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Cape Verde

Cabo Verde Development Futures: Current Path

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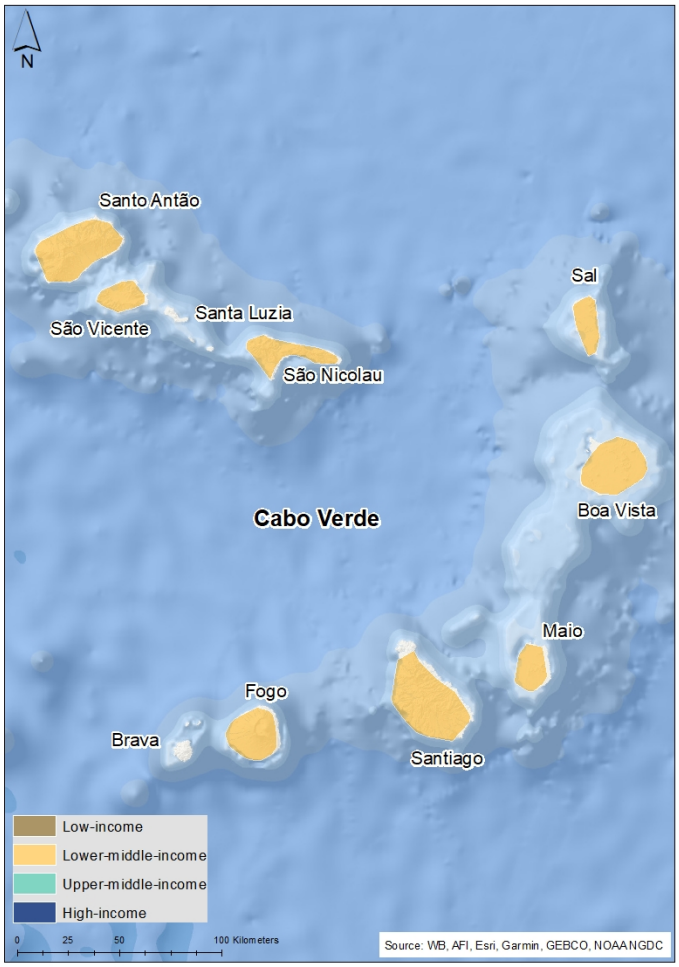
Cape Verde: Current Path forecast

Chart 1: Political map of Cape Verde Source: ArcGIS online (Esri, CGIAR, USGS, HERE, Garmin, FAO, NOAA)



This page provides an overview of the key characteristics of Cape Verde along its likely (or Current Path) development trajectory. The Current Path forecast from the International Futures forecasting (IFs) platform is a dynamic scenario that imitates the continuation of current policies and environmental conditions. The Current Path is therefore in congruence with historical patterns and produces a series of dynamic forecasts endogenised in relationships across crucial global systems. We use 2019 as a standard reference year and the forecasts generally extend to 2043 to coincide with the end of the third ten-year implementation plan of the African Union's Agenda 2063 long-term development vision.

Chart 1 shows the political map of Cape Verde, one of the 23 lower middle-income countries in Africa. An archipelago in

the central Atlantic Ocean, Cape Verde consists of ten islands with a combined land area of about 4 033 km^2. The country lies off the western coast of Africa with its nearest African neighbours being Senegal, The Gambia and Mauritania. It is also a member of ECOWAS, and the official language is Portuguese with Creole as national language. Geographically, three of the Cape Verde islands (Sal, Boa Vista and Maio) are fairly flat, sandy and dry; the others are generally rockier with more vegetation. Its climate is milder than that of the African mainland, with a cooler air temperature than in Senegal, but a warmer sea. In 2011, Cape Verde was ranked the eighth most endangered nation due to flooding from climate change. The largest island, both in size and population, is Santiago, which hosts the nation's capital, Praia. Estimates of the Cape Verdean population from 2019 are 0.55 million. Significantly lacking in natural resources, only five of the ten main islands (Santiago, Santo Antão, São Nicolau, Fogo and Brava) normally support significant agricultural production; 90% of all food consumed in the country is imported. However, its mineral resources include salt, pozzolana (a volcanic rock used in cement production) and limestone. The fragmentation of the territory creates significant connectivity issues, as well as challenges for service delivery, including energy, water, education and health. Despite these challenges, in 2019, Cape Verde was ranked 1st in West Africa and 13th in Africa in the human development index (HDI).

