



United Nations
Economic Commission for Africa

COUNTRY PROFILE

2016



CABO VERDE



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First printing: March 2017

ISBN: 978-99944-70-06-8

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Abbreviations and acronyms

BCV	Banco de Cabo Verde
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
GDP	gross domestic product
OECD	Organisation for Co-operation and Economic Development
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WAEMU	West African Economic and Monetary Union

Acknowledgements

Country Profiles is a series published annually by the Economic Commission for Africa (ECA). The aim of the series is to disseminate country- and region-specific policy analyses and recommendations for economic transformation, with an emphasis on promoting sustainable growth and social development, strengthening regional integration and facilitating development planning and economic governance. The present series is the result of the close collaboration of the subregional offices of ECA and the African Centre for Statistics. Specific contributions were provided by relevant programme areas of ECA, in particular, the Macroeconomic Policy Division, the Regional Integration and Trade Division, and the Social Development and Policy Division.

The country profile on Ghana was prepared under the overall coordination and substantive guidance of Giovane Biha, Deputy Executive Secretary for Knowledge Delivery of ECA, and the direct leadership of Dimitri Sanga, Director of ECA Subregional Office for West Africa. Technical supervision was provided by Bakary Dosso, Chief of the Subregional Data Centre. The lead author of the Cabo Verde country profile was Amadou Diouf, Economic Affairs Officer, assisted by Mamadou Debege, Economic Affairs Officer. Valuable contributions and comments were made by national institutions such as the Ministry of Finance and the Instituto Nacional de Estatísticas.

The internal review group set up by the operational quality section of the Commission provided valuable observations and contributions. We would also like to thank Lambert N'galadjo Bamba, Economist from Côte-d'Ivoire and a Researcher in Economics at the Université Félix Houphouët-Boigny, Abidjan, for his expert critique and review, and José Agnelo Sanches, Economist, for his technical contribution.

A special mention goes to the Publications Section for ensuring the editing, translation, design and printing of the 2106 Country Profiles series.

Cabo Verde at a glance

General information		Ranking	Rank	Out of	Year	Source
Subregion	West Africa	Human development index	122	188	2015	UNDP
Official language(s)	Portuguese	Gender inequality index	n/d	-	-	UNDP
Currency	Escudo	Ibrahim Index of African Governance	2	54	2015	Mo Ibrahim Foundation
Capital	Praia	Ease of doing business index	126	189	2015	World Bank
Membership of regional economic communities	ECOWAS	Corruption perceptions index	55	167	2015	Transparency International



Economic growth

Economic growth in Cabo Verde took a downward turn in 2011, falling from 4.0 to 1.5 per cent in 2015. This trend stemmed from the combined effects of a challenging global economic situation, a slowdown in the implementation of the public investment programme, a drop in foreign direct investment, remittances from nationals abroad, and official development assistance. The top subsectors driving the gross domestic product (GDP) were tourism, trade, building construction and transport. The tertiary sector dominated GDP structure from 2010 to 2015, at an average 62 per cent.



Fiscal policy

The overall fiscal deficit shrank gradually to 3.8 per cent of GDP in 2015, slightly above the 3 per cent community standard, and down from 7.3 per cent in 2014, following a containment policy for operational expenditure and a decrease in public investment spending. The country's debt profile, however, raised concern as to its sustainability, as the outstanding public debt stood at 121 per cent of GDP in 2015.



Monetary policy

The Central Bank of Cabo Verde adopted an inflation targeting monetary policy, which had maintained prices below the community level by 5 per cent since 2012. The Central Bank key interest rate and lending rate also dropped from 18 per cent and 12.6 per cent in 2014 to 3.5 per cent and 11.5 per cent respectively in 2015.



Current account

The current account deficit has been firming up steadily since 2012, dropping from 16.2 per cent of GDP in 2011 to 8.6 per cent in 2014 to 5.2 per cent in 2015. This is partly attributable to improved non-factor goods and services exports, such as tourism services.



Foreign direct investment

The financial account deficit dropped from 16.8 per cent of GDP in 2012 to 12.0 per cent in 2014, and then to 8.3 per cent in 2015. This promising trend stemmed mainly from net foreign direct investment flows, which increased from 6.3 per cent of GDP in 2014 to 6.8 per cent in 2015.



Demographic

The total resident population of Cabo Verde was estimated in 2015 at 524,833 inhabitants, with a population growth rate of 1.2 per cent (compared to 2.4 per cent in the period 1990-2000) and a fertility rate of 2.3 children, the lowest in the subregion. With a population density of 135.2 inhabitants/km² and an urban population of 64 per cent in 2015, the country's population is predominantly young (averaging 28 years), with 47.4 per cent of the total population under 24 years.



Poverty

The poverty incidence* was estimated at 25.0 per cent in 2011 (compared to 26.6 per cent in 2007 and 49.0 per cent in 1990), one of the lowest in the subregion, with wide disparities between urban and rural areas (13.2 per cent and 44.3 per cent respectively in 2011).

* Estimates based on the national poverty line of 49,485 escudos in 2011 - about \$510.62.



Employment

The unemployment rate, which was 12.0 per cent in 2014, is a major cause for concern, especially among young people (14-24 year olds), with nearly one in every two young people jobless (50.8 per cent in 2014).



Health

Cabo Verde has made significant strides in health. The infant mortality rate in 2013 was 21.4 deaths per 1,000 live births, compared to 22.9 in 2010. Maternal mortality dropped from 49.1 to 37.9 deaths per 100,000 live births over the same period.



Education

The universal primary education policy adopted by the country has helped to build a relatively efficient education system, compared to that of other countries in the subregion. The literacy rate in 2014 was 86.5 per cent, while the net primary and secondary enrolment rates were 92.9 per cent and 70.1 per cent respectively.



Gender equality

There have been significant efforts to promote gender equality in Cabo Verde. The following indicators exhibit gender parity: survival rate of children under the age of 5 years; the ratio of children under the age of 5 years who are not underweight; and the literacy rate of young people (15-24 years). A more positive situation for females is emerging in terms of access to secondary and tertiary education. With regard to life expectancy at birth, that of women was estimated to be 79.9 years in 2015, which exceeds that of men by eight years. In terms of political representation, however, the proportion of female parliamentarians is only 20.8 per cent.

Overview

Having emerged from the group of least developed countries to join that of middle-income countries in 2007, Cabo Verde is a small economy opened to the rest of the world. In 2011, the country's economic growth started sliding from 4.0 to 1.5 per cent in 2015. This trend is attributed to the combined effects of an adverse external environment, delays in implementing the public investment programme, a drop in foreign direct investment, remittances from Cabo Verdeans abroad, and official development assistance. The top sectors that drove the gross domestic product (GDP) in 2015 were tourism (22.0 per cent), trade (11.0 per cent), building construction (8.4 per cent) and transport, especially by air (10.0 per cent).

In terms of public finance management, the overall budget deficit contracted gradually down to 3.8 per cent of GDP, from 7.3 per cent in 2014, owing largely to containment of operating expenditure and a drop in public investment spending. The country's debt profile, however, was a cause for concern. The debt outstanding was 121.0 per cent of GDP in 2015, up from 115.0 per cent in 2014, with an external component of about 70.0 per cent on average during the past five years. Inflation targeting monetary policy has ensured stability below the community level of 5.0 per cent since 2012. The current account deficit has been improving since 2012, from 16.2 per cent of GDP in 2011 to 5.2 per cent in 2015.

Cabo Verde is one of the rare countries in the subregion to have met nearly all the Millennium Development Goal indicator targets of reducing extreme poverty and hunger by half, and ensuring access to health and education services, ahead of the 2015 deadline. According to the national statistics institute, poverty incidence dropped from 49.0 per cent in 1990 to 25.0 per cent in 2011. In the health sector, infant and maternal mortality rates stood at 21.4 deaths per 1,000 live births and 37.9 deaths per 100,000 live births in 2013. In education, the literacy rate was 86.5 per cent while the net enrolment rates in primary and secondary were 86.5 per cent and 92.9 per cent respectively, although the quality of teaching in all cycles was a cause for concern at the national level. (AfDB and others, 2015).

With respect to subregional integration, the performance of Cabo Verde has been less than sterling, owing to ethno-linguistic and historical factors, the fact that it is an island, and also the poor potential for foreign trade. Cabo Verde ranks tenth out of the 15 member countries of Economic Community of West African States (ECOWAS) on the integration table. With the exception of regional infrastructure and the free movement of persons, the country has not performed well in trade, production and financial integration.

National and subregional context

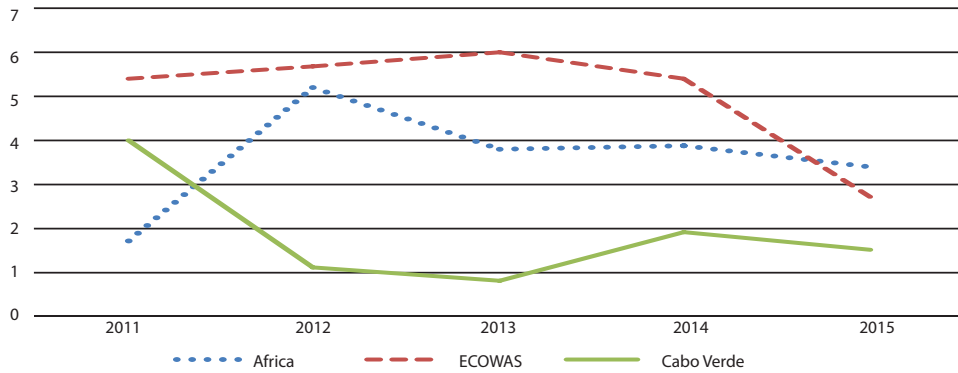
Cabo Verde had been experiencing weakened growth since 2009, except for 2011, owing to the deteriorating external economic environment, with delayed effects of the 2008-2009 global financial and economic crisis and fiscal tightening in the euro zone and the United States of America from 2010 to 2012. Under the combined effects of a dire external situation, a slowdown in public investments and foreign direct investments, a drop in remittance transfers from Cabo Verdeans abroad, and official development assistance, economic growth stood at 1.5 per cent in 2015, down from 1.9 per cent in 2014, well below the ECOWAS rate of (2.7 per cent in 2015, compared to 5.4 per cent in 2014) and the Africa rate of (3.4 per cent in 2015, slightly down from 3.9 per cent in 2014) (ECA, 2016a).

