



# Cape Verde

## Sectoral Scenarios for Cabo Verde Development Futures

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## Sectoral Scenarios for Cabo Verde Development Futures

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- Free Trade scenario
- Financial Flows scenario
- Infrastructure scenario
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- Impact of scenarios on carbon emissions

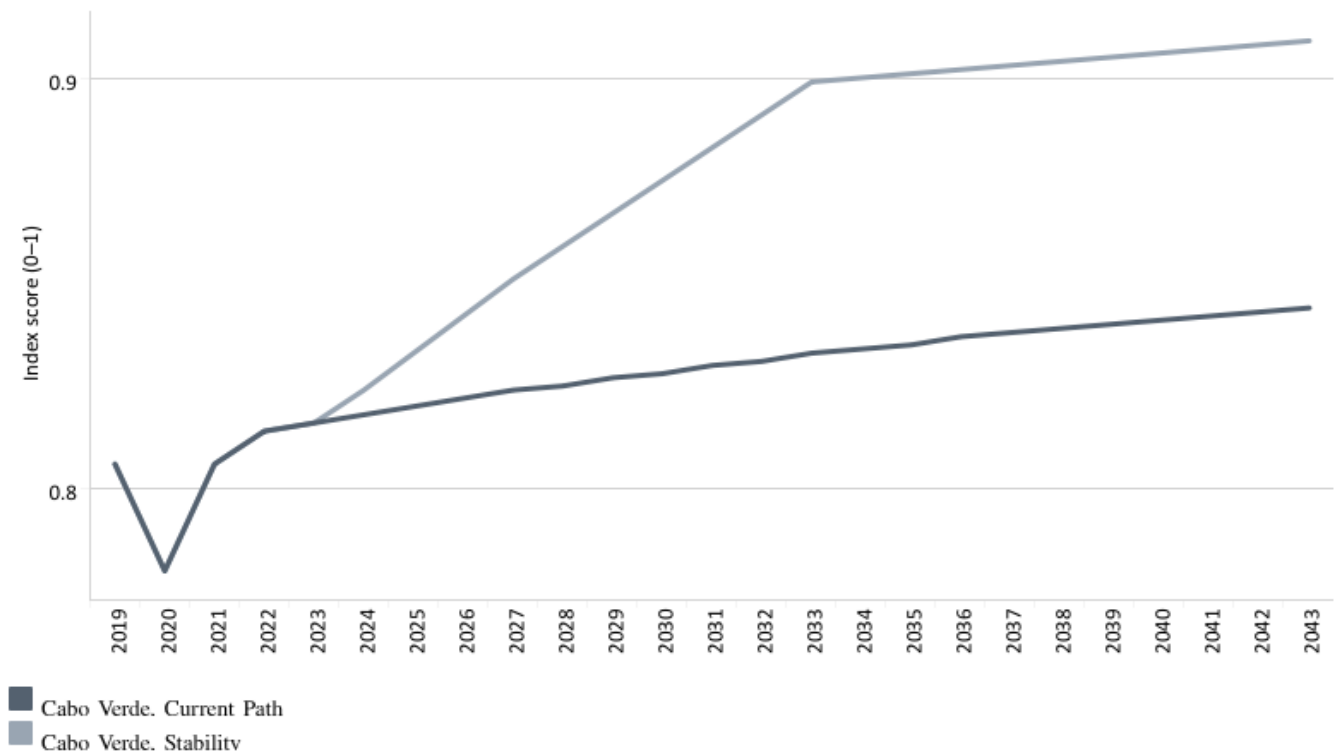


### Stability scenario

Chart 13: Governance security in CP and Stability scenario, 2019–2043  
IFs index 0–1



Cabo Verde



Source: IFs 7.63 governance security index using internal war and government risk

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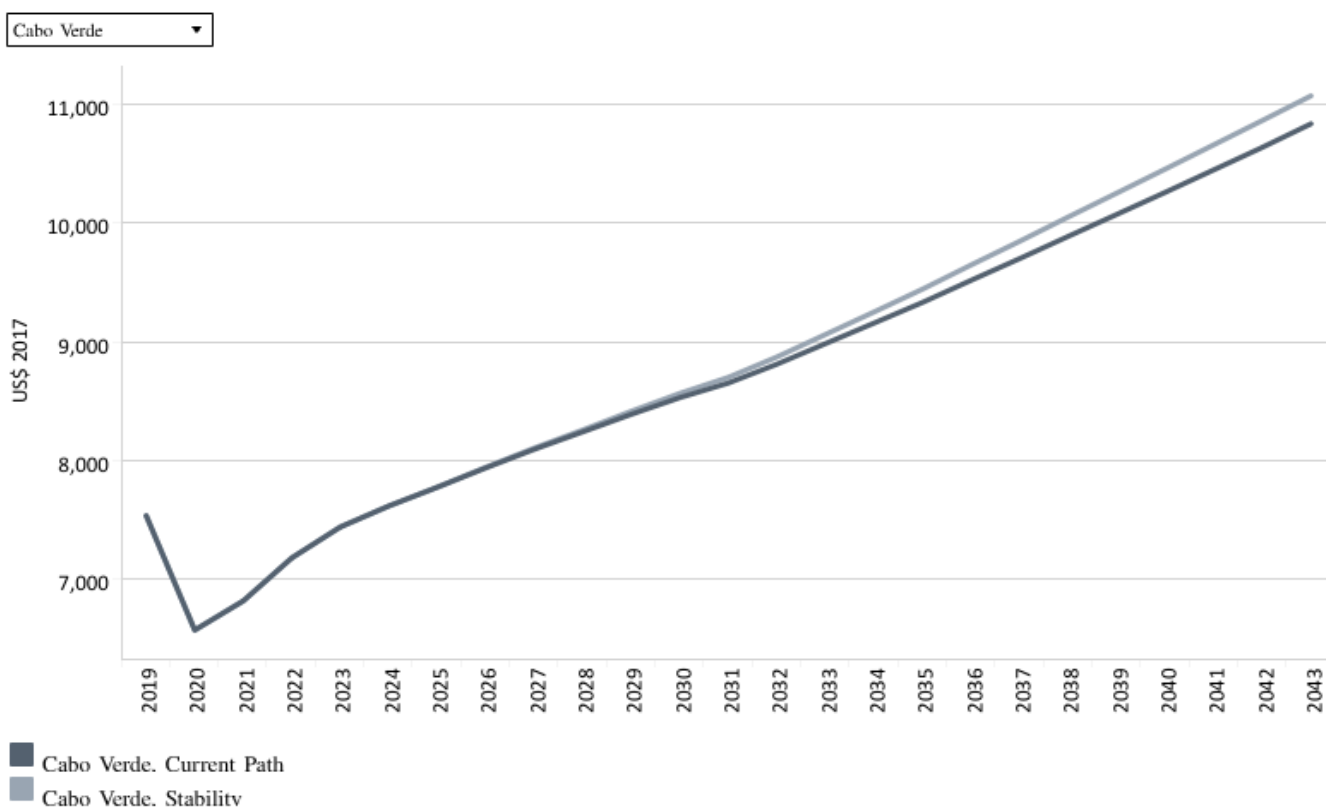
The Stability scenario represents reasonable but ambitious reductions in risk of regime instability and lower levels of

internal conflict. Stability is generally a prerequisite for other aspects of development and this would encourage inflows of foreign direct investment (FDI) and improve business confidence. Better governance through the accountability that follows substantive democracy is modelled separately.

The intervention is explained in [here](#) in the thematic part of the website.

Chart 13 shows the governance security index based on the Current Path forecast and Stability scenario from 2019 to 2043. The scenario generally signifies increased political stability, reduced internal conflict, high FDI inflows, improved accountable governance and low levels of corruption in the country. Cape Verde is one of the few countries on the continent that have enjoyed a stable democracy over the years. The country is a parliamentary democracy with a president and prime minister, modelled on the Portuguese system. Since its first multiparty elections and the promulgation of the 1992 constitution, the country has had peaceful elections and periodic change of government between rival parties: the African Party, the Independence of Cape Verde (PAICV), and the Movement for Democracy (MpD). Elections in the country are generally free and fair, with freedom of the press and rule of law respected by the state. In 2019, Cape Verde's score on the governance security index was 0.81, which was higher than the average of 0.72 for lower middle-income African countries. Using the Stability scenario, its score on the government security index is projected to rise to 0.91 in 2043, 0.07 points above the Current Path forecast in the same year. Compared to the average for lower middle-income countries in Africa, Cape Verde has a higher level on the governance security index so that, by 2043, Cape Verde's score will be 0.15 points higher than the Current Path forecast for the average for lower middle-income countries in Africa.

**Chart 14: GDP per capita in CP and Stability scenario, 2019–2043**  
Purchasing power parity



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

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Chart 14 presents GDP per capita at purchasing power parity (PPP) in the Current Path forecast and based on the Stability

scenario for Cape Verde. The GDP per capita for Cape Verde in 2019 was US\$7 533, which was US\$544 less than the average for lower middle-income countries in Africa. In the Stability scenario, GDP per capita is projected to increase to US\$11 074 by 2043. This will be US\$235 more than the Current Path forecast and US\$1 932 above the Current Path forecast for the average for lower middle-income countries in Africa at US\$9 142. With the Cape Verdean economy heavily dependent on the tourism sector, it is critical that political stability and a peaceful environment is maintained in order to grow the tourism sector and in turn cause economic growth. For instance, the tourism sector alone directly accounted for 35% of GDP in 2015 and averaged around 31.1% of GDP between 2010 and 2015.

**Chart 15: Poverty in CP and Stability scenario, 2019–2043**

Millions of people and % of total population



Cabo Verde \$3.20



■ Cabo Verde. Current Path  
■ Cabo Verde. Stability

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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Chart 15 presents the number and portion of people living below the extreme poverty line. With Cape Verde being a lower middle-income country, it uses the global poverty line of US\$3.20. In 2019, the number of people living on less than US\$3.20 a day was around 0.11 million, equivalent to 19.6% of the population. The Stability scenario will reduce the portion of people living below the poverty line to 11% by 2043, which is 0.5 percentage point below the Current Path forecast and 27.3 percentage points below the average for lower middle-income countries in Africa. Also, the number of poor people will decline marginally from 0.11 million people in 2019 to 74 000 people in 2043 in the Stability scenario. This means that the materialisation of the Stability scenario could lead to 4 000 fewer poor people than in the Current Path in 2043.

