

THE 4-4-2

4 NEWS – 4 GLANCES – 2 QUESTIONS

ECONOMIC BULLETIN

The impact of tourism on sustainable development in Cabo Verde

JANUARY 2022

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.

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SLOWLY LIFTING-OFF**



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REDUCTION**



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**ELCIA GRANDCOURT,
REGIONAL DIRECTOR FOR
AFRICA, UN WORLD TOURISM
ORGANIZATION**



4 NEWS OF ...

Tourism related sectors slowly lifting-off

The global trade crisis affects inflation but not exports



The Consumer Price Index increased constantly in 2021, reaching its highest level ever at the end of the year. Inflation rose in 2021 at fastest pace since 2008 (4.8% in November 2021 compared to November 2020).
(source: INECV)



Exports of goods have been taking off in the third quarter of 2021 (+29.5% compared to the third quarter of 2020). 85.6% of these exports were fish products, 10.1% were shoe parts. 91.7% went to Europe, 0.7% to Africa
(source: BCV)

Foreign Direct Investment and domestic production are improving



After decreasing by 11.3% in 2020, Foreign Direct Investment increased by 31.9% in the first three quarter of 2021, with 85.5% of it concentrated in tourism
(Source: BCV)



The GDP grew by 7.8% in the first three quarter of 2021, mostly driven by construction (+23.8%) and retail (+19.7%). Transport and tourism were slowly lifting-off, but may suffer from the effects of the Omicron variant in the last quarter of 2021 and first of 2022
(source: INECV)