These trends buttress the poor performance noted since 2009 (INE, 2016). More favourable prospects are expected in the light of the macroeconomic framework developed by the Ministry of Finance and Planning in March 2015. The same sturdy recovery in economic activity started in 2014 should be expected in 2016-2017, thanks to a robust tourism sector, increased credits to the private sector, diversified production, especially in agriculture and fisheries, improved productivity and a modest economic upturn in the euro zone (OECD, 2015). Since May 2015, however, the country has been vulnerable to its exposure to the Zika virus disease. Economic growth in the subregion declined from 5.4 per cent in 2014 to 2.7 per cent in 2015. This was partly because of a fall in the price of commodities such as oil. The sharp drop in oil prices by more than half its value, highlighted the fragile nature of the foundations of the subregion's economic growth, which is highly dependent on commodity exports (ECA, 2016).

Despite the expected upturn in economic activity in the subregion in 2016 and 2017 (ECA, 2016a), ECOWAS continues to be exposed to major risks. These include the potential effects of climate change, reflected in irregular rainfall, insecurity threats, such as terrorism in the subregion and sociopolitical instability.

In terms of regional and subregional integration, Cabo Verde belongs to the group of small island developing States and is also a member of ECOWAS. In this respect, it complies with the six criteria of the convergence agreement and macroeconomic stability of the ECOWAS. Accordingly, it complied with half of these criteria during the 2013-2014 period – two of them primary and one secondary.

Figure 1: Real GDP growth rate for Cabo Verde, the ECOWAS subregion and Africa (in percentage)



Source: ECA data base, <http://ecastats.uneca.org/statbase>, INE, 2016.

Table 1: Compliance with macroeconomic convergence criteria 2013-2014

Criteria	ECOWAS standard	2013	2014
Primary			
Budget deficit ratio, including grants (commitment basis) nominal GDP	≤ 3 %	8.8 %	8.5 %
Mean annual inflation rate	≤ 5 %	1.5 %*	-0.2 %*
Budget deficit financing by Central bank/tax revenue of previous year	≤ 10 %	0 %*	0 %*
Gross reserves in import months	≥ 6	4.9	5.9
Secondary			
Public debt/nominal GDP ratio	≤ 70 %	101.6 %	115 %
Nominal exchange rate (stable)	±10	4.1 %*	0.1 %*

Source: ECOWAS, Country convergence report, 2014.

* Criterion met

Box 1: Africa regional integration index - Cabo Verde

The Africa Regional Integration Index is designed to measure how well each country in Africa is meeting its commitments under the pan-African integration frameworks, including Agenda 2063 and the Abuja Treaty. The index is a joint project of ECA, the African Development Bank and the African Union Commission (2015). The index covers the following dimensions: free movement of persons, trade integration, productive integration (development of regional value chains), regional interconnections and infrastructure and macroeconomic policy convergence. The following section gives highlights on selected indicators in the index. For more information, the reader may consult the report on the Index and the dedicated website. The table below also gives rankings awarded by CEN-SAD.

Overall ranking

Ranked twelfth in ECOWAS (score: 0.44), with the highest ranked country being Côte d'Ivoire (score: 0.68)*. The country's performance according to dimension is as follows:

Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
First in ECOWAS (Score: 0.8)	Twelfth in ECOWAS (Score: 0.17). The highest ranked country in ECOWAS is Nigeria (Score: 1)	Thirteenth in ECOWAS (Score – 0.11). The highest ranked country is the Gambia (Score: 0.52)	First in ECOWAS (Score: 0.68)	Ninth in ECOWAS (Score: 0.44). The highest ranked country is the Niger (Score 1)

Free movement of persons: The country shares first place with other ECOWAS countries. Cabo Verde allows the nationals of all other ECOWAS countries to enter its territory without a visa. It has also ratified ECOWAS instruments on the free movement of persons, the right of establishment and free movement of workers.

Trade integration: The performance of the country is low, ranking twelfth in ECOWAS. Cabo Verde applies an average tariff of about 11 per cent on imports from ECOWAS (based on 2014 data). It is the third highest in the subregion. From 2010 to 2013, imports from ECOWAS accounted for 0 per cent of the country's GDP, the lowest ratio among member countries.

Integration of production: The country seems to be poorly integrated in the regional value chains. Trade complementarity between the country and its partners is low. It has a trade complementarity index of 0.11 (based on 2013 data), showing a weak correlation between its exports and the structure of ECOWAS imports. The share of intermediate products in Cabo Verde imports from the regional economic communities of ECOWAS was 0 per cent. The share of Cabo Verde intermediate products in total ECOWAS exports was 0 per cent on average (the lowest in community).

Infrastructure: The country ranks first in ECOWAS. Cabo Verde ranked first among ECOWAS countries in terms of its average results on the African Development Bank infrastructure development index from 2010 to 2012. Nearly 68 per cent of international flights to and from the country are intra-ECOWAS flights, accounting for the ninth highest rate among ECOWAS member States. There are no data on the cost of mobile telephony for intra-African roaming.

Financial integration and macroeconomic policy: The country ranks ninth in ECOWAS. The inflation rate of Cabo Verde is low, at about 2 per cent, the sixth lowest rate in ECOWAS. All in all, the performance of Cabo Verde varied from average to poor, with very good results, however, for free movement of persons and infrastructure. It varied again from average to poor for production integration, trade integration, financial integration and macroeconomic policy. To improve these results, Cabo Verde could envisage taking new growth-oriented macroeconomic measures, driven by intra-regional trade in merchandise and services and also a reduction in intra-regional tariffs.

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa regional integration index and will be added to subsequent updates of the ECA country profiles.

3

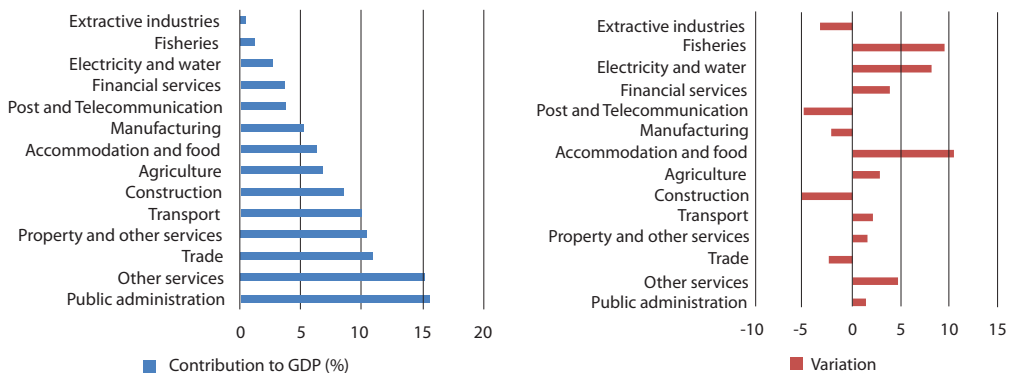
Economic performance

3.1 Economic growth

Structurally, economic activity in Cabo Verde is dominated by the tertiary sector (less taxes and levies), with an average contribution of 62 per cent during the 2010-2015 period, followed by the secondary sector with 17.1 per cent and the primary sector with 8.4 per cent during the same period. The key drivers of the country's economic growth are the tourism (with accommodation and catering and real estate and other services), building construction, trade and transport sectors.

The performance of the tertiary sector was highly influenced by tourism, trade and transport, which, in 2015, contributed to GDP by 22 per cent, 11 per cent and 10 per cent respectively. In that same year, the value added for the accommodation and catering sub-sector experienced 10.5 per cent real growth, following a 2 per cent drop in 2014, reflecting a dynamic upturn in the sector. The development of the sector, which started in 1990, has made tourism one of the key drivers of the economy, in terms of contribution to GDP and creation of jobs.

Figure 2: Sector shares and real GDP growth (2015) and annual variation of sector value added compared to 2014 (percentages)



Source: INE, 2016 and ECA calculations.

The modest recovery in global economic activity, however, and the relatively high transport costs to Cabo Verde, and other production factors, such as telephone and electricity, are potential threats to consolidating the performance of the tourism sector. Just as the Ebola epidemic had dire consequences on Africa as a destination, the Zika virus disease could also adversely affect the sector in Cabo Verde. Cabo Verde is the country most affected in Africa, with 7,557 suspected Zika virus disease cases in May 2016 (WHO, 2016).

The secondary sector contributed 16.2 per cent to GDP in 2015, mainly from the construction (8.4 per cent) and manufacturing (5.2 per cent) subsectors. The weak domestic market, the insular nature of the country, the remoteness from major markets and the limited strategic resources (land, water and other primary commodities) are the bane of the Cabo Verde industrial sector.

For the primary sector, whose GDP share in 2015 was a mere 8.3 per cent, the agriculture subsector alone contributed 6.8 per cent. The share of agriculture is rather low because the country lacks natural resources such as arable land, which accounts for only 10.0 per cent; while water resources are scarce, with frequent bouts of drought (World Bank, 2016). Agricultural production covers less than 10 per cent of the country's food requirements. Despite the dynamism of the fisheries subsector, its contribution to job creation was low – just about 1 per cent of GDP, in the past five years. The country is however doing well in the processing of fish products, which have become the leading export produce of the country.

Box 2: Dynamism of the tourism sector

The activities of the tourism sector are the key drivers of the economy of Cabo Verde, in terms of contribution to GDP, creation of jobs, export proceeds and budget. With 539,621 international tourists entering the country in 2014 (INE, 2016) – more than the population of the country itself – with a ratio of 1.04 tourists per capita, the sector alone contributed 22 per cent to GDP in 2015 (INE, 2016).

