

THE 4-4-2

4 NEWS – 4 GLANCES – 2 QUESTIONS

ECONOMIC BULLETIN

SEPTEMBER 2021

INTRODUCTION

The 4-4-2 aims at sharing, at the end of each month, some punctual insights from calculations and analysis made in the past weeks by the UN and its partners on economic development and SDGs. It will stay away from subjective analysis, to focus on objective data, most of them published by the National Statistics Office and the Central Bank.

In this issue:



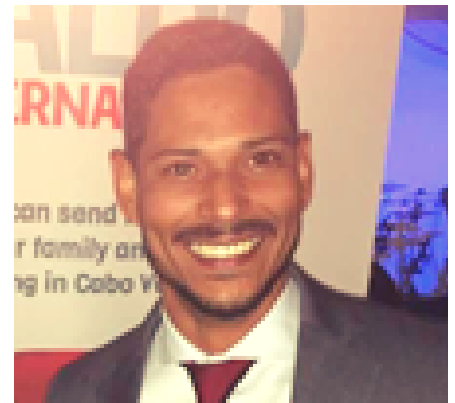
4 NEWS

COVID-19 CONTINUES TO
IMPACT GROWTH AND JOBS



4 GLANCES AT

SDG ACCELERATORS AND
ECONOMIC TRANSFORMATION
IN SIDS AIS



2 QUESTIONS TO

EDSON FERNANDES, NATIONAL
COORDINATOR, UNIDO CABO
VERDE



4 NEWS OF ...

COVID-19 continues to impact growth and jobs



The hospitality sector experienced a negative growth of 93,6% in the first quarter of 2021 compared to the same period in 2020, driving an 11% decrease in Cabo Verde's GDP
(source: INECV)



In 2020, air passenger transport decreased by 71.4%, air cargo transport by 43.3%, passenger sea transport by 31.7% and sea cargo transport by 36.9%
(source: INECV)

While some reasons for hope arised in 2021Q1



After a decrease by 32.5% in 2020, FDI is taking off (+15.5% compared to the last quarter of 2020), especially in most touristic islands (x2 in Boa Vista, x4 in Sal)
(Source: BCV)



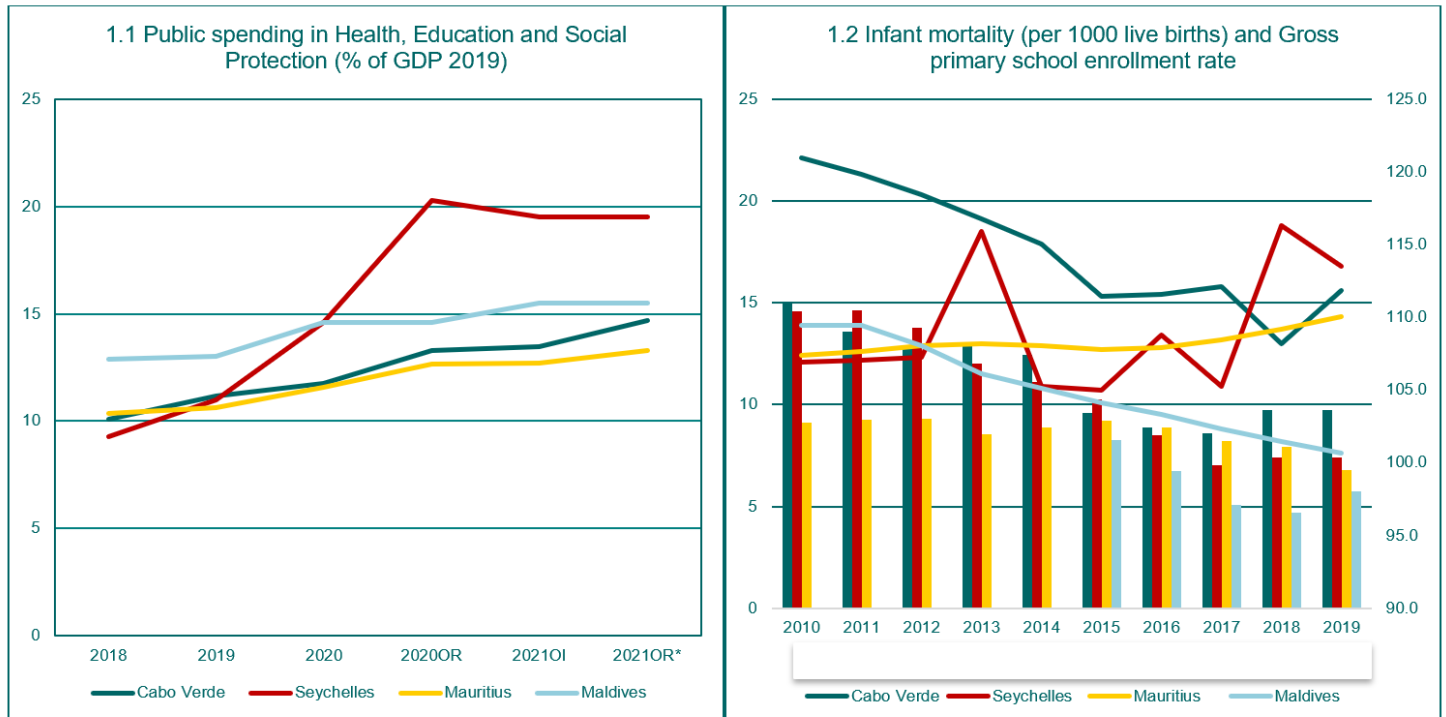
Value added for most sectors (10/15) increased compared to the same period in **2019**. It decreased significantly only in two sectors (hospitality and services to businesses)
(source: INECV)