Demographics: Current Path

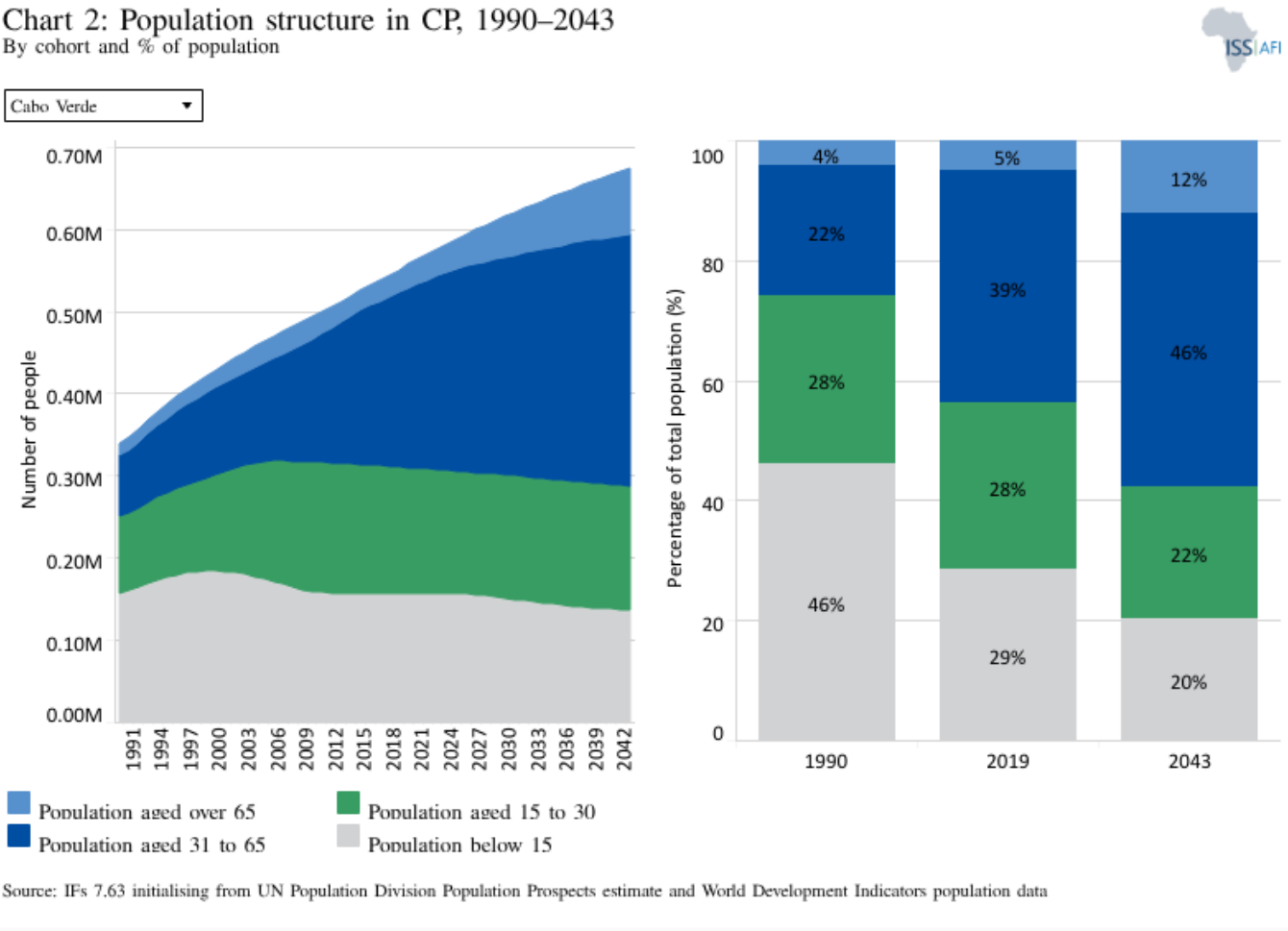
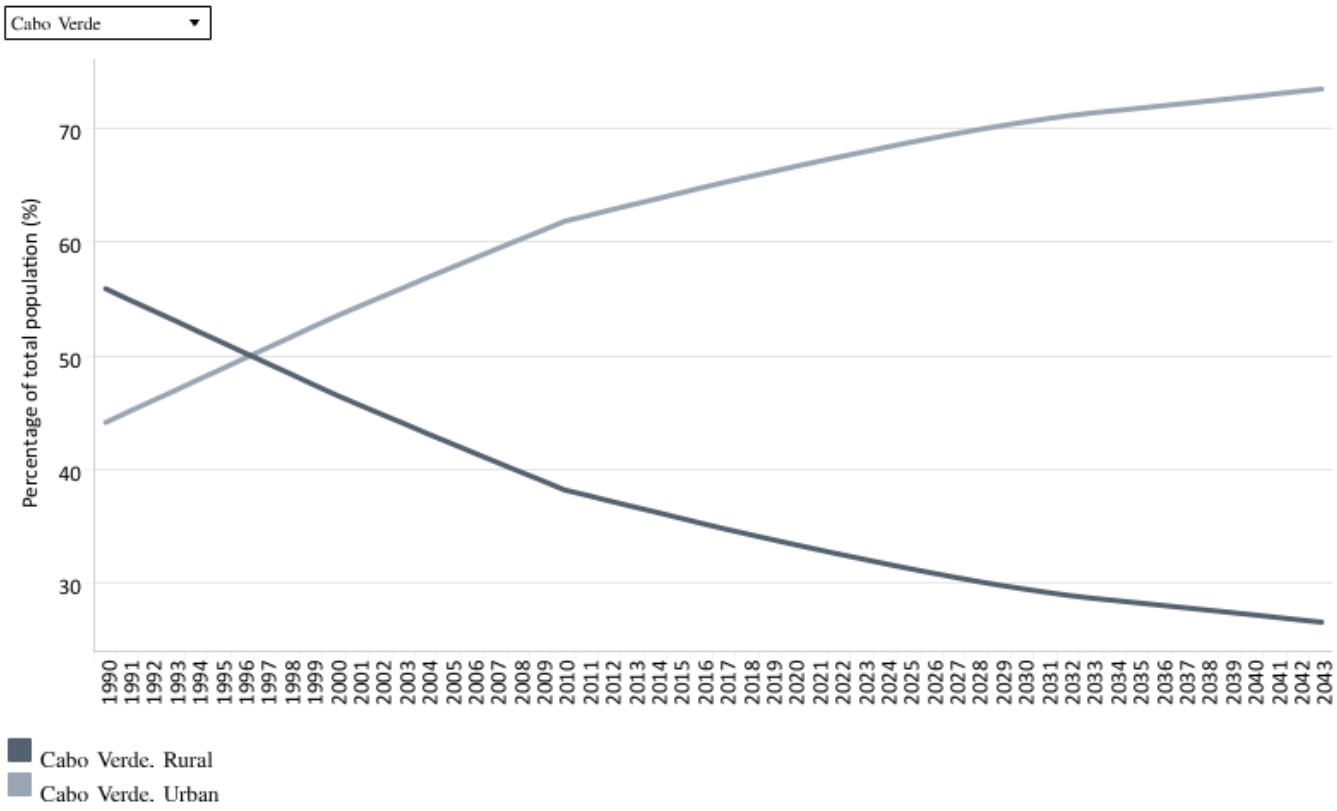


Chart 2 shows population by cohort based on the Current Path forecast. Cape Verde is the 10th most populous country in West Africa, and the 52nd most populous in Africa, with an estimated population of 0.55 million in 2019 from 0.33 million in 1990. This represents an increment of about 67% in the country's population over the past 29 years. In the Current Path forecast, the population of Cape Verde is set to increase to 0.67 million by 2043, representing an approximate increase of 21.8% over the next 24 years. The relatively slower increase in the population growth rate can be attributed to the adoption of improved birth control methods, such as the use of contraceptives. Cape Verde has a relatively smaller youthful population compared to other African countries, with a youth bulge of 37.4% and a median age of 26.6 years in 2019. However, the country faces a youth unemployment problem; the level of youth unemployment was estimated to be about 50.8% in 2014 for young people between the ages of 14–24.

In addition, 28.5% of the population is below the age of 15 years and 27.8% under the age of 30 years. With an expected decline in the fertility rate from 2.3 births per woman in 2019 to 1.9 births in 2043, it is projected that the proportion of people below the age of 15 years will fall to 20.3% over the next 24 years. This signals the likelihood of a larger adult population. The share of people under the age of 64 years increases from 38.7% in 2019 to 45.5% in 2043, meaning that the size of the working-age population will slightly increase from 66.5% in 2019 to 67.6% in 2043. The average life expectancy in Cape Verde was 74.2 years in 2019 but is estimated to increase to 77.4 years in 2043. The relatively high life expectancy in the country is mainly due to a reduction in death from communicable disease and injuries. Deaths from communicable diseases have declined from 1 000 in 1990 to 600 in 2019.