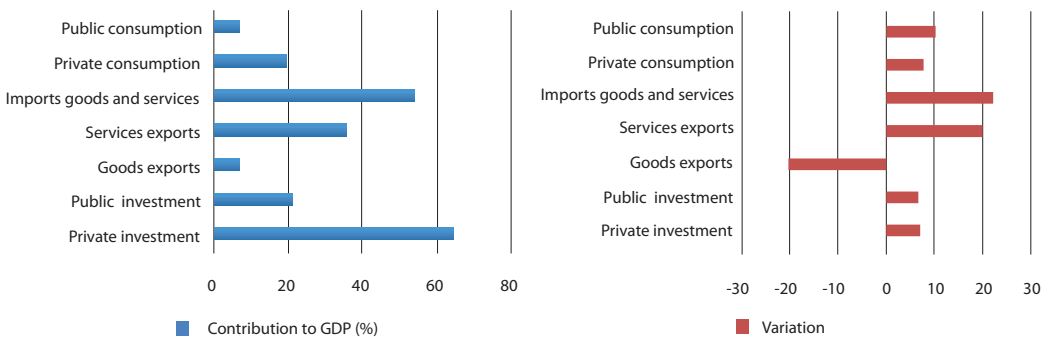
The volume of fund inflows from tourism activities is estimated at 19.2 per cent of GDP in 2014 (BCV, 2015). Tourism earnings were estimated at \$377.87 million in 2015, 89.8 per cent of the country's total export earnings (ECA and others, 2016). According to international trade statistics, (UNCTAD database), in terms of export earnings, tourism per se accounted for 64.5 per cent of services export earnings and over 55 per cent of total export earnings for merchandise and services in the country. In terms of employment, the sector alone contributed 38 per cent to job creation (ECA and others, 2016).

To further the development vision for the sector, in 2009, the country adopted a strategic plan designed to ensure better integration of tourism in the local economy, with a segmentation of tourism supply among the various islands and the establishment of a market offering high quality products that could compete on the global tourism market. The sustainability of tourism activities, promotion of greener tourism, certification of local products, improvement in the transport system between the islands, improved benefits for the local population and preservation of the natural capital of the sector, are the major challenges. Following implementation of the strategy, in 2012, the hotel and tourism school was established, several sector reforms and legislative revisions were made, for instance, in service provision and urbanization, in order to unleash the sector's potential to become a globally competitive tourism industry.

With regard to overall demand, the pace of public investments slowed down in 2015, with only rising slightly to 6.7 per cent, but way below the 17.3 per cent in 2014, for a volume accounting for an average 21 per cent of GDP in the last two years (INE, 2016). Private investment, which grew by 15 per cent in 2014 and 20 per cent in 2015 has maintained its dynamism, accounting for an average 22.4 per cent of GDP for the period 2010-2015, and 19.4 per cent of GDP in 2015. Just like the dynamism of the country’s private sector, the structural performance of private investment partly has to do with capital investment for the development of the tourism industry, mainly by migrant investors and subsidiaries of multinational groups established in the country (AfDB, 2014).

One specific feature of the Cabo Verde economy is the structural size of its export services, mainly tourism services, which accounted for 35.6 per cent of GDP in 2015, with an average 31.1 per cent of GDP during the period 2010-2015. Merchandise exports accounted for only 6.7 per cent of GDP in 2015 and 4.6 per cent of GDP, on average, during the period 2010-2015 (INE, 2015A).

Figure 3: Demand shares and real GDP growth and annual variations (2015, in percentages)



Source: ECA calculations, based on Instituto Nacional de Estatísticas data, 2016.

Box 3: Comparing economic forecasts for Cabo Verde

Economic forecasts provide essential information for decision-makers in the public and private sectors. National and international organizations alike produce these forecasts. They include the African Development Bank, the Economist Intelligence Unit (EIU), the International Monetary Fund (IMF) and the World Bank. The forecasts made by these organizations all remained within 2.2 percentage points of one another for all years over the period under review (2008-2015), except for 2009 (see figure A). The EIU provided the most optimistic growth forecasts for 2009, at 8.0 per cent, compared to the IMF projection of 2.5 per cent. On average, EIU produces the most optimistic forecasts (5.1 per cent) for the period 2008-2016. Looking forward, the African Development Bank and IMF made the most optimistic forecasts for 2016 (an estimated 4 per cent), while the World Bank and EIU projected growth rates of 3.0 per cent and 2.6 per cent respectively.

The degree of accuracy of these forecasts is an important issue for ECA, which has conducted an analysis to assess which forecasts tend to be more reliable. The root mean squared error and the mean absolute error are common measures used to evaluate forecasts. Generally speaking, the higher the value of these errors, the less accurate the forecasts*. For the period 2008-2014, the IMF and the World Bank carried out the most reliable forecasts, followed by the African Development Bank and EIU (see figure B).

Figure A: Forecast GDP growth rates

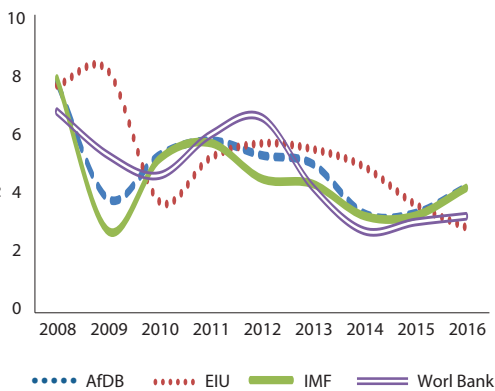
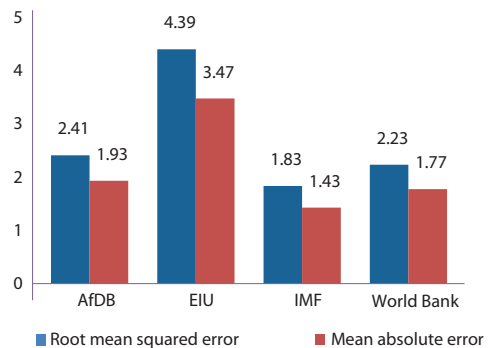


Figure B: Forecast error (2008-2014)



* For more information, refer to "Approaches to evaluating forecast performance: technical review". August 2015, ECA, Addis-Ababa.

3.2 Fiscal policy

The overall fiscal deficit declined gradually to 3.8 per cent of GDP in 2015, down from 7.3 per cent in 2014, slightly above the community level of 3.0 per cent. This performance in public finance management is partly attributable to the capacity to contain government operational spending, a decline in public investment spending (public investment programme slowdown) and subsidies to struggling public enterprises, and improvement in tax recovery.

A total revenue of 74 per cent over the period 2010-2015, made up of fiscal earnings, was mobilized to the tune of 41,827 million escudos (26.2 per cent of GDP) in 2015, up from 35,408 million escudos (22.6 per cent of GDP) in 2014, with 30,253 million escudos (19 per cent of GDP) and 27,465 million escudos (17.6 per cent of GDP) in fiscal earnings. The country was able to mobilize a large volume of fiscal revenue partly because of its capacity to recover taxes, whose two internal taxation components are the income tax and goods and services tax, which is the value added tax, which accounts for over 87 per cent of the total volume of goods and services tax. While internal resource mobilization was good, a major proportion of this revenue escapes State control, because of the excessive tax reliefs, the inability of the tax administration to counter malpractices by multinationals and the predominance of informal activities (AfDB and others, 2015).

Cabo Verde has been able to control its operational spending, despite the hike in 2015, mainly owing to a higher wage bill, following recruitment and reclassification measures adopted. Current expenditure rose from 32,018 million escudos (20.5 per cent of GDP) in 2014 to 34,471 million escudos (21.6 per cent of GDP) in 2015 (MFP, 2016). Investment expenditure grew slightly from 3.4 per cent of GDP in 2014 to 4.1 per cent of GDP in 2015.

Table 2: Government financial operations (percentage GDP)

	2010	2011	2012	2013	2014	2015
Total revenue	28.7	25.6	24.4	24.7	22.6	26.2
<i>Tax revenue</i>	18.9	20	18.3	18.4	17.6	19
<i>Capital revenue</i>	7.1	2.9	2.7	2.3	1.5	2.1
Total expenditure and net loans	23.9	23.2	22.9	23.2	23.9	25.7
<i>Operational expenditure</i>	19.8	19.5	19.8	20.4	20.5	21.6
<i>Total debt interest</i>	1.6	1.5	1.9	2.2	2.2	2.6
<i>Investment expenditure</i>	4	3.7	3.1	2.9	3.4	4.1
Non-financial assets	15.7	11.6	13.9	10.3	6.1	4.3
Overall balance (commitment base)	-11	-9.2	-12.4	-8.8	-7.3	-3.8

Source: ECA calculations based on Ministry of Finance and Planning data, 2016.

The combined effects of the depreciating escudo against the United States dollar, the expected hike in public investment spending and new loan disbursements in 2015 pushed the outstanding public debt to 121.2 per cent of GDP (including 92.9 per cent of GDP in external debt) in 2015, up from 115 per cent of GDP in 2014 (MFP, 2016). In the past five years, the external debt component has stood at approximately 70 per cent of the overall volume. Based on the 2014 situation, the country's indebtedness rate is way above the ECOWAS average of 18 per cent GDP and that of Africa at 29.6 per cent. Debt service was estimated at 17 per cent of exports in 2015, up from 9.7 per cent in 2014 (MFP, 2016). While the debt was largely financed by long-term loans under very flexible terms, it is likely to become unsustainable if fiscal consolidation stalls (AfDB and others, 2015). There is a need, therefore, for Government to deepen its reforms to improve domestic resource mobilization capacities by enhancing the efficiency of the tax administration and organizing informal sector stakeholders, especially in trade.