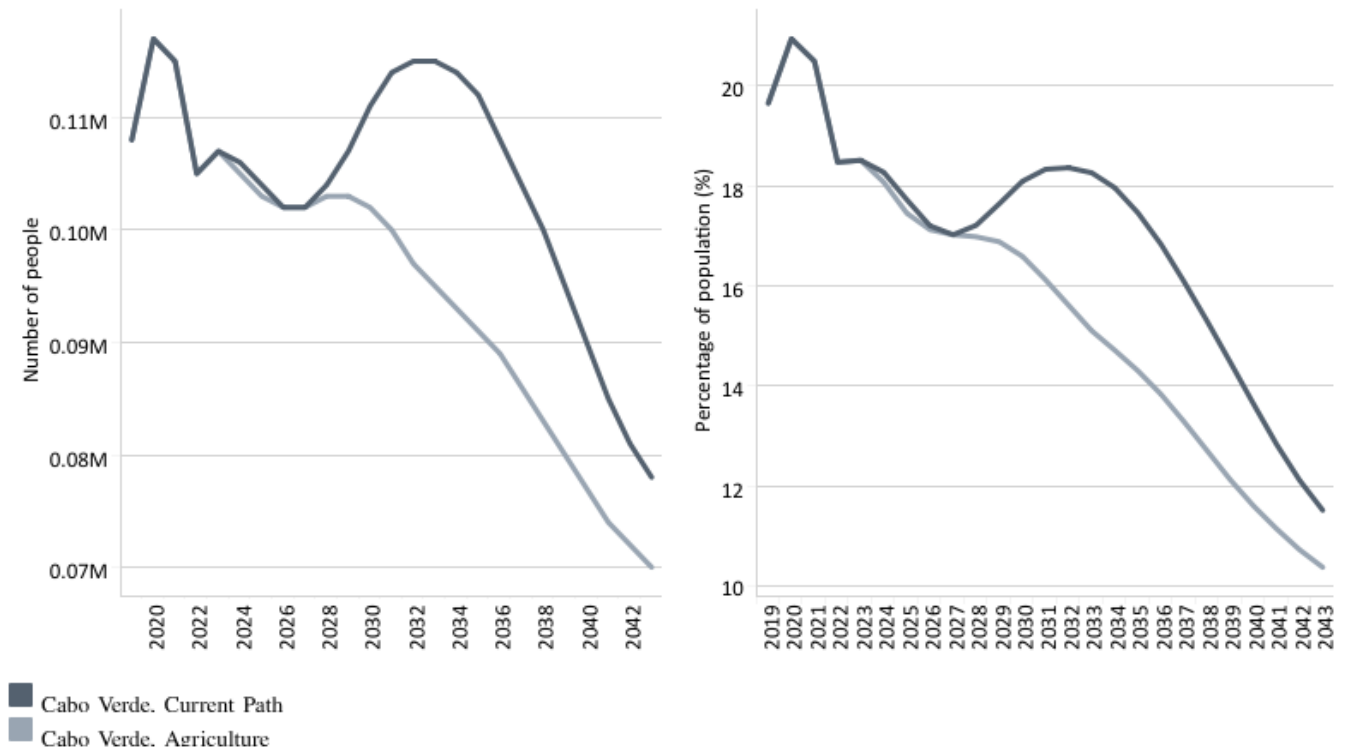


## Demographic scenario

Chart 25: Poverty in CP and Agric scenario, 2019–2043  
Millions of people and % of total population



Cabo Verde \$3.20



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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This section presents the impact of a Demographic scenario that aims to hasten and increase the demographic dividend through reasonable but ambitious reductions in the communicable-disease burden for children under five, the maternal mortality ratio and increased access to modern contraception.

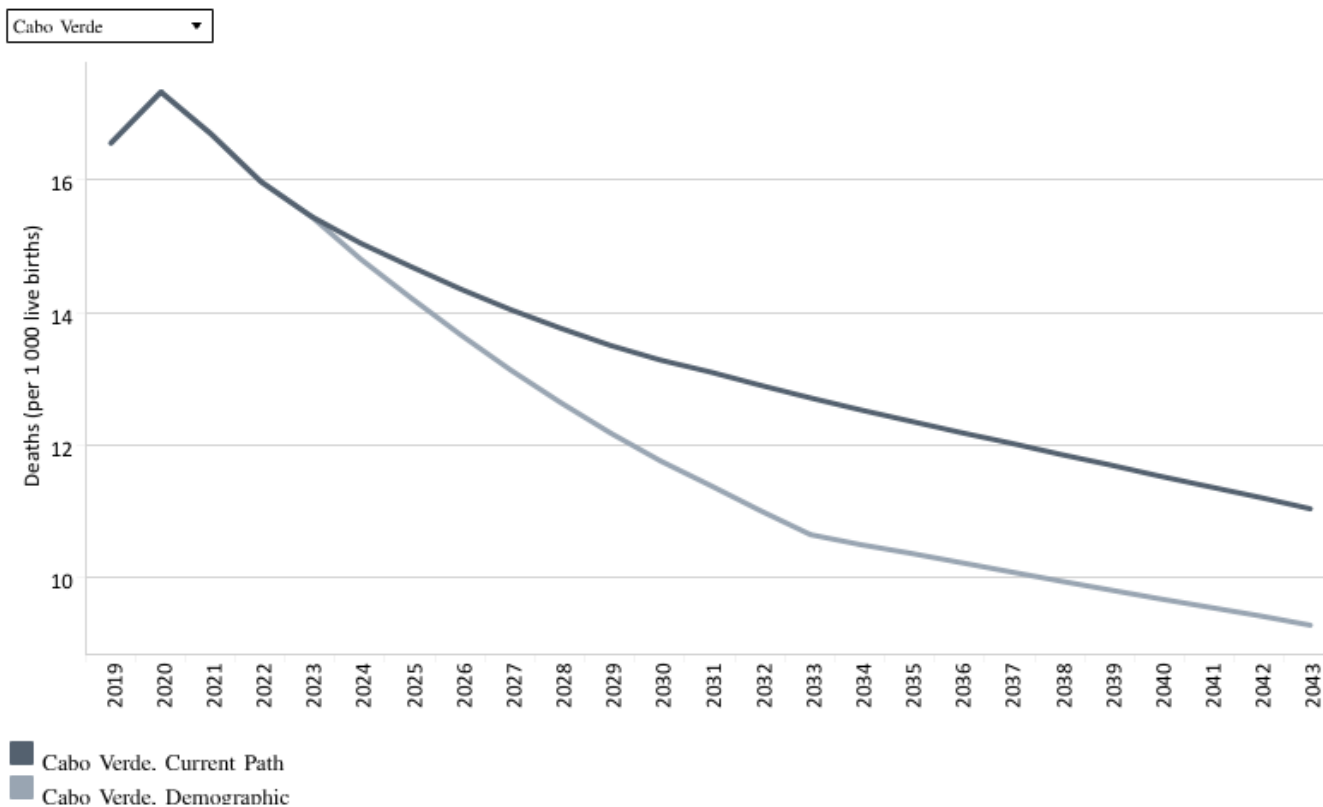
The intervention is explained [here](#) in the thematic part of the website.

Demographers typically differentiate between a first, second and even a third demographic dividend. We focus here on the contribution of the size of the labour force (between 15 and 64 years of age) relative to dependants (children and the elderly) as part of the first dividend. A window of opportunity opens when the ratio of the working-age population to dependants is equal to or surpasses 1.7.

Chart 16 displays the demographic dividend based on the Current Path and Demographic scenario. In 2019, the ratio of the working-age population to dependants in Cabo Verde was 1.99, meaning that there were nearly two working-age people for each dependant in the country. This is far greater than the average of 1.32 for lower middle-income countries in Africa. Generally, the demographic dividend materialises when the country reaches a minimum ratio of 1.7 working-age people for each dependant. This means that Cape Verde has already achieved this ratio, making it one of the few countries on the continent to attain this height. While the Demographic scenario leads to a higher increment in the ratio of the working-age population to dependants than the Current Path forecast, eventually they converge such that, by 2043, both

scenarios lead to a demographic dividend of 2.09. This is also far greater than the average of 1.75 for lower middle-income countries in Africa.

**Chart 17: Infant mortality in CP and Demog scenario, 2019–2043**  
Deaths per 1 000 live births



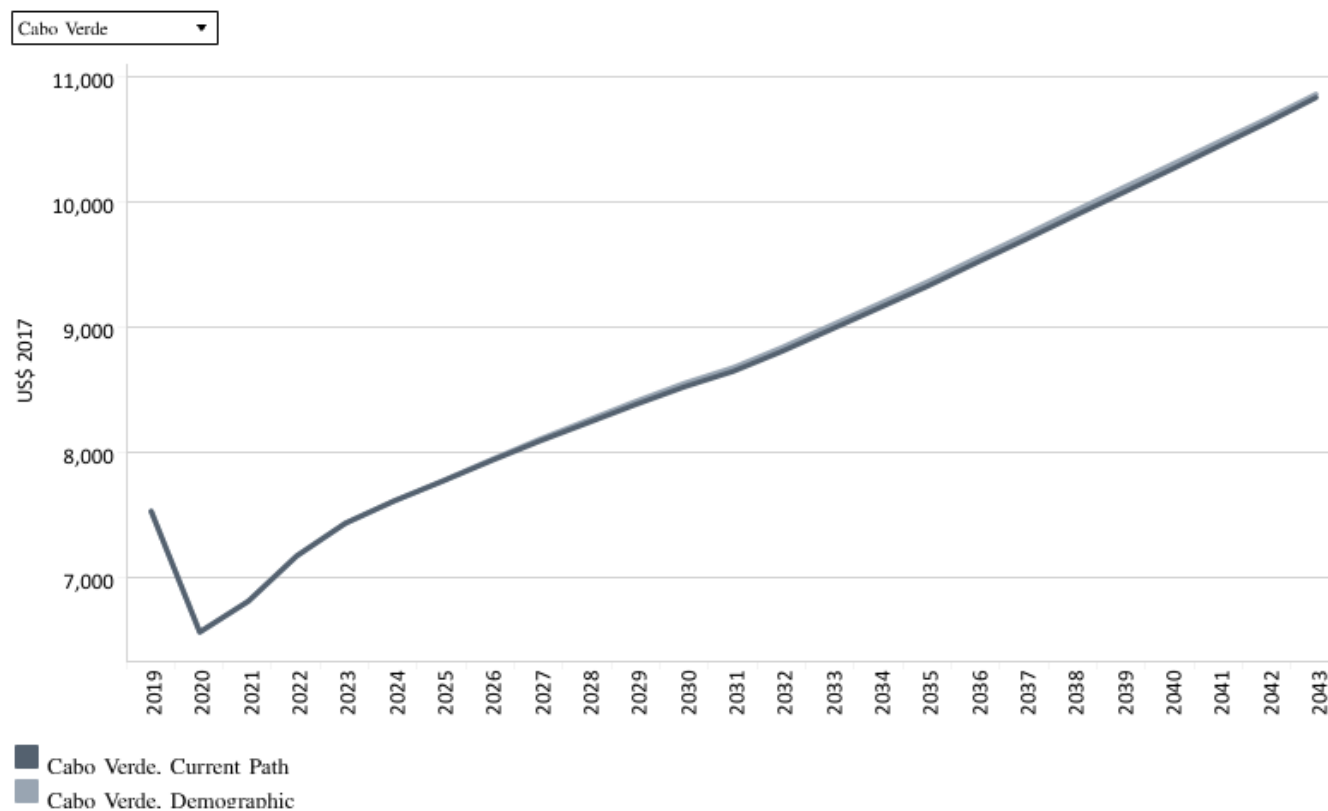
Source: IFs 7.63 initialising from Institute for Health Metrics and Evaluation Mortality Visualization Tool data

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The infant mortality rate is the number of infant deaths per 1 000 live births and is an important marker of the overall quality of the health system in a country.

Chart 17 depicts infant mortality in both the Current Path forecast and Demographic scenario. The infant mortality rate in Cape Verde in 2019 was 16.6 deaths per 1 000 live births, meaning that for every 1 000 infants that are born, about 17 died. Infections and parasites are among the main sources of death among children under the age of one in the country. This figure is far lower than the average of 46.4 for lower middle-income countries in Africa. By 2043, the Demographic scenario will lead to a decline in infant mortality to 9.3 deaths per thousand live births, which is 1.7 lower than the Current Path forecast and 20.4 lower than the average for lower middle-income countries in Africa.

