory basic education up to the 8th grade;
- Improve access, quality and relevance of Secondary Education in line with the country’s development;
- Promote the equitable and sustainable development of Higher Education, linking it to research in line with the country’s socio-economic and cultural development.

**TABLE 3**

Summary table and progress of the main PEE evaluation indicators

Programa	Objectivo Geral	Indicador principal de resultados	Base 2016(%)	Situação 2020	Meta 2021 (%)
<b>Educação pré-escolar: universalização do acesso</b>	Implementar a educação pré-escolar e qualidade para todas as crianças com 4/5 anos.	Taxa líquida de escolarização	80,2	82,90%	100
<b>Ensino Básico Integrado: Bases para a vida</b>	Garantir o acesso equitativo à escolaridade universal e gratuita e com qualidade até ao 8º ano de escolaridade.	Taxa líquida de escolarização	86,1	93,30%	100
<b>Reforço e Consolidação do Ensino Secundário (Via Geral-VG e Via Técnica - VT)</b>	Melhorar o acesso, a qualidade e relevância do ensino secundário em sintonia com o desenvolvimento do país.	Taxa líquida de escolarização	51,7	53,7%	80
		% de alunos da VT	3,1	4%	10
<b>Ensino Superior, Ciência e Inovação</b>	Promover o desenvolvimento equitativo e sustentável do ensino superior, articulando-o à investigação em consonância com o desenvolvimento sócioeconómico e cultural do país.	Taxa líquida de escolarização	23	23,50%	30

## Impact of COVID-19

In Cabo Verde, the COVID-19 pandemic affected the education system, causing, like other countries, the suspension of classes with the appearance of the first cases. Following the National Contingency Plan prepared by the Ministry of Health and Social Security and validated by the Government on March 11, 2020, the Ministry of Education authorized the anticipation of school holidays for kindergartens and basic and secondary schools on Boa Vista island, on March 20 of this year. The preventive measures were extended to all schools in the country, with effect from March 23, through Resolution No. 50/2020, March 18, 2020. With this measure, about 17,108 children aged 4-5 years and 110,829 primary and secondary school students were placed in confinement at home as one of the ways to prevent the spread of the virus.

Within the framework of the Declaration of the State of Emergency throughout the national territory, in the period of 29 March (Decree-Law no. 36/2020, of 28 March), public schools remained closed, with the Ministry of Education adopting guidelines for homeschooling and interaction and communication between students and teachers, in line with the 10 recommendations on distance education issued by UNESCO.

As a way of keeping students engaged with the teaching-learning process, the Ministry of Education has considered and prepared, since the beginning of the pandemic, possible and non-exclusive scenarios for the continuity of the academic year 2019-2020, bearing in mind the significant diversity of contexts across the nine inhabited islands, for the benefit of children and youth in Pre-School and Primary Education as well as Secondary Education. Given the availability of requisite human and technological resources, the Distance Education mechanism was adopted, with the project "LEARN AND STUDY AT HOME" and, with the objective of allowing all children and young people, maintaining regular contact with their teachers, stimulating study and consolidating their educational and learning progress. The proposed activities are naturally part of the extension of what was done in the classroom before and / or in possible preparation of what will be done after returning to school.

Distance Education can exacerbate or even generate inequalities in terms of access, especially in informal areas. For this reason, in order to not leave anyone behind, Cabo Verde is investing in complementary measures that can alleviate these difficulties, such as making student cards available, offer materials at no additional cost to families, and provide accompanying worksheets for teachers from schools affected by these limitations, which can also be used by students who do not have the technological conditions to follow the content. Particular emphasis is being placed on ensuring the continuity of core subjects, including Portuguese-language and Mathematics.

For education to reach all children and adolescents enrolled in the system during the pandemic,

the use of ICT offers a mediating solution in the teaching-learning process, with privileged means at this stage. Television, radio, the distribution of handouts and other means have been made available through TELE and AUDIO LESSONS and digital materials in order to ensure equitable access for all families. The table indicates the state of connectivity of basic and secondary schools in the country, which illustrate the varying degrees and limitations of connectivity on the various islands.

Due to these differences and limitations, such as underserved areas or areas with poor coverage, mainly in Santo Antão and Fogo, partnerships will be established with other existing radio stations, including community radio stations. Additionally, to overcome the difficulties imposed by the distance learning model, the Ministry of Education bets on strengthening access and connectivity, through the distribution of televisions to a total of 10,000 families in need and deprived of these means (televisions) and the improvement of communication and connectivity for all teachers (6,500).

The whole strategy mentioned above has high technical and financial costs and its implementation and success is only possible through close coordination and cooperation between national and international partners. In terms of national partnerships, the Ministry of Education already received commitments from RTC, Green Studio, ACI - Communication and Image Agency, Radio Television of Cabo Verde, NOSI, Unitel T+ and CV Telecom. At the international level, the implementation of the Distance Education project has the support of UNESCO, the World Bank, the Group of Education Partners, UNICEF, the Regional Centre for Studies for the Development of the Information Society of Brazil, and Huawei. These responses have demonstrated the potential of public-private partnerships in responding to the effects of the crisis.

## CHILD PROTECTION

### Pre-crisis baseline

In 2018, the population of Cabo Verde was estimated at 544,081, of which 174,104 (52.3% boys and 47.6% girls) are under the age of 18, equivalent to 32.4% of the total population. Of these, 28.3% are children under the age of 14, including 9.6% between ages 0-4 and 18.7% between ages 5-14. Estimates suggest that 69% of households contain at least one person under the age of 18, whereas this percentage even rises to 74% in urban areas (CABO VERDE, 2018 c). The Cabo Verdean legal system has been constantly evolving in terms of legislation that directly or indirectly concerns children and adolescents' rights. The country has a favourable institutional system for the achievement of the children's rights in the form of the Cabo Verde Institute of Child and Adolescence - ICCA and an important legal framework to promote and protect their rights, such as the Child and Adolescent Statute - ECA (law nº 50/VIII/2013, do B.O. I Série, nº 70, December 26th).



In the area of children's health, Cabo Verde has made great progress in recent years, reaching the Millennium Development Goals in the area of child mortality (5 years or younger) and maternal mortality in 2015. This success is mainly related to the preventive approach and especially to the high vaccination rate for children, which has prevented many inequities and has reduced avoidable inequalities in health care. By 2016, at least 91 out of every 100 children under 1 year old had been vaccinated (SDG/VNR, 2018).

In Cabo Verde almost all children are in school until age 12, though not all children, including children with disabilities and those furthest away, especially in rural areas, enjoy equal access to quality services due to asymmetries across islands and local areas.

The analysis of the children and adolescents' situation in Cabo Verde (SITAN 2011) encompasses several gains and challenges. The country has a favourable institutional system working to ensure the children's rights, namely the Cabo Verde Institute of Child and Adolescence (ICCA) and an important legal framework to promote and protect their rights. However, Cabo Verde still faces several challenges with regards to the protection of children's rights. The national rate of child labour is estimated at 8%. One of the concerns is the pace and responsiveness of the justice system for children.

While child marriage is illegal, a significant proportion of girls under 18 years of age are in de facto marriages and cases of female gender mutilation among migrant communities have been reported.<sup>30</sup> Concerns exist about the prevalence of discrimination against girls rooted in patriarchal attitudes and stereotypes concerning the roles of women and men<sup>31</sup> as well as about trafficking in children for sex and labour exploitation.<sup>32</sup>

Sexual abuse, often intrafamily or by people close to the family, remains one of the serious problems that children face. In Cabo Verde, combating sexual violence against children and adolescents is one of the Government's main priorities. The situation of children and adolescents living in the touristic islands of Sal and Boa Vista are reported to be of greater concern compared to other islands based on the reported number of sexual abuse cases, drug addiction, excessive alcohol consumption, child labour, and street children.

## Impact of COVID-19

In Cabo Verde, of the total cases of infected people registered recently, as of June 29, 2020, 21% are children and young people between 0 and 20 years old (196 and 299 respectively as of 27 July). Though children are not considered a high-risk group in terms of COVID-19 infection, they

30 Human Rights Committee, Concluding observations on the initial report of Cabo Verde (2019), p. 8.

31 Committee on the Rights of the Child, Concluding observations on the second periodic report of Cabo Verde (2018), p. 4.

32 <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25190&LangID=E>

risk emerging as the pandemic's greatest victims as the crisis is demonstrating profound effects on their contemporary wellbeing and future prospects.

Data emerging from several countries indicate that, if and when infected, they may develop symptoms with lasting effects. For this reason, the reopening of schools remains a contested matter. UNICEF and various countries have been developing 'back to school' protocols, which suggest that local schooling conditions (infrastructure, capacities, infection rates, etc.) and pupil/student density should be the deciding factors.

Cabo Verde has not carried out a detailed assessment of the impact of this pandemic and how this may affect the right of the child. However, the indirect effects of measures to combat the pandemic are reflected in the social and economic realities of families, with short, medium and long-term impacts on children, and with profound effects on their right to wellbeing, health, development, education, and protection.

As a result of the COVID-19 pandemic, all schools have been closed since March 23rd. The completion of learning assessments at all levels of education prior to the announcement of the containment led to the cancellation of the second term of the school year. Approximately 115,000 children from pre-school to secondary education are out of school. This purports to have profound effects on their right to well-being, health, development, education, leisure and protection.

The right to education was circumscribed due to social distancing, which foresaw the closure of schools, gardens, day care centres and other education and learning centers. School closures, confinement, the loss of parents' jobs, are factors that can increase the risks of exploitation, violence, and sexual abuse. These cases may not be reported, leaving children without protection and at serious risk.

About 400 at-risk children who attend social protection centres under the responsibility of ICCA were deprived of essential care due to closure under the State of Emergency. During this period, only the Children's Emergency Centres of Praia and Mindelo and the Nho Djunga Youth Centre in S. Vicente, which house children, functioned.

The effects of physical distancing measures and movement restrictions on children's mental health represent a further cause for concern. Children today face anxiety about the negative impact of the pandemic on their lives and communities as well as uncertainty concerning the future. For children facing extreme deprivations, acute stress can impair their cognitive development and trigger longer-term mental health challenges.

It is essential to provide services and responses that can ensure children's mental health, psychological assistance to alleviate stress, and anxiety in children resulting from the pandemic

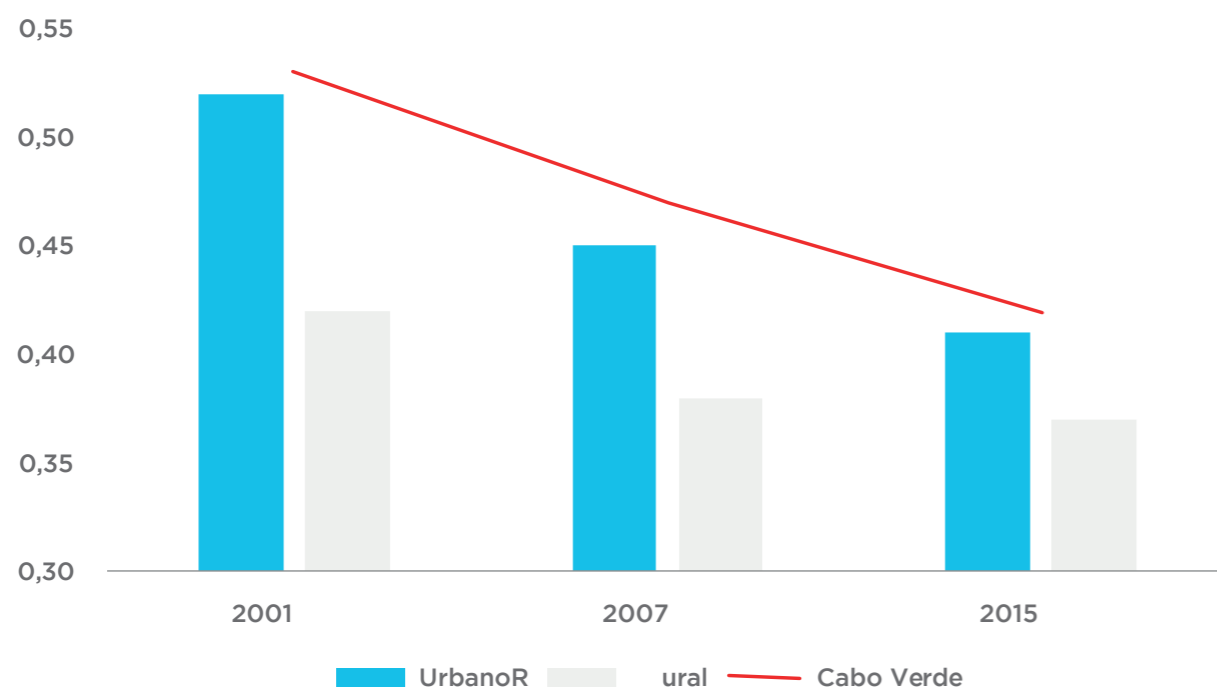
situation and to minimize the risks of violence. Practical support tools for parents and caregivers, including how to discuss the pandemic with their children, how to manage their own mental health and that of their children, and tools to help support their children's learning should be provided throughout the crisis response phase. The continuity of child-centred services, with a focus on equity of access – particularly in relation to schooling, nutrition programmes, immunization, maternal and new-born care, and community-based child protection programmes – must also be prioritized.