In terms of structure, the country's external debt portfolio in 2015 comprised 47.7 per cent of debt outstanding with multilateral donors, 21.5 per cent with bilateral donors and 30.8 per cent in trade debt.

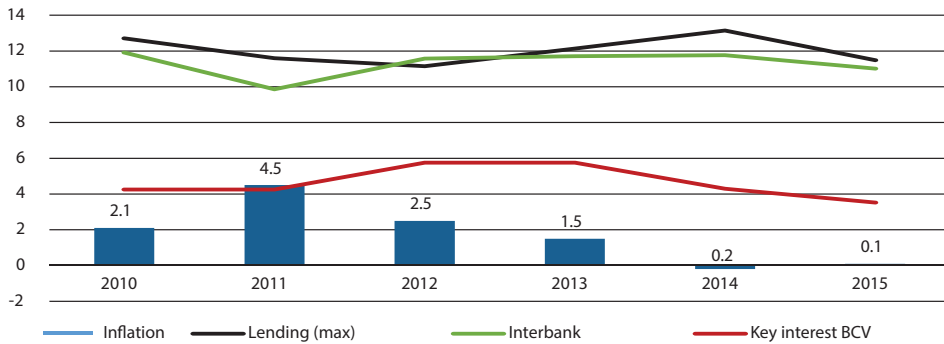
On the whole, the country must double its efforts to mobilize domestic resources, contain operational expenditure and revitalize investment spending, while ensuring debt sustainability, in an effort to revive economic growth, which, for the past five years, has stalled.

3.3 Inflation and monetary policy

The country's monetary policy is aimed at price control. With the nominal tying of the escudo to the euro, inflation has been sliding since 2011, owing to the combined effects of the easing of commodity prices, the low inflation of the euro zone, low domestic demand and decline in external demand. Just like the other ECOWAS countries, commodity prices from agricultural production especially, are the key determinants of inflation in Cabo Verde. Inflation hovered below 3 per cent in 2012 and fell to 0.2 per cent in 2014 and further to 0.1 per cent in 2015. The slowing inflation, which began in 2011, was followed by a sharp drop in the central bank's key interest rate from 2012 and that of the bank borrowing rate from 2014. The key interest rate and lending rate dropped by 18 per cent from 2014 to 2015 (4.3 per cent to 3.5 per cent) and by 12.6 per cent (13.1 per cent to 11.5 per cent) respectively.

To stimulate investment by significantly lowering the credit rate, this inflation targeting monetary policy led to an increase in credit to the private sector from 93,501.8 escudos (59.8 per cent of GDP) in 2014 to 93,762 million escudos (58.8 per cent of GDP in 2015, a 0.3 per cent increase. Credit to the central administration followed the same trend from 25,295.2 million escudos in 2014 to 27,711.1 million escudos in 2015, a 5.6 per cent increase (MFP, 2016).

Figure 4: Inflation and interest rates (2010-2015) (percentages)

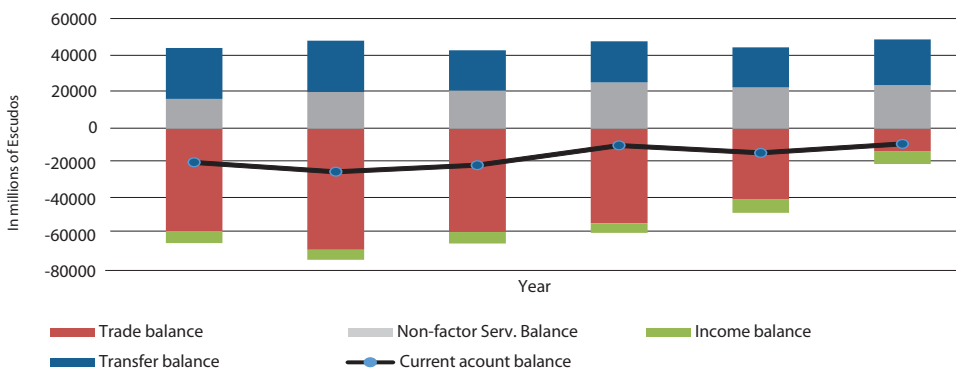


Source: ECA calculations, based on INE data, 2016 and BCV 2016.

3.4 Current account

The current account deficit started improving in 2012, from 16.2 per cent of GDP in 2011 to 13.5 of GDP in 2013, 8.6 per cent of GDP in 2014 and then to 5.2 per cent of GDP in 2015, the same as the Africa average (5.2 per cent) and close to that of ECOWAS (5.0 per cent). This trend was partly due to improvement in merchandise and non-factor services exports, mainly from the tourism sector, and also to the positive structural trend of net transfers, albeit on the decline since 2012. The merchandise trade balance improved from -25 per cent of GDP to -7.7 per cent, the non-factor services balance rose from +14.7 per cent of GDP to +15.0 per cent, and the current transfers balance climbed from +14.2 per cent of GDP to +15.6 per cent. In terms of current transfers, remittances from abroad accounted for 9.9 per cent of GDP in 2014 (BCV, 2015).

Figure 5: Current account balance and its components (millions of escudos)

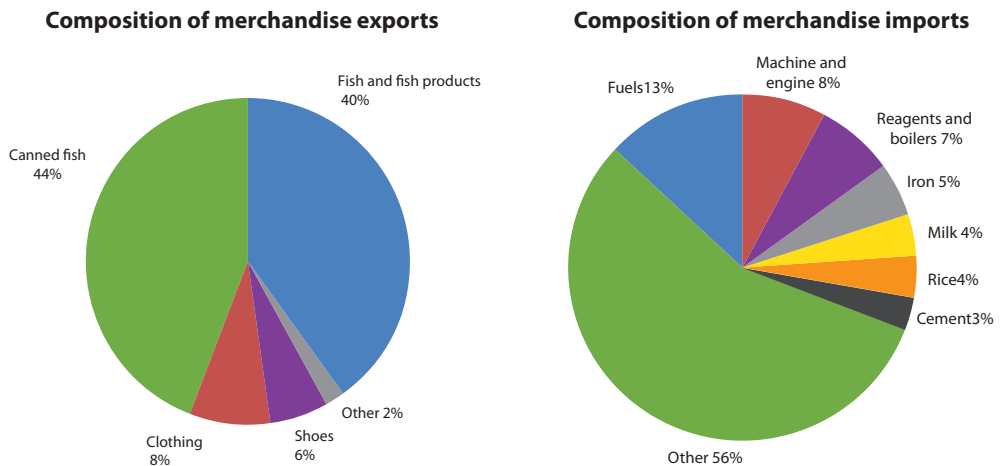


Source: ECA calculations based on Instituto Nacional de Estadísticas data, 2016.

In terms of trade performance, Cabo Verde has close ties with Europe, its key trading partner. According to the 2016 Instituto Nacional de Estatísticas report on foreign trade statistics, merchandise exports from Cabo Verde, mainly comprising fish products (84.5 per cent exports in 2015), both fresh and canned, were estimated at 6,646 million escudos (\$66.84 million) in 2015, compared to 6,700 million escudos (\$80.62 million) in 2014. The European Union, Spain, especially, is the prime destination, accounting for 69 per cent of merchandise exports in 2015. Imports, which mainly comprised fuels, equipment, building materials and food products (rice mainly), were estimated at 60,054 million escudos (\$603.98 million) in 2015, compared to 64,131 million escudos (\$772.29 million) in 2014, still with the European Union as the principal area of origin (75.8 per cent in 2015), primarily Portugal (43.5 per cent of imports in 2015), followed by the Netherlands (11.6 per cent of imports in 2015).

The country's high dependence on services exports (tourism, mainly) and remittances from Cabo Verdeans abroad makes it vulnerable to external shocks. There is a need, therefore, to accelerate and intensify the reform process to diversify the economy through industrialization, so as to boost exports of manufactured products.

Figure 6: Structure of external trade (percentages, 2015)



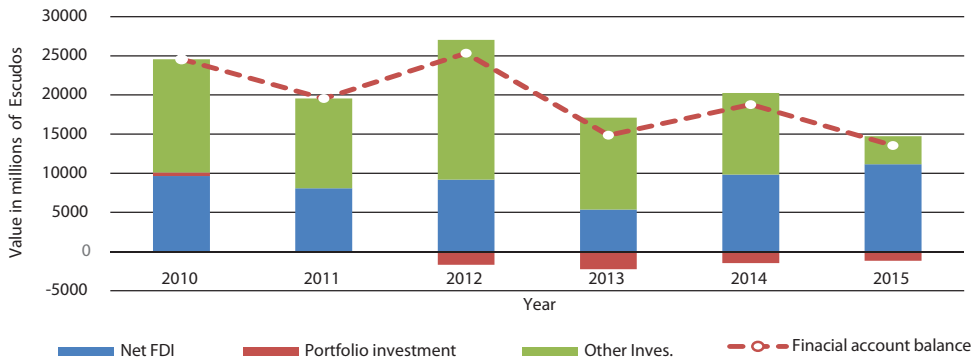
Source: ECA calculations, based on Instituto Nacional de Estatísticas data, 2015b

3.5 Capital and financial account

Apart from the current account contribution, the appreciable level of the overall balance of payments since 2012 stems from the favourable trend in the financial account deficit balance, which dropped from +16.8 per cent of GDP in 2012 to +12 per cent of GDP in 2014, and further down to +8.3 per cent of GDP in 2015, mainly as a result of net foreign direct investment inflows, which rose by 6.1 per cent, 6.3 per cent and 6.8 per cent of GDP over the same period. While attraction to other investments has slowed down since 2012, portfolio investments posted net negative flows over the same period, showing some improvement.

The tourism sector is a major outlet for foreign direct investments, which grew by 13.5 per cent from 2014 to 2015, from 9,822.28 million escudos to 11,146.31 million escudos. Apart from tourism, health and fisheries also show good prospects for investment (AfDB, 2015).

Figure 7: Financial account balance (millions of escudos)



Source: ECA calculations, based on Ministry of Planning and Finance data, 2016.