Chart 18: GDP per capita in CP and Demog scenario, 2019–2043  
Purchasing power parity

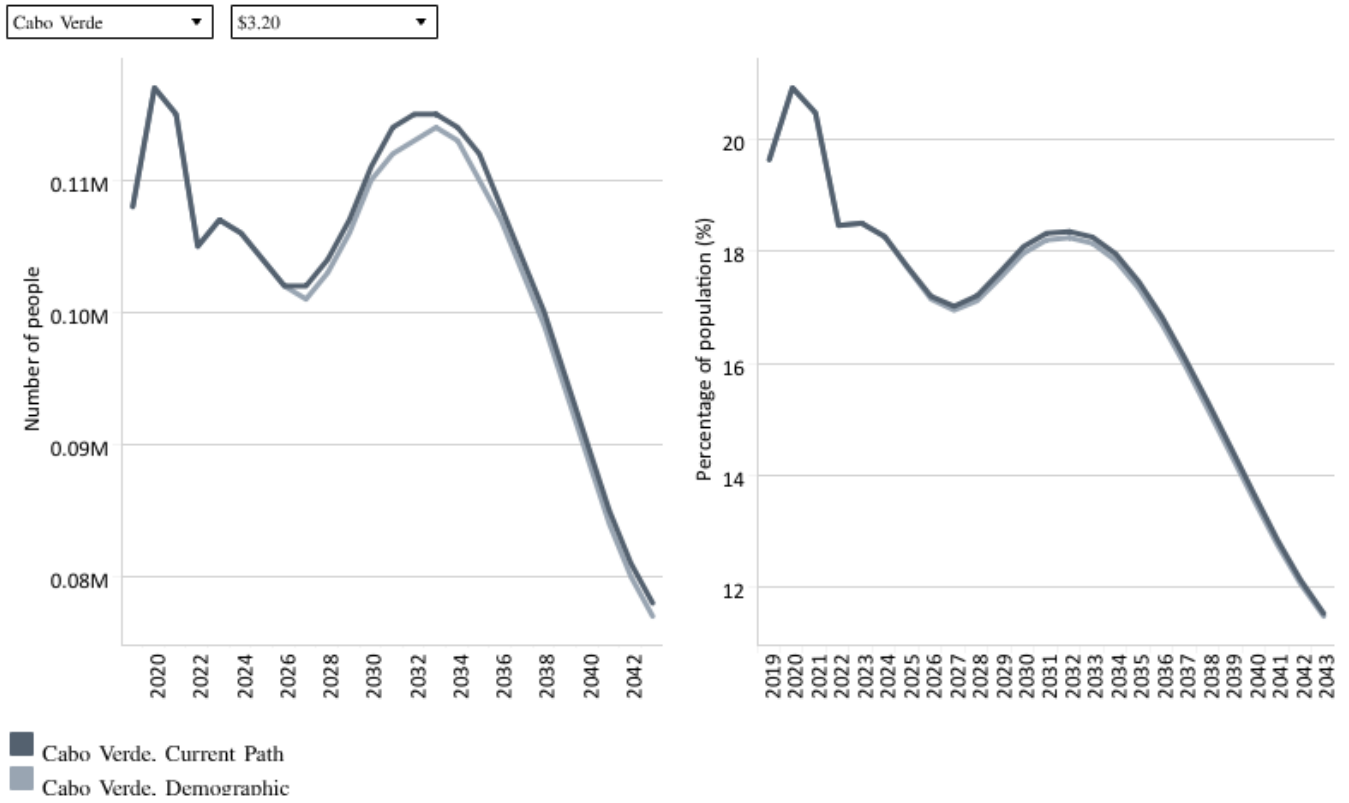


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 18 shows the GDP per capita (PPP) in both the Current Path and Demographic scenario. In 2019, the GDP per capita for Cape Verde was US\$7 533, which is US\$544 higher than the average for lower middle-income African countries. By 2043, it is estimated that, based on the Demographic scenario, the GDP per capita will increase to US\$10 866, which is US\$27 more than the projected US\$10 839 on the Current Path in the same year. Also, this will be significantly above the US\$9 142 average for lower middle-income countries in Africa. The additional increase in GDP per capita as a result of the Demographic scenario can partly be explained by the expected slower population growth, declining fertility rates and economic growth arising from the materialisation of the demographic dividend.

**Chart 19: Poverty in CP and Demog scenario, 2019–2043**  
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

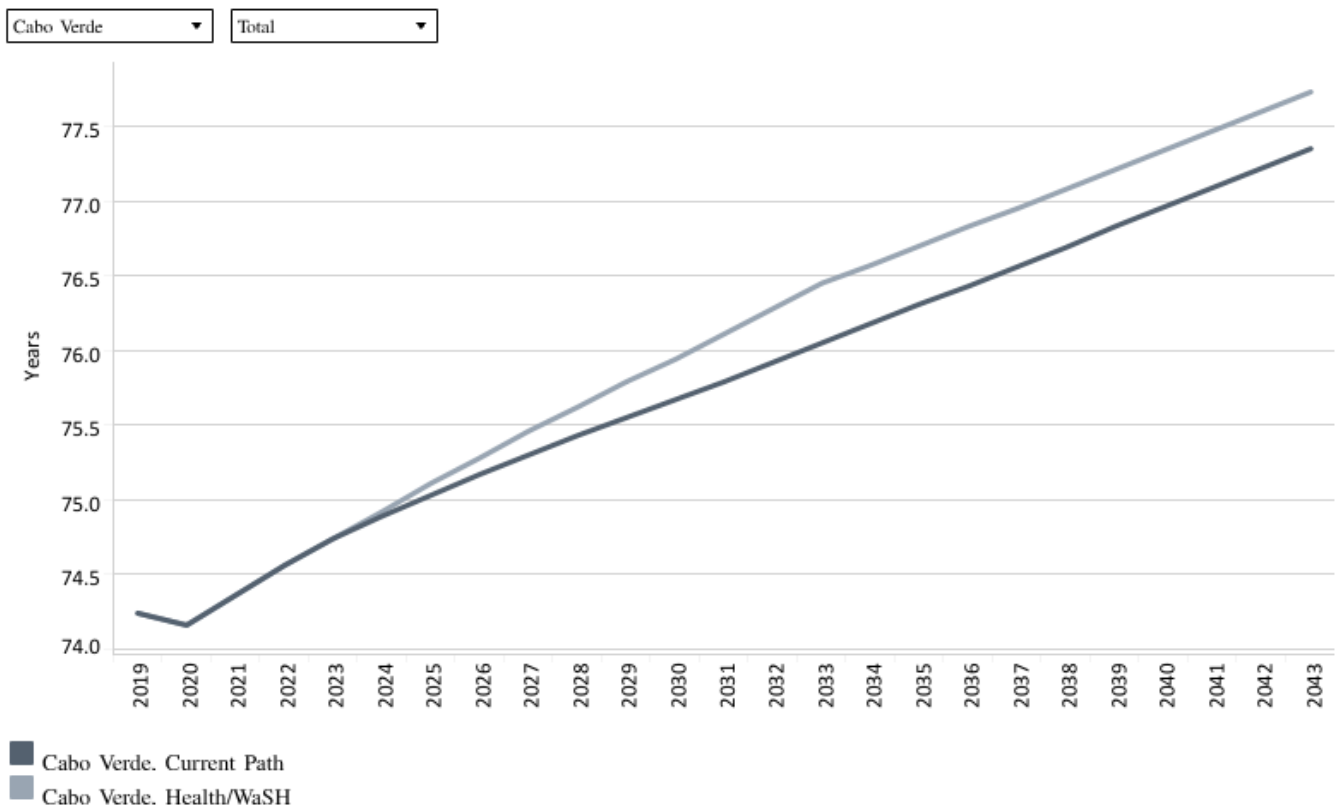
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Chart 19 presents the number and portion of people living below the poverty line of US\$3.20 in both the Current Path forecast and the Demographic scenario. Based on the Demographic scenario, the number of people surviving under US\$3.20 per day will steadily decline from 0.11 million in 2019 to 77 000 in 2043, which will be 1 000 fewer than in the Current Path forecast. Similarly, the proportion of the poor population can be reduced to 11.46% in the Demographic scenario, which is about 0.05 percentage points lower than the Current Path forecast and 26.8 percentage points lower than the average for lower middle-income countries in Africa in 2043. The decline in both the number and portion of the poor based on the Demographic scenario reflects the decline in population as a result of modern contraceptive use that reduces fertility rates among women.



## Health/WaSH scenario

Chart 20: Life expectancy in CP and Health/WaSH scenario, 2019–2043



Source: IFs 7.63 initialising from Institute for Health Metrics Evaluation GBD Foresight Tool data

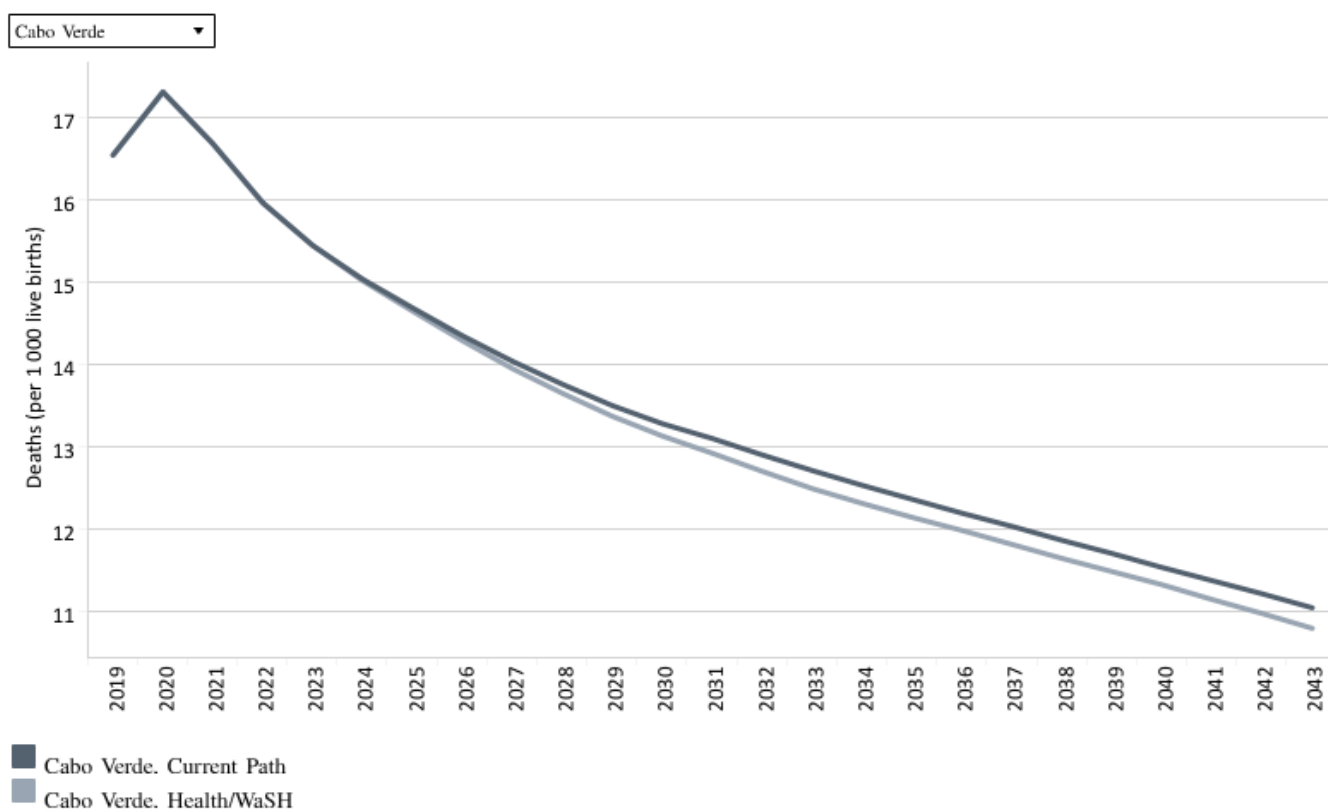
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This section presents reasonable but ambitious improvements in the Health/WaSH scenario, which include reductions in the mortality rate associated with both communicable diseases (e.g. AIDS, diarrhoea, malaria and respiratory infections) and non-communicable diseases (NCDs) (e.g. diabetes), as well as improvements in access to safe water and better sanitation. The acronym WaSH stands for water, sanitation and hygiene.

The intervention is explained [here](#) in the thematic part of the website.