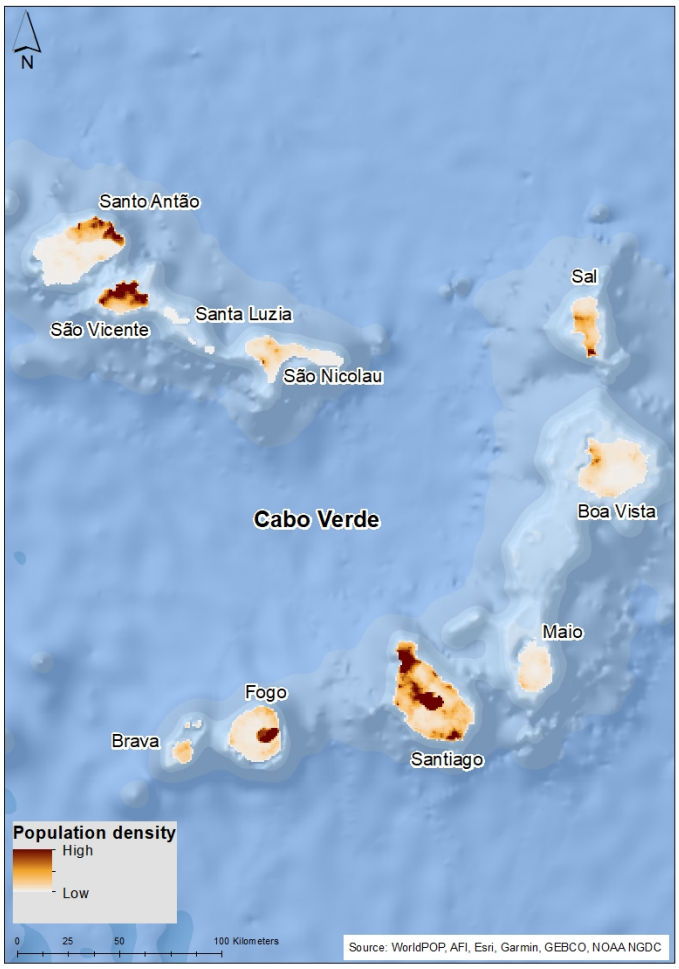
Chart 3: Urban and rural population in CP, 1990–2043
% of population



Source: IFs 7.63 initialising from UN World Urbanization Prospects estimate

Chart 3 shows the portion of the population living in urban and rural centres from 1990 to 2043. In 1990, the majority of Cape Verdeans resided in rural areas, constituting about 56% of the population. However, by 1997, the country had achieved parity in rural–urban settlement. Over the past 29 years, the proportion of people who reside in rural areas has steadily declined by 21.1 percentage points, from 56% in 1990 to 33.8% in 2019, suggesting rapid urbanisation in the country. By 2043, it is projected that about 73.5% of the Cape Verdean population will live in urban areas. The crisis of frequent drought in the rural areas, coupled with the growth and expansion of the tourism sector, mainly in the cities, are some of the factors that push people to move from the rural areas to urban centres. This rapid urbanisation, if not well managed, will lead to problems such as unemployment, poverty, inadequate health, poor sanitation, urban slums, and environmental degradation.

Chart 4: Population density map for 2019



Economics: Current Path

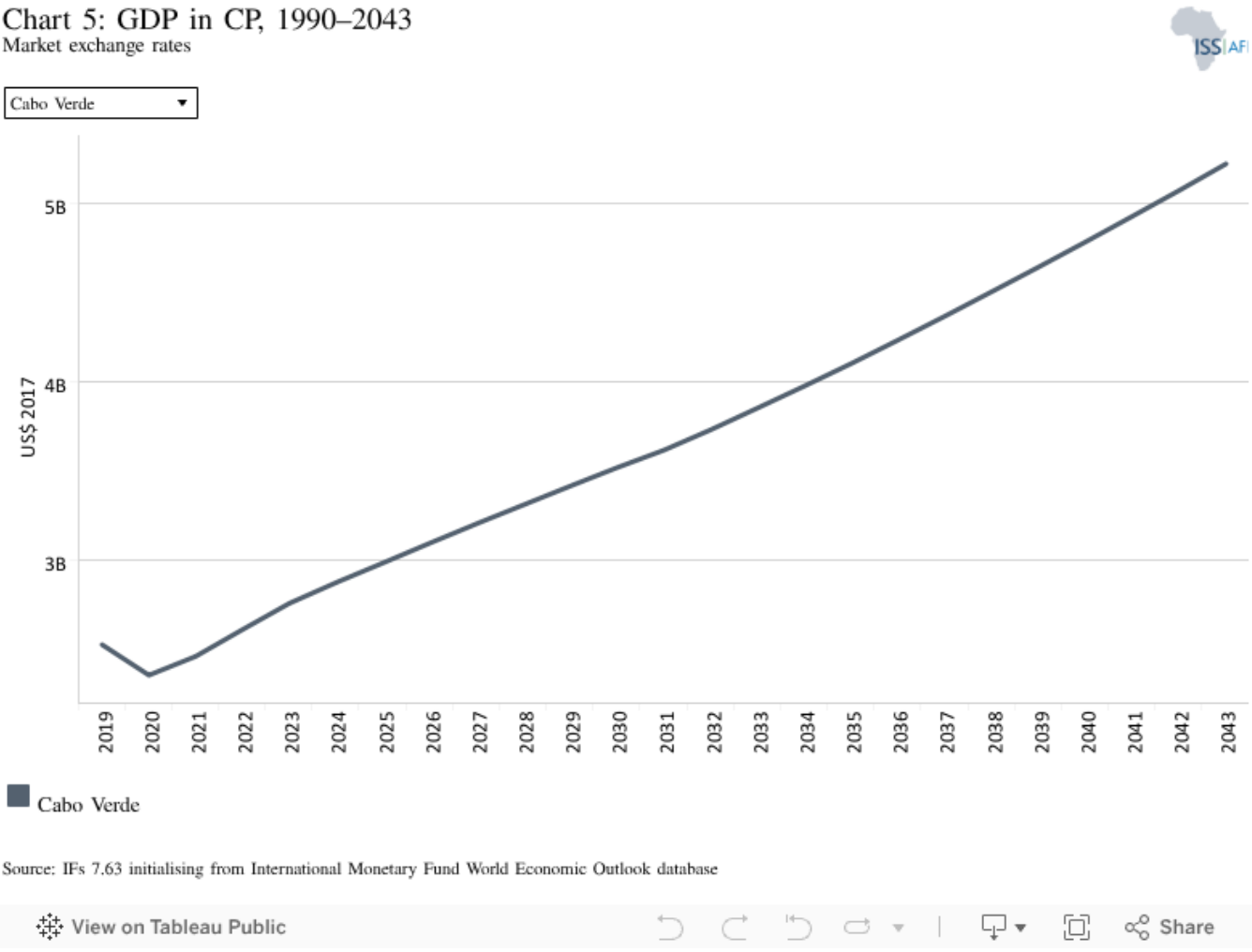
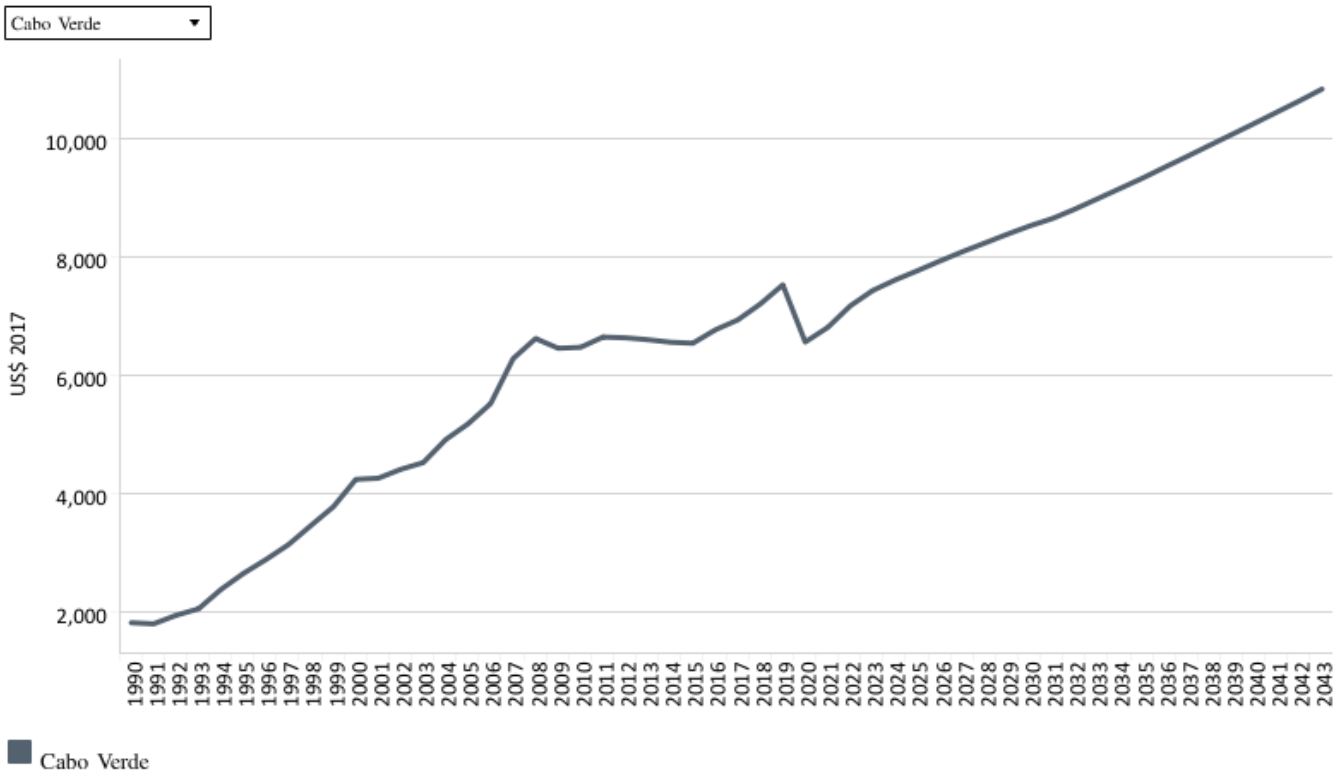