Social development

Considered by the World Bank as a middle-income country since 2007 Cabo Verde is one of the rare countries of the subregion, indeed the continent, to have achieved the Millennium Development Goal targets, both in terms of progress and level of social development indicators in 2015 (ECA, 2016).

4.1 Demography

The population of Cabo Verde, distributed across 22 islands, grew from 499,929 inhabitants in 2011 to 524,833 inhabitants in 2015 (INE, 2015). Women account for 262,334 (49.98 per cent), with a population growth rate of 1.2 per cent (compared to 2.4 per cent during the period 1990-2000) and a fertility rate of 2.29 children, the lowest in the subregion. The island of Praia is the most densely populated (28.8 per cent of the total population), while Tarrafal de S. Nicolau island is the least populated (0.9 per cent of the total population). With an area of 4,000 km², the population density was estimated in 2015 at 135.2 inhabitants/km² (compared to 108 inhabitants/km² in 2000). Cabo Verde

Figure 8: Population distribution by age (in thousands)



Source: ECA calculation, based on Instituto Nacional de Estatísticas data, annual statistics, 2015.

had the highest life expectancy level in the subregion in 2015, with 71.5 years for men and 79.9 years for women (INE, 2015a). In terms of structure, and just like other countries in Africa, the population of Cabo Verde is predominantly young (average of 28 years in 2015), with 47.4 per cent of the total population under 24 years of age. The share of the under-14 age group dropped from 42.2 per cent in 2000 to 27.4 per cent in 2015, reflecting a decline in fertility. Given the regular increase in the number of women and men of working age, the dependency rate gradually reduced during the past five years and stood at 53.5 per cent, down from 61.8 per cent in 2010, accounting for the lowest dependency rate in the subregion.

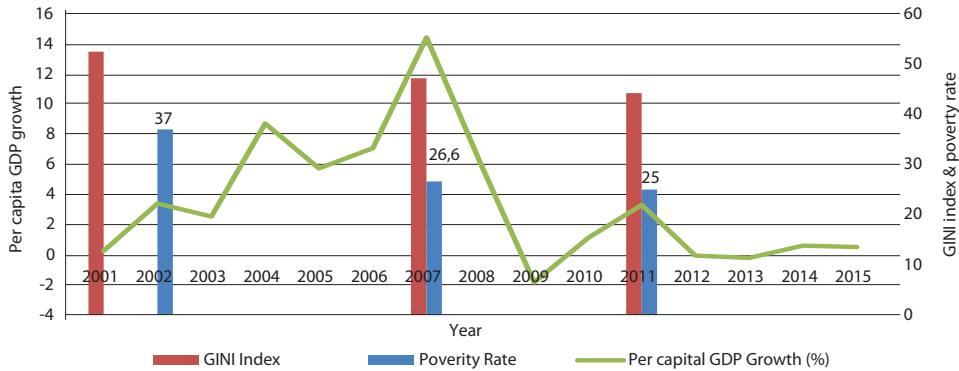
Contrary to other countries of the subregion and the continent as a whole, the child population (0-14 years) in Cabo Verde has been declining gradually, whereas the working population aged 15-64 (figure 5) has been rising. These dynamics partly stem from the gradual decline in the infant mortality rate and the fertility rate. This also causes a drop in the dependency ratio. This gradual transition offers more opportunities for development, and positions Cabo Verde on the path to taking full advantage of the demographic dividend.

4.2 Poverty and employment

The development efforts undertaken by Cabo Verde, leading to its reclassification in 2007 as a middle-income country are clear from the marked improvement in the key indicators of the wellbeing of the population. With a human development index of 0.646 in 2014, compared to 0.534 in 2010, Cabo Verde is one of two countries in the subregion (with Ghana) in the medium human development index category. This development performance is reflected in the quality of the livelihoods of the people, compared to other countries in the subregion. Cabo Verde was the first country in the subregion to have achieved Millennium Development Goal 1 on reducing poverty. According to the Instituto Nacional de Estatísticas, the poverty incidence was estimated at 25 per cent in 2011 (compared to 26.6 per cent in 2007 and 49 per cent in 1990), less than half its level for the subregion, estimated at 60 per cent (ECA, 2015). This rate was estimated, in 2011, at 13.2 per cent in the urban areas and 44.3 per cent in the rural areas, reflecting a sharp disparity in the living conditions of households in rural and urban areas. Santa Catarina do Fogo island was identified to be the poorest (59 per cent of poor people), and Sal island, the tourism area, with the least number of poor people (4 per cent).

This major improvement in the living conditions of households was maintained by a buoyant GDP from 1993 to 2008, with an annual average of 7.3 per cent (INS, 2016) and significant investment in human capital (AfDB, 2014). It also stems from a decline in income inequalities, as illustrated by the drop in the Gini index and a sharp rise in individual incomes of the people, as shown by GDP growth per capita during the period 2000-2007 (figure 10). This growth, however, was truncated by the effects of the global economic and financial crises, because of the country's high dependence on the outside from tourism activities.

Improvement in the level of employment creation was maintained by the cumulative effects of major investments made during the past decade, with the implementation of the public

Figure 9: Poverty rate versus GDP per capita and Gini index

Sources: Instituto Nacional de Estatísticas, statistics directory, 2015; World Bank, Global development indicators, 2016, and the Ministry of Finance and Planning, growth and poverty reduction strategy (GPRSP, 2012-2016)

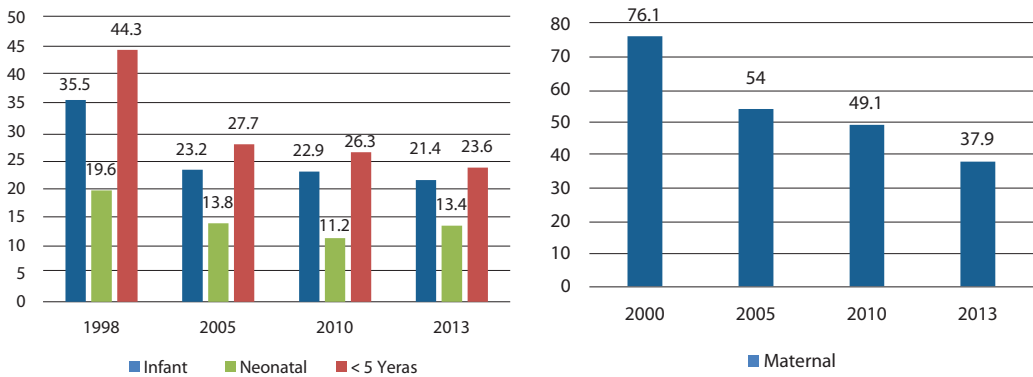
investment programme and by a dynamic private sector, sustained by a boost in credits to the economy and private investment, including the substantial attraction of foreign direct investments. The construction and public works sector was the key beneficiary of these investments, mostly for development of the tourism sector (INE, 2015). In terms of sectoral distribution in 2014, the tertiary sector, with a highly commercial subsector, dominated employment with 65.5 per cent, followed by the secondary sector and the tertiary sector with 17.8 per cent and 16.7 per cent respectively (INE, 2015). The sheer size of the informal sector within the tertiary sector is the reason for its large share in employment, especially in trading activities.

The unemployment rate was 12 per cent in 2014 (BCV, 2015). The rate among young people is quite alarming. According to Instituto Nacional de Estatísticas estimates, the unemployment rate among young people (14-24 years continues to rise – from 34.6 per cent in 2013 to 50.8 per cent in 2014.

4.3 Health

Cabo Verde has made great strides in health, especially in curbing infant and maternal mortality. The infant mortality rate in 2013 was 21.4 deaths to 1,000 live births, compared to 22.9 in 2010. Neonatal mortality rose from 11.2 deaths per 1,000 live births to 13.4 in 2013, while the mortality rate for under-five children dropped from 26.3 to 23.6 deaths per 1,000 live births during the same period. The maternal mortality rate fell from 49.1 deaths per 100,000 live births in 2010 to 37.9 in 2013 (INE, 2015). While these indicators may be by far the lowest in the subregion, the Government must still make more effort to improve health delivery. In 2013, 7.1 per cent of the national budget was allocated to the health sector, compared to 5.7 per cent in 2010, well below the 15 per cent stipulated by the Abuja Declaration. Moreover, Instituto Nacional de Estatísticas data show that infections and parasites are some of the main

Figure 10: Neonatal, infant, under-five and maternal mortality rates



Source: Instituto Nacional de Estatísticas, statistics yearbook 2015.

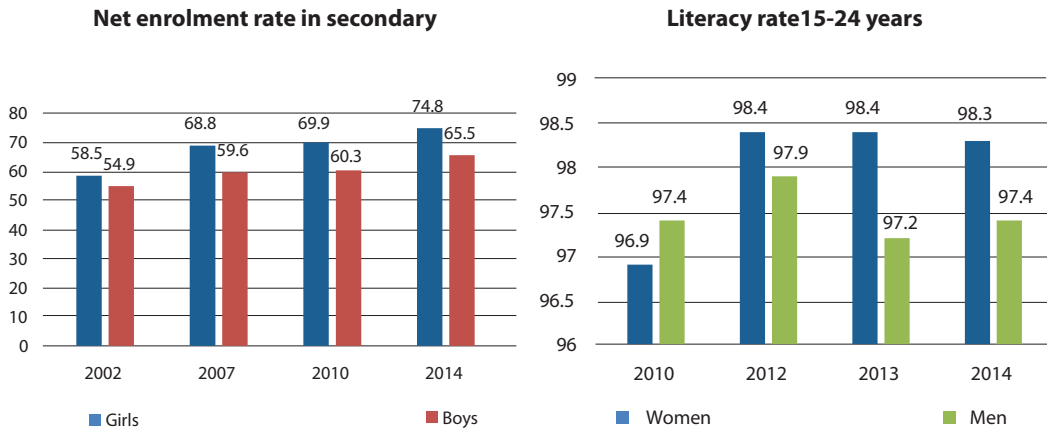
causes of death among children under age one. The Government must therefore improve the water supply and sanitation system, and educate people in public health

4.4 Education

Cabo Verde achieved all the Millennium Development Goal targets for education before the 2015 deadline. These achievements were made in formal and informal education. This was as a result of the free and compulsory universal primary education instituted by the Government (AfDB and others, 2014). Instituto Nacional de Estatísticas data show in 2014, that only 8.3 per cent of the population declared not to have been to school, compared to 12.9 per cent in 2010. The rates for women was 11.4 per cent and for men, 5.1 per cent in 2014. According to Instituto Nacional de Estatísticas 2015 annual statistics, the net enrolment rate for primary was 92.9 per cent in 2014 (91.3 per cent for girls and 94.5 per cent for boys); the secondary enrolment rate was 70.1 per cent (74.8 per cent for girls and 65.5 per cent for boys). In the informal sector, Cabo Verde ranks fifth in Africa (after Libya, South Africa, Botswana and Mauritius) in literacy rates. The literacy rate among young people aged 15-24 was estimated in 2014 at 97.8 per cent (98.3 per cent for girls and 97.4 per cent for boys), compared to 96.3 per cent in 2010.