Chart 20 displays the life expectancy in Cape Verde based on the Current Path forecast and the Health/WaSH scenario. The quality of a nation's health system can be gauged by indicators such as life expectancy, maternal mortality and infant mortality. The life expectancy in Cape Verde was the seventh highest in Africa at 74.2 years in 2019, 6.7 years above the average of 67.5 for lower middle-income countries in Africa. On average, females have a higher life expectancy at birth of 79.2 compared to 69.3 for males. Based on the Health/WaSH scenario, life expectancy is estimated to increase to about 77.7 by 2043, which is slightly above the Current Path forecast of 77.4 and above the average of 73.3 for lower middle-income African countries. This increased life expectancy in the country can be attributed to the expected improvement in access to safe water (by nearly 100% of the population) and sanitation, as well as a reduction in mortality from communicable diseases. However, death from non-communicable diseases continues to be a problem. Females will continue to have a higher life expectancy than males, with a difference of over 10 years by 2043

**Chart 21: Infant mortality in CP and Health/WaSH scenario, 2019–2043**  
Deaths per 1 000 live births



Source: IFs 7.63 initialising from Institute for Health Metrics and Evaluation Mortality Visualization Tool data

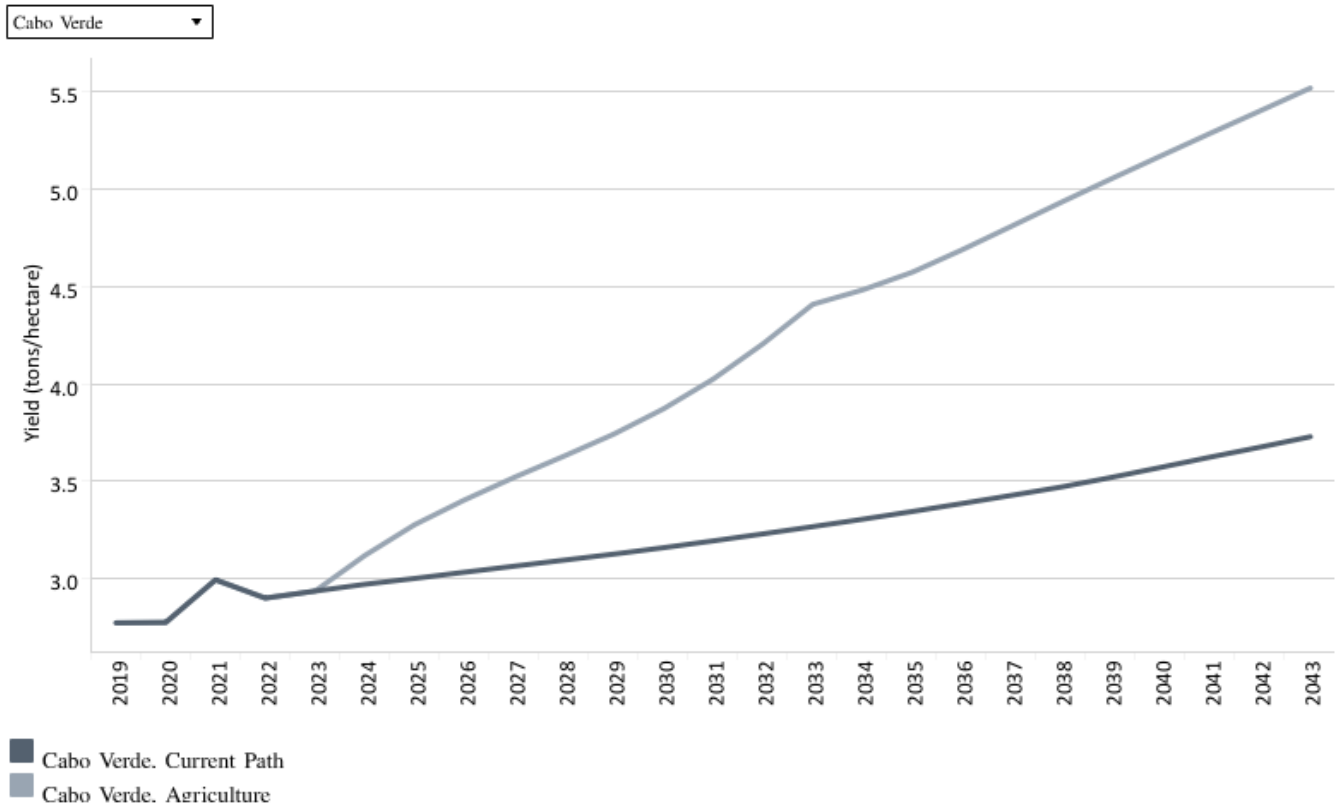
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Chart 21 illustrates the decline in infant mortality according to the Current Path forecast and the Health/WaSH scenario from 2019 to 2043. The infant mortality rate per 1 000 live births in 2019 was 16.2, which is significantly lower than the average of 46.4 for lower middle-income countries in Africa. The Health/WaSH scenario reduces infant mortality more quickly than the Current Path forecast, so that, by 2043, infant mortality per 1 000 live births in the country will be 10.8 compared to 11 in the Current Path forecast.



## Agriculture scenario

Chart 22: Yield/hectare in CP and Agric scenario, 2019–2043  
Pre-loss levels



Source: IFs 7.63 initialising from FAOSTAT on-line statistical service data

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The Agriculture scenario represents reasonable but ambitious increases in yields per hectare (reflecting better management and seed and fertiliser technology), increased land under irrigation, and reduced loss and waste. Where appropriate, it includes an increase in calorie consumption, reflecting the prioritisation of food self-sufficiency above food exports as a desirable policy objective.

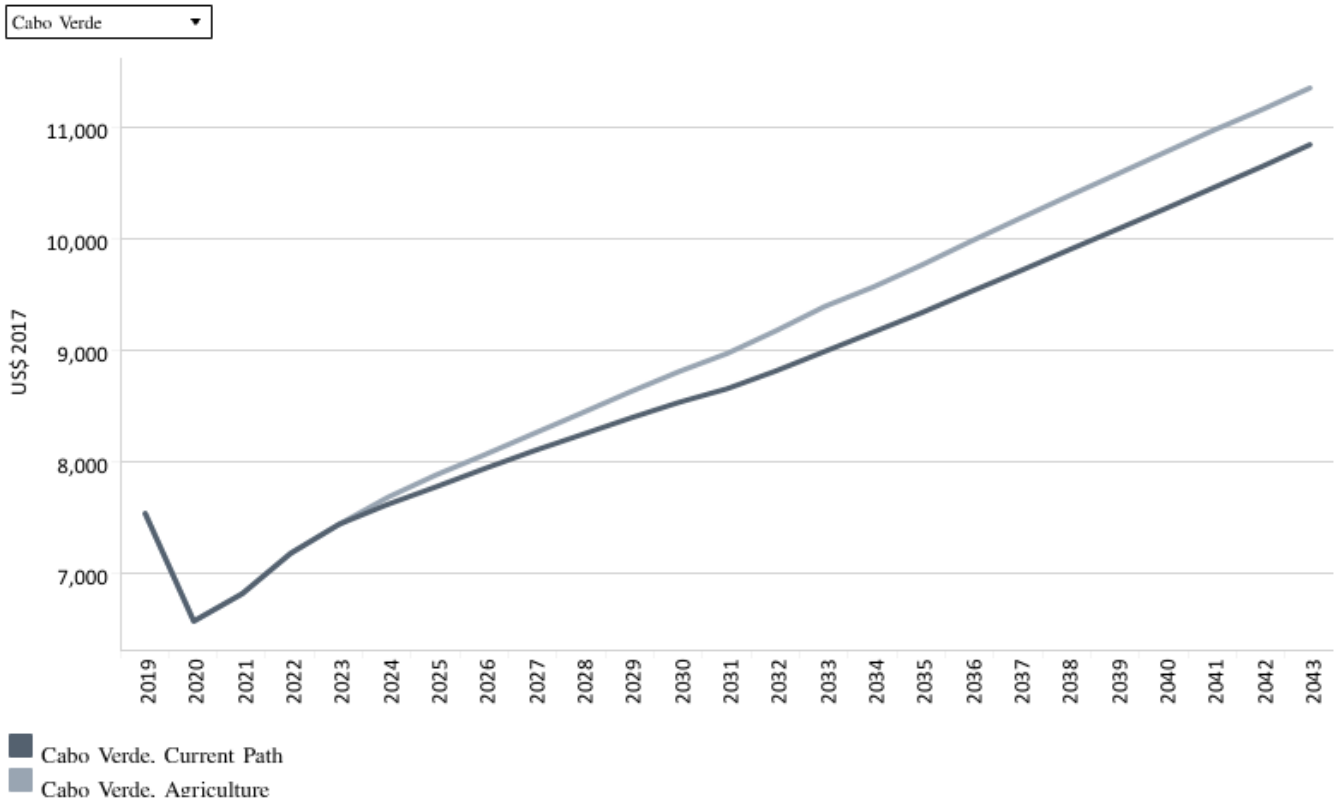
The intervention is explained in [here](#) in the thematic part of the website.

The data on yields per hectare (in metric tons) is for crops, but does not distinguish between different categories of crops.

Chart 22 presents the average yield per hectare for crops in the Current Path forecast and the Agriculture scenario from 2019 to 2043. In 2019, the average yield per hectare for crops was 2.8 metric tons, which was below the average of 5.1 metric tons per hectare for lower middle-income countries in Africa. The low crop yield in the country can mainly be attributed to unfavourable climatic conditions in the country. The country is affected by its natural vulnerabilities such as water shortages, poor agricultural land fertility, and others. Based on the Current Path forecast, this is projected to increase to 3.7 metric tons per hectare by 2043. In the Agriculture scenario, the average yield will be 5.5 metric tons per hectare. This means that the adoption of modern methods of farming including the application of fertiliser and usage of improved seeds could significantly improve crop yields in Cape Verde.



Chart 24: GDP per capita in the CP and Agric scenario, 2019–2043  
Purchasing power parity