Highlights from the Official Gazette

- The State-Owned Enterprise Electra, responsible for energy production and distribution, will be privatized: 75% of the shares of two new companies created out of Electra will be sold to a strategic partner, and 25% to the diaspora ([BO 21-07](#))
- The lay-off regime, supporting businesses in tourism and related sectors having lost at least 70% of their revenues due to COVID, is extended until the end of September ([BO 06-08](#)). Credit moratoria are also extended until the end of 2021 or march 2022 ([BO 12-08](#)).

4 GLANCES AT...

Human Capital as the country's most precious comparative advantage



Glance #1

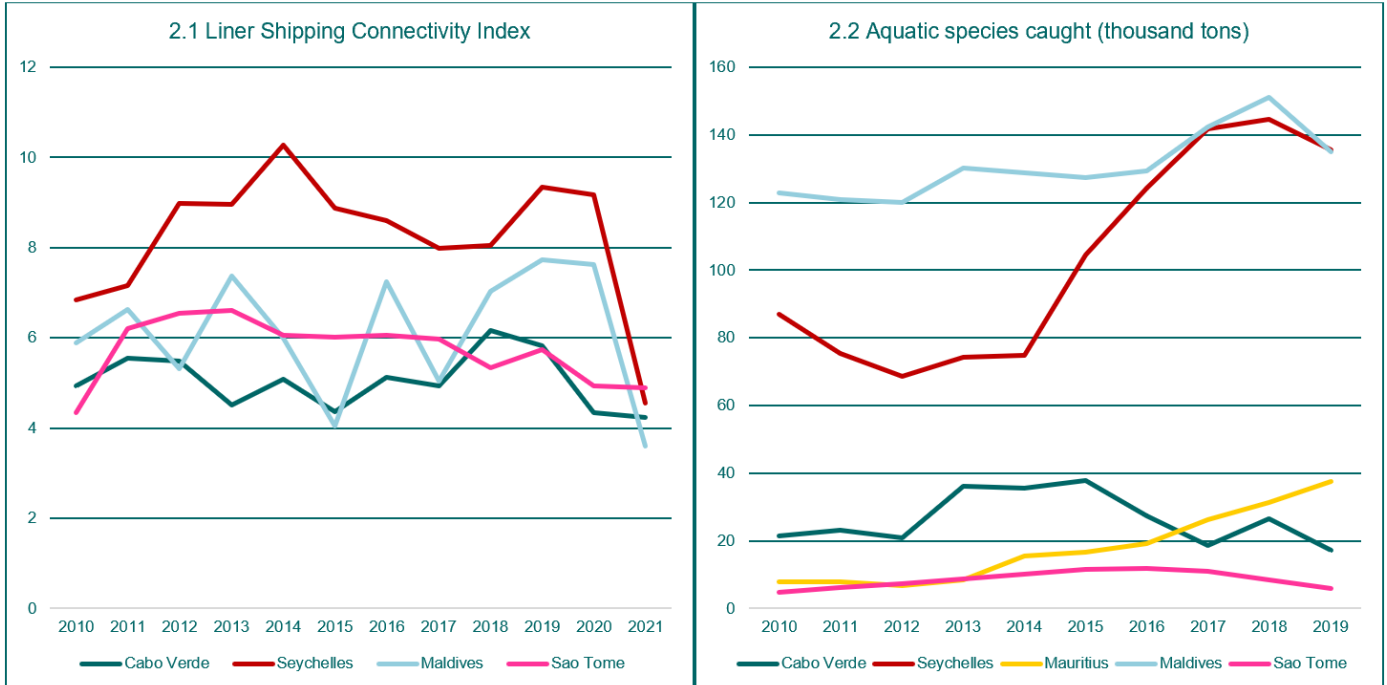
Cabo Verde's investment on human capital (Health, Education and Social Protection) has been constant over the last three years despite the impact of COVID19 pandemic on public revenues (-24%, mainly due to a drop in tourism arrivals by 70%). For all SIDS AIS, despite consistency in public investment in human capital, ensuring constant progress on human capital-related SDG indicators has been challenging, yet figures remained much above regional standards (graph 1.2).

Sources : Author's calculation based on State budgets (graph 1.1); INECV and UNICEF (graph 1.2). *Only Cabo Verde has a revised budget for 2021, Mauritius has different fiscal years.