In 2013, nearly 15 per cent of total government expenditure was allocated to the education sector, a level comparable to that of the rest of Africa, with the exception of North Africa, which posted 16 per cent (WDI, 2016). In terms of the quality of the education system, while progress was made in primary, the high dropout rate among the 15-24 age group is quite alarming. The rate of survival in the fifth year was 90 per cent in 2010, compared to an average 73.8 per cent for the ECOWAS subregion (UNICEF, 2014). On the other hand, for secondary and higher education, the dropout rate was relatively high. In 2014, it was 40.7 for 15-19 year olds and 54.3 per cent for 20-24 year olds (INE, 2015).

Figure 11: Net enrolment rate in secondary and literacy rate among young people aged 15-25 (gender, percentages)



Source: Instituto Nacional de Estatísticas, statistics yearbook 2015.

4.5 Evaluation of gender equality in Cabo Verde

The status of gender equality and women's empowerment is measured in terms of the key areas indicated in the circular chart below. These areas are important for the improvement of women's lives and their contribution to sustainable and inclusive growth in Africa.

To assess the actual extent of gender inequality and to achieve the goal of measuring gender equality and women's empowerment in Africa, ECA has developed a monitoring tool, the African Gender Development Index (AGDI), which allows policymakers to evaluate their own performance in implementing policies and programmes geared towards ending women's marginalization.

The calculation for the scoring is based on Gender Status Index (GSI) data. GSI is one of the components of AGDI. For each key indicator, the score is calculated as an unweighted arithmetic average by taking the female to male ratio of the indicator values, multiplying it by 10 and rounding the result off to the nearest whole number. A score of zero represents the highest level of inequality, five shows middle parity level and 10 represents perfect parity. Parity levels exceeding 10 represent situations in which women have outperformed men, irrespective of the level of development of the area being assessed. Box 4 discusses the extent to which Ghana has promoted women's empowerment and the achievement of gender equality.

Most data used to calculate scoring are drawn from the latest nationally available data sources. However, for a few indicators where the country has no disaggregated data, international data are used.

Box 4: Gender equality and women’s empowerment – Cabo Verde

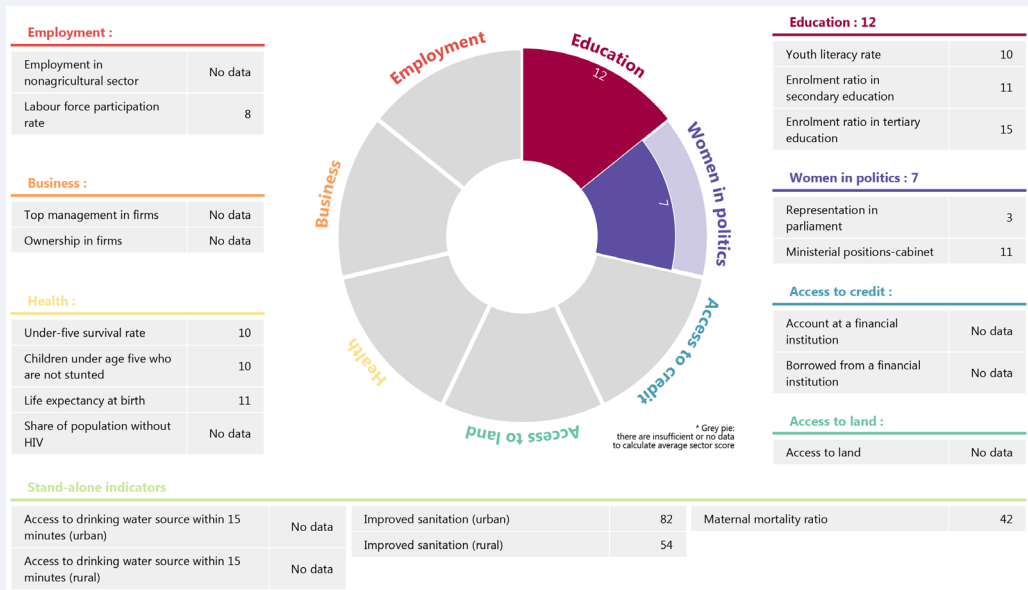
The data illustrate gender equality for the survival rate of under-5 children, children under 5 who are not stunted, and the youth literacy rate for 15-24 year old.

Access to secondary and tertiary education is higher for women than for men. The net enrolment rate in secondary for women was 74.8 per cent, and for men, 65.6 per cent. Tertiary education rates were 27.5 per cent for women and 18.9 per cent for men in 2014.

Life expectancy at birth was also better for women, with 79.9 years in 2015, 8 years more than that of men (INE, 2015a).

Job market participation by women was 51.2 per cent, and for men, 65 per cent, giving a parity score of 8, above the mean parity.

Despite the great strides made in the sectors mentioned above, gender inequality is observed in parliamentary representation. Only 20.8 per cent of parliamentarians are women.



Source : African Union Commission and ECA, 2015.

Thematic analysis: Structural transformation - meeting the challenge of regional integration to sustain the structural transformation of Cabo Verde

Cabo Verde joined ECOWAS¹ in 1976.² It is the twelfth economy in the subregion, with a share of 0.3 per cent of its GDP. It has the smallest market in the subregion, and accounts for fewer than 0.02 per cent of its citizens.

Membership to a union or subregional integration community or an even larger body is driven by historical, geopolitical and economic reasons (ECA 2016d). In the case of Cabo Verde, the fight for independence, jointly with Guinea-Bissau, with the support of the West African countries, and by virtue of sharing ethno-linguistic settlement areas with those countries, were reasons enough to join in the community process. The political and historical justification is buttressed by economic demands, against a backdrop of growing globalization and persistent development challenges. In this regard, pursuing the goal of regional integration is the most appropriate strategy for benefiting from the effects of trade and investment opportunities, more so for an economy the size of that of Cabo Verde. To achieve this, the prerequisites would be coordination and policy cooperation among States parties to the subregional integration.

Given the scale of the dynamics of integration in the world, and Africa in particular, efforts have been deployed to enhance the evaluation tools and measures for furthering regional integration. ECA conducts an annual analysis of the status of integration in Africa and draws up an Africa regional integration index.³ In addition, at the level of ECOWAS, multilateral surveillance of macroeconomic, formulation and implementation of community policies

1 ECOWAS is the Economic Community of West African States, established in 1975 by the Lagos Treaty.

2 Cabo Verde gained political independence on 5 July 1975

3 The index, developed in conjunction with the African Development Bank and the African Union Commission, covers the following five dimensions: (a) free movement of persons; (b) trade integration; (c) productive integration (development of regional value chains; (d) infrastructure; and (e) financial integration and convergence of macroeconomic policies.

and protocols and decisions is underway. The subregion also measures intra-ECOWAS trade and evaluates progress made in infrastructures and human capital.

An analysis of the results of these evaluations generally show that Cabo Verde performs more poorly than other countries in the subregion and the continent as whole. According to the Africa Regional Integration Index ranking, the country ranks twelfth out of 15 ECOWAS countries. More specifically, Cabo Verde ranks above only three ECOWAS countries for trade integration, measured based on its intra-ECOWAS foreign trade and average customs duties applied on intra-ECOWAS imports. Likewise, a review of the evaluation of integration within ECOWAS confirms the limited intra-ECOWAS trade, and lack of political will to get involved to engage in major integration efforts, such as participation in statutory meetings, commitment to the single currency process, ratification and application of community decisions and protocols and connection infrastructure.

This configuration raises two issues. What are the reasons for the low performance of Cabo Verde in integration? How could the country enhance its integration into the West African market?

In the light of the above, following a review of the position of Cabo Verde in terms of subregional integration, the factors that could explain its performance will be analysed prior to devising directions and guidelines that would help the country gain a foothold in the subregional and continental economy.

5.1 Cabo Verde: limited integration into the subregional and regional market

During the past 40 years, Cabo Verde has, to several extents, implemented the major decisions, protocols and other community rules emanating from the various phases in the integration process of the West Africa subregion. The country's compliance with subregional and continental commitments is measured by the Africa Regional Integration Index and the various ECOWAS integration evaluation mechanisms.

Specifically, as stated in the box on the Africa Regional Integration Index, with the exception of regional infrastructures and the free movement of persons, Cabo Verde has shown less than sterling performance in the other three dimensions of integration under review.

With regard to infrastructure, Cabo Verde is ranked ninth in Africa and first in ECOWAS on the Africa Infrastructure Development Index⁴ of the African Development Bank (AfDB),

⁴ The African Development Bank infrastructure development index ranks countries according the power generation per capita, the section of population with access to landlines or mobile phones, the percentage of roads paved and the share of the population with access to water supply and improved sanitation. Cabo Verde is ranked ninth in Africa on this index.