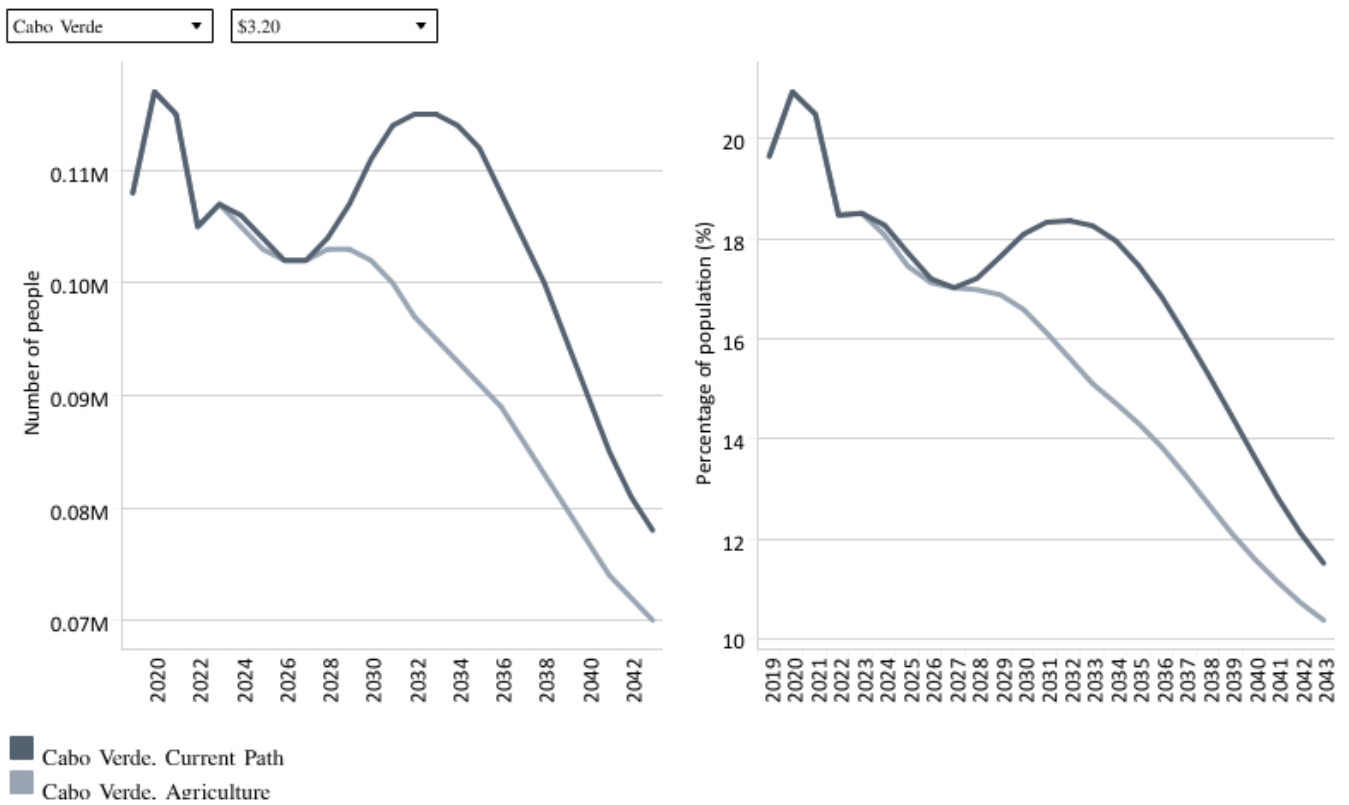
Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 24 depicts GDP per capita (PPP) in the Current Path forecast and the Agriculture scenario. By 2043, GDP per capita as a result of the Agriculture scenario will increase from US\$7 533 in 2019 to US\$11 347, constituting an increment of about 50.6% over the period. These estimates will be greater than the projections in the Current Path forecast so that, by 2043, the additional gains from GDP per capita as a result of the Agriculture scenario will be US\$508. In the Agriculture scenario, Cape Verde’s GDP per capita will remain above the average for lower middle-income countries in Africa. Indeed, the gap in GDP per capita between Cape Verde and the average for its peer group is projected to widen to US\$2 205 in 2043 from US\$ 544 in 2019 in the Agriculture scenario.

**Chart 25: Poverty in CP and Agric scenario, 2019–2043**  
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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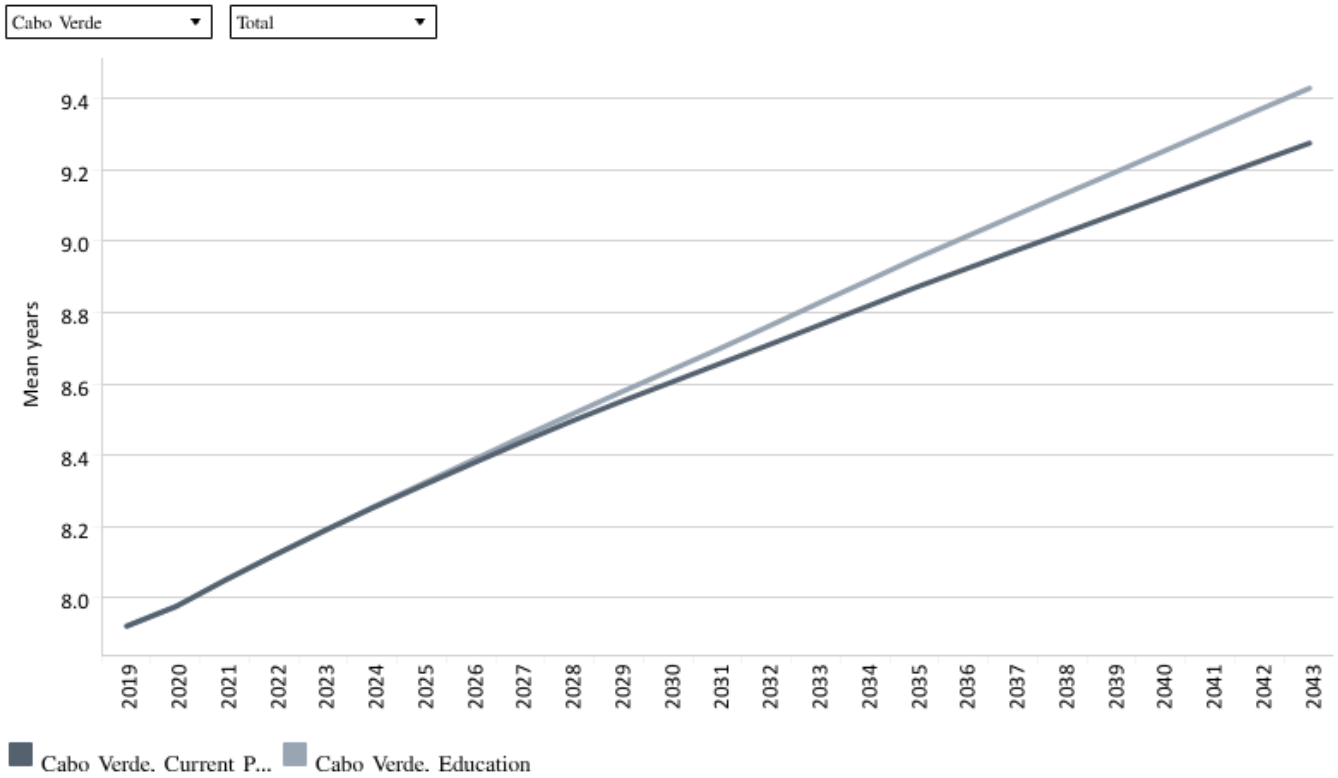
Chart 25 illustrates the number and portion of people living below the poverty line of US\$3.20 a day, in the Current Path forecast and Agriculture scenario. Implementing good agricultural policies that will result in increased yield per hectare and reduction in waste appears to have a significant impact on poverty reduction in the country. Based on the Current Path forecast, 78 000 people, representing 11.5% of the population, are projected to be extremely poor by 2043. However, based on the Agriculture scenario, the number of people below the poverty line of US\$3.20 will be reduced to 70 000, constituting 10.4% of the population. This is 8 000 fewer poor people than in the Current Path forecast in 2043. Throughout the period, in the Agriculture scenario, the proportion of people living in extreme poverty in Cape Verde will be lower than the average for lower middle-income countries in Africa, although the gap closes up. By 2043, the poverty rate in Cape Verde will be 27.9 percentage points below the average for lower middle-income countries in Africa.



## Education scenario

### Chart 26: Mean years of education in CP and Educ scenario, 2019–2043

Mean years of adult (+15) education



Source: IFs 7.63 initialising from Barro-Lee data

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The Education scenario represents reasonable but ambitious improved intake, transition and graduation rates from primary to tertiary levels and better quality of education. It also models substantive progress towards gender parity at all levels, additional vocational training at secondary school level and increases in the share of science and engineering graduates.

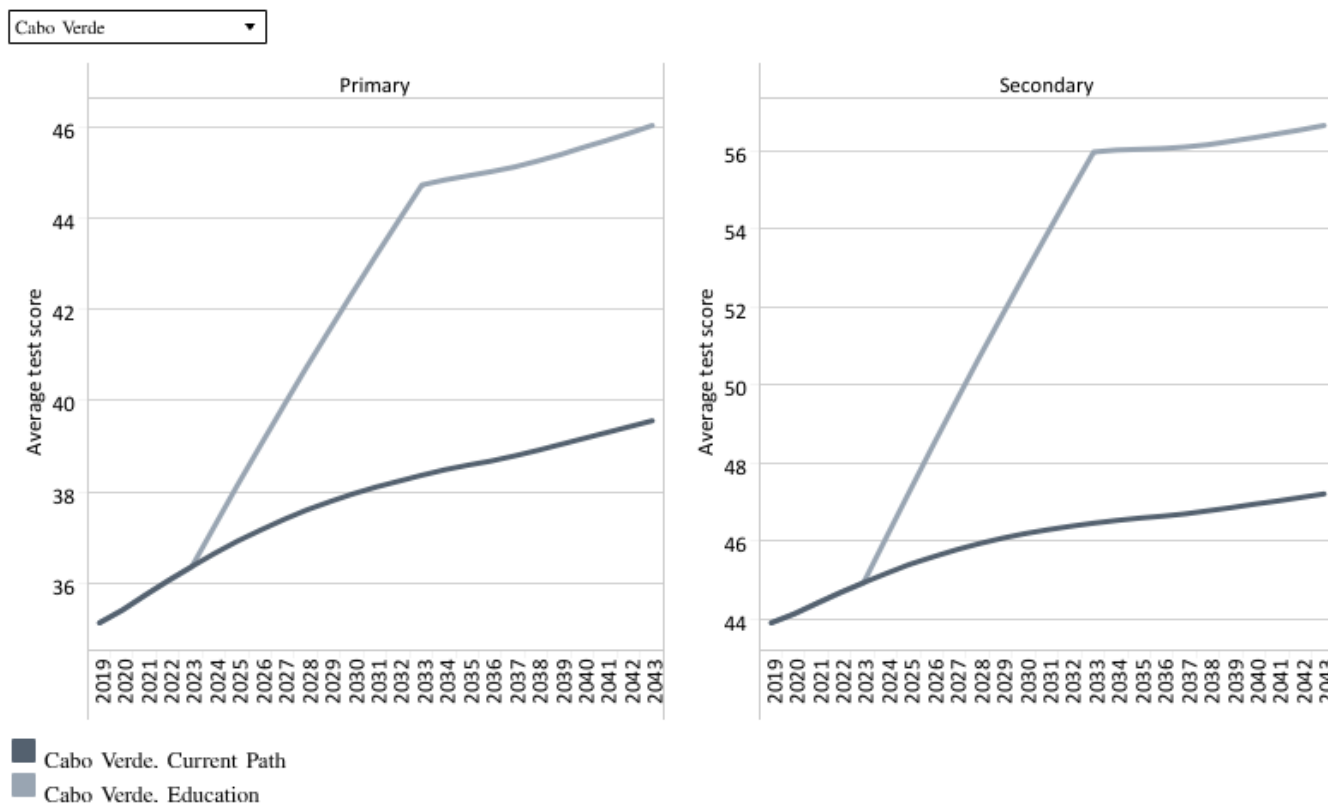
The intervention is explained [here](#) in the thematic part of the website.

Chart 26 shows the mean years of education in the Current Path forecast and the Education scenario. In 2019, Cape Verde’s mean years of education was 7.9, which is above the average of 7.2 for lower middle-income countries on the continent. The country has adopted the universal free compulsory primary education policy, which has contributed to improving educational outcomes. By 2014, net primary enrolment was about 93% while net secondary enrolment was 70.1%. Also, only 8.3% of the population had never been to school as of 2014. Moreover, the literacy rate among young people (aged 14–24) was a whopping 97.3%, with a slight gender disparity in favour of women. However, the quality of teaching in various schools has remained a concern at national level. Also, the drop in secondary and higher levels of education continues to be a challenge. In terms of gender, the mean years of education for males is 8.3, compared to the females’ average of 7.6. This means that, on average, men are more likely to attain higher education than women. This gap in favour of men for mean years of education in Cape Verde is lower than the average of 1.3 years for lower middle-income countries in Africa. By 2043, in the Education scenario, it is projected that the mean years of education will

rise to 9.4, which will be 0.2 years more than the Current Path estimates and 0.9 years more than the average for lower middle-income countries in Africa. Also, based on the Education scenario forecast, the gender gap regarding mean years of education will reverse in favour of women by 0.1 years. The gender gap in favour of men for the average lower middle-income countries in Africa will also close by 0.5 years within the same period.