Chart 5 depicts the projected GDP in the Current Path forecast from 1990 to 2043. The main structural drivers of the economy are the tourism sector, followed by the building construction, trade and transport sectors. Cape Verde has witnessed significant economic progress since 1990, driven in large part by the rapid development of tourism. As a result, between 1990 to 2019, the GDP of Cape Verde has increased by over US$2 billion – from US$0.4 billion in 1990 to US$2.5 billion in 2019, representing an increase of 525% over the 29-year period. Between 1993 to 2008, the country had an average GDP growth of about 7.3%. Unfortunately, this economic growth was truncated and the economy hit a downward trend from 2009. This was mainly due to the global financial and economic crises that occurred between 2008 and 2009, leading to a decline in foreign direct investment, remittances and official development assistance to the country. The economy began to recover from 2016, thanks to the revitalisation of the tourism sector, increased access to credit for the private sector and diversified agricultural production. However, the Zika virus, which had infected a suspected 7 557 people by May 2016, affected the tourism sector in the country. Moreover, the Ebola epidemic, which generally affected Africa as a tourist destination, also affected Cape Verde's tourism sector in particular and its economy as a whole. This derailed the expected economic growth in the country. Also, driven by the shutdown in the tourism sector due to COVID-19, GDP contracted by 14.8 % in 2020, one of the largest reductions in Africa. By 2043, Cape Verde's GDP is estimated to more than double to US$5.2 billion from its level in 2019.