4 GLANCES AT...

Blue economy as Cabo Verde's emerging future



Glance #2

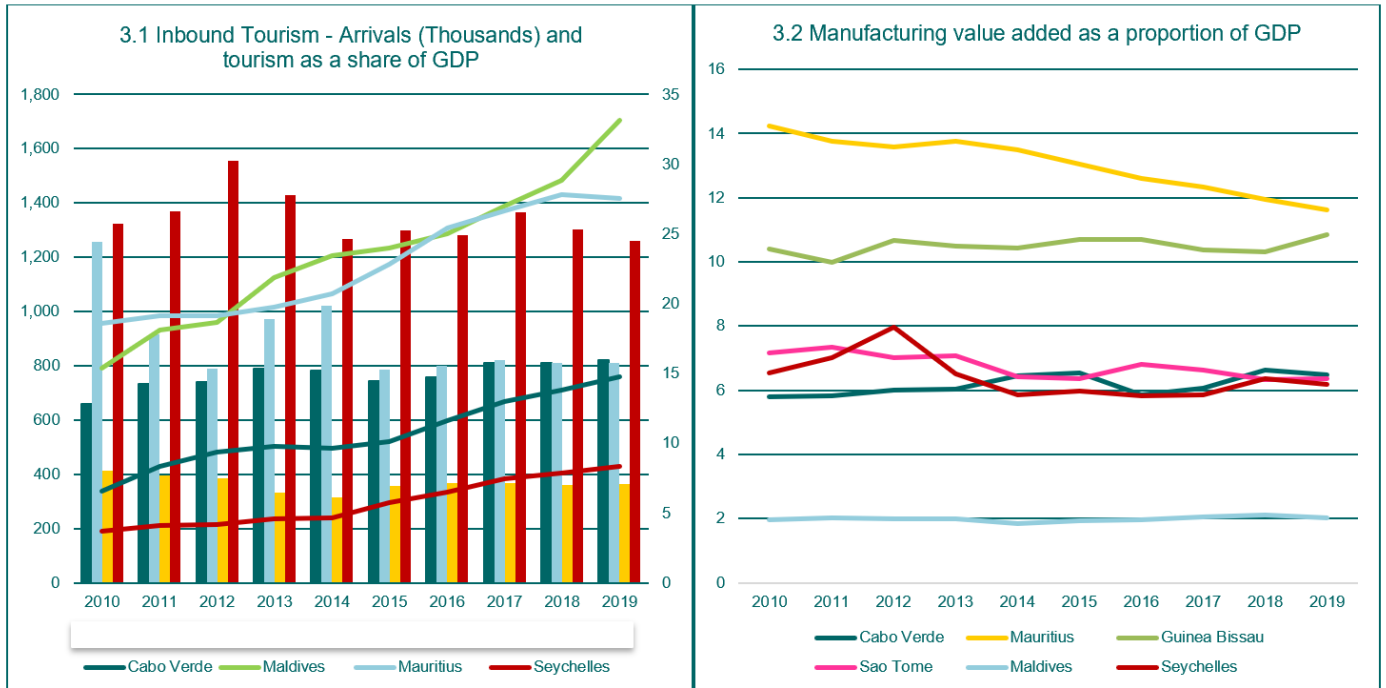
Maritime connectivity for container shipping, measured by the Liner Shipping Connectivity Index, is an interesting proxy for Cabo Verde's ability to become a maritime transport hub. Cabo Verde's connectivity suffered less impact than its peers from the crisis. Another important area of Blue Economy is fisheries and aquaculture. Cabo Verde's total captures in both sectors decreased in the past years, yet employment in fisheries increased last year, and investments in aquaculture accelerated, improving foresight for total volume caught. Investments in capacities and equipment to add value to ocean-based products will be critical in this sense. Marine bioprospecting is also an interesting, potentially high value-added sector in Blue Economy still largely untapped.

Sources : UNCTAD, [Liner Shipping Connectivity Index](#) (graph 2.1); FAO, [Fisheries statistical collections](#) (graph 2.2).