**Chart 27: Education quality in CP and Educ scenario, 2019–2043**

Average test scores for primary and secondary learners



Source: IFs 7.63 initialising from World Bank EDSTATS

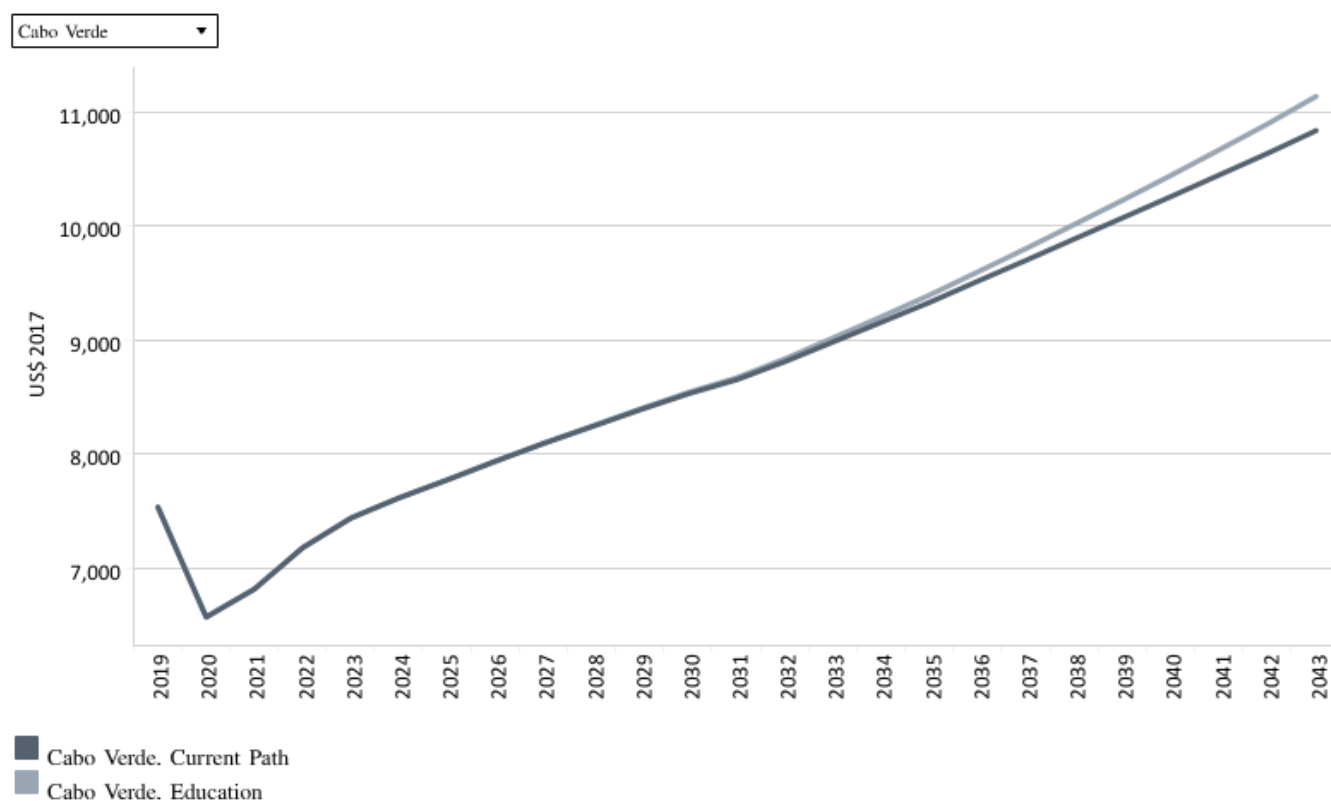
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Chart 27 displays the average test scores for primary and secondary learners in the Current Path forecast and Education scenario. The average test score for primary learners in Cape Verde for 2019 was 35.5%, which is higher than the 27.7% average for lower middle-income countries in Africa, signifying a relatively higher performance in this regard. The Education scenario will increase the average test scores for primary learners to 46% compared to the Current Path scenario, estimated at 39.6%. Also, the Education scenario for 2043 will result in 10.3 percentage points more than the continental average for lower middle-income countries.

In 2019, the average secondary learner test score for Cape Verde was 40.4%, which is above the average of 35.8% for lower middle-income African countries. This suggests that Cape Verde performs relatively better at secondary level than at primary level. By 2043, the average test scores for secondary learners are projected to rise to 56.7%, which is above the Current Path estimates of 47.2% and the average of 41.8% for lower middle-income countries in Africa.

Chart 28: GDP per capita in CP and Educ scenario, 2019–2043  
Purchasing power parity

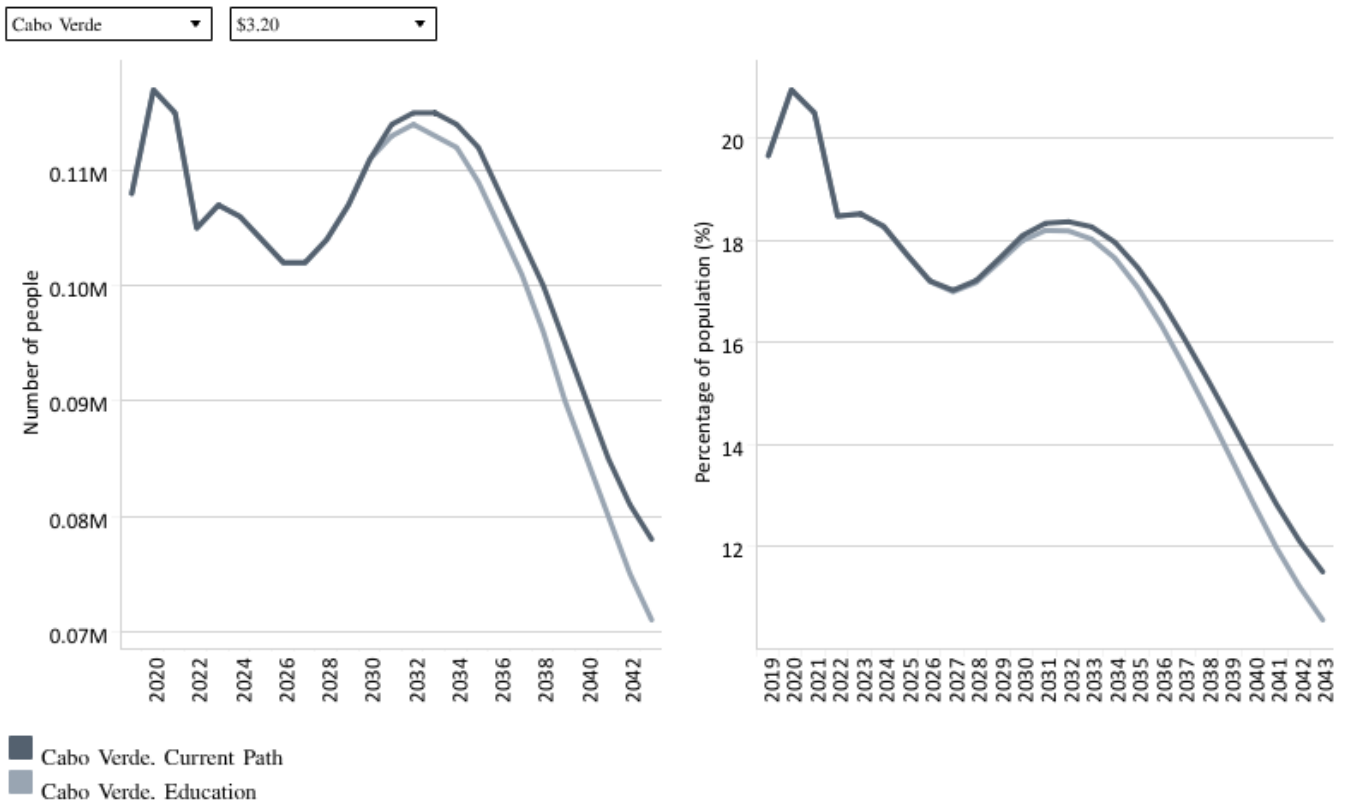


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 28 shows GDP per capita in the Current Path forecast and Education scenario from 2019 to 2043. By 2043, the increment in GDP per capita as a result of the Education scenario is estimated to be US\$301 more than the projected US\$10 839 in the Current Path forecast. This GDP per capita will also be higher than the average of US\$9 142 for lower middle-income countries in Africa. Investment in education significantly impacts economic growth, but it takes time to materialise. It will take more than a decade for a child enrolled in primary school to contribute meaningfully to the economy.

**Chart 29: Poverty in CP and Educ scenario, 2019–2043**  
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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Chart 29 represents the number and portion of poor people living below the poverty line of US\$3.20 a day. By 2043, in the Education scenario, it is projected that the number of poor people will be 71 000, representing 10.6% of the population. This means that the Education scenario will contribute to reducing the number of poor people by 7 000 people in 2043 compared to the Current Path forecast. This suggests that improvement in human capital in the country is a sure means of poverty reduction. Also, the proportion of poor people based on the Education scenario in Cape Verde will be 28 percentage points lower than in the Current Path forecast for the average for lower middle-income countries in Africa.

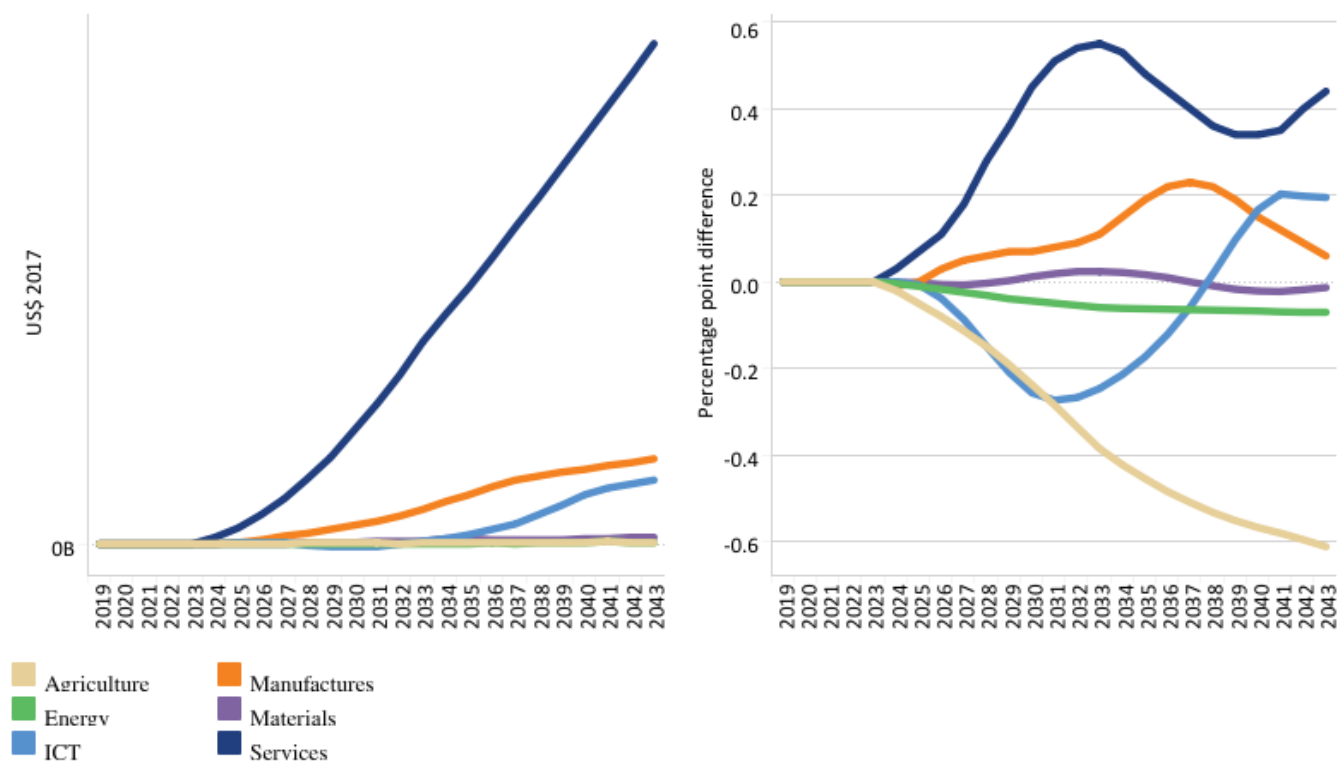


## Manufacturing scenario

Chart 30: Value added by sector in CP and Manufac/Transfers scenario, 2019–2043  
Absolute and % point difference GDP



Cabo Verde



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

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The Manufacturing/Transfers scenario represents reasonable but ambitious manufacturing growth through greater investment in the economy, investments in research and development, and promotion of the export of manufactured goods. It is accompanied by an increase in welfare transfers (social grants) to moderate the initial increases in inequality that are typically associated with a manufacturing transition. To this end, the scenario improves tax administration and increases government revenues.