Chart 6: GDP per capita in CP, 1990–2043
Purchasing power parity

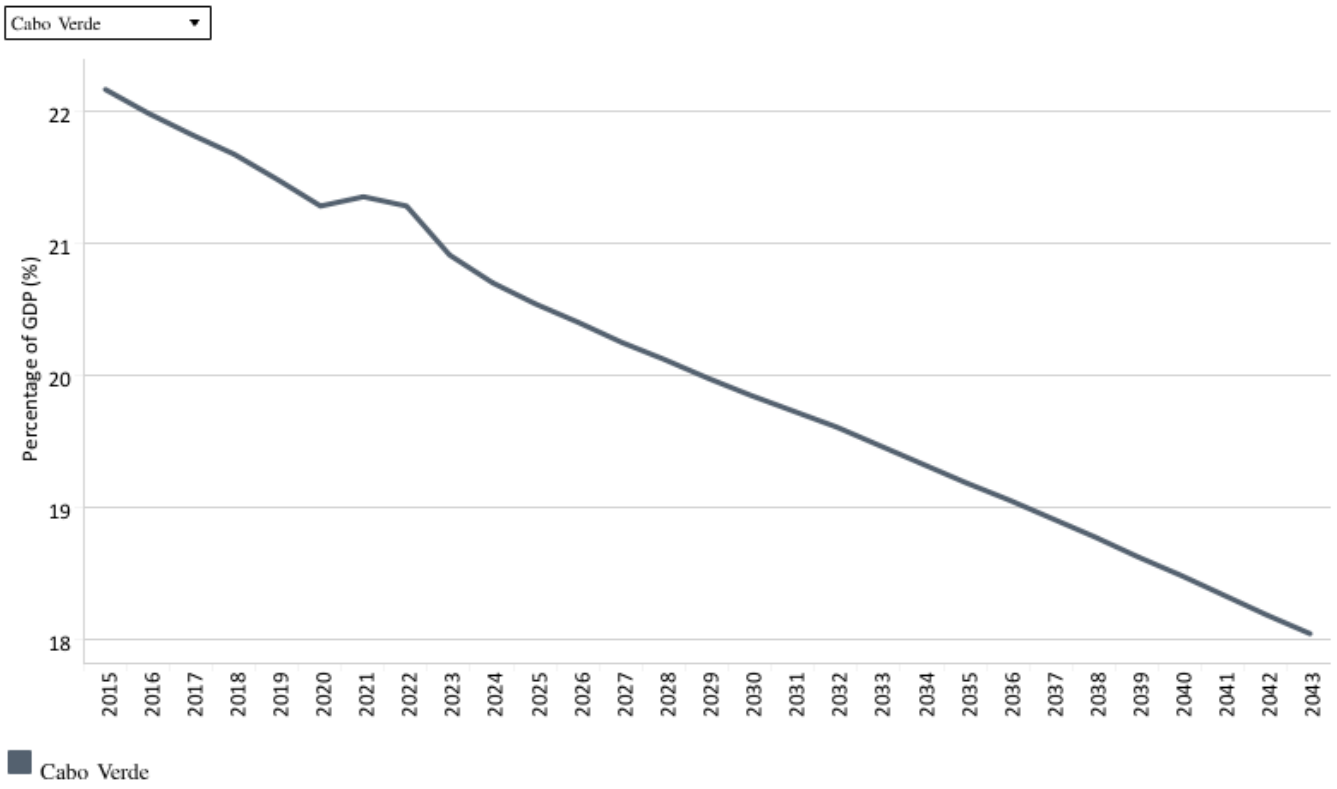


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of Cape Verde.

Chart 6 represents GDP per capita (PPP) projections in the Current Path forecast. From 1990 to 2019, the country significantly increased its GDP per capita by 312.3% from US$1 827 in 1990 to US$7 533 in 2019. The increase in GDP per capita reflects the relatively high GDP growth as compared to population over the period. However, GDP per capita declined to US$6 567 in 2020 – mainly due to the COVID-19 pandemic, which negatively impacted the Cape Verdean economy given the country's overreliance on tourism. With an expected increase in GDP and decline in fertility rates, it is projected that GDP per capita will rise even further over the next 22 years, such that, by 2043, it will have increased to US$10 839. Although Cape Verde's GDP per capita in 1990 was lower than the average for lower middle-income countries in Africa, the trend reversed by 2006 so that, in 2019, Cape Verde's GDP per capita was US$544 higher than the average for lower middle-income countries in Africa. This gap is expected to widen to US$1 697 by 2043. This suggests that Cape Verde now either has a lower population growth rate or a higher economic growth compared to the average lower middle-income country in Africa.

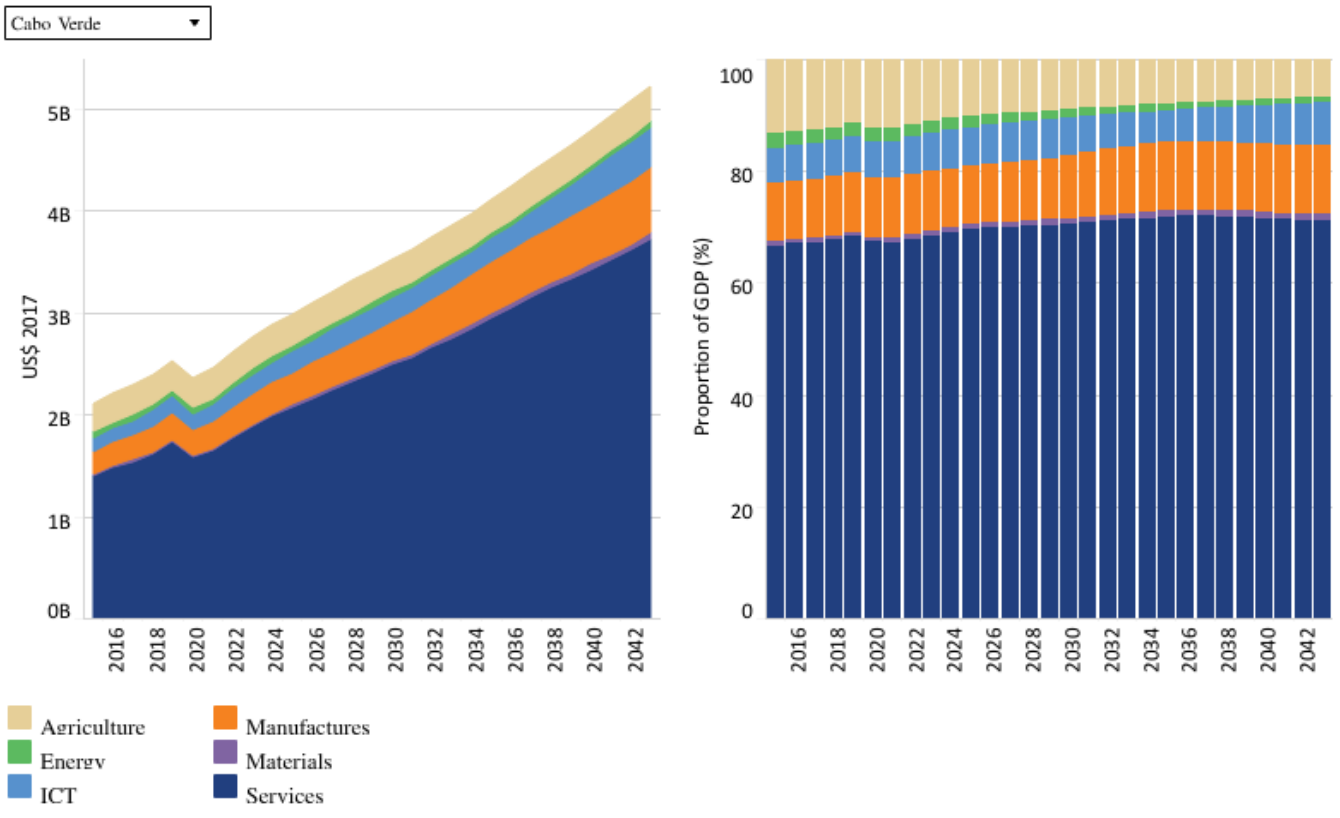
Chart 7: Informal sector value in CP, 2015–2043
% of GDP



Source: IFs 7.63 initialising from UN Economic Commission for Europe [2008]; Elgin and Oztunali [2012]; Schneider and Enste [2012]

Chart 7 shows the projections for the informal sector in the Current Path forecast for Cape Verde and the average for lower middle-income economies in Africa. The majority of the people in the informal sector in Cape Verde are men, accounting for 52%. The size of the informal sector in Cape Verde was equivalent to 21.5% of GDP in 2019. This is expected to decline to 18.1% by 2043, constituting a 3.4 percentage point decrease over the 24-year period. In 2019, the total number of people employed by the informal economy constituted 35.7% of the total labour force, though this is expected to decline to 30.7% in 2043. It is therefore not surprising that the level of informality will also decline within the same period. Throughout the period under consideration, the size of the informal sector in Cape Verde is lower than the average for lower middle-income African countries. Addressing informality is essential and urgent to support inclusive economic development and reduce poverty. Authorities in Cape Verde need to take measures to reduce the size of the informal economy with the least friction possible by reducing the hurdles to registering a business, tackling corruption and improving access to finance.