4 GLANCES AT...

Tourism will remain the number one industry



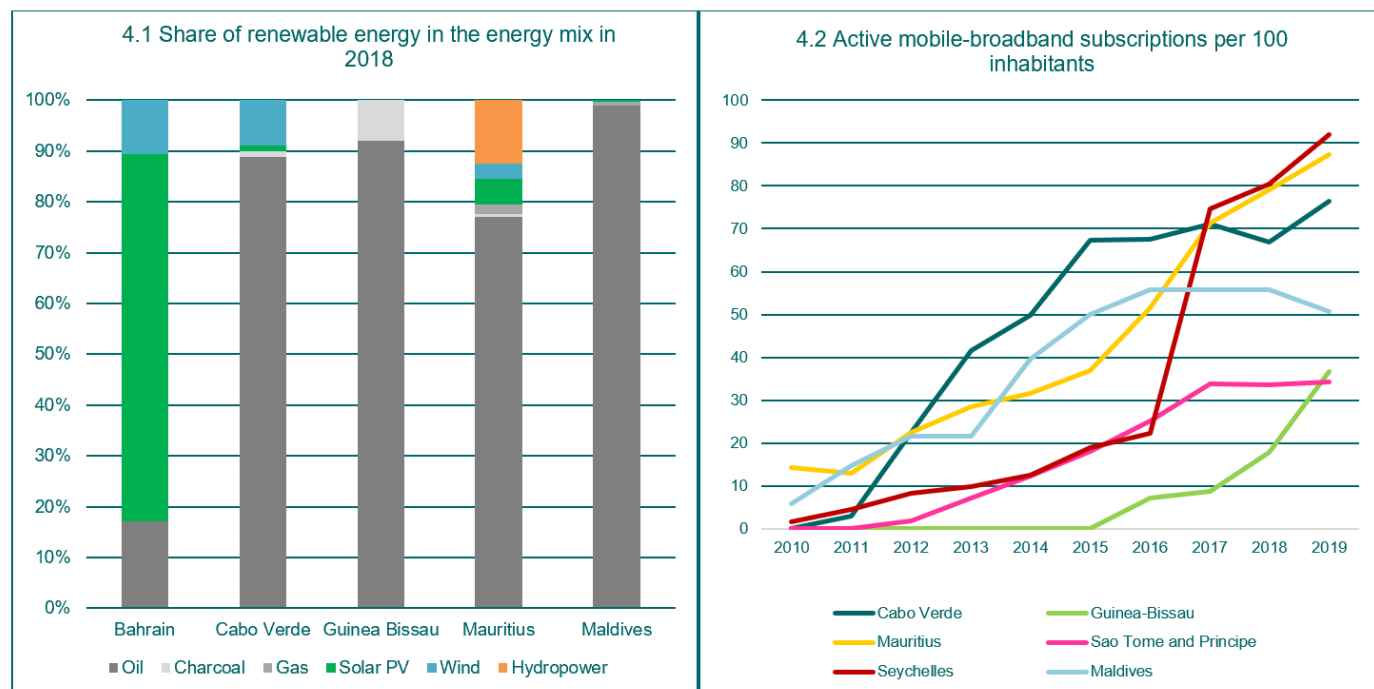
Glance #3

Tourism, despite being a volatile sector, will continue to be the major driver of Cabo Verde’s growth. Before the crisis, the country performed slightly better than its peers in terms of acceleration of tourists’ arrivals and evolution of its contribution to employment (graph 3.1). Recovery will be slow, yet Cabo Verde shows a slightly better trend than its peer in tourism growth in 2021. Economic transformation will hardly be possible if tourism does not connect to local value chains, make domestic transports more profitable. In the absence of good connections with regional markets, tourists offer interesting market opportunities for products transformed locally, potentially driving up the manufacturing value added (graph 3.2).

Sources : [World Travel and Tourism Council Database](#) (graph 3.1) and UNIDO, Cabo Verde Country Profile (graph 3.2)

4 GLANCES AT...

Renewable energies and digitalization as enablers for sustainable, inclusive growth



Glance #4

SIDS AIS still rely mostly on biofuels to generate their electricity (Graph 4.1). Access to renewable energies will be critical to reduce the energetic dependency and improve water desalination and industrialization. Cabo Verde has made limited progress in SDG indicators related to Internet (+0.3% in Fixed Broadband subscriptions