## POVERTY AND INEQUALITY

### Pre-crisis baseline

The COVID-19 crisis has come to overlap and deepen pre-existing vulnerabilities and existing inequalities in the country. Although Cabo Verde has achieved a steady decrease in poverty in recent years, from 58% in 2001 to 30,1% in 2019 according to MoF estimates. Despite the sharp decline in income inequality (measured by the Gini Coefficient) over 2001 to 2015, inequality remains a concern, given the disparities in access to basic services, unemployment rates, particularly among the youth, and poverty, notably in rural areas (48.5% of the population<sup>33</sup>).

**FIGURE 11**  
GINI coefficient in Cabo Verde (Source: INE, IDRF, 2015)



33 African Development Bank

According to the Palma ratio<sup>34</sup>, an alternative measure of income inequality, Cabo Verde's the top 10% of the population has expenditure shares 2.7 times higher than that of the bottom 40% of the population<sup>35</sup>. Oxfam, meanwhile, reports that Cabo Verde ranks first among West African countries in terms of the Commitment to Reduce Inequality (CRI) and seventh among African countries as a whole due to its efforts in the areas of social spending (health, education and social protection), progressive tax policy, and labour rights.<sup>36</sup> This discrepancy between policy orientation and actual outcomes or effects in terms of inequality points to the propensity for structural and institutional weaknesses that must be subjected to further investigation to better understand the why the bottom 40% remains stagnant despite a favourable policy environment in relative terms.

As of July 2020, Cabo Verde does not have multidimensional poverty measures in place, which limit the country's ability to understand poverty across various forms of deprivation disaggregated by geographic areas.

### Impact of COVID-19

According to ILO, the COVID-19 crisis is expected to lead to a significant increase in global poverty, potentially wiping out a decade of poverty reduction efforts<sup>37</sup>. The pandemic's repercussions on societies and economies has particularly adverse effects on the most vulnerable groups: namely, the elderly, persons with disabilities and chronic diseases, as well as children and women.

34 Palma, J. G. (2011) Homogeneous middles vs. heterogeneous tails, and the end of the 'Inverted U': the share of the rich is what it's all about. Cambridge Working Papers in Economics (CWPE) 1111. <http://www.econ.cam.ac.uk/dae/repec/cam/pdf/cwpe1111.pdf>

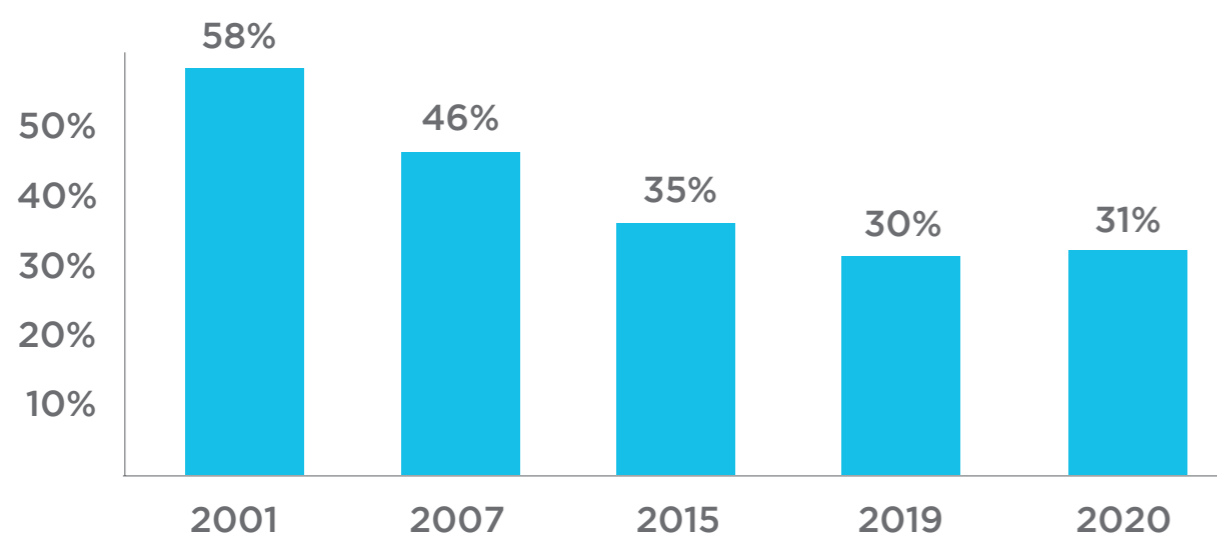
35 UNDP (2020). 'Income Inequality, Palma Ratio'. Human Development Report 2019. <http://hdr.undp.org/en/indicators/135206>. New York: United Nations Development Programme.

36 Christian Hallum and Kwesi W. Obeng (2019). The West Africa Inequality Crisis. Oxfam Briefing Paper July 2019. Oxford: Oxfam International <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620837/bp-west-africa-inequality-crisis-090719-en.pdf>.

37 ILO, Policy recommendations for social protection for COVID-19 Response, May 2020

**FIGURE 12**

Population living below national poverty line (Source: INE, Projection 2020 Ministry of Finance)



The poverty rate is expected to rise between 2.14% to 2.84% at regional level<sup>38</sup>. At national level, poverty is expected to rise between 30.3% and 31.3%, considering the national poverty line of 5.5 US\$ per day at purchasing power parity (PPP)<sup>39</sup>.

Rising income inequalities are driven, since April, by lay-offs and income losses, especially in the informal sector (60% of workers, mostly women). This tendency may accelerate if the slow economic recovery, especially in the services sector and more specifically in tourism and hospitality, are leading to more lay-offs and bankruptcies (see scenarios description above). In addition to monetary poverty, multi-dimensional poverty and individual and group vulnerabilities are also expected to increase.

The COVID implications in the health sector may lead to a decrease in the access of the most vulnerable populations to some of their rights and services, which in turn will provoke an increase in inequalities. Given shrinking fiscal space due to a 25% decrease of public revenues (excluding donations) compared to pre-COVID projections for 2020, a significant increase in public spending (e.g. + 35% on Health, + 4% on Social protection), a probable standstill in ODA<sup>40</sup>, and an increase of public debt (+13%); the Government will find difficulties in maintaining the pre-crisis levels of public and social services.

Youth unemployment is also a concern in terms of increasing inequalities. Young people have

38 African Development Bank, Africa economic performance and outlook amid COVID-19

39 Projections from the Ministry of Finance

40 ODA could drop by US\$25 billion in 2021, according to the article SDG, pandemic reset from Julia Smith et al.

fragile and unstable jobs or income-generating activities in heavily affected sectors (fishing, construction, hospitality, small informal retailers, among others). Moreover, interruptions in higher education and vocational training have affected the employability of many young people, greatly worsening the prospects for short, medium and possibly long-term jobs. With rising unemployment and extreme poverty, young people may be disproportionately affected and become more susceptible to victimization and substance abuse<sup>41</sup>.

## SOCIAL PROTECTION

### Pre-crisis baseline

Significant efforts have been made to improve the country's social protection with the objective to build a comprehensive, universal and inclusive system for lifelong universal coverage. Total spending on Social Protection/Policies increased from 3.7% (2010) to 5.3% of GDP (2017), and the coverage rate of the Social Protection System went from 39.6% of the total population, to about 45.7%. The country is well on its way to achieving its objective of a social protection floor (SPF).

However, only 36.2%<sup>42</sup> (data from 2017) of Cabo-Verdeans are covered by at least one social protection benefit and 50% of the employed population is covered by social insurance. If considering health assistance, the coverage increases to 55 percent of the total. However, there remains a large portion of the poor that are not covered by social assistance, especially poor families with working age members.

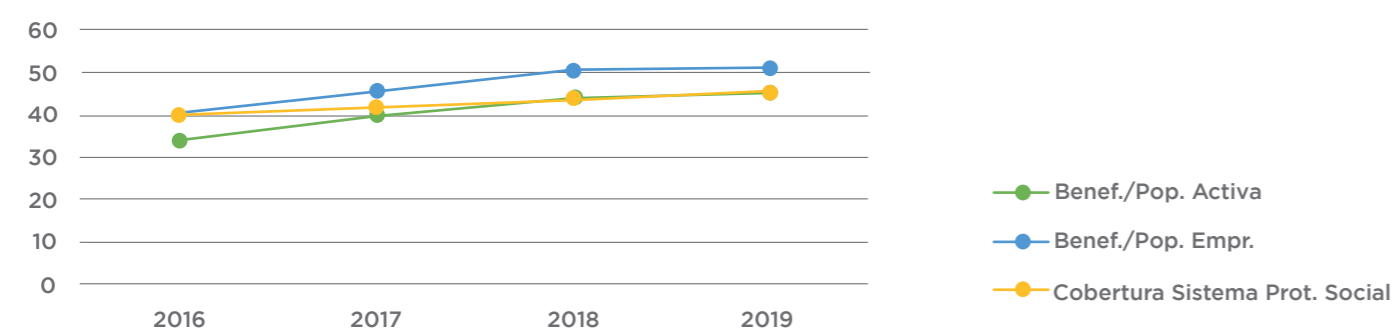
Regarding contributory social protection (social insurance, including civil servants) around 5 in each 10 active employed people (15 and over) are contributing to social insurance, representing around 3% of GDP. 58.721 children and adolescents receive a family allowance from INPS (at a maximum of 3 per family), representing around 32% of the population under 18. Non-contributory social protection programs cover approximately 15,5% of the total population (2018) but it is expected that this number will rise due to the recent innovations and new policies introduced into the system. Regarding old age, 71% of the population aged 60 and over are covered by some form of old-age/social pension.

41 UNOWAS, Note on COVID-19 Impact, June 2020

42 <https://www.social-protection.org/gimi/WSPDB.action?id=13> Effective coverage excluding health.

**FIGURE 13**

Indicators of National Security System Coverage 2016-2019 (Source: Data from INPS and INE)



The gender analysis within the social protection system also reveals differences between men and women as a result of longer and better-paid careers for the former in terms of benefits achieved. Women are more likely to be eligible to receive social pensions (in 2015, 61% of the social pensions paid were to women), and men are more likely to receive old-age pensions from social security (in 2015, 60% of the people receiving old-age pensions were men).

Notwithstanding these positive features of the Cabo Verde Social Protection system, efficiency (less fragmentation and adequacy of benefits) and effectiveness (broad coverage, especially in rural areas) need to be improved to advance the Social Protection agenda by supporting growth and reducing inequality. As with any social protection system in the world, there is on the one hand a constant need to improve and adapt benefits to the needs of the population and, on the other hand, a growing desire to increase transparency and governance of management.

## Impact of COVID-19

The COVID-19 Pandemic will have short, medium and long term impacts on people's lives, especially of the most vulnerable social groups: extremely poor households; elderly people, especially the isolated, people with disabilities; women, especially heads of single-parent families/households; professionals in the field of catering, hotels, and tourism; domestic workers and informal, occasional, seasonal and migrant workers; young people, who already face higher rates unemployment and underemployment.

COVID-19 will have far-reaching impacts on the labour market. The virus and subsequent economic shocks will impact the world of work in three main dimensions: 1) the number of jobs (unemployment and underemployment); 2) the quality of work (for example, wages and access to social protection); and 3) specific groups that are more vulnerable to adverse results in the labour market. Losses of employment and income jeopardize food security of the populations, making them more vulnerable.

Authorities in Cabo Verde reacted decisively at a very early stage of the COVID-19 out-

break to mitigate the health impact and tried to secure jobs and incomes through immediate measures such as employment retention and social protection benefits. Employment retention measures were: **(1)** the introduction of a simplified lay-off regime; support for the maintenance of remuneration paid at 70% paid by INPS, 35% by employer; and **(2)** the exemption, under certain specified conditions, of the payment of the social security contributions for a period of 3 months. Until the 8th of May, INPS had received 16.000 requests for simplified lay-off.