Chart 8: Value added by sector in CP, 2015–2043
Billions US$ 2017 and % of GDP



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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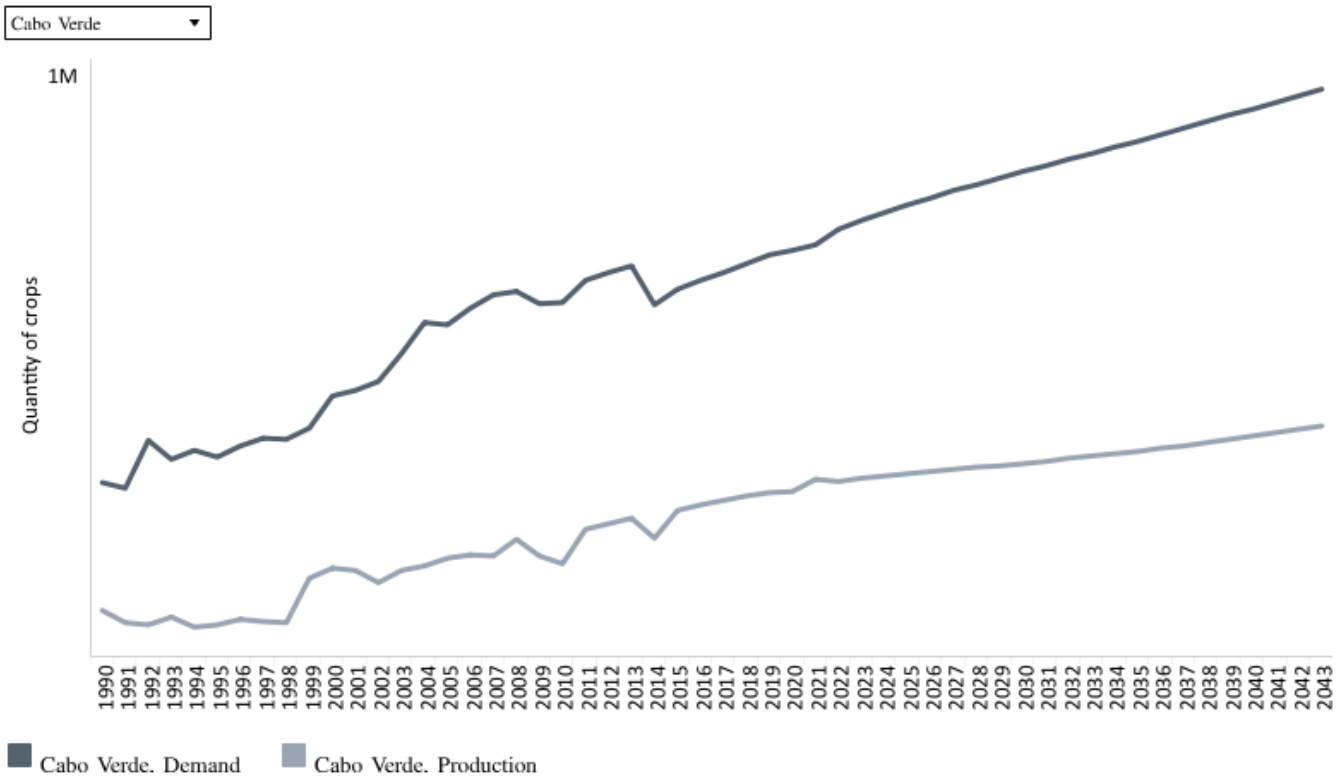
The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufactures, services and information and communications technologies (ICT). Most other sources use a threefold distinction between only agriculture, industry and services with the result that data may differ.

Chart 8 illustrates the value added by sector in both absolute and proportionate terms in the Current Path forecast. The three largest contributors to GDP in Cape Verde are services, agriculture and manufacturing. In 2019, the service sector contribution to GDP was about US$1.7 billion, representing 68.4% of GDP. This is expected to increase to US$3.7 billion by 2043, representing 71.2% of GDP. The agricultural sector is currently the second-largest contributor to GDP with a share of 11.5%, constituting about US$0.3 billion in 2019. Manufacturing is the third-most significant contributor to GDP with a share of 10.7%. However, it is expected that, by 2025, the manufacturing sector will overtake the agricultural sector as the second-largest contributor to GDP, so that by 2043, the manufacturing sector will contribute 5.6 percentage points more to GDP than agriculture. The ICT sector will also steadily increase its value added from 6.5% in 2019 to 7.6% in 2043, thus overtaking agriculture to become the third-largest contributor to GDP by 2041. The forecasted low contribution by the agriculture sector raises concerns about food security in the country. It also indicates the structural transformation of the economy, which is a key determinant of productivity growth.

Chart 9: Agriculture production/demand in CP, 1990–2043
Crops million tons



Source: IFs 7.63 initialising from Food and Agriculture Organization Food Balance Sheets

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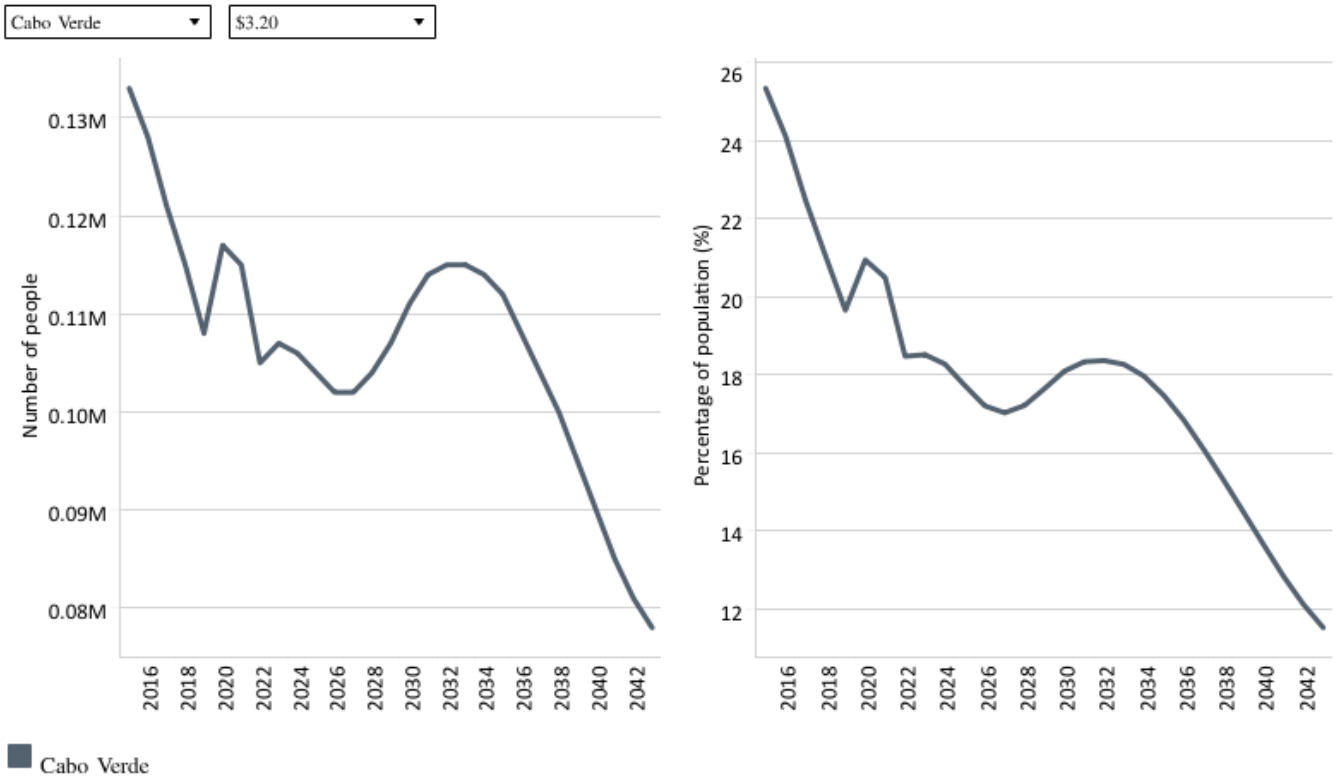
The data on agricultural production and demand in the IFs forecasting platform initializes from data provided on food balances by the Food and Agricultural Organization (FAO). IFs contains data on numerous types of agriculture but aggregates its forecast into crops, meat and fish, presented in million metric tonnes. Chart 9 shows agricultural production and demand as a total of all three categories.