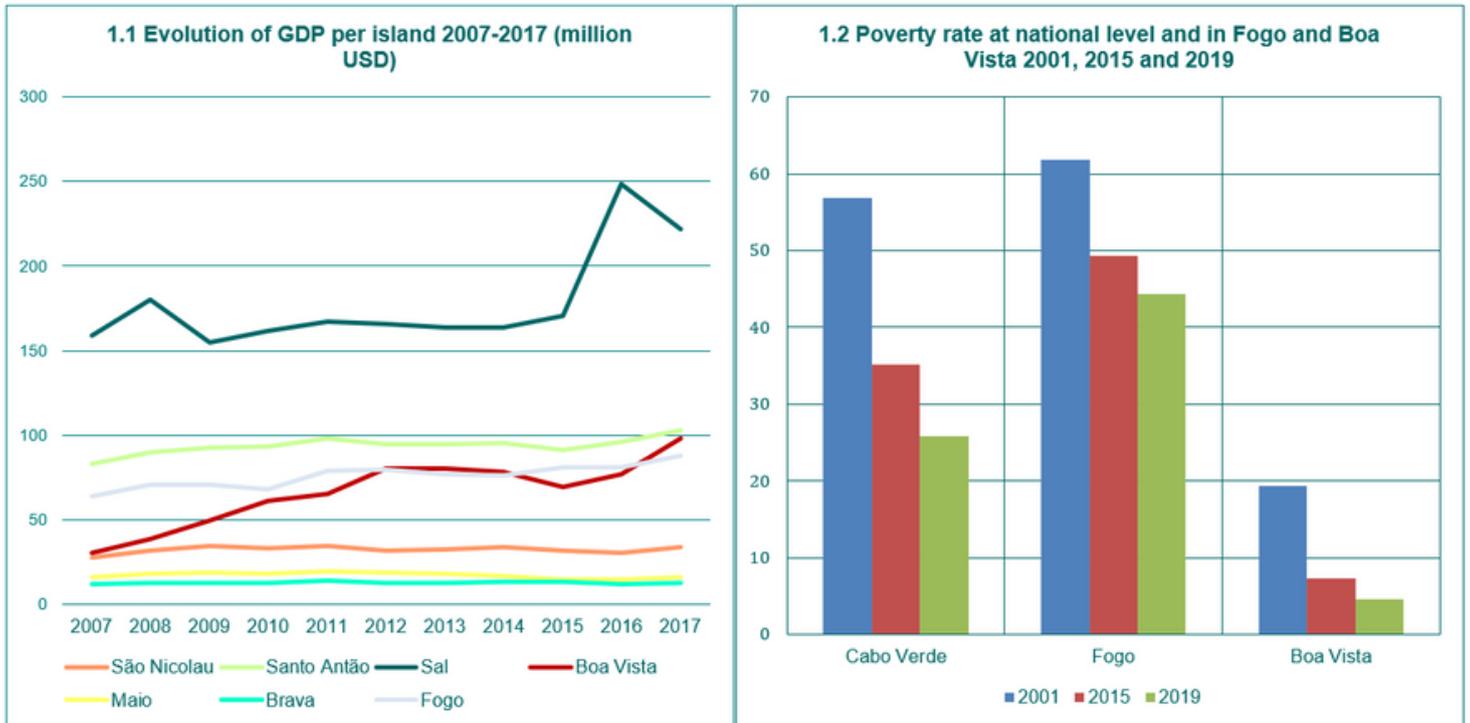
Highlights from the Official Gazette

- Riviera Mindelo, a megaproject of nearly a billion and a half USD investment over 12 years and expected to create up to 10,000 jobs, was approved by the Council of Ministers, after the signature of the Convention by the State and a private company named Sociedade Mindelgolf & Resort ([BO 09-12](#))
- The National Gender Equality Plan was approved. In terms of economic empowerment, it looks at improving women's skills, employability and entrepreneurship to better benefit from opportunities linked to tourism and the blue economy ([BO 05-01](#))



4 GLANCES AT...

Tourism's contribution to growth and poverty reduction



Glance #1

Comparing touristic islands with others, where it has rather stagnated, GDP growth has been very dynamic in Sal (+56% before a temporary slowdown in 2017) and Boa Vista (+300% in a decade), entirely thanks to tourism (graph 1.1). Santiago and São Vicente, not represented on the graph because of their very different characteristics (much more populated and with a more diversified GDP), experienced strong GDP growth too (+39% and +36.9% respectively). This growth is mostly due to tourism too, both directly and indirectly, and its impact on macroeconomic activity. From 2001 to 2019, poverty was reduced fourfold in Boa Vista, while it decreased by less than a fifth in Fogo.

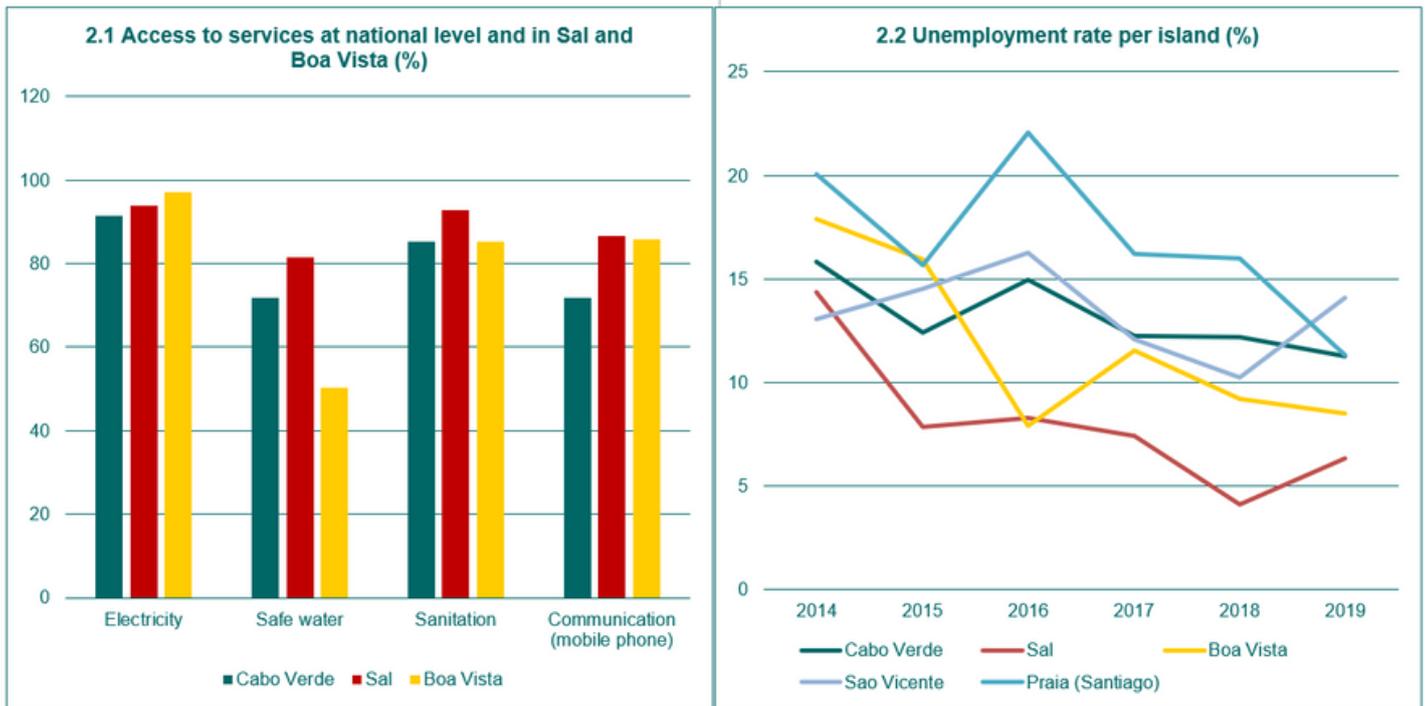
Sources: INECV, [GDP per island 2017](#), 2019 and [Poverty profiles 2001, 2015 and 2019 \(estimates\)](#), 2021