2016). This performance is confirmed by the generally favourable positioning of the country in terms of access to basic infrastructure and services. The country has the best results in the subregion in terms of achievement of the Millennium Development Goals and has, since 2007, featured among the group of middle-income countries.

In terms of free movement, by applying the ECOWAS protocol on the free movement of goods and persons, Cabo Verde shares the good performance in this dimension with all ECOWAS countries. On the other hand, with regard to the other three dimensions, commercial, productive, financial and economic integration has been slow.

In terms of trade integration, Cabo Verde distinguishes itself through its trade dealings with Europe, especially with Spain and Portugal, its former colonial master. These two countries accounted for 58.8 per cent of imports and 83.1 per cent the country's exports (INE, 2015b). Africa's share of trade with the country are a mere 9.2 per cent in intra-Africa trade and 4 per cent in intra-subregional trade. Senegal and Morocco are the key trading partners of the country. In comparison, intra-ECOWAS imports and exports were evaluated at an average 9.5 per cent and 9 per cent respectively from 2010 to 2014 (ECOWAS, 2015 b).

The relatively slow productive integration stems from poor trade and the types of products traded. Exports comprised 80 per cent fish products in the period 2013-2015 (INE, 2015b). With regard to financial and economic integration, Cabo Verde has no regional convertible currency. The country is also lagging behind in the single currency process, as it is not part of the West African monetary zone established until 2015 to envisage integration with the West African Economic and Monetary Union (WAEMU).

Table 3: Structure of foreign trade by area of origin and destination

Zone	2010-2014 average, in percentage	
	Imports	Exports
Africa	1.9	2.1
Senegal	0.6	0
Morocco	0.4	1.2
Europe	79.1	91.8
Spain	7.7	68.3
Portugal	40.7	17.6
Rest of the world	19	6.1

Source: Instituto Nacional de Estatísticas, 2015b.

Cabo Verde needs to pull its weight in other more qualitative aspects of political commitment, if it is to be anchored securely to the subregion's economy. The country's ratification of ECOWAS protocols and conventions is the lowest in the region, at 47 per cent, compared with the subregional average of 74 per cent. Moreover, from 1979 to 2012, at 11.4 per cent, Cabo Verde was never represented at the required level in meetings of ECOWAS Heads of State and ministers. It is ahead of only Liberia and Guinea-Bissau – two countries that had experienced political and security upheavals (ECA, 2015a). In addition, Cabo Verde does not belong to many intergovernmental organizations in the subregion. It is a member of some 13 intergovernmental organizations, while the average for most countries is 19, and even higher for Burkina Faso (26), Mali (26), Niger (26) and Senegal (25) (ECOWAS, 2014).

5.2 Specific factors underlying the performance of Cabo Verde in regional integration

Some factors identified as being the reasons for the country's poor integration into the subregional and regional economy are ethno-linguistic and historical, the insular nature of the country and the poor trade potential with the outside.

Ethno-linguistic and historical factors

Cabo Verde shares the same ethnic characteristics with Guinea-Bissau, while 8 of the other 15 countries are French-speaking and 5 are English-speaking. The two countries were the only ones colonized by Portugal, and also had a similar struggle leading to independence. Unlike Cabo Verde, however, Guinea-Bissau belongs to both ECOWAS and WAEMU, as well as to other subregional cooperation groups such as the Senegal River Development Organization/ Gambia River Development Organization, owing to its proximity by land to its neighbouring countries. This situation enables the country to maintain a deeper level of intra-regional integration, trade and communication.

Guinea-Bissau ranks second on the Africa Regional Integration Index 2016, with a slightly better performance than that of Cabo Verde in trade and financial integration. The intra-ECOWAS export share of Guinea-Bissau is 42.9 per cent, while the import share is 13 per cent – well above the 3 per cent for Cabo Verde. In terms of financial and macroeconomic integration, Guinea-Bissau belongs to WAEMU, which comprises eight countries of the subregion, with a single currency and common and harmonized policies in several areas. Guinea-Bissau is generally more involved institutionally in regional integration, as a member of 21 intergovernmental organizations, compared to 13 for Cabo Verde.

While Guinea-Bissau may share quite similar historical and ethno-linguistic characteristic with Cabo Verde, it is faring better in subregional integration than the island. It raises the question as to whether that would be linked to the geographical location of Cabo Verde.

Island nature of Cabo Verde

Could the insular nature of Cabo Verde be the cause for its low integration? The lack of overland connections limits cross-border trade, which is very rampant in West Africa. Indeed, informal cross-border trade could account for 20 per cent of the GDP of Nigeria and 75 per cent of that of Benin (ECA, 2013) for instance. The country is also absent from the subregion's major trade poles and corridors such as the southern conurbation zone comprising southern Nigeria, Benin, Togo and Ghana, which extends to Côte d'Ivoire, and which has been dubbed the "co-prosperity zone". This zone, which is home to nearly half the region's population, is where 60 per cent of trade takes place (Enda Cadid), 2012.

Owing to its geographical location, Cabo Verde is excluded from the countries concerned by the priority highways, such as the Lagos-Nouakchott trans-coastal highway, via Dakar (4,560 km), the Dakar-N'Djamena trans-Sahara highway (4,460 km), which have been earmarked for integration. On the first segment, major positive outcomes are expected, in terms of strengthening regional integration with the Lagos-Abidjan highway. This corridor accounts for about 70 per cent of all transit traffic in the region, and is home to nearly 30 million people, and serves as transit for 75 per cent of the subregion's trade.

A comparison between Cabo Verde and Senegal, its closest neighbour, 400 km away, clearly shows that the island is lagging behind in integration. Ruling out the effects of competition and the historical trading ties with the colonizer and other European countries, the sea is a real barrier to the development of trade flows between the two countries. While Senegal is the key trading partner of Cabo Verde in the subregion, trade flows are limited. Imports and exports from and to Cabo Verde were 0.06 per cent and 0.3 per cent respectively in 2014. In comparison with Mali, whose capital is nearly 1,300 km away from Dakar, but which has the advantage of sharing a land border with Senegal, imports and exports stood at 0.1 per cent and 36 per cent respectively. The relatively high volume of exports from Senegal to Mali is mostly made up of petroleum products and cement. These are products that Cabo Verde imports from European markets.

Cabo Verde does not belong to the power pools operating among ECOWAS countries (Senegal-Mali-Mauritania, Côte d'Ivoire-Ghana, Togo-Benin, Nigeria-Niger). The country, thus, has to cope with exorbitant generation costs because of its configuration around the 10 major islands (AfDB, 2011).

Lastly, the access constraints caused by the insular nature of the country could have been curbed by air and sea links with the coastal countries of West Africa. Cabo Verde Airlines (TACV), the only airline serving the island from Dakar and Bissau, flies only two or three times a week. Access by sea is even less regular, with only two or three boats plying the route.

Apart from Cabo Verde, the Comoros, Madagascar, Mauritius and Seychelles are also insular. Box 4 reviews the performances of these countries in terms of regional integration indicators to assess the efforts made by Cabo Verde in this area.

Box 4: Integration performance and insularity: case of the Comoros, Mauritius, Seychelles and Madagascar

The Comoros, Madagascar, Mauritius and Seychelles are members of the Common Market for Eastern and Southern Africa (COMESA), which have all posted mixed outcomes in regional integration. Mauritius and Seychelles posted a relatively high performance, with an overall score on the five the Africa Regional Integration Index dimensions higher than the COMESA average. Madagascar displayed average performance while the Comoros is considered as a low-performance country, with an overall score below the community average. Specifically, Seychelles, like Cabo Verde, is better placed in terms of infrastructure. On the other hand, in terms of trade integration, the other islands are better placed than Cabo Verde, as shown in the table below:

Structure of intra-regional trade of COMESA island countries (2014, in percentage)

Country	Exports	Imports
Comoros	2.2	23.9
Madagascar	3.3	5.9
Mauritius	9.8	2.9

Cabo Verde is clearly less integrated than the other islands of the continent, even though a review of the various evaluations shows that these countries are more limited in their ability to deepen regional integration.

Source: IMF, 2014.

5.3 Factors related to economic and trade potential

Cabo Verde does not abound in natural resources, unlike the other countries of the subregion, which export oil (Nigeria) or agricultural commodities (Côte d'Ivoire, Ghana). Its economic structure, however, is still comparable with other ECOWAS countries. Its manufacturing sector, though, is still insignificant, at 5 per cent of GDP, compared to 9.3 per cent for ECOWAS in 2014 (INE, 2015a, ECOWAS, 2015b). Just like the other economies of the subregion, its tertiary sector is dominant, at 62 per cent of GDP, while for ECOWAS it was 51 per cent of GDP in 2014.

In terms of trade performance, fishery products are the main export item, with 84.5 per cent sales outside the country in 2015 (INE, 2015b). The comparative advantage that the country has over this resource could be limited by the existence of comparable potential in the subregion – in Senegal and Guinea-Bissau, for instance. In 2015 however, the country exported, albeit in small quantities, textile products (8.1 per cent), shoes and by-products (5.6 per cent), which could supply the subregional market. In terms of imports: fuel (12.8 per cent), rice (3.6 per cent) and cement (3.1 per cent) could come from the countries of the subregion, which have potential and comparative advantage in the sector, thereby enhancing the country's trade integration.

Table 4: foreign trade of ECOWAS and Cabo Verde for a group of potentially tradable products (2014, in millions of dollars, percentages)

Products	ECOWAS exports		Cabo Verde imports		Products	ECOWAS imports		Cabo Verde exports	
	\$	%	4	%		\$	%	4	%
Fuel and other ore products	94 284	75.4	118.2	15.3	Fish, sea foods, shell-fish	1 900	1.9	35.9	44.5
Textiles and works	2 198	1.8	14.6	14.6	Textiles, works	1 600	1.8	5.7	7.1

Source: Instituto Nacional de Estatísticas, 2015b and ECOWAS, 2015b.