The set of measures for social protection focused on the contributory side through **(i)** the creation of an extraordinary subsidy for isolation of 14 days, paid at 70% of the reference remuneration/salary; and **(ii)** exceptional measures for unemployment subsidy - reduction of warranty period, removal of some formalities in the process request.

For non-contributory social protection immediate measures focused on **(1)** extension/scale-up of Social Inclusion Income (RSI), to reach 2.788 households, which represents a total coverage of 8.000 households; **(2)** creation of a lump-sum benefit called Solidarity Income (RSO) of around 90,69 euros for 30,000 informal workers and REMPE<sup>43</sup> regime workers; **(3)** food assistance for 22,500 households, among them 30,000 children; **(4)** Strengthen local social teams to ensure home care services for elderly people living in isolation, as well as ill persons and people with disabilities. These measures came to complement the strengthening of access to health services for the non-contributory regime (medical assistance, medicine and evacuations).

These temporary measures may become insufficient as the pandemic containment measures continue and the external factors affecting the economy do not rebound and produce a return of employment in key sectors. It is necessary to expand in more permanent way the coverage of social protection to vulnerable groups, increasing the scope of income transfer programs (social inclusion income) to ensure the consumption capacity of the poor population in the coming months. Safety nets focused on extremely poor households should be extended to affected informal workers, linking money transfer with programs that promote resumption of economic activity and decent work.

The management of the social protection sector must be able to articulate with different civil society actors and refocus financing to intervention projects complementary to the measures carried out by the central and local government. It must also provide the system with computerized management tools and expand the registration of beneficiaries in the Single Social Register.

43 Regime Especial das Micro e Pequenas Empresas (Special Regime for Micro and Small Enterprises).

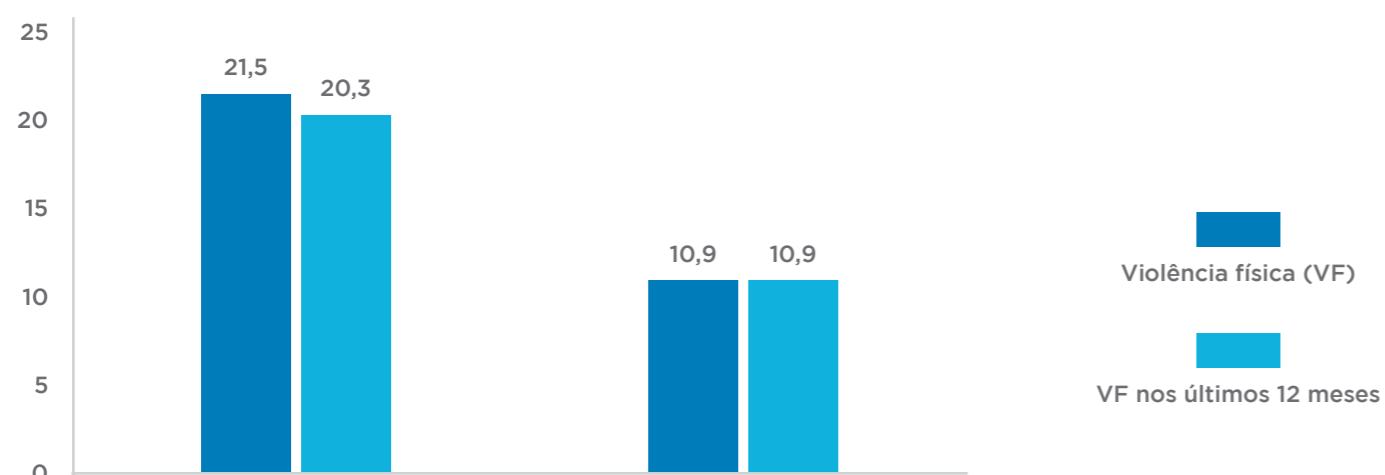
## GENDER.

### Pre-crisis baseline

Extreme poverty, which affects 1 in 10 people in the country (10.6%), affects women more - 53.6% of the extremely poor are women. In rural areas 53.1% of the poor and 53.6% of the very poor are women. Female-headed households are most affected by poverty: 60.5% of poor households are represented by women (versus 39.5% of those represented by men). The same goes for the extremely poor households (62.1% versus 37.9%). The differences are particularly marked in the urban environment, where women-led households constitute 62.8% of the 'poor' and 66.3% of the 'very poor' categories.

In terms of Gender Based Violence (GBV), the proportion of women who have suffered physical violence in the last 12 months has decreased substantially, from 2 in 10 women in 2005 (20.3%) to about 1 in 10 (10.9%), a decrease of 9.4%<sup>44</sup>. Notably, the rate that has not decreased for women aged 40-49 years. The fact that the prevalence of physical violence has dropped among the younger generations (cohorts) is an indicator of important behavioural change.

**FIGURE 14**  
GBV in Cabo Verde



INE data show that the unemployment rate in 2019 for men decreased to around 10.7% (12.7% in 2018), different from that observed in women, which registered a slight increase, going from 11.6% in 2018 to 12.0% in 2019. Although there are no significant differences between the two rates, the large asymmetry in the labor market is seen when analyzing the activity rate, whereas for women it is around 50.5%, for men is around 64.5%, a difference of 14%. Throughout life, the

44 IDSR III (2018), presented in December 2019

productivity of men is much higher than that of women, resulting in a substantial difference in the income of both, which explains the higher level of poverty in women than in men.

According to the latest data published by INE, adult literacy is 85% for women and 93% for men, with a larger gender discrepancy in rural areas where the literacy rate is only 74% for women, compared with 87% for men. The challenge now is to improve the quality of education and the school curricula on gender roles, which are expectations expressed by teachers. Of special importance is the need to make the schooling relevant to the job market for the country's future sustainable economic growth and to integrate women as teachers and managers.

Women currently represent 24 percent of elected parliamentarians and 26 percent of local councillors. There is no woman as President of municipal councils and just two women presidents of municipal assemblies. However, women are very active in political activities within political parties but remain a minority in decision-making organs of political parties. Women are very active in community associations where they are normally the majority.

Women are also visible and influential in senior management positions in public administration throughout all government ministerial positions, in independent agencies, and in the judicial system.

### Impact of COVID-19

COVID-19 impacts men and women differently because of their different socio-economic roles and existing gender inequalities in Cabo Verde. Overall, social distancing measures and the economic slow-down as a result of the crisis is expected to affect those in vulnerable employment the most, predominantly women who constitute the majority of informal and daily wage workers, domestic workers, as well as migrant women and girls, victims of GBV, girls in food insecure households, old women and female health sector workers.

The crisis might threaten progress accumulated over the years in sexual and reproductive health outcomes in Cabo Verde, including in fighting maternal mortality. As public health resources are redirected to the crisis response and the health system comes under increased pressure, key health services for women such as peri-natal and overall sexual and reproductive health services will be affected. Moreover, pregnant women are among the risk groups of COVID-19, given they now need to access health facilities more often for regular check-ups, where the risk of infection is higher.

Since the beginning of the COVID-19 crisis, women health workers have been at the forefront as they represent a large proportion of sanitary services and health personnel in hospitals, health centres, pharmacies, and cleaning crews of emergency services. They have therefore been highly exposed to the epidemic, especially when there are shortages of protective equipment,

and found themselves under tremendous physical and emotional stress.

Moreover, social distancing measures are likely to affect informal workers (overall 60%, the majority of whom are women), and daily wage workers the most. For female wage workers (51.7% of female employment)<sup>45</sup>, in addition to potential unemployment, or reduction of income, the crisis is likely to impact women through an increase in number of hours they spend in unpaid care work as a result of school closures.

Women-led MSMEs were also severely impacted by the crisis. Most of these businesses are fragile, have problems to access finance in normal conditions, and have little margin to cushion economic shocks. Disruptions in supply chains and closure of markets will have an immediate impact on them as they do not have financial resources to maintain operations beyond a few weeks or days in some cases.

Control measures posed new challenges to rural women about their roles as agricultural producers and traders (production of staple crops, food crops, cash crops as well as agriculture value chains and livestock) and in maintaining household food security.

Incidence of GBV is increasing rapidly as a result of COVID19 globally. The crisis is also affecting GBV support services, including through greater constraints to reporting. Essential services, including life-saving care such as clinical management of rape, mental health, psychosocial support, may be disrupted.

Girls will be directly impacted by the crisis in several ways including interrupting their education as a result of school closure, heightened risk of different forms of GBV. For many girls in low-income households, schools' closure will also mean losing access to school feeding programs, with the subsequent impact on their food security and on nutrition outcomes.

## FOOD AND NUTRITION SECURITY

### Pre-crisis deadline

Given its territorial fragmentation, the existence of a limited area of arable land for the practice of agriculture and aggravated by its vulnerability to extreme weather phenomena as a result of climate change, makes it vulnerable to food insecurity – both cyclical and structural.

Food insecurity in 2018 reached 37.7%<sup>46</sup> of the Cabo Verdean population, with 28.1% moderate food insecurity and 9.6% severe food insecurity. Food insecurity was greater in rural families, and in agricultural islands, that is, Santo Antão, Santiago and Fogo, and lower in the islands of Boavista and Sal. 2019 FAO data show that 12.6% of the Cabo Verdean population are underfed.

45 World Bank data (2019).

46 National Survey on Food and Nutritional Vulnerability (IN-VANF 2018)

5 out of 10 families have a low or moderate it has a low or moderate quality of the diet. As per the, the country has already reached the nutrition target for 2025 of the WHO indicators on nutritional status of children under 5 years old. Despite the gains, the prevalence of malnutrition in the Cabo Verdean population is 12.6% (data, pre-COVID-19)<sup>47</sup>.

Cabo Verde is among the 34 countries that need external aid for food<sup>48</sup>, and among the countries classified as severe in terms of Food Insecurity in the context of COVID-19, due low agricultural yields in 2019. Based on the most recent analysis of Harmonised Framework, it is estimated that about 10 000 people (about 2% of the total population) are in Phase 3: “Crisis” in the period June-August 2020 (projection made, before COVID-19).

Due to its low productive capacity, the country is dependent on imports to cover food needs, especially cereals (rice and wheat), whose dependence has been increasing exponentially over the years. In general, in Cabo Verde accessibility to staple food and vegetables is considered stable, however, families with lower income and those who practice agriculture and livestock have less diet diversity, consuming an average of four food groups (cereals, oils and fats, sugar and derivatives and spices and condiments), INVAF 2018. The price of basic or basic products is generally stable. With regard to fruit and vegetables, despite the large oscillation controlled mainly by supply, there is a slight increase in prices between the various products.

Stunted growth in children under 5 years of age still remains a national problem (moderate severity), since it affects 11% of this population, being greater in rural areas, this prevalence being related to conjunctural food insecurity, i.e. chronic, with 54% of the municipalities having a moderate prevalence. Food deficiencies are still a concern, manifested mainly in specific nutritional deficiencies in vulnerable groups, such as anaemia that affects 43% of children under five (IDSR III-2018), having, however, registered a 9% reduction in compared to 2009 (IPAC 2009).

### Impact of COVID-19

Globally, the effects of the COVID-19 pandemic, mainly exacerbated by economic shocks, are expected to cause a deterioration in food insecurity conditions worldwide. Although agricultural production has not been comparatively affected and the supply of basic food is generally large or stable, the loss of income resulting from measures implemented to stem the spread of the disease and the global economic slowdown are likely to increase the severity and prevalence food insecurity. With different degrees from country to country, the COVID-19 pandemic could be a factor that will trigger an increased need for humanitarian aid. It should be noted that the

47 FAO, “State of food and nutritional security of the world”, 2019

48 FAO, second edition of the report on Crop Prospects and Food Situation, July 2020

impacts of the pandemic have not yet been systematically captured in food insecurity estimates, with most assessments in countries still ongoing or yet to be carried out. In Cabo Verde, it is expected to have the first data on the impact of COVID-19 on food and nutrition security in August. Therefore, the figures presented in this section do not comprehensively reflect the prevailing food security situation in the country and only provide an indication of the minimum number of people in need of food assistance, as they are mainly baseline data for 2018, the period before COVID-19.

Data from the second quarter of 2020 show that the guarantee for the supply of cereals is regular and stable with an average coverage period of 3.5 months, exceeding the minimum period for guaranteeing food supply, which is 3 months. Regarding the supply of national markets for vegetables, the situation is stable.

Considering the current economic climate and in view of the imminence of another drought this year, the situation of food and nutritional vulnerability of families below the poverty line and of agricultural families that depend on the informal economy may become worse due to the increasing number of people facing acute and chronic food insecurity.