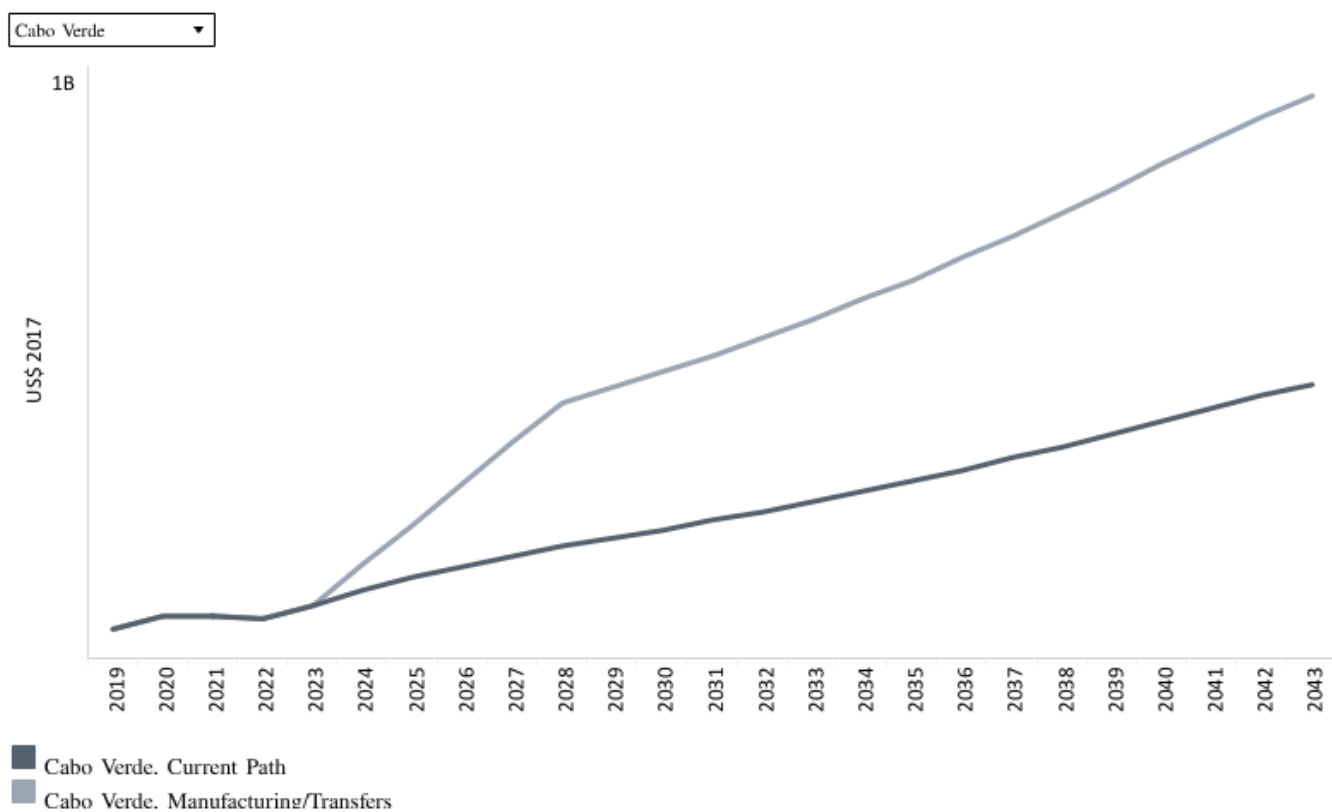
The intervention is explained [here](#) in the thematic part of the website.

Chart 30 should be read with [Chart 8](#) that presents a stacked area graph on the contribution to GDP and size, in billion US\$, of the Current Path economy for each of the sectors.

Chart 30 illustrates the percentage points and absolute value of difference in contribution to GDP between the Current Path and the Manufacturing/Transfers scenario. Based on the Manufacturing/Transfers scenario, the service sector will be the largest contributor to GDP, with an absolute contribution that is US\$0.41 billion larger than the Current Path forecast in 2043. In the scenario, the share of the service sector in GDP will be 0.55 percentage points larger than the Current Path in 2033, before dropping to 0.44 percentage points in 2043. The manufacturing sector, which is the second-largest contributor, is also projected to contribute an additional US\$0.07 billion to GDP by 2043, with its share of GDP 0.06 percentage points larger than in the Current Path forecast. Although the third contributor to GDP in Cape Verde will be ICT,

with a contribution of US\$0.05 billion, it will overtake manufacturing by 2041, such that, by 2043, its share of GDP will be 0.14 percentage points above that of the manufacturing sector. An important observation to make is that agriculture will be the lowest contributor to GDP, with a declining share projected to be 0.61 percentage points lower than the Current Path forecast by 2043. The declining share of agriculture in Cape Verde's GDP is an indication of economic transformation, but could also increase food insecurity in the country unless efforts are made to increase productivity. This will require a significant investment in productivity-enhancing and climate-smart technologies.

**Chart 31: Gov welfare transfers in CP and Manufac/Transfers scenario, 2019–2043**  
Billions US\$ 2017

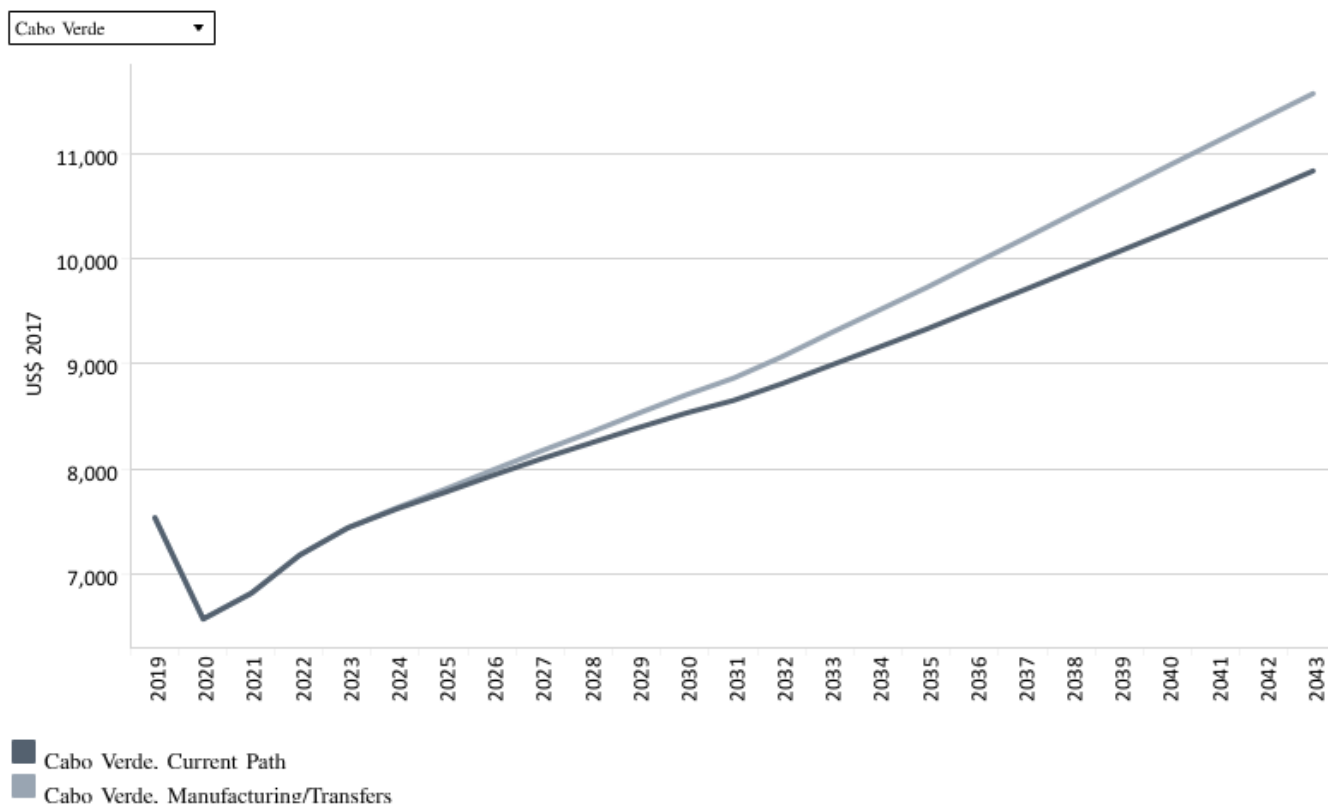


Source: IFs 7.63 initialising from World Development Indicators data

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Chart 31 presents the absolute value and portion of government-to-household welfare transfers under both the Current Path and the Manufacturing/Transfers scenarios. In 2019, total welfare transfers to households were US\$0.16 billion. This is projected to increase to US\$0.38 billion by 2043 in the Manufacturing/Transfers scenario, constituting an increment of 137% over the period. This is US\$0.12 billion more than the US\$0.26 billion estimated for 2043 based on the Current Path. This suggests that the Manufacturing/Transfers scenario could lead to an improvement in government welfare transfers of an additional US\$0.12 billion compared to the Current Path in 2043.

Chart 32: GDP per capita in CP and Manufac/Transfers scenario, 2019–2043  
Purchasing power parity



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

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Chart 32 displays the GDP per capita (PPP) in both the Current Path and Manufacturing/Transfers scenarios. By 2043, it is estimated that GDP per capita in the Manufacturing/Transfers scenario will rise to US\$11 576, which is US\$737 more than projections of the Current Path in the same year. In the Current Path’s assumptions for other countries, the GDP per capita for Cape Verde by 2043 in the Manufacturing/Transfers scenario will be higher than the average of US\$9 142 for lower middle-income countries in Africa.