A comparative view of the foreign trade of Cabo Verde and ECOWAS reveals the existing opportunities for creating trade. Cabo Verde could develop its fishery, textiles and shoe trade in a sound and competitive environment for export. For imports, the countries of the subregion could supply fuel, cement, stone, iron, textiles, hide and skin.

In terms services, Cabo Verde stands out as a country with a developed tourism sector, which accounted for 55 per cent of revenue from goods and services in 2014 (INE, 2015a). The country receives visitors from 70 per cent of nine European countries. On account of this potential and performance in tourism, Cabo Verde could expand its market to ECOWAS nationals.

Another major potential has to do with the concept of the blue economy, which could be a vector for development and integration for the country. The country is among Africa's 34 coastal countries, out of a total 54. According to the 2016 ECA report on the blue economy, Cabo Verde could expand its activities in the key areas of fishing, aquaculture, tourism, transport, shipbuilding, energy bio-prospection and all sections of the undersea mining sector (ECA, 2016e). In particular, it could further develop wave energy, which is currently being used on a small scale for lighting in remote and isolated areas. The country could also strengthen its regional integration under the South Atlantic Peace and Cooperation Zone, of which it is a member under the same terms as 11 other countries in West Africa⁵. The zone offers a regional cooperation model in all areas: economic, trade, scientific, technical, political and diplomatic.

All in all, Cabo Verde is constrained in its integration process by specific factors that have to do with its island nature, and its economic and trade potential. Opportunities do exist however, for strengthening regional integration, and they must be tapped. Efforts in this direction should aim at promoting infrastructure to facilitate links by sea and air, opportunities offered by the blue economy and commitment from national stakeholders to redirect and develop trade flows to the African continent. In this respect, the following avenues and guidelines could be explored.

5 Benin, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Senegal, Sierra Leone and Togo.

5.4 Avenues and guidelines to better anchor Cabo Verde to the subregional and African regional market

A three-pronged approach could be taken to strengthening the regional integration of Cabo Verde:

Improving political will for integration in West Africa

Cabo Verde has the lowest rate of participation in high-level ECOWAS meetings. In addition, its involvement in the ratification and implementation of protocols and agreements is poor. The country is also cut off from the single currency process for the subregion. In this context, better commitment from Government in the formulation and implementation of subregional initiatives is necessary.

Strengthening connection infrastructures with West Africa

This involves Cabo Verde and the regional integration institutions alike. The insular nature of Cabo Verde is a constraint to subregional integration. While trading across borders is a major feature of the formal and informal sectors in West Africa, shipping remains one of the key means of supplying goods to the continent, whose road and rail infrastructures are not well developed. Cabo Verde, which is situated 400 km from the West African coast, should therefore do all in its power to develop maritime links with the ECOWAS countries.

In this regard, the country and the subregional institutions must focus on revamping the following three major projects: first, establishment of a subregional shipping line called Ecomarine International, which has been on the table for several years now with ECOWAS States; second, the multimodal Praia-Dakar-Abidjan corridor planned under the Programme for Infrastructure Development in Africa, at a cost of \$150 million; and, third, Senegal and Cabo Verde, for their part, must show more commitment to the implementation of their cooperation agreement signed in September 2015 on air transport and the establishment of a direct maritime link between Dakar and Praia.

Building capacities of national stakeholders and raising awareness about regional integration and the related benefits

There are opportunities for creating a subregional trade network and strengthening the regional integration for Cabo Verde in the areas of fisheries, fuels, cement, textiles and tourism. Exploring these opportunities could lead to immediate gains for Cabo Verde, as its integration into the West African market would be improved. Just like the national seminar on the nation-State and regional integration in Africa, the case of Cabo Verde, held in 2007 by UNESCO, research and knowledge generation on regional integration and analyses of opportunities and relevant costs and benefits should be enhanced to develop ownership of the regional integration process in the country. To this end, private sector and research stakeholders and civil society should play a leading role.

5.5 Major policy challenges

The diagnosis carried out on the economic and social framework and on regional integration points to the major hurdles that Cabo Verde must overcome to enhance its positioning on the path to structural transformation and economic and social progress.

Vulnerability of the economy and external shocks: The main cause for this vulnerability is the fact that the country's economy is wide open to the outside world and highly exposed to tourism. Cabo Verde was adversely affected by the 2008 global financial crisis and the public debt crisis that hit the euro zone in 2010, which both led to a decline in foreign direct investment flows, a reduction in external aid, a rise in the unemployment rate, especially among young people and women, budget tightening and high public debt levels. Growth has been sluggish since 2009, raising fears that the country would be trapped in this slow growth or even stagnate, following its reclassification as a middle-income country. Decision-makers must therefore strengthen the bases of sustainable economic growth, by diversifying the economy, based on its assets and potentials in renewable energy, fishery resources, tourism, and the maritime hub that the country could become because of its geo-strategic location between the African, European and American continents.

A non-inclusive tourism sector: The tourism sector is supplied by intermediate consumer goods imported mainly from Europe. In view of the importance of tourism for the country, the sectoral strategy underway should make for the development of an inclusive tourism industry, which exploits the entire value chain of the sub-sector. Through its private sector, the country must have an economically active position upstream and downstream in the tourism development industry. This entails curbing the infrastructure disparities between the islands, the connections between the islands by appropriate means of transport and communication.

Relative stagnation of major social indicators: This situation suggests that the country has reached its growth limits in terms of improving the supply of basic social services. Analyses show that the past decade has not seen any change in the number of health personnel. This situation has led to a jagged trend of infant and maternal mortality rates. Moreover, while the country has recorded relatively satisfactory enrolment rates for primary and secondary, compared to other countries in the subregion, the quality of teaching at the secondary and higher level has raised concerns. During the national consultations held in 2013 to define the post-2015 agenda, this concern was high on the agenda.

Low subregional integration, owing to poor infrastructures for maritime and air transport: The prohibitive transport costs to Cabo Verde impedes the competitiveness of the private sector and integration of the country into the West Africa market. Worse still, public and private national stakeholders are not fully committed to subregional integration. Cabo Verde must therefore strive to implement the subregional Ecomarine maritime project, the agreement on strengthening infrastructures for air and sea links with Senegal and the Programme for Infrastructure Development in Africa project of the Abidjan-Dakar-Praia maritime corridor.

Opportunities for creating trade with West Africa: Cabo Verde could develop a truly competitive export trade in fishery products, textiles and shoes. The countries of the subregion could also supply it with fuel, cement, stone, iron products, textiles and hide and skin.

6. National data quality evaluation

Methodology note: The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is “good”; yellow, “satisfactory”; and red, “needs improvement”.

The evaluation focused on the transparency and accessibility of the national data sources, while taking into account the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the data to the general public, the format of the data and the ease with which the data can be downloaded and shared. In addition, data citations, together with references to primary or secondary sources, were assessed. Lastly, the completeness of metadata for data release and the clarity of documentation and notes were evaluated.

Demography	Value	Evaluation
Population (000)	524.8 (2015)	1
Children (0-14 years)	154.2(2015)	1
Adults (15-64 years)	342.0 (2015)	1
The elderly (over 65 years)	28.6 (2015)	1
Mean annual growth rate	1.23 (2015)	1
Urban population (percentage)	65.50 (2015)	1
Gross birth rate (percentage)	21.83 (2015)	1
Gross mortality rate (percentage)	5.48 (2015)	1
Total fertility rate	2.38 (2015)	1
Life expectancy at birth	74.0 (2015)	1
Macroeconomic and sectoral performance	Value	Evaluation
Current GDP (\$ million)	3277 (2015)	3
Real GDP growth rate (percentage)	2.5 (2015)	3
Annual inflation rate (percentage)	1.0 (2015)	3
Economic trends and performance indicators	Value	Evaluation
Goods and services export - Total (Escudo, million)	5740 (2013)	1
Importations biens et services - Total (Escudo, million)	72 637 (2013)	1
Net ODA (\$ million)	230 (2014)	3
Net FDI (\$ million)	78 (2014)	3
Information and communication technologie	Value	Evaluation
Rate of mobile phone penetration (%)	71.9 (2014)	1
Individual internet usage (%)	32.2 (2014)	1
Education and employment	Value	Evaluation
Literacy rate(15-24) (percentage)	97.8 (2015)	3
Net enrolment rate in primary (percentage)	98.06 (2013)	3
Population employment rate (total) (percentage)	62 (2014)	3
Unemployment rate (percentage)	15.8 (2014)	3
Youth unemployment rate	35.8 (2014)	3
Population living below international poverty line (\$1.90/day) (%)	17.57 (2007)	3
Health	Value	Evaluation
Percentage of under-five stunted children		3
Malnutrition prevalence	9.4 (2015)	3
Mortality rate in under-five children (per 1 000)	21.9 (2015)	1
Infant mortality rate (per 1 000)	21.9 (2013)	1
Neonatal mortality rate (per 1 000)	12.0 (2015)	1
Maternal mortality rate (per 100 000)	37.9 (2014)	1
Public health spending (percentage of budget)	11.7 (2014)	3
Top 3 produce	Value	Evaluation
Tomatoes (thousand tons)	15.6 (2014)	1
Bananas (thousand tons)	10.5 (2014)	1
Dry onions (thousand tons)	7 (2012)	1
Environment	Value	Evaluation
Forest cover (percentage area)		
CO2 emissions (thousand tons)	425.38 (2011)	3
CO2 emissions (tons per capita)	0.86 (2011)	3
Power consumption per capita (kilos, in oil equivalent)	597 (2012)	

Data sources index code

- Instituto Nacional de Estadística
- BCEAO

- World Bank
- UNICEF
- Mo Ibrahim Foundation

- ILO
- Transparency International
- UNDP

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UNECA.ORG

*Printed in Addis Ababa, Ethiopia by the ECA Printing and Publishing Unit.
ISO 14001:2004 certified. Printed on chlorine free paper.*

ISBN 978-99944-70-06-8



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