The Ministry of Agriculture and Environment is proposing some general policy guidelines to reinforce food and nutrition security in the face of the pandemic. With a view to ensuring access to essential goods in adequate quantities and qualities despite the restrictions imposed on economic activity, it is imperative that the country's strategic documents, especially the National Strategy for Food and Nutrition Security, take a more holistic view and allow the acceleration of effective and efficient actions to reduce the impact of COVID-19 on Nutrition and Food Security.

Priority areas include:

- Reinforcing the food assistance programme by improving the composition of food kits as well as corresponding distribution mechanisms for families in situations of food crisis;
- Strengthen the resilience of families, especially the most vulnerable (rural families, women-led households, etc.) - by empowering women to create small businesses, strengthen the resilience of the productive system, especially in terms of availability and access to water; stimulate the commercialization of farmers' production (ex: institutional purchases);
- Reinforcement of school food and health programmes;
- Reinforcement of micronutrient supplement programmes in powders for children under 5 years old;
- Compensatory measures to stabilize the prices of Basic Food Products (PAPN, Produtos Alimentares de Primeira Necessidades).

## PILLAR 3: ENVIRONMENT

In order to better understand the impacts of COVID19 at the level of the pillar Environment, the following sectors were considered: Water and climate change; urban growth and informal settlements; and waste management.

### WATER AND CLIMATE CHANGE

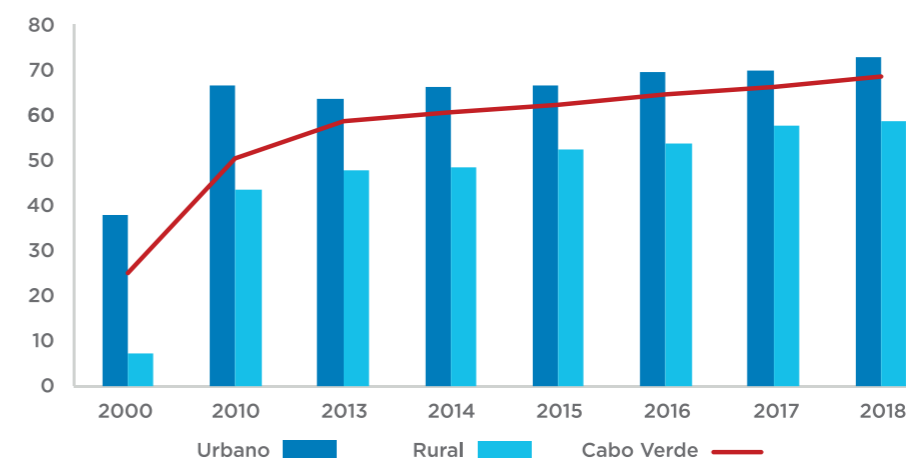
#### Pre-crisis deadline

In 2019, only 68.6% of households had direct access to public water networks as the main source of water supply. Approximately 9.2% of households source themselves from neighbouring houses and 9.0% from nearby fountains. In addition, 6.8% of households make use of water tanks and 6.5% use other sources, such as cisterns, springs, wells, etc. There are, of course, significant disparities between urban and rural areas in this regard.

Whereas 72.9% of urban households source water from public distribution networks, in rural areas only 58.8% have access to this source as the main supply option. Even in rural areas, 19.4% of families use other sources (water, springs, among others) to obtain drinking water. The graph in the figure below demonstrates how the rate of access to the water supply network has, despite challenges, evolved over the years.

**FIGURE 15**

Graph demonstrating the evolution of household access to water from the public water network as the main source of supply (%) (Sources: INE, Censo 2000, 2010 e IMC, 2013-2018).



In Cabo Verde, desalination of sea water is the main source of drinking water, followed by groundwater, obtained through the digging of holes and wells, and groundwater reserves. According to the National Water and Sanitation Agency (ANAS) "Water Resources Action Plan",

the current scenario of water scarcity on Santiago Island (the largest island that hosts almost 60% of the country's total population) is quite serious and is worsening. On this island, the volume of water that is produced (predominantly through desalination) for the largest population centre in the country (City of Praia) and for the adjacent municipalities is already manifestly insufficient. In the remaining municipalities on the island, poverty is acute. Moreover, in practically all the inhabited islands of Cabo Verde, the populations of the different municipalities are faced with a very serious situation in terms of water availability, both for human consumption and for agriculture and livestock.

Regarding water needs for agriculture and livestock, the water deficit in the country is, in line with the table below, 607 062.36 m<sup>3</sup> / day, making a total volume of 221,577,761.4 m<sup>3</sup> in one year.

The water shortages lead to fragility and vulnerability in terms of living conditions, which not only affects physical preservation and survival but also entails adverse repercussions on economic activities as well as social and cultural well-being. In particular, the need to procure water at significant distances imposes large opportunity and transaction costs on individuals who could otherwise engage in more productive and lucrative activities to secure household sustenance.

### Impact of COVID-19

Following the emergence of Covid-19 cases, the Government increased the level of hygiene and sanitary alert corresponding to the State of Emergency. The declaration of other alert levels will depend on how the health situation in the country evolves. Such a scenario of new restrictive measures could have the following consequences:

- Reduction in the levels of production, storage and distribution of water production factors and inputs;
- Increase in the cost of water production, storage and distribution factors;
- Increased levels of commercial and technical losses;
- Increased levels of theft and robbery;
- Reduction of the workforce, due to the confinement of part or all of the workforce;
- Fall in production and industrial productivity, as well as in the workforce;
- Decrease in revenues collected by water management companies and industrial operators;
- Exhaustion and collapse of water collection, production, storage and distribution equipment;
- Well salinization;
- Infection of water collection, production, storage and distribution systems;

- Exhaustion or collapse of springs;
- Sabotage acts on water collection, production, storage and distribution systems.

Within the framework of the Government's National Contingency Plan prepared and released in the face of the COVID-19 sanitary crisis, the ANAS presented the guidelines for the preparation of the Water Safety, Control, Quality and Availability Plan (PSCDQ) to be adopted by industrial water operators and water management entities. In the event scenarios increases in the degree or level of criticality in the water collection, production, storage, distribution and consumption systems, industrial water operators and water management entities are responsible for officially communicating these situations to the national water authority (ANAS) and the National Police.

## ENERGY

### Pre-crisis deadline

The Cape Verde energy strategy explained in the PEDS National Program for Energy Sustainability (PNSE) aims to increase the country's resilience to face the external shocks, by reducing energy dependence on fossil fuel imports, making full use on the potential existing renewable energies, promote energy efficiency and electric mobility, and also guaranteeing their universal access and energy security.

After an intense work of regulation, planning and structuring of the action plans, 2020 should be decisive for the implementation of the most operational phase of the measures designed under the Program. The rate of population with access to electricity in 2019 increased by about 2 percentage points compared to 2018.

In 2019, the goal set in the PNSE was reached in relation to the population rate with access to gas and electricity for cooking, which was 78%, that is 78% of the population in Cape Verde uses clean technologies to cook. The Electricity Loss Rate was around 22%, which shows that the revenue protection and loss reduction programs are already begun to have an effect.

The implementation of the approved social tariff allows families in a situation of economic vulnerability to benefit from discounts of up to 30%.

Several energy efficiency improvement projects in public buildings were implemented from 2016 to 2019 and a new improvement package is being carried out until September 2020 to increase the efficiency of electricity consumption and their micro production of electricity, including the National Assembly building.

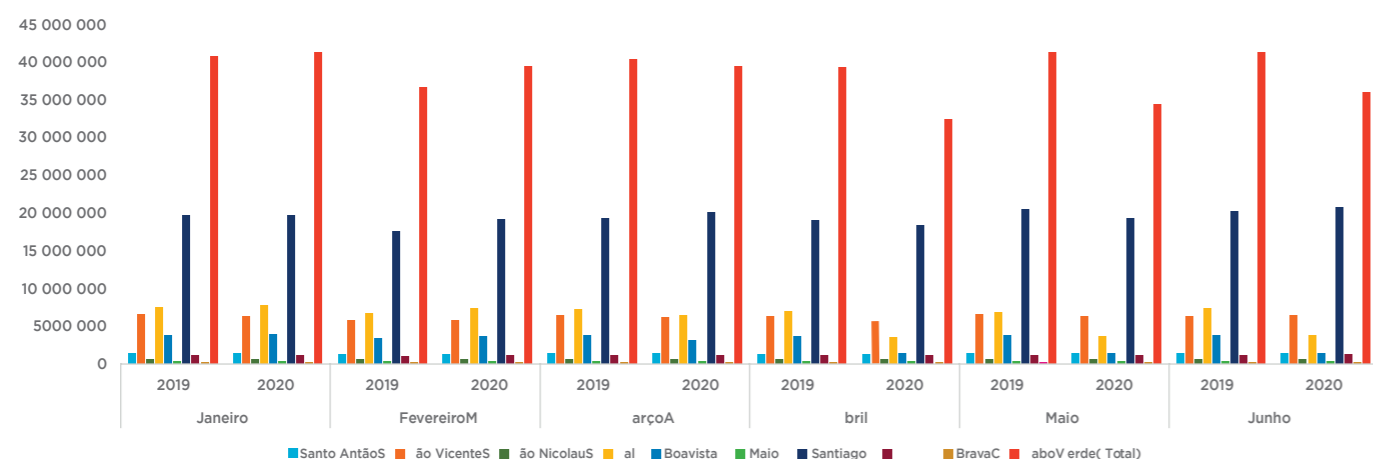
The last survey carried out in 2018, points out to an installed capacity of micro-producers of around 3.8 MW. The goal is to reach at least an accumulated 12 MW of distributed generation by 2030.



## Impact of COVID-19

The current situation may significantly affect the pace of implementation of the energy transition strategy. We have seen a tremendous drop in energy demand in the islands with the greatest tourist activity, with falls above 75% in Boavista and 35% in Sal from March to June 2020.

**FIGURE 16**  
Electricity production 2019 and 2020



This situation hampers the production of renewable energy by determining the activation of contractual clauses ‘take or pay’ present in energy purchase agreements and results in the increase of the energy purchase tariffs. At first, this effect was offset by the sharp drop in fuel prices, representing some relief for a brief period, but quickly recovered to pre-COVID-19 levels.

The situation also highlights weaknesses in terms of storage capacity and filling capacity concerning butane gas, with an initial run in the stations and sale and attempted monopoly of bottles.

During the period of the state of emergency, there was an important retraction in the levels of collection, resulting in difficulties in treasury for the concessionaires of energy production and distribution, but in June, they already showed some signs of recovery.

However, it is expected that some decline will be observed due to the drastic reduction in the income of families affected by the situation of the covid19, which may eventually lead to a regression in the level of losses.

Different projects and investments in the area of sustainable energy have already been delayed due to the pandemic. The concern with resilience and energy security in a crisis context such as the current one gains greater relevance, and confirms the assertiveness of Cape Verde’s energy policy, focused on reducing the external dependence of the sector linked to the import of fossil fuels.

Concerning the Development of Renewable Energies, the goals established in the new Electric Sector Master Plan 2018 - 2040 to reach 30% of electric energy production from renewable energy sources by 2025 and to surpass 50% of electric energy production from renewable energy sources until 2030 are maintained. However, it will be necessary to adjust the schedule for contracting new products and eventually anticipate part of the energy storage projects provided for in the master plan.

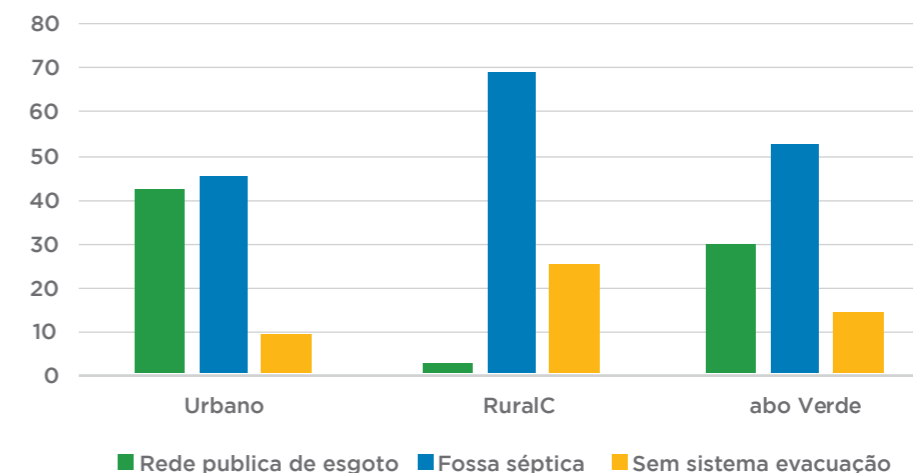
With the prospect of a less accelerated growth in energy demand over the next 2 years due to the pandemic situation of the covid19, it will be possible to reach more expressive values (ongoing assessment).