Chart 33: Poverty in CP and Manufac/Transfers scenario, 2019–2043

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

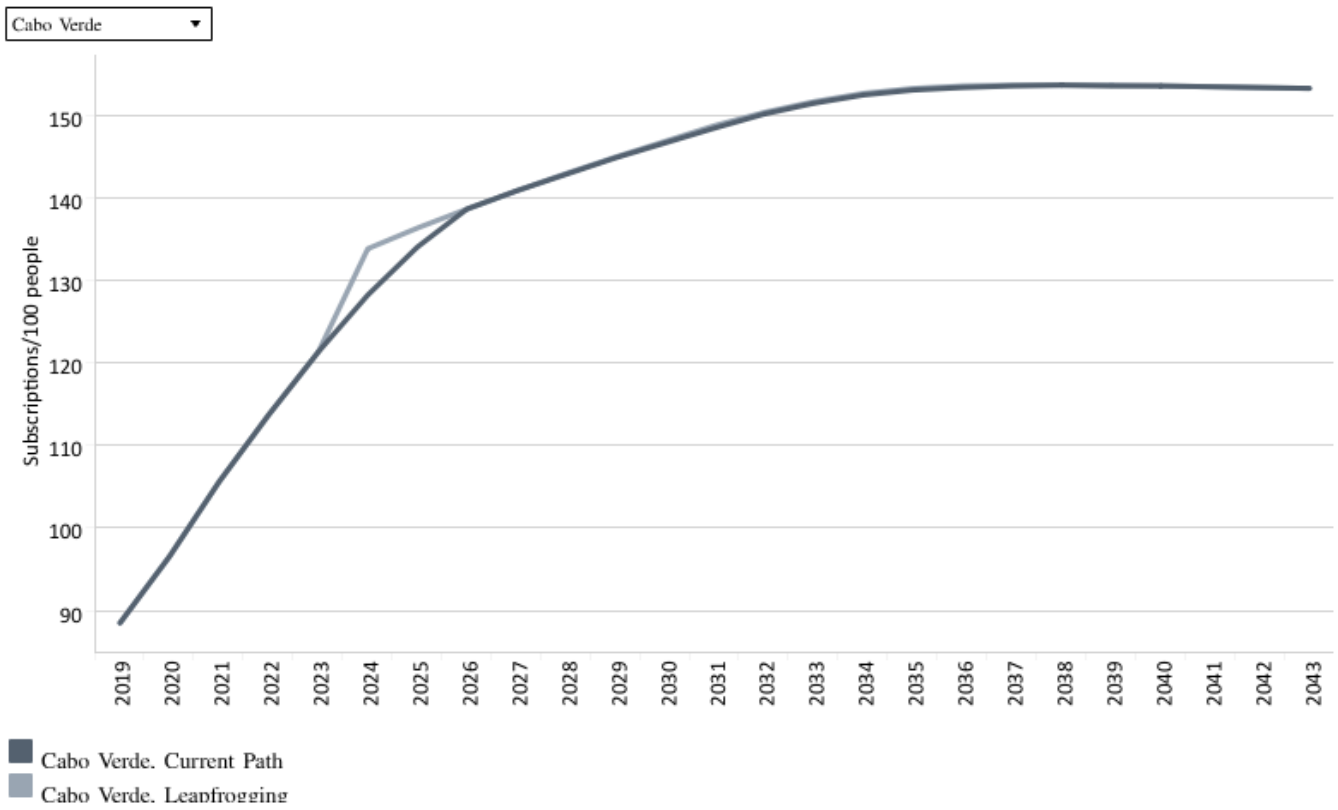
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Chart 33 displays the number and portion of people living below the poverty line of US\$3.20 in both the Current Path forecast and the Manufacturing/Transfers scenario. By 2043, the estimated number of people living below the poverty line of US\$3.20 as a result of the Manufacturing/Transfers scenario is 62 000, constituting about 9.1% of the population. This translates to 16 000 fewer poor people than in the Current Path forecast in 2043. These findings reveal that efforts to boost investment in the economy, research and development, as well as export promotion will significantly contribute to poverty reduction in Cape Verde. The proportion of poor people in Cape Verde based on the Manufacturing/Transfers scenario in 2043 will be 29.2 percentage points below the Current Path forecast for the average for lower middle-income countries in Africa.



Chart 35: Mobile broadband access in CP and Leapfrogging scenario, 2019–2043  
Subscriptions per 100 people



Source: IFs 7.63 initialising from International Telecommunication Union data

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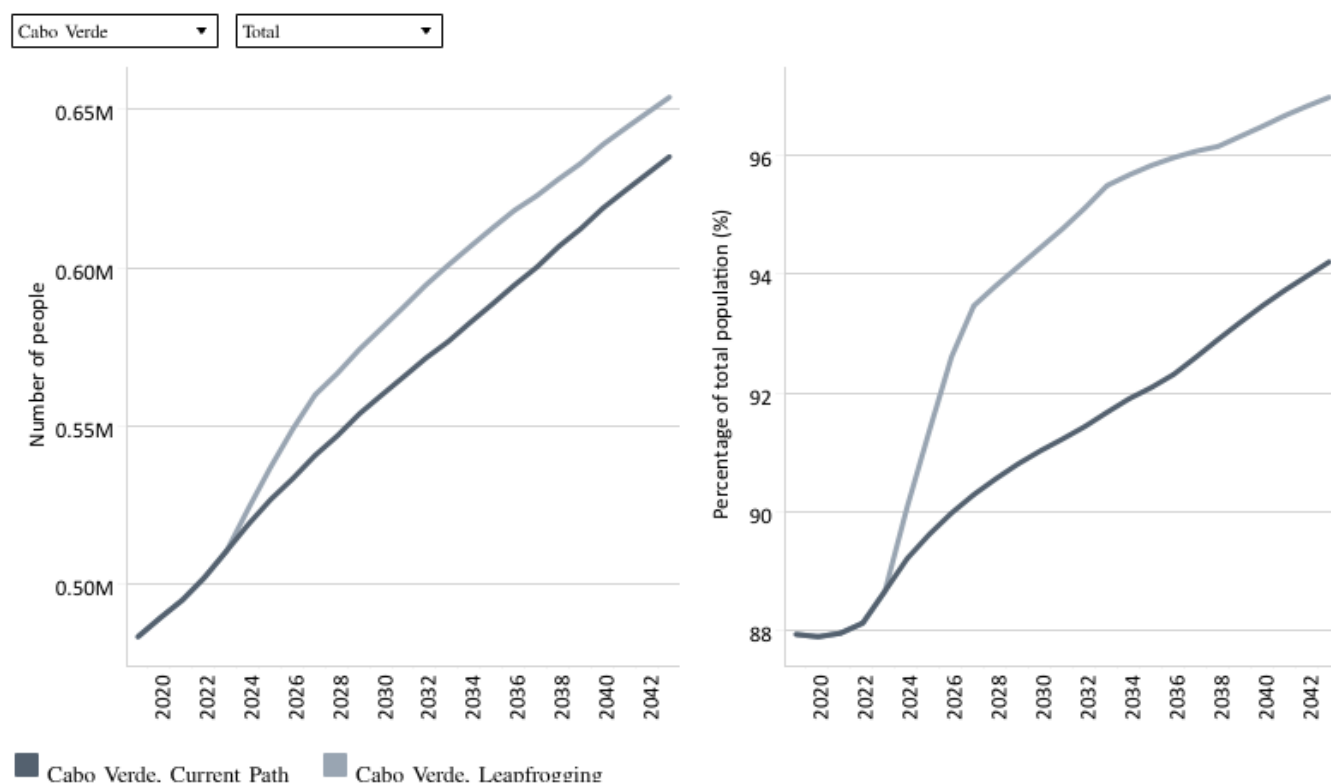
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Mobile broadband refers to wireless internet access delivered through cellular towers to computers and other digital devices.

Chart 35 illustrates mobile broadband subscriptions per 100 people based on the Current Path forecast and the Leapfrogging scenario. Cape Verde had a mobile broadband subscription of 88.5 per 100 people in 2019, which was far greater than the average of 49.1 for lower middle-income countries on the continent. Although between 2024 and 2026 mobile broadband subscriptions in the Leapfrogging scenario rise above the Current Path, in the long run the Leapfrogging and Current Path scenarios converge. By 2043, mobile broadband subscriptions in both the Current Path forecast and the Leapfrogging scenario increase to 153.2 per 100 people, above the average of 147.6 for Africa’s lower middle-income countries.

Chart 36: Electricity access in CP and Leapfrogging scenario, 2019–2043

Millions of people and % of population



Source: IFs 7.63 initialising from World Development Indicators data

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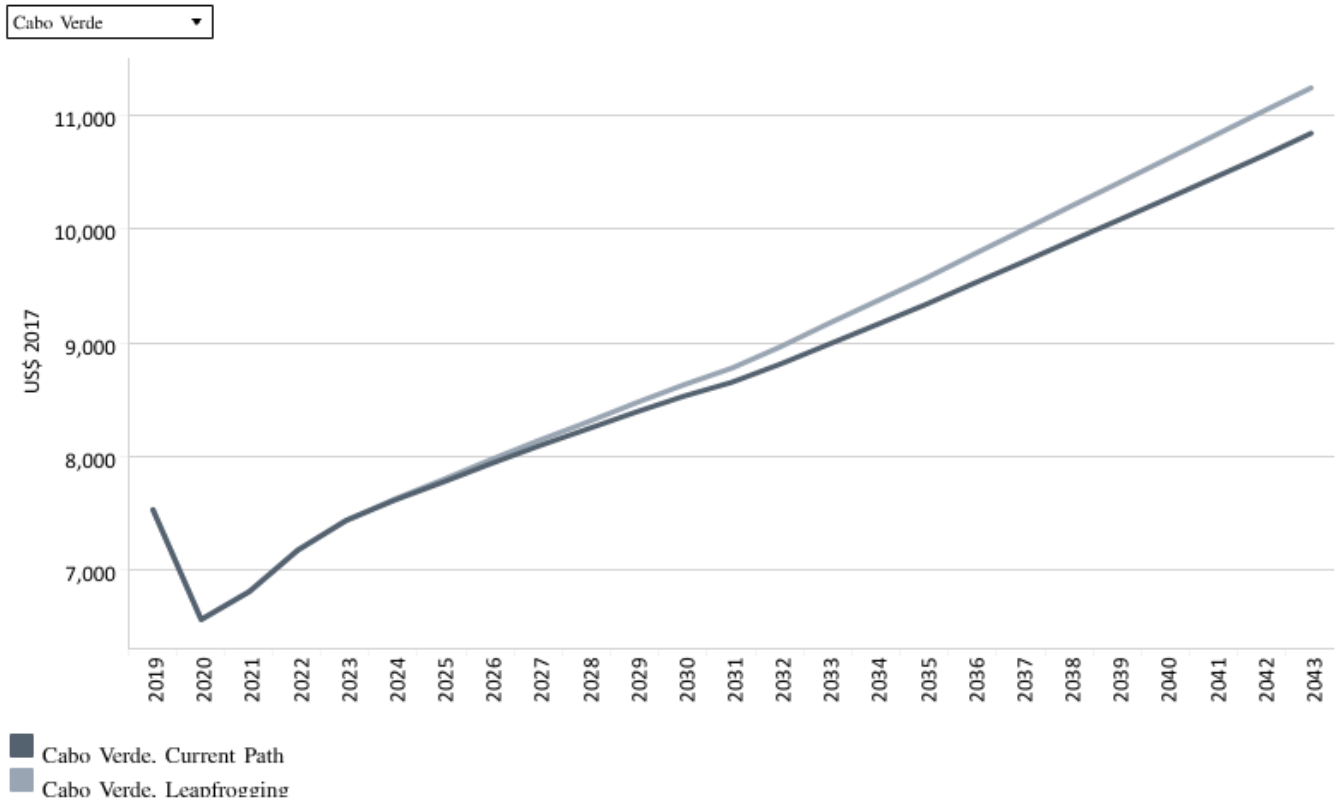
Chart 36 shows the number and proportion of people with access to electricity. The number of Cape Verdeans who had access to electricity in 2019 was 0.48 million, representing 87.9% of the total population. This is far above the average of 66.3 for lower middle-income countries in Africa. Cape Verde is one of the few African countries that have almost achieved parity in terms of access to electricity between urban and rural areas. A total of 89.1% of people in rural areas had access to electricity, compared to 87.3% in urban centres, in 2019.

This high rate of access to electricity in rural areas can be attributed to the aggressive rural electrification projects that have been embarked on by the country in the past. Since the early 1990s, the country, supported by the Luxembourg cooperation, has implemented a rural electrification programme particularly in areas such as Santo Antão and São Nicolau. This led to a significant increase in electricity access, to above 80% in these two islands. Similarly, between 2007 and 2010, there was a rural electrification programme of about 6 000 connections to the national grid, mainly in areas like Santiago Island – which used to have the lowest rate of access to electricity. Also, the high electricity access rate in rural areas