since 2015, compared to +20% in Seychelles or +17% in Mauritius), but its trajectory for mobile subscription is much more dynamic. Digitalization of businesses and the administration are a critical factor to boost economic transformation.

Sources : IRENA (graph 4.1) ; ITU (graph 4.2). * National data for Cabo Verde shows a higher penetration rate than IRENA's data, with a share of 20.3% in 2018 and 18.4% in 2019.

2 QUESTIONS TO...

EDSON FERNANDES

NATIONAL COORDINATOR, UNIDO CABO VERDE



WHAT POTENTIAL DO THE SDG ACCELERATORS (BLUE ECONOMY, TOURISM VALUE CHAINS, RENEWABLE ENERGIES, DIGITALIZATION) SUPPOSE IN TERMS OF VALUE ADDED FOR CABO VERDE'S ECONOMY?

Cabo Verde's rank increased from 139th in 2015-2017 to 136th in 2018-2020 in the Competitive Industrial Performance Index, out of 152 countries. The competitiveness of industrial products at regional and global levels is hampered by the challenges industry sector faces in the country, starting by a small domestic market, limited access to domestic and foreign investment and high dependency on imports for intermediary consumption.

In terms of Manufacturing Value Added as proportion of GDP (%) Cabo Verde recorded an increase of 1p.p. from 6.5% in 2019 to 7.6% in 2020. Which is an interesting trend but obviously far behind its regional competitors like Senegal (16.5%) but equivalent to other SIDS like Seychelles (5.3%) and Mauritius (10.3%).