## WASTE MANAGEMENT

### Pre-crisis baseline

Despite improvements in recent years, the conditions in terms of both solid and liquid waste deposits were in precarious conditions in 2019. In 2019 there was a significant percentage of homes without any type of wastewater drainage system (14.5%). This percentage was most evident in rural areas (Figure 4) but also a prominent feature in informal urban settlements (see below). Santiago island contains the highest percentage of dwellings without any type of drainage system.

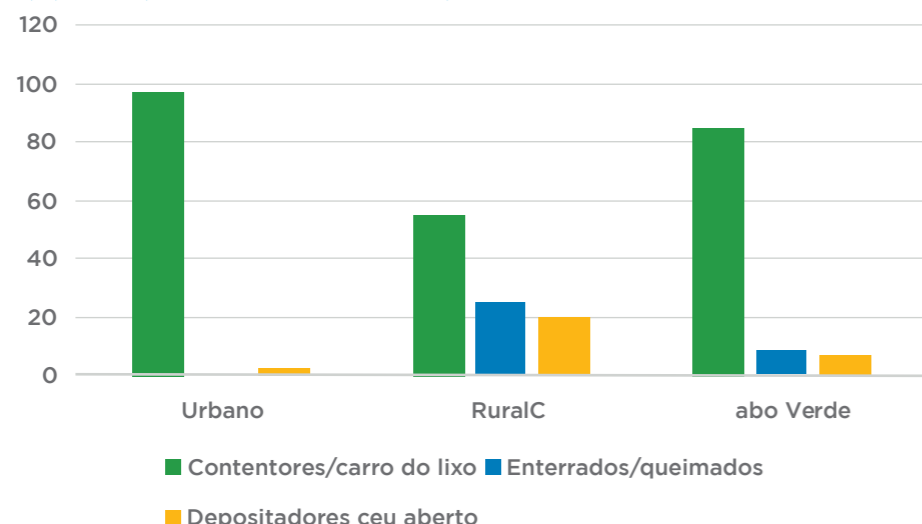
**FIGURE 17**  
Wastewater sewage systems (%), 2019 (Source: INE, Censos 2019)



The percentage of households depositing their waste in inappropriate places, prone to the development of insects and animals that transmit diseases decreased from 17% in 2010 to 7% in 2019 (Figure 18). This indicator took on greater proportions in rural areas and on the island of Santiago.

**FIGURE 18**

Solid waste removal (%), 2019 (Source: INE, Censos 2019)



The quantity and composition of waste produced in Cabo Verde, however, underwent a significant transformation from 2003 (when estimates of these indicators were made) until 2015, verificando-se, entre os dois momentos, uma taxa anual de crescimento médio de produção de resíduos per capita na ordem dos 3,81%. verifying, between the two moments, an average annual growth rate of waste production per capita in the order of 3.81%.

Lack of sanitation and inadequate deposition of waste were, according to health statistics, considered one of the main causes of mortality (5th position), especially in children under five years old (3rd position).

### Impact of COVID-19

New challenges have arisen due to the increased use of sanitary equipment like masks, gloves, gels, plastic containers, medical devices, electrical and electronic equipment, chemicals for tests, etc. The prevalence of these forms of waste carry risks for the environment, particularly due to Cabo Verde's location in the mid-Atlantic, which could exacerbate Ocean contamination with microplastics that enter the food chain and lead to health repercussions for both aquatic species and humans. The additional residual water produced by enhanced hygiene practices also ends up in groundwater and the sea. The massive use of detergents, disinfectants and antimicrobial solutions can also lead to consequences for the environment

The pandemic has made increased environmental control and protective measures a priority, including the appropriate use of water, such a scarce resource in the islands.

### Sanitary measures for the disposal disposition of medical hazardous waste

#### Box 2

Hospital Waste Management: Decree-Law 56/2015 and Ordinance 03/2020 of 10 January establishes the conditions for the management of waste. Waste from Group I and II are assimilated to urban waste following what is recommended in the NSPPMW, while Group III waste requires disinfection (Ex: autoclaving system) and follows the waste chain. Group IV waste requires mandatory incineration. Covid-19 waste (group III) also requires mandatory incineration (according to guidance issued by ANAS). The Government has acquired two incinerators to manage and burn COVID-19 waste, one each for Praia and S. Vicente. The former is operational, while the latter is being installed. Incinerators require regular monitoring and evaluation. There is a shortage of vehicles for transporting hospital waste. The collection of hospital waste data has not been carried out regularly; however, with the entry into operation of the SIREs Platform and organization of services, annual data and separate data on the Covid 19 waste maps may become available. The development of a Strategic Plan for Hospital Waste Management (update of the National Plan 2013-2016) is also required.

### URBANIZATION LAND USE AND INFORMAL SETTLEMENTS

In a country like Cabo Verde, which comprises an archipelago of 15 islands of varying sizes, variegated topography and diverse characteristics that share common constraints of water access, climatic exposure and space to develop all economic and human activities, the appropriate and most efficient use of land is an environmental and development imperative. As with many countries, Cabo Verde is increasingly urbanizing, which exerts stress on the environment, puts pressure on coastal areas and encroaches on its relatively small natural reserves. Given the fragility of its ecosystems - marine, coastal and inland - it is necessary to have a holistic approach to land use, urbanization and settlements, many of which have grown informally and sometimes chaotically.

#### Pre-crisis baseline

Cabo Verde has 24 cities and urban growth has been accelerated in recent years, especially in the main urban centres in the country. The cities of Praia and Mindelo are the islands with the greatest urban concentrations and business volume (INE, 2016), while Sal (Espargos and Santa Maria) and Boa Vista (Sal Rei) are the islands with the greatest potential in terms of tourist investments<sup>49</sup>. Currently, urban growth has been fueled both by internal migration flows (rural exodus and migration from the remaining islands) and by external flows from neighbouring West African countries.

It is estimated that up to 31% of families in Cabo Verde live in overcrowding conditions<sup>50</sup>. In addition, more than 50% do not have access to individual water supply connections in their

49 INE, 2012e2016

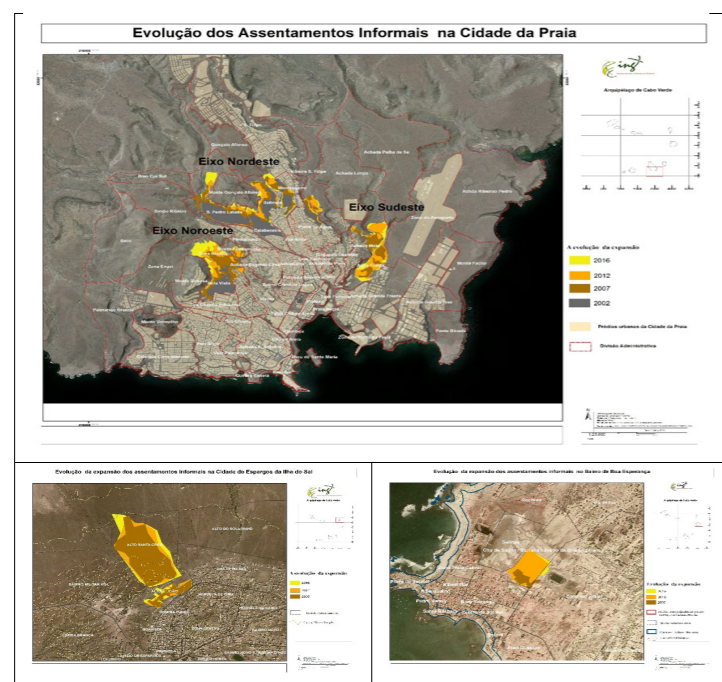
50 UN-Habitat defines overcrowding as more than 2 people sharing a room of up to 3.5 x 3.5 m.

houses and who depend on community taps, neighbours, or water trucks.

Despite significant efforts, public administration has not been able to provide for territorial policies, urban planning and infrastructures to accommodate the accelerated pace of population growth in the islands with greater urban concentrations through access to formal urbanization with the scale and urgency that the situation requires. There is a proliferation of spontaneous neighbourhoods both in the suburbs and within urban centres, with no compliance to planning and without basic infrastructure.

The growth of informal settlements in the city of Praia, Sal Rei and Espargos is shown in Figure 2. The accelerated development of tourism in the last two decades, particularly the has generated precarious urban areas that accommodate workers and service providers, many of low-income and living in unworthy conditions.

**FIGURE 19**  
Evolution of informal settlements in Praia, Sal and Boavista (Source: INGT - 2018)



These neighbourhoods tend to face two main issues that greatly increase their vulnerability. First, they are located, in their majority, in areas of poor accessibility and very high risk (mainly in the riverbeds and steep slopes), exposed to floods, landslides, falling blocks, etc.

Second, the local populations living in these informal settlements end up suffering from substantial deficiencies in infrastructure, equipment, and basic services, with serious problems

of security and public health. This scenario is aggravated by severe deficiencies in terms of territorial management and the corresponding challenges this poses for local authorities in implementing policies, especially in terms of establishing basic urban infrastructure such as roads, electricity, and water.

### Impact of COVID-19

More than 95% of the world's coronavirus cases are concentrated in urban areas and data from late March showed that more than 1,500 cities were already affected. It is pertinent to analyse the effects of the Covid-19 pandemic in urban areas and, in particular, in settlements that are established informally. Crises like the one associated with COVID-19 particularly affect cities, with a marked impact on areas of greater vulnerability and densely populated territories<sup>51</sup>.

People in informal settlements are particularly at risk because they often live in overcrowded conditions, lack adequate housing and basic services such as water and sanitation, and many are informal workers who survive on day-to-day income. As cities have suspended or limited most informal activities and restrict movement, day laborers and informal workers have lost or reduced their sources of income, especially considering that an estimated 60% of jobs are informal in Cabo Verde. The National Institute of Land Management (INGT) sees the pandemic recovery as a challenge but also opportunity to link economic recovery to its medium- and long-term strategic plan.

While a thorough assessment is yet to be conducted, further analysis should focus on:

- deprivation to satisfy basic needs, for example in food, water supply or basic health care;
- difficulty in complying with sanitary guidelines as there is limited access to water, homes with insufficient number of rooms, dense neighbourhoods, narrow streets, with no public space have limited respect for guidance to stay at home or social distance due;
- (forced) abandonment of houses due to the inability to pay rent and keep their commitments, especially for those working in the tourism industry and who have migrated domestically to other islands, which can aggravate housing precariousness and lead to the occupation of risk areas;
- deficient / no benefit or social protection (pensions, insurance, etc.), aggravate impacts on families and make it impossible for them to comply with restrictions / solutions.

<sup>51</sup> Here it is important to clarify that several ongoing studies have already revealed that densification per se does not equal to higher vulnerability or contamination rates. It is the type of densification (e.g. with overcrowding, which is the case for most informal settlements), along with several other variables (e.g. lack of access to water), that determine the vulnerability and exposure to pandemics such as the COVID-19.

Recognizing and addressing the harsh reality of inequalities in urban centres is essential. Improvement of urban space - through sanitation and water supply, construction of parks and open spaces, better transport conditions, often accompanied by the recreation of the precarious city on the peripheries (settlements) informal, should be recorded as the necessary interventions to increase resilience and prepare cities for phenomena such as this pandemic.

## PILLAR 4: GOVERNANCE

### PUBLIC INSTITUTIONS AND ADMINISTRATION

#### Pre-crisis baseline

Cabo Verde's public Administration is constituted of a central government and local level municipalities. The public administration has undergone a series of reforms in recent years, with a view to its modernization and to ensure the provision of more efficient and effective services to the citizens, ultimately facilitating citizens' access to state services. The public administration system represents a very large share of the economy at an estimated cost of 40% of its gross domestic product (GDP). The civil service alone, with its about 25,000 public employees, at the central and local levels, absorb approximately 10% in wages and salaries. The importance of the reform is thus the need for public expenditures to be reduced, and the public sector to become more efficient, accessible and take on its facilitative role. The level of corruption in Cabo Verde is quite low. There are independent public institutions for regulation and control in the framework of public administration; namely, the General Inspectorate of Finance, the regulatory agencies, the central bank, the external control institutions, and the court of account.