Chart 9 displays estimations for agriculture production and demand in the Current Path forecast. In 1990, Cape Verde's demand for agricultural products outstripped domestic production by 0.11 million metric tons; this increased to 0.22 million metric tons in 2019. Agricultural production accounts for less than 10% of food requirements in the country. Although the yield per hectare for crops is expected to increase from 2.8 metric tons in 2019 to 3.7 metric tons in 2043, the gap between demand and production will widen. By 2043, demand will outstrip domestic production by about 0.31 million metric tons, representing a 40% increment over the period. This raises concerns about food security in the country within the next 24 years.

Poverty: Current Path

Chart 10: Poverty in CP, 2015–2043
Millions of people and % of total population



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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There are numerous methodologies and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US$1.90 per person a day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal (SDG) 1 of eradicating extreme poverty. To account for extreme poverty in richer countries occurring at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

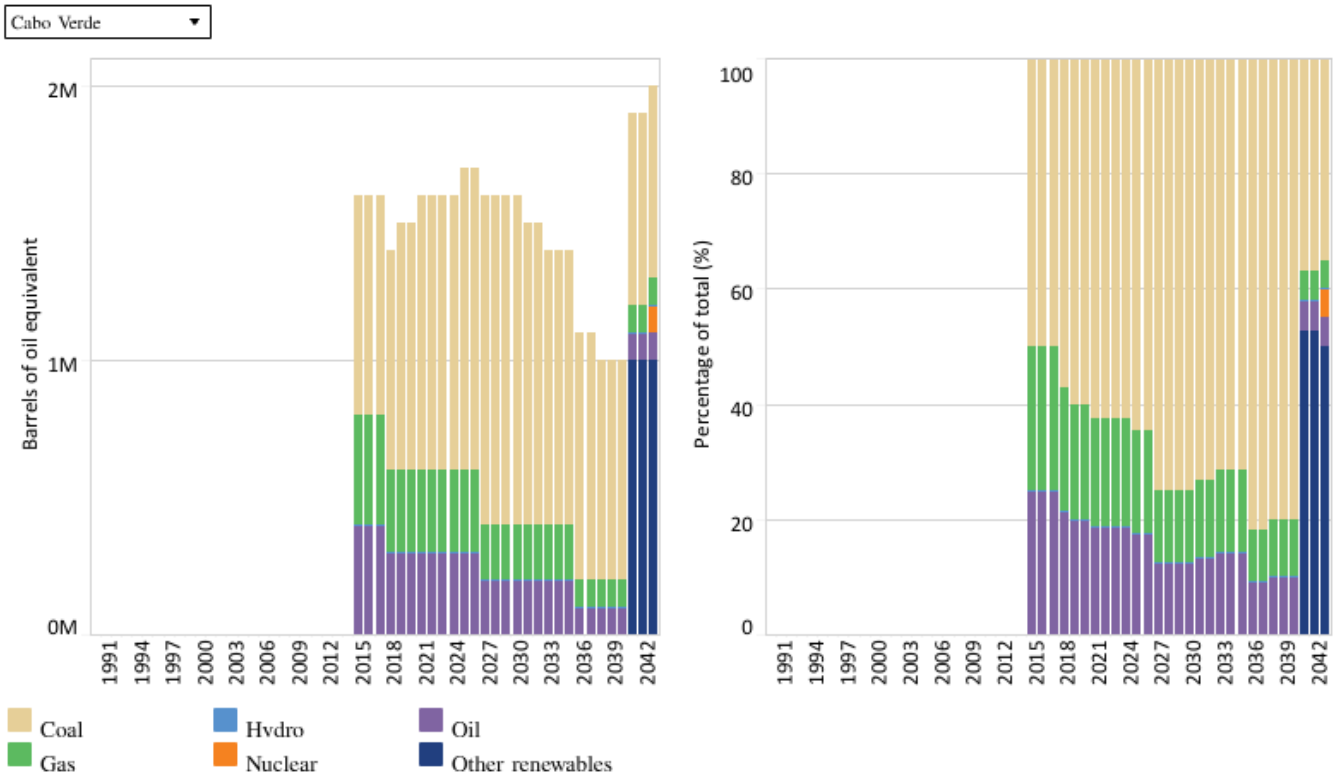
- US$3.20 for lower middle-income countries
- US$5.50 for upper middle-income countries
- US$22.70 for high-income countries.

Chart 10 displays the number and the portion of people living below the poverty line in the Current Path forecast. Cape Verde as a lower middle-income country uses the US$3.20 poverty line. In 2019, about 0.11 million people, constituting 19.7% of the Cape Verdean population, lived in extreme poverty. The decline in poverty levels was mainly due to political stability, strong institutions, investment in human capital and the growth of the tourism sector. The poverty rate is expected to peak at 0.115 million, constituting 18.4% in 2032. Afterwards, it continues a downward trend so that, by 2043, only 0.08 million people, representing 11.5% of the population, will live on less than US$3.20 per day. This means that the

proportion of the extremely poor population will reduce by 8.1 percentage points, and the absolute number of poor people in the country will also be 0.03 million people fewer than in 2019. Throughout the period under consideration, the proportion of poor people in Cape Verde is lower than the average for lower middle-income countries in Africa such that, by 2043, the extreme poverty rate in Cape Verde will be 26.8 percentage points below the projected average for lower middle-income countries in Africa. However, there is still a disparity in poverty levels among rural and urban dwellers, with poverty rates high in rural areas – especially in female-headed households. Most of the poor population in Cape Verde are mainly employed in the agricultural sector.