4 GLANCES AT...

Touristic islands have higher-than-average access to services and jobs



Glance #2

Sal and Boa Vista are above (and driving up) national average in many indicators related to access to universal services. In the last five years before COVID, it has also been below (and driving down) national average in terms of unemployment rates. The rate is also lower in average than in other vibrant local economies, such as Praia and Sao Vicente, the archipelago’s two main cities. As a result, populations of Boa Vista and Sal increased fourfold in the last 20 years and will double in the next 20 years, according to projections from the National Statistics Office (INECV). Tourism, even within the all-inclusive model dominant so far in the country, has brought investments and opportunities in the main touristic islands, and contributed to a better access to basic and social services in average (although in some areas such as Gender Based Violence, COVID vaccination rate, or pre-primary school enrolment, one or both are lagging).

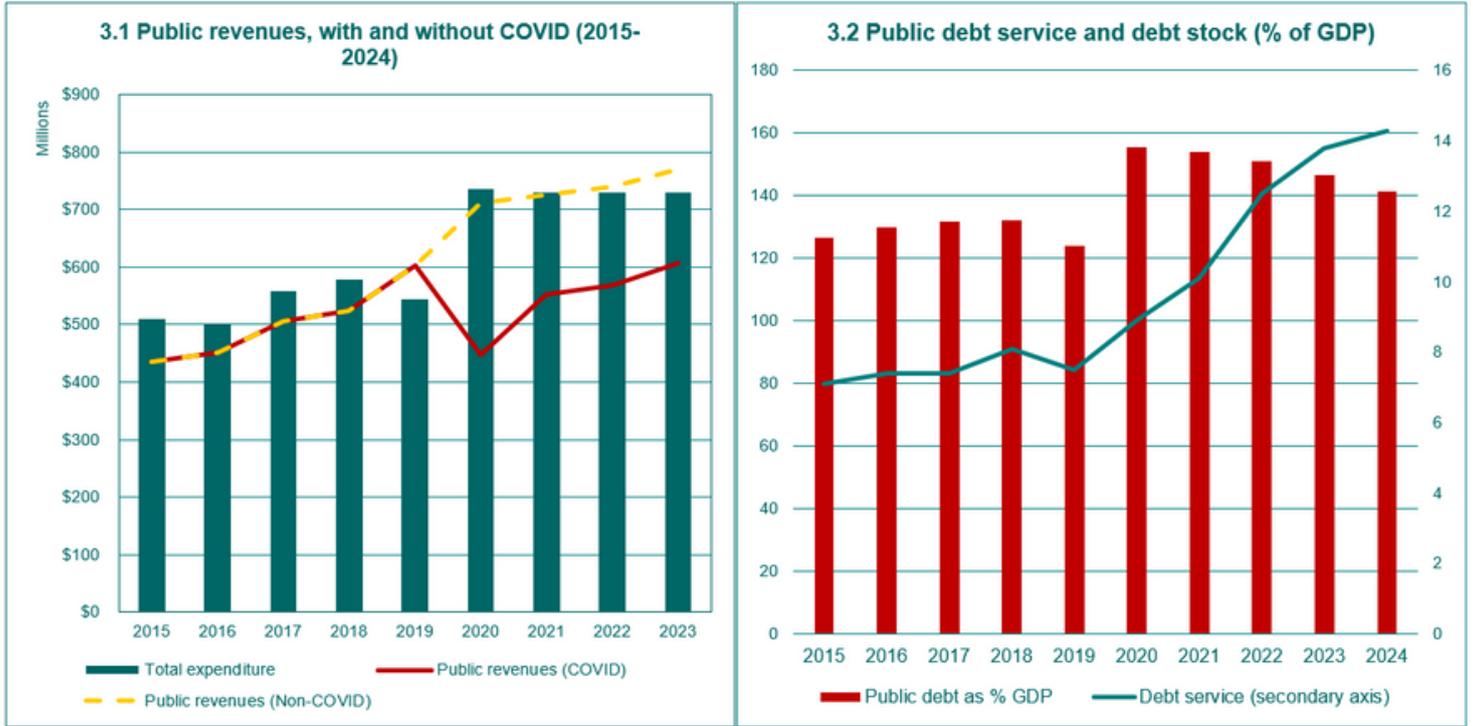
Source: INECV, [Multipurpose Continuous Survey on Living Conditions](#), 2019 and [Multipurpose Continuous Survey on Labour Market](#), 2020