Cabo Verde has taken a promising leap into the area of e-governance that started with the integration of public finance management in the 1990s. With the creation of the Operational Nucleus of the Information System, NOSI, the digitization of public management has made great progress and today when the system fails, almost everything is blocked, which demonstrates the level of dependence already of digitalization. Despite the advances, much more need to be done for greater productivity and efficiency in the public administration, namely in the interoperability of administrative processes, allowing the interactivity between citizens and public administration and the self-servicing of public services through the portal Portão di nos ilha. Currently Cabo Verde still ranks very low in terms of E-Government and E.Participation Index (110 and 129 aog 193 countries respectively), and has an E-Government Index of 0.5604, which is although the regional (0.3914) and subregional (0.3574) ones is insufficient, particularly given the geographical distancing among the islands, and lags below the subregional and leader in the African context.<sup>52</sup>

52 The subregional leader in E-Participation Index is Ghana (with 0.6310) and the leader is South Africa (with 0.7500). The

The Government has developed a new strategy for the development of ICTs - Digital Agenda - based on a new national vision for Broadband. The Government is betting on the digital dividend and analog supplements and intends to prepare the National Cybersecurity Plan and strengthen IT security.

#### Impact of COVID-19

According to the POGER analysis,<sup>53</sup> the budget allocation for the sovereign institutions as well as management and administrative support bodies suffered cuts of 100% in the areas of personnel (recruitment, promotions, training reclassifications), 50% in bonuses and overtime, 70% in travel and accommodation funds and 20% for goods and services (economy, fuel, lubricants).

In terms of governance, the Public Administration, the Parliament and the Judicial System worked in a telework regime during the emergency period. The Parliament worked with partial physical presence of a group of parliamentarians and another group online. Under these conditions, the Parliament responded to the most urgent legislative priorities. The Parliament has been responding solely to the most urgent needed legislation. The suspension of normal working of judicial system - the courts are functioning only for emergency cases - will have impact in business and on the rights of citizens to justice.

The continuity in functioning of internal and external control institutions has also been impacted. The court of accounts had to extend its deadline until the end of May 2020 due to delays in the submission of trimestral financial statements and other documents. It has also received significantly fewer contracting processes from public administrations for visas, which has affected its revenue. The review of the status of the commission for conflict resolution, the assessment in the application of the public contracting codex, and the audits and supervision conducted by the Agency for regulation of public acquisitions (ARAP) were suspended.

Cabo Verde will hold municipal elections in 2020 and legislative and presidential elections in 2021. With COVID-19, the organization of elections and electoral campaigns will be greatly affected, making it difficult for political actors to clarify electoral programs to voters, which may influence the electoral participation of citizens.

### SECURITY

#### Pre-crisis baseline

Over the past few years, West Africa has become an increasingly important region for international drug trafficking and organized crime. Increased cocaine seizures in several

leader (1.000) is Estonia.

53 Maria Andrade (2020). Análise Sintese: Proposta Orçamento Rectificativo 2020. Praia, Cabo Verde: ProPALOP-TL ISC

West African countries- including the seizure in February 2019 of 9,5 tones at the port of Praia - perfectly illustrate this trend. Cabo Verde's strategic location off the coast of West Africa, combined with its long coastline, weak effective control of national and international waters, places the country on one of the main cocaine routes from South America to Europe. Furthermore, criminal behaviour and corruption that often accompany drug trafficking seriously affects the security of the country and wider region. Urban crime and associated threats have become one of the main concerns of Cabo Verdeans. As a result, the Government of Cabo Verde has made addressing drug trafficking and related crimes a priority and prevention a key strategy to reduce the demand for drug use and harmful alcohol consumption.

From 2018 to 2019 there has been a reduction in registered crimes against persons and property. For the fourth consecutive year there was a decrease in crimes reported to the Directorate of Operations and Communications. This positive trend, nevertheless, is not uniform across the islands. While crime rates decreased in 19 municipalities, there was an increase in 3 of them; namely, Porto Novo, Ribeira Brava, and Brava. The islands of Santiago, São Vicente and Fogo registered the highest incidence of occurrences, representing about 11. 883 cases, equivalent to 79.23% of all crime reported. It should be noted that a total of 8,617 cases were registered in Santiago alone, equivalent to 72.51%, of which 6003 cases occurred in the city of Praia, equivalent to 69.6% (santiago) and 40% (at national level. In the remaining islands, the level of reported crime is at one digit.

**FIGURE 20**  
Crime data 2018 -2019 (Source: National Police)

Crime data for Cabo Verde (2018-2019)			
Year	Against persons	Against property	Total
2018	7 853	10 282	18 135
2019	7 047	7 943	14 990
Difference	-806	-2 339	-3 145
Variation	-10.3%	-22.7%	-17.3%

## Impact of COVID-19

The Judicial Police Report demonstrates that during the State of Emergency, there was a 41% reduction in criminal cases recorded with the Judicial Police, compared to cases recorded in the 1st Quarter. Noteworthy is the increase in crimes against property (theft and theft) and cybercrime (related to computer fraud - debit card - and crimes against honour committed through computer media). In the post State of Emergency period (June and July), there was an increase in criminal occurrences, in comparison with the period from March 20 to May 30.

In Cabo Verde, as in the rest of the world, security services and actors were called to work on the front lines to combat the spread of the virus. To this end, security forces and services had to change their work plan and therefore their focus on the new health context. National police data reveals that significant programmatic and administrative changes were made to better adapt to the pandemic context. This adaptation involved losses and damages, both material and financial. In addition, the national police were confronted with significant officers infected by COVID 19 causing feelings of panic among the staff. With the isolation of the infected police, creating the need to reinforce the staff in the different structures of the country. Indeed, many questions persist as to whether the security actors and services have the proper structures, training, and equipment (in addition to PPE), and the required normative or legal frameworks and institutions, to deal with pandemics.

The gaps left by these forces in addressing crime more generally, as a result of their efforts to prioritize new tasks. This situation associated with the country's vulnerability to illicit trafficking and organized crime brought challenges requiring further investment in strengthening police capacities to better address security challenges and crime in the pandemic context.

Within this context, as stated by Judicial Police report, the COVID-19 Pandemic is having a profound negative impact on the Judicial Police institution, especially in terms of human resources management, which, in addition to being limited, are called upon to make their contribution in terms of preventing the spread of COVID-19 within communities. In addition to the limitation of human resources, there is also a limitation of financial, material, and technological resources, which greatly limit the activities of prevention and criminal investigation. In addition, several Judicial Police initiatives, which were underway before March 2020, were suspended, including the implementation of the PJ Strategic Development Plan 2020-2030, which was approved last year by the Council of Ministers.

The National Police has advanced some proposals in terms of development and security. Starting from the vision of building "a developed, inclusive, democratic Cape Verde, open to the world, modern, safe, where full employment and full freedom prevail", the National Police (PN) continues to target reducing crime by 2030 in the order of minus 20%, which in practical terms

represents, on average, a decrease of minus 2% per year.

The additional stresses created by the confinement measures of the pandemic make training, qualification and development of our human resources an urgent priority in order to ensure, on the one hand, the continuous improvement of the functioning of the services and, on the other, rejuvenation of police staff to ensure a the population / police ratio.

The pandemic-induced needs are seen in the broader context of the medium to long term (the period 2020/2025) to upgrade the organizational structure to ensure the number of personnel conforms to the prevailing legal frameworks. Consistent with lessons learned from the confinement period, training offers for the security sector should include online training and take advantage of the wave of digital transformation sought by the government.

## JUSTICE AND HUMAN RIGHTS

### Pre-crisis baseline

Cabo Verde has a good record on the implementation of core human rights conventions. This was also reflected in the outcomes of the second cycle of the Universal Periodic Review (UPR). Remaining concerns include the violation of rights of women, LGBTI, children and migrants, refugees, asylum seekers and internally displaced persons. Human rights challenges are also observed with respect to overcrowded prisons and an overburdened and understaffed justice system, resulting in prolonged pretrial detention and a large backlog of cases pending trial.

There are yet considerable challenges regarding human rights specially regarding women and children, disabled persons, the elderly, persons in prison, emigrants, due to many reasons, among which, the unsatisfactory performance of the judicial system. The level of violence, particularly the number of homicides among youth and gender-based violence, reports of mistreatment in prison and in police detentions spaces, the slowness of justice is of major concern. The National Commission for Human Rights and Citizenship has been promoting through media, workshops and other events for the consciousness of both duty bearers and rights holders on human rights. A national plan for human rights is being implemented and there is a need for the establishment of a human rights-based approach to planning at national and local levels.

The Human Rights Committee underlined in its 2019 report that important steps have been taken by Cabo Verde to achieve equality between men and women, including gender mainstreaming<sup>54</sup>. The Committee was however concerned about the persistence of deep-rooted patriarchal attitudes and gender stereotypes and the lack of specific

54 Human Rights Committee, Concluding observations on the initial report of Cabo Verde (2019), p. 3.

information about steps taken by the state to address them.<sup>55</sup>

It is reported that prison conditions in Cabo Verde are harsh. The Human Rights Committee has reported that some prisons remain overcrowded and that a significant proportion of individuals included in the data provided by the State have been imprisoned for non-violent offences, including theft, which in some cases is reported to have been driven by poverty. Children continue to be imprisoned with adults<sup>56</sup>.

Cabo Verde has undertaken reforms to consolidate the rule of law and modernize judicial structures, while improving the organization and performance of its judicial system. Efforts have been made to intensify the fight against trafficking and organized crime. However, the judicial system must still be significantly improved, and major reforms must be consolidated in order to guarantee greater independence, efficiency and accountability of the judicial system. In the Justice sector, activities related to law enforcement and the prevention and repression of crime in a broad sense are also grouped: criminal investigation, intelligence services, impermeability to crime, awareness-raising activities, protection of witnesses and victims.

The justice system is functioning, albeit with remarkable slowness, impacting the business and the rights of citizens for timely decisions and procedural outcomes. Aware of the need to consolidate the gains achieved and fill the existing gaps, the government is currently implementing a criminal justice reform covering all system stakeholders including law enforcement, prosecution services, the judiciary and the prison system as well as the legal framework. Cabo Verde has been adhering to international legal instruments and has been translating into national ordinary legislation the compliance standards with those of regional and international instruments. Important investment has been made in capacity building of law enforcement services and bodies in charge of law enforcement aiming at more efficiency and effectiveness in crime prevention and criminal justice.

The Government has continued with the reform of the Justice sector, with priority being the modernization of the sector, the speed and quality of the judicial response and greater efficiency in combating crime and criminal justice. The priority axes of justice intervention include: the continuation of the modernization of the justice sector regarding the requalification of physical structures, improved management and delivery times in the provision of services, review of important legislative packages in the civil and criminal areas.

55 Ibid

56 Human Rights Committee, Concluding observations on the initial report of Cabo Verde (2019), p. 3.

## Impact of COVID-19

While government took measures to assure social protection, reinforce the health response and to help enterprises to minimize damages in the economy particularly to save jobs, the overall protection of social and economic rights due to the COVID-19 pandemic remains a human rights concern.

Certain groups, including women and children at risk of violence, prisoners, migrants are acutely affected. Reduced court operations may also result in the prolonged detention of pretrial detainees or of prisoners eligible for early release<sup>57</sup>.

During the State of Emergency, the Courts functioned in a minimum service regime and many due diligence and trial processes were postponed. Many cases remain on hold<sup>58</sup> as the courts have only been working on urgent cases and public officials vital to the administrative operation of the judiciary were urged at home. There was a noticeable decrease in productivity compared to the same period last year due to the limitations in carrying out investigations related to restriction measures<sup>59</sup>. Since the Justice Information System (JIS) was not operationalized, many processes could not be handled via telework.

57 UNODC & UNDP, Guidance Note “Ensuring Access to Justice in the Context of COVID-19”, May 2020

58 Report of the Superior Council for the Judiciary

59 External services closed or operating with limitations and people are only allowed to leave home to participate in urgent procedural steps - Presidential Decree No. 06/2020, 28 March, Law 83 / IX / 2020, 4 April and several other diplomas

**FIGURE 21**

Comparative analysis of productivity during the months of March 2019 and March 2020 (Source: MP Statistical Data prepared in the PGRns and CSEOP).