Carbon Emissions/Energy: Current Path

Chart 11: Energy production by type in CP, 1990–2043
Barrels of oil equivalent and % of energy production



Source: IFs 7.63 initialising from World Energy Outlook data

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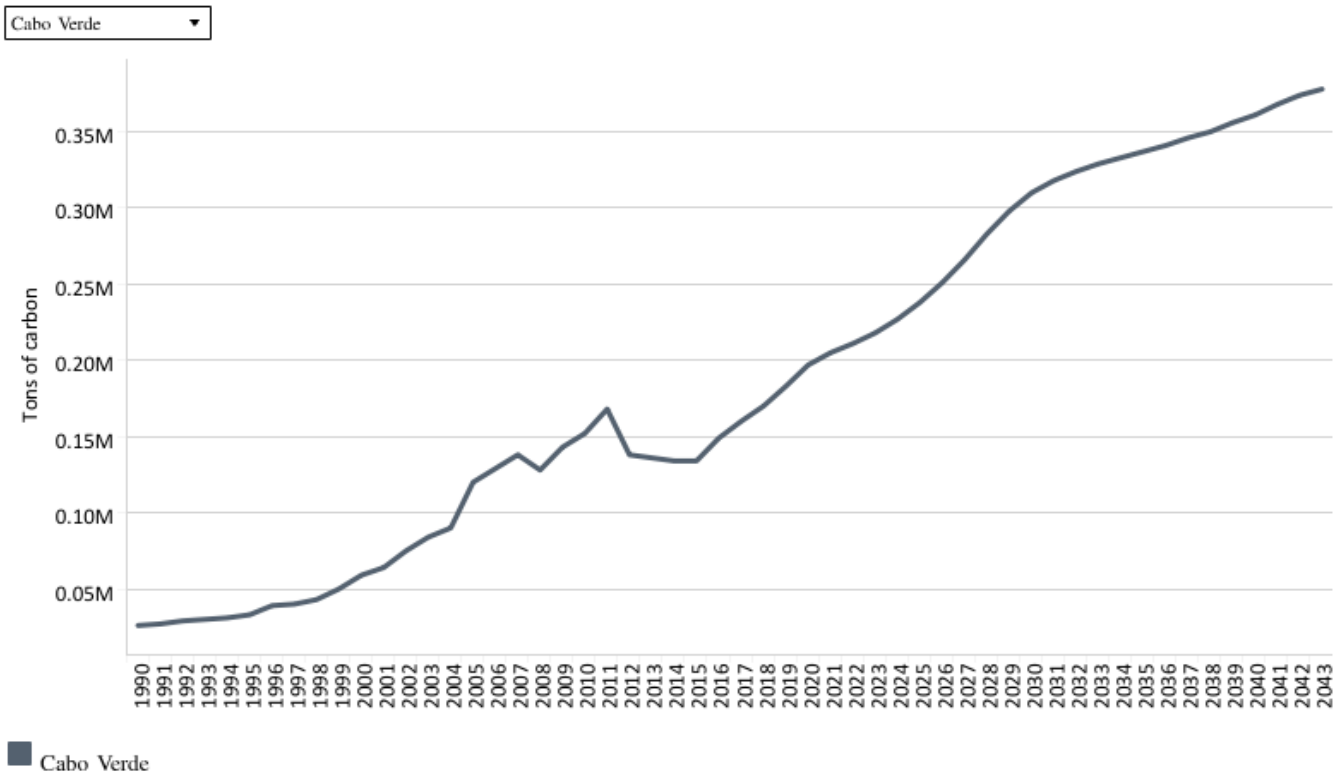
The IFs platform forecasts six types of energy, namely oil, gas, coal, hydro, nuclear and other renewables. To allow comparisons between different types of energy, the data is converted into billion barrels of oil equivalent (BBOE). The energy contained in a barrel of oil is approximately 5.8 million British thermal units (MBtus) or 1 700 kilowatt-hours (kWh) of energy.

Chart 11 represents energy production by type in barrels of oil equivalent (BBOE) and percentage of total in the Current Path forecast from 1990 to 2043. The dominant energy produced by Cape Verde is coal-powered, followed by gas and oil. In 2019, the total amount of coal produced was 0.9 million BOE, constituting 60% of total energy produced in the country. Gas and oil production accounted for 20% each of the total production. The share of coal in total energy production is projected to increase to about 80% in 2040 before declining to 35%, representing 0.7 million BOE, in 2043. On the other hand, oil and gas production in the country will decline consistently such that, by 2043, the share of oil and gas in total energy production will be 5% each. With over 3 500 hours of sunshine per year, the country has huge potential for solar energy. Aside from this, there are efforts to also develop the country's wind, hydro, geothermal and ocean power. It is expected that renewable energies will constitute half of total energy production in 2043.

Chart 12: Carbon emissions in CP, 1990–2043

Million tons of carbon (note, not CO_2 equivalent)



Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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Carbon is released in many ways, but the three most important contributors to greenhouse gasses are carbon dioxide (CO2), carbon monoxide (CO) and methane (CH4). Since each has a different molecular weight. IFs uses carbon. Many other sites and calculations use CO2 equivalent.

Chart 12 shows projections for tons of carbon emissions in the Current Path forecast. Cape Verde is one of the countries in Africa with very significantly low levels of carbon emissions. Regardless, carbon emissions have increased steadily on the Current Path from 1990 to 2043, albeit at very negligible levels, with a projection of 0.4 million in 2043. The government's projection of 50% renewable energy penetration by 2030, based on an estimated 150 MWp of new solar projects and 60 MW of new wind farms, can contribute to lower carbon emissions. In fact, the country hosts the ECOWAS Center for Renewable Energy and Energy Efficiency (ECREEE), which was established in 2009 with the support of the governments of Austria and Spain and the United Nations Industrial Development Organization (UNIDO).

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Cite this research

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About the authors

Mr Enoch Randy Aikins joined the AFI in May 2021 as a Researcher. Before that, Enoch was a research and programmes officer at the Institute for Democratic Governance in Accra in charge of local governance reforms, poverty and inequality and public sector reforms. He also worked as a research assistant (economic division) with the Institute for Statistical Social and Economic Research at the University of Ghana. Enoch's interests include African politics and governance, economic development, public sector reform, poverty and inequality. Enoch is a Young African Fellow at the School of Transnational Governance, European University Institute in Florence and has an MPhil in economics from the University of Ghana, Legon.

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