We should look at the referred SDG accelerators from 2 different perspectives. First, the Blue Economy and Tourism as the main economic development sectors for CV, and the Human Capital, RE and Digitalization as cross-cutting areas, that support an Inclusive and Sustainable Industrial Development.

The impact of the two sectors on the country's industry is indisputable. Firstly, because Cabo Verde's manufacturing industry is highly concentrated in one sub-sector, the Food & Beverages which accounts for 82% of total manufactured exports. Canned fish being the main exported product highlights the importance of the Blue Economy on value added for the country's economy.

With regards to Tourism that represents 25% of GDP, 75% of FDI inflows and 39% of jobs creation, it's the crown jewel of the country's economy, and we need to seize this opportunity and potential when it comes to expand its benefits to local producers and MSME's.

Infrastructure challenges hamper the industrial development. Water and energy costs limit local productive capacities, especially in terms of reliability and consistency through quality assurance systems and is a critical barrier for local businesses and organizations operating within the agriculture and

fishery value chains to successfully compete with foreign suppliers for services and goods to the tourism value chains.

In terms of capacity, women and youth led MSME's can improve their competitiveness, with the establishment of strengthened value chains, clusters approach, upgrading of business processes and access to finance while improving their technical and business skills.

Technology is a driver for Structural Transformation and Digitalization is the first step for the Industry 4.0, as digital technologies unlock new business models and value creation opportunities. Artificial intelligence, big data, Intelligent automation, machine learning, the Internet of Things and drones can help enterprises in enhance their productivity and competitiveness, and move up the value chain ladder in agriculture, industry, and the services sector. In fact, digital transformation opens endless opportunities, but there is the need to narrow the digital divide which was even more evident during the pandemic. Cabo Verde has one of the lowest investment rates in R&D as percentage of GDP (0.1%), which is lower than the Sub-Saharan Africa's rate of 0.3% in 2013. Meanwhile the country is making efforts, in terms of capacity building to improve workforce skills and investments in Research and Development (R&D), as well as mobilization of diaspora and partnerships between national and international scientists to transform the country in an ocean-based circular economy.

Renewable Energy and the Energy Transition is crucial for Cabo Verde's development and achievement of Agenda 2030. Not only for the environmental but also for economic sustainability, as the country as a SIDS depends on the imports of fossil fuels. Industries must therefore implement sustainable methods like circular economy approaches and adoption of energy efficient technologies, which should be promoted by strong policies, incentives and regulation.

2 QUESTIONS TO...

EDSON FERNANDES

NATIONAL COORDINATOR, UNIDO CABO VERDE



WHAT EFFECTS COULD AN ENHANCED VALUE ADDED IN THESE SECTORS HAVE ON JOBS AND INCOME CREATION IN CABO VERDE?

If we look at the GINI Index of Cabo Verde, despite a decline in inequality from 2001 (52.5) to 2015 (42.4), it is still a concern for the country due to disparities among municipalities and islands in terms of youth unemployment rates, and poverty in rural areas (68.1% of the very poor live in rural areas) .

We strongly believe that Inclusive and Sustainable Industrial Development (ISID) is an effective vehicle to reduce inequalities and generate income to families, in the sense that no one is left behind and prosperity is shared as all parts of society benefits from the wealth created by the industry through decent employment opportunities available for all segments of the labor force. There is no gender gap in manufacturing employment in Cabo Verde, therefore the sector is a good vehicle for gender equality.

According to ILO's estimates (ILOStat), in Cabo Verde manufacturing contributes to 9% of the employment, 9% male and 10% female. Therefore, employment growth in manufacturing for Cabo Verde could be mutually beneficial and inclusive for the society as a whole.

Building institutional capacities, improved policies, infrastructures and quality systems, while strengthening the existing manufacturing industries namely food & beverages, adding value to the agrobusiness and fishing sectors with innovative and sustainable methods, and connecting the MSME's to the national, touristic and international markets will create decent employment and generate income.

Credits:

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