Ilhas	Comarcas/Serviços do M <sup>o</sup> P <sup>o</sup>	Dados Findos		
		Mar./2019	Mar./2020	Dif.
Santiago	Comarca da Praia	1244	993	-251
	Comarca de Santa Catarina	153	116	-37
	Comarca de Santa Cruz	112	156	44
	Comarca do Tarrafal	152	139	-13
	Comarca de São Domingos	57	18	-39
	Departamento Central de AC. Penal	1	68	67
São Vicente	Comarca de São Vicente	434	641	207
Santo Antão	Comarca de Ribeira Grande	8	47	39
	Comarca do Porto Novo	65	82	17
	Comarca do Paúl	11	7	-4
Sal	Comarca do Sal	397	88	-309
São Nicolau	Comarca de São Nicolau	11	20	9
Boa Vista	Comarca da Boa Vista	77	70	-7
Fogo	Comarca de São Filipe	110	57	-53
	Comarca dos Mosteiros	36	24	-12
Brava	Comarca da Brava	27	19	-8
Maio	Comarca do Maio	17	28	11
<b>Total</b>		<b>2912</b>	<b>2573</b>	<b>-339</b>

In Cabo Verde, an exceptional regime concerning the suspension of time limits was approved for judicial and administrative procedures as well as the functioning of the courts and applied to processes considered non-urgent under the judicial vacation regime.

### A “Rights-based approach”

#### Box 3

In terms of justice, rule of law and governance, some key short-term recommendations include the following:

#### Gender Based Violence

Efforts to maintain and expand GBV related services are needed, especially to implement easy-to-report mechanisms for victims in the context of social distancing measures. It is critical to shield public expenditure in critical sectors such as GBV and sexual and reproductive health. To achieve this, it will be important to identify key ongoing data collection exercises in the country, including rapid surveys, and work with teams to ensure that sex-disaggregated data are collected in all aspects of the response and in particular on the economic impact, incidence of GBV, and repercussions on unpaid care. Overall, recovery is used to ‘build back better’ by strengthening post-crisis socio-economic resilience while addressing structural gender inequalities in different areas of the economy (e.g. unpaid care) and society.

#### Governance

It is important to promote more intensively the open governance and greater accountability in service delivery and financial management, and enhance technical capacity in the statistics system to produce information and data at a frequency and quality to facilitate policy formulation in a process of coherent planning involving the national and local institutions, within the framework of decentralized public administration, and more effective monitoring.

#### Human rights

Support needs to be aimed at ensuring that health facilities, goods and services (including early testing and treatment for COVID-19 and other essential services, such as immunization, sexual and reproductive health (SRH), HIV, TB, non-communicable disease such as cancer and diabetes treatments, and medical and psychological support to survivors of gender-based violence) are available, physically accessible, culturally acceptable, and affordable to all, without discrimination, including to groups most at-risk of being left behind.

There is a need for specific communication regarding the prevention of gender-based violence and on human rights, particularly reaching elderly, persons with disabilities, migrants, children, prison inmates and hospitalized patients. While ensuring the right to education by tele, audio and online schooling as a temporary measure, many poor families may not have conditions to have computers and internet and parents who may not have pedagogic abilities to support the home schooling of their children.

#### Justice

Prisons and other detention settings should be an integral part of national health and emergency planning to deal with the COVID-19 pandemic. Preparedness, prevention and response measures in custodial settings should be designed and implemented in line with dedicated guidance developed by the World Health Organization (WHO). These measures should encompass specific risk assessments and contingency plans; enhanced hygiene and infection control measures; the uninterrupted availability of relevant supplies, including Personal Protective Equipment (PPE); close linkages with local and national public health authorities; as well as support and capacity building for prison staff and health-care professionals. Responses to COVID-19 should further be integrated into overall prison health strategies to ensure that continued attention is paid to broader healthcare needs within the prison population, including other prevalent diseases.<sup>60</sup>

# Preliminary conclusions and recommendations





The COVID-19 pandemic threatens decades of development gains and requires an urgent and exceptional response that involves three phases: relief, restructuring and resilient recovery, all connected to a longer-term sustainable development vision. The relief phase includes an immediate response to the health threat posed by COVID-19 and its immediate social and economic impacts. The restructuring phase focuses on restructuring businesses and sectors and strengthening the health system, responding to the pressure caused by the pandemic. The resilient recovery phase involves taking advantage of new opportunities to build a more sustainable, inclusive and resilient future.

## RELIEF PHASE: HEALTH, SOCIAL PROTECTION AND ECONOMIC RESPONSE

### Social Protection and Health measures

The pandemic is challenging the health system, which has limited capacity to deal with the outbreak. The main concern is to put in place the necessary measures for the prevention, detection and treatment of the disease to save as many lives as possible. This implies an increase in health care expenses, intensification of testing and monitoring, the creation of logistical, personal and civil protection conditions, as well as the procurement of medicines and equipment. The establishment of an effective communication channel with the population is also essential to prevent the spread of the virus.

In view of these challenges, and despite the reduced fiscal space, the government needs to continue supporting the health sector to contain the pandemic, which implies an additional investment of 3 billion escudos (30 million euros). Among these measures, the reinforcement of funds for medicines, human resources and protective equipment are critical, together with the preparation of structures that enable the national health system to respond to COVID-19 and the acquisition of aircraft to respond to the situation of emergency, as well as the capacity building of virology laboratories, in partnership with UNICV and private companies.

In terms of social protection, despite the measures already adopted, the 8,000 families targeted still represent less than half of the families listed in the Single Social Registry (CSU). The money transfer provided through the emergency RSI should be extended to all CSU families. In addition, support to informal workers suffering from a significant decrease in their income (Solidarity Income - RSO) should be granted for a longer period than initially planned, as the negative economic effects are lasting. In the medium term, it will be equally important to continue to invest in both contributory and non-contributory social protection systems, including extending CSU coverage and ensuring that the systems are able to support an efficient response to future shocks. Other investments in economic inclusion activities to reinforce the resilience of the

targeted families will be equally important.

### Measures in support of the economy

The response from the Government and the Central Bank to the impact of the crisis on the financial sector and access to finance for MSMEs are considered appropriate, as they include powerful incentives for banks to restructure loans, thus mitigating the risk of bankruptcy and job losses. In the future, authorities are encouraged to design and implement policies aimed to **i)** support financial institutions in their efforts to manage new non-performing loans **ii)** continue to improve the financial ecosystem to stimulate credit to and investment from the private sector (credit information system, programs guarantee, support for the creation of new companies, etc.). In addition, in order to improve financial inclusion, authorities are encouraged to modernize the payment system, as well as the legal and regulatory framework, and to invest in digital capacity building and digital literacy for a wide range of the population, including youth and women informal business owners.

The tourism sector, which accounts for 25% of GDP and boosts global economic performance, is severely affected by global travel restrictions and the complete closure of borders in Cabo Verde. In order to ensure a strong recovery in tourism, the Government can create a Crisis Task Force for this sector, involving the Ministry of Tourism, Tourism Institute and related agencies and the private sector, to work on a coordinated response, with the support of international partners. The Government is encouraged to create short-term market intelligence capacity as a critical tool for defining and understanding market segments that should be targeted for the recovery effort, as well as preparing for the recovery, taking steps to facilitate entry, such as reducing or lifting visa requirements / airport charges and ensuring that arrival and departure procedures are in line with best sanitary and health practices and guidelines.

In addition, international partners support should be mobilized for the creation of training / qualification programs (particularly in terms of digital skills), as well as for the provision of training and health certification, for tourism MSMEs, aligned with the objective to present Cabo Verde as a “safe and clean” destination. Betting on the “digital” training of MSMEs is essential since the Tourism Industry is transforming and the information and marketing channels are gaining more relevance. MSMEs need support to be able to enter new digital market places in order to leverage marketing and increase sales, and these new channels include Online Travel Agencies (OTA’s), such as Viator Booking, and Peer Markets -to-Peer (P2P), such as Airbnb Experiences and Getyourguide.com.

## RESTRUCTURATION AND RESILIENT RECOVERY

### Businesses, Sectors and Health System

In addition to strengthening the health system, an urgent need is to recover Cabo Verde's engines of growth and "reinvent" the country's competitiveness, adapting to new realities and mitigating the negative impacts expected globally. This means taking a more focused approach to climate change adaptation and using recovery to strengthen the green and blue economies.

In the medium term, a resilient growth restructuring and recovery agenda is needed to recreate the conditions for sustainable growth and ensure fiscal responsibility. The recovery agenda can be based on four basic principles: **i)** invest in faster recovery, including plans for sector specific stimulus programs, mainly for job creators. The reforms to stimulate new investments and improve the business environment will be fundamental; **ii)** invest in sustainable growth that reduces the economy's vulnerability to external shocks. Improve the quality of growth by diversifying economic production and increasing human capital. **iii)** investing in resilience, to be prepared for future economic or health shocks. Political reforms will be needed to adopt universal and fiscally sustainable health systems, strengthen the resilience of food and livestock production, and rebuild fiscal space to better deal with future shocks. **iv)** the main digital technologies, which proved to be fundamental to face the crisis and can support Cabo Verde's position as a regional digital center. Technological platforms can help promote innovation and health services, the provision of education services, financial inclusion and a wide range of government services.

### Multisectoral, multilevel coordination and Integrated National Financing Framework (INFF)

The momentum created by the coordination between Government, UN entities and international partners for the immediate response to COVID-19 is an opportunity to deepen the harmonization of planning, programming, monitoring and financing for recovery and sustainable development. This institutionalization, within the scope of the National Planning System and with the participation of civil society and the private sector, can consolidate the constant monitoring of the impact of the crisis and the response of national and local authorities, as well as the construction of the next PEDS and the implementation of Ambition 2030 and the acceleration of the SDGS, within an whole-of-government, whole-of-society approach. Articulation with the support of international partners may deepen the integration of international partners in the planning system and national budget, and improve the coordination between these partners, possibly attracting new partnerships.

Based on the existing SDG localization platforms, the participation of local authorities, civil

society, the private sector and Universities can be strengthened, within a multilevel governance approach that places convergence between islands at the center of the process.

A multisectoral and multilevel institutional structure will allow the **definition of common inclusive and integrated objectives for response, recovery and sustainable development**, and budgeted projects and programs to achieve these objectives, in a process led by the government and supported by the UN involving all relevant stakeholders. This process should be based on PEDS 2017-2021 and its mid-term evaluation, the continuous assessment of the impact of COVID-19 on the development process, the National Response and Recovery Plan and the National Ambition 2030 Strategy.

The **Integrated National Financing Framework (INFF)** to be developed this year will support the process with a Development Finance Assessment (DFA) and a financing strategy for response, recovery and SDGs. It will analyze the potential for optimization and mobilization of investments from different sources - public finance, national private and banking sectors, foreign direct investment, official development assistance and other official flows -, and through different processes and mechanisms, including innovative financing instruments.

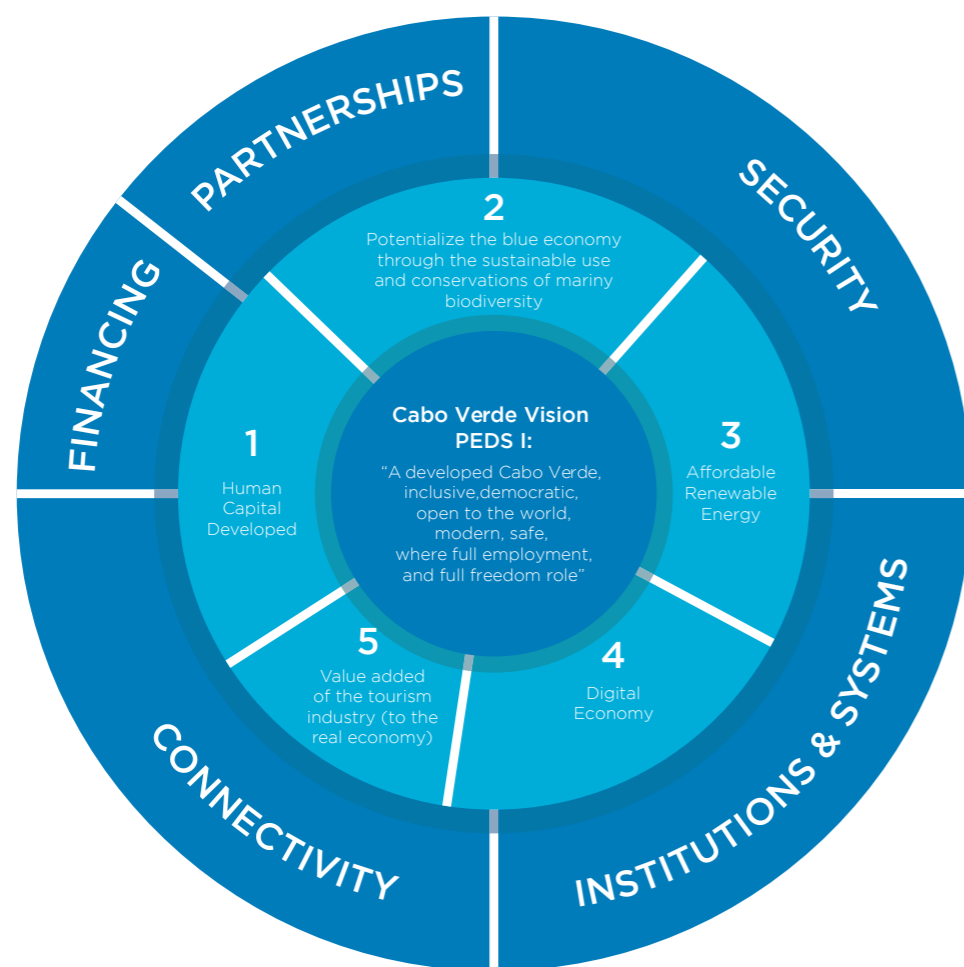
### Sustainable growth

By deepening Cabo Verde's structural vulnerabilities as a SIDS, especially linked to limitations in terms of opportunities for economic diversification, fiscal space and resilience to external shocks, the COVID-19 crisis requires an optimal use of resources and opportunities to drive recovery and sustainable development. As part of the Ambition 2030 strategy and a review of PEDS 2017-2021, the Government and its partners - private sector, civil society, University, local authorities, international partners - need to work together to **prioritize and efficiently implement policy solutions and investments** to Build Back Better, reinforcing Health, Education and Social Protection System, boosting job creation/income generation and adaptation to climate change, and smoothing the adaptation to the new normal, while improving governance and human rights.