4 GLANCES AT...

Tourism's impact on public revenues



Glance #3

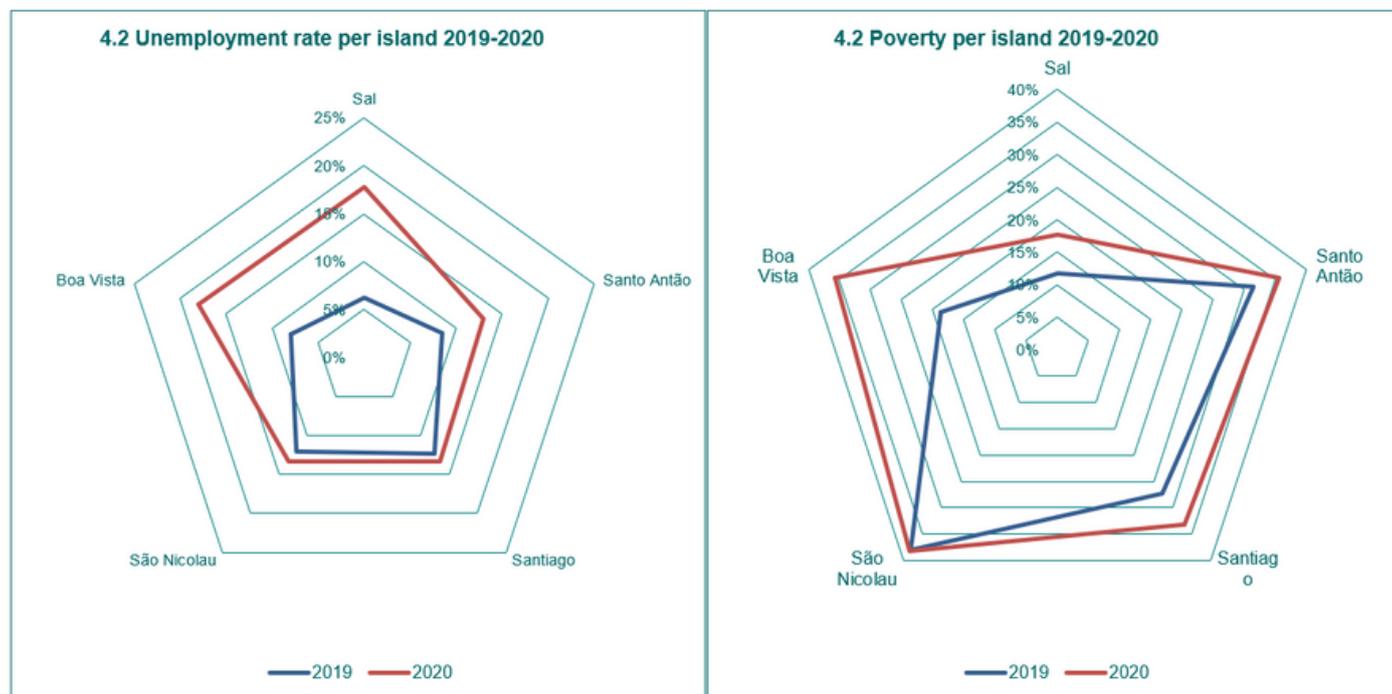
Beyond its direct and positive impact on the most touristic islands, tourism – even in its all-inclusive segment - represents a vital contribution to public finance, and as such benefits all islands through public investment. As shown in graph 3.1, the impact of COVID on public finance, mainly driven by the drop in tourists' arrivals and receipts (-70% for both), opened a gap between public revenues and expenditures that will only be shut when tourism fully recovers, in 2024. This gap in turn led to a dramatic increase in public debt, after years of slow fiscal consolidation, leading to an overwhelming debt service to be paid each year, though suspended for now thanks to the extension of the moratorium. When moratoria come to an end, and if no debt relief agreement is reached, debt service will account for 48% of tax revenues, further limiting the possibilities for the Government to invest in sustainable development. Rapid recovery of tourism is therefore vital to resume the sustainable development path.