In the medium term, it is essential to deepen investment in the **diversification of the economy**, building on pre-crisis progresses on blue economy, green economy and digital economy, as well as in the tourism sector, to increase its resilience to potential shocks and acting as a pivot for the other supply chains, mainly because it allows economies of scale. This crisis could be an opportunity to address distortions in that sector, in order to reinforce its economic resilience. This includes increasing domestic participation in the sector and expanding its reach beyond the two islands of Sal and Boa Vista. This must be aligned with the specific Tourism Master Plans for each island and will require investment in the development of new products, destination marketing, development of local destination management organizations, development of existing or new

products and services (landmarks and cultural events, trails for hiking, intangible heritage, etc.).

**FIGURE 22**  
Illustration of PEDS 1 priority areas



The **SDG accelerators** are five: **1) human capital** (health, education, vocational training, social protection and diaspora skills); **2) Digitization and Innovation** (production of digital solutions for public services and companies and implementation of an innovation system); **3) Renewable Energies** (increasing the share of renewable energies in the energy matrix, reducing energy losses and improving water accessibility); **4) Blue economy** (improving the sustainable use of marine resources and R&D and ocean finance); and **5) Sustainable tourism and local value chains** (adding value to local products and connecting them to tourism-related demand).

Together with the five SDG accelerators, different transversal efforts can act as levers for sustainable development, such as the **decentralization and SDG localization**, adapting the provision of public services and economic opportunities to the needs and potential of each island; **adaptation to climate change**, strengthening agricultural and fisheries systems to create resilience in the face of drought and ocean acidification and helping the country to monitor

the impact of climate change to make adaptation decisions and access climate finance; and reinforcing **Justice and Human Security**, protecting and promoting human rights and access to justice for all, good governance, efficient law enforcement, decent housing, equitable access to natural resources and protection against natural disasters and food security.

**Focus on Sustainable Tourism**

**Box 4**

It will be important to stimulate the development of new products and tourist activities, aiming to stimulate the development of products aligned with the target markets, provide training and technical assistance, matching grants and develop "traditional" and experience products. Equally, it will be important to improve the capacity to attract and guide the tourist FDI, with more promoters in different segments, but for that it is necessary to complete the Territorial Planning Plans (POT's) and the Coastal Border Planning Plans (POOC's) on all islands, regulating the sustainable use of the different ZDTI's and other areas with high tourist potential.

Leveraging the links between the tourism sector and the national agri-fisheries sector will be an important gain since only about 5 to 10% of the food needs of the major Tour operators are acquired locally. They expressed interest in higher levels of local sourcing, as long as the continuity and food security (certification) of the supply chain were guaranteed. Products identified with competitive and comparative advantage that could be covered in an integrated program for the development of local suppliers include, among others: fresh local vegetables and fruits, fresh fish, processed dairy products (yoghurts, milk), eggs and bottled drinks. Finally, it is important to create Public-Private Dialogue Groups (at the destination level), as there is a limited number of representatives of public and private stakeholders and the need to clearly define the basic rules, objectives, and joint interventions. For this, a neutral and professional facilitator should be used and meet regularly and measure progress at defined intervals.

The SDG Roadmap identifies seven enablers, able to positively influence the accelerators of Sustainable Development. These enablers are **(i)** the finance and business development ecosystem; **(ii)** reliable and sustainable inter-island transport infrastructure; **(iii)** the State's capacity to create and maintain an environment favorable to the development and investment of the private sector; **(iv)** broadband connectivity infrastructure on the islands; **(v)** universal coverage of e-government services; **(vi)** data to monitor the impact of accelerators and **(vii)** good governance. These facilitators are particularly relevant in the post-COVID period and will have to be considered in the political agenda for the coming weeks and months.

### Opportunities and sustainable development drivers

To take advantage of opportunities linked to resilient restructuring and recovery and the SDG accelerators, the Government and its partners will need to:

Pursue efforts to **collect and analyze data, define indicators** and install an **innovation system**. This needs to come to consolidate the National Planning System, also coordinating the collection, analysis and strategic use of data by all relevant public and private actors, primarily University. This quality analysis from multiple sources coordinated by the Ministry of Finance and the National Statistic Office (INECV), will contribute to inform difficult decision making

by the national government in the coming months, prioritizing public investment in a context of shrinking fiscal space, and channeling private investment towards recovery and sustainable development. The innovation will contribute to optimize the efficiency of public and private investments and to unleash new solutions for resilient recovery and development.

**Continue institutional capacity building and improvement of management tools**, based on **ICT** and aiming at the digitalization of public administration and service provision, especially for public administration and social protection, health and education systems. Collective procurement - with other African countries or SIDS - of health equipment and medicines, as well as technological solutions for health, education, social protection and business development, could also be considered.

**Promote gender and youth inclusion**, supporting the formulation of policies with a gender perspective and piloting programs to address socioeconomic gender inequalities, sexual and reproductive rights and maternal health and youth unemployment. A special focus should be placed on digital and financial literacy, financial inclusion, small business development and adaptation to the new normal (including through training, equipment and grants).

**Consolidate holistic support to local farming and fishing systems**, through access to water, credit and markets, and adaptation to climate change (drought in particular), as well as organization of these sectors, to mitigate the combined impact of COVID-19 and drought on extreme poverty in rural areas, and leave no one behind. This will mean empowerment across local value chains and connecting with consumers - including big players, like restaurants and hotels, to partially replace disrupted global value chains.

Explore the possibilities offered by **regional integration**, strengthening South-South Cooperation, joint advocacy, peer learning and developing ideas to strengthen regional value chains and trade. At the global level, support diaspora involvement by mobilizing financial support and expertise.

Promote the mobilization of **new sources of finance** for recovery and sustainable development, through the optimization of public revenues and investments, the design and pilot implementation of innovative financing instruments, the creation of conditions and indicators for access to climate and concept finance, the improvement of the enabling environment to diversify Foreign Direct Investments, and attract greenfield investments.

## Financing recovery and sustainable development

SDG financing, whether through public expenditure or private domestic and foreign investment, is and will be subject to major constraints in the recovery phase. Public revenues will not recover to their pre-crisis levels before 2022, in the best scenario, and public spending will continue to be under pressure from continued support to health, social protection and education systems

and to businesses and income stabilization. This reduced fiscal space requires prioritization and optimization of public resources. Domestic private investment, as well as consumption, should be encouraged through incentives and the strengthening of the business environment and ecosystem of services to the private sector, as well as the promotion of public-private partnerships (PPP). Foreign direct investment (FDI) regime could be improved too, and the Investment Forum process resumed and boosted.

Financial support to tourism sector businesses is expected to come through general private sector instruments established by the government, in terms of loan guarantees, as well as technical assistance in debt restructuring, etc. While maintaining external openness, it is important to move forward with economic reforms that unlock domestic potential and mobilize endogenous resources. A set of measures are already foreseen for this purpose, namely reinforcement of digital competitive bases and acceleration of Digital Governance reforms, support to City Councils in the creation of instruments to support sustainable indebtedness, reinforcement of the mitigation program for the agricultural year, and reinforcement of resilience instruments (National Emergency Fund; Sovereign Emergency Fund, Sovereign Guarantee Fund).

## THE LONGER-TERM PERSPECTIVE: AMBITION 2030

Over the mid-to-long-term, institutional change centered on decentralization and diversification will make social and economic systems more resilient to abrupt fluctuations in international revenue sources. Local entrepreneurs, MSMEs and start-ups must encounter the right type of incentive environment through access to sustainable financing. Investment climates must become less risk averse, particularly by dissuading banks from stockpiling their deposits and avoid liquidity traps. Simple top-down cash injections into the banking system will not solve local challenges, particularly in absence of structural changes within domestic credit markets. Green, blue, and social securities as well as other forms of impact investment can help increase competition in the financial system, putting pressure on the financial system to deliver.

Just as the internal market must be diversified, so must external trading partners. Reliance on one region and sector creates vulnerabilities. Cabo Verde should use its strategic geographical positioning to act as a pivot point between Africa, Europe and the Americas. This will require low tariffs and minimum restrictions on trade between regions. It will also require investment in the blue economy, including ports and other maritime infrastructure, and the digital economy to keep people, markets, and ideas connected. Over time, innovation and creativity - adapted to local contexts - should lead to the spontaneous development of local and regional supply chains. Due to inherent diversity, these should have a better chance of persisting and maintaining jobs, even in times of crisis.

To build back better in the wake of crisis, institutional change may offer a pathway towards more resilient market structures and sustainable financing capable of withstanding regional and global systemic shocks. By adopting a more local vantage point centered on decentralization and sector diversification, SIDS like Cabo Verde will be able to chart a more sustainable and inclusive course.

### Ambition 2030 Strategy

Since initial stages of the pandemic, the government looked at the need to frame pandemic response, support and recovery within a long-term vision contained in the strategic agenda for sustainable development known as Ambition 2030. In that context, it was pointed out that issues related to health safety and control of cases have to do with resilience and cost reduction factors, which relate to the green economy, intersectoral value chains, especially agriculture in connection with tourism, in changing living conditions in rural areas. Another key element, given the demographics of the country and incidence of COVID-19, support for youth employment is considered an essential issue for the future. A more resilient, more competitive future must draw on the blue economy and the digital economy as essential guiding posts for the future of the country. Strategic alliances and partnerships, including support and engagement of the national private sector, have been addressed in order for the private sector to be aligned with what are the requirements of the future and that must be well coordinated, subject to efficient governance, oriented towards production, exports and value creation, and must emerge as an integral part of the solutions in the construction of the 2030 roadmap.

Ambition 2030 links the country's development to the Sustainable Development Goals, as internalized in the Strategic Sustainable Development Plan (PEDS) 2017-2021. As indicated in the official statement<sup>61</sup> the country has identified five SDG accelerators.

The challenge now facing the country is to do it in a changed national and global environment and pursue it in a manner consistent with minimizing negative human impacts, preserve health, launch as rapid an economic recovery as possible and ensure solid partnerships, cooperation and solidarity from its commercial, political and economic partners. In other words, align it with what the UN Secretary General has indicated are the pillars for a pandemic recovery<sup>62</sup>. Those pillars are health (protecting health services and systems during the crisis), people (social protection and basic services continuity), economic response and recovery (protecting jobs, SMEs and informal sector workers), macroeconomic response and multilateral collaboration, and

social cohesion and community resilience.

Innovation, adaptation, extracting lessons from the confinement while maintaining and supporting lifelines and preserving value chains are all part of the medium to long-term perspectives that we strive for.

Finally, it is necessary to continue the process of constantly assessing the impact on the different islands, people and sectors, and on public finances, over the months to come, creating a kind of dashboard allowing real time monitoring of impact and response, and informed decision making and strategic planning at all levels, involving all relevant stakeholders, within the institutional framework of the National Planning System.

61 Agenda estratégica de desenvolvimento sustentável de Cabo Verde, launched through the Direction of National Planning of the Ministry of Finance

62 The Secretary-General's UN COVID-19 Response and Recovery Fund, April 2020. See: <https://reliefweb.int/sites/reliefweb.int/files/resources/COVID19-Response-Recovery-Fund-Document.pdf>