Source: Government of Cabo Verde, [State budget](#) 2022, 2021



4 GLANCES AT...

Tourism is a vulnerable sector if not diversified



Glance #4

When observing poverty in selected islands in 2019 and 2020 (graph 4.2), the increase in Boa Vista (+89.5%) and Sal (+50%) is much higher than in others. This is not surprising, since jobs and income in these islands are almost entirely relying on the tourism sector, the most heavily hit globally by the pandemic. However, this calls for economic diversification, both vertical (within the tourism sector) and horizontal (unleashing the potential of other sectors), while always using the current model as a necessary source of jobs, income and public revenues. Within the all-inclusive segment, the focus should shift from job creation to decent job creation (including social protection and improved wages), and from productivity to sustainability (including energy consumption and waste production), to mitigate the impact of social and environmental externalities.

Source: INECV, [IMC 2020 on labour market](#), 2021

2 QUESTIONS TO...

ELCIA GRANDCOURT

REGIONAL DIRECTOR FOR AFRICA, UN WORLD
TOURISM ORGANIZATION



COULD YOU SUMMARIZE THE TOURISM SECTOR'S MAIN CONTRIBUTIONS TO DEVELOPMENT IN CABO VERDE, SO FAR?

The development of tourism in the archipelago of Cabo Verde dates to the 1970s on the island of Sal and has continued to increase slowly, contributing to the socio-economic development of the island nation. The natural beauty, tropical climate, low rainfall, warm tropical winds, and many hours of sunshine are all a great attraction for holidaymakers looking to escape winter or simply wanting to enjoy a sunny vacation. The country is also known for the friendliness and warm hospitality of its people, locally termed as "Morabeza". The country's economy is service-oriented with commerce, transport, tourism, and public services accounting for about three-quarters of GDP. As a key resilient economic activity, tourism has been a strategic vehicle for poverty alleviation in Cabo Verde.

In conjunction with comprehensive economic policies, political stability, strong institutions and investment in human capital, the growth of the tourism sector over the past 25 years helped Cabo Verde achieve major milestones in terms of improvement to quality of life and social benefits.

HOW DO YOU ASSESS THE CHALLENGES AND OPPORTUNITIES AHEAD FOR THE SECTOR?

The COVID-19 pandemic has been unprecedented. Whilst it is taking time for the sector to rebound, destinations worldwide have been focused on how to tap into opportunities and initiatives to restart the travel and tourism sectors. Mass vaccination is key to restoring the confidence of both travelers and residents. It is extremely encouraging to see that Cabo Verde has fully vaccinated more than 40% of its population against COVID-19, reaching the end-of-year targets set by the World Health Organization (WHO). It is also no coincidence that out of the six African countries that have reached that milestone, three are SIDS, the other two being Seychelles and Mauritius, who are highly dependent on tourism. Cabo Verde must continue in its mass vaccination efforts if it wants to accelerate the restart of its tourism sector. By the same token, it is important that the country remains relevant and visible in the rapidly-evolving innovative space by making use of the various social media platforms and online marketing tools to attract visitors and tap into new source markets.

Air connectivity is essential for the tourism development

According to UNWTO data, prior to the pandemic tourism accounted for more than 30% of total exports in the majority of the 38 Small Island Development States (SIDS) and 67% in Cabo Verde. This makes it especially vulnerable to falling tourist numbers, making the timely restart of the sector vital.

For a long time, Cabo Verde's tourism has been anchored in an all-inclusive resort model, and this continues to drive the tourism sector as a source of economic growth and job creation. Having consolidated this model, the willingness of the government to transition from an all-inclusive resort model to a more diversified and inclusive tourism sector is timely and to be commended. The islands of the archipelago have the potential to diversify tourism offers, and so ensuring a higher probability of increasing tourism investment while at the same time spreading the benefits more widely across the country.

of island nations and Cabo Verde is no exception. The country needs competitive, frequent, reliable, and robust air connections both at the national level to access the islands and internationally to connect to the African continent and beyond. The fact that Cabo Verde airlines resumed international flights about a month ago is encouraging.

The fragile ecosystem of the island nation also calls for its leaders to prioritize increasing efforts toward emissions reduction goals in the strategic planning of its tourism sector development. Climate change, pollution and biodiversity loss jeopardize most tourism activities. If Cabo Verde wants to succeed in transitioning to NetZero by 2050, it will only happen if the recovery of its tourism sector accelerates the adoption of sustainable consumption and production, and redefines its future success to consider not only economic value but rather the regeneration of ecosystems, biodiversity and communities.



UNITED NATIONS
CABO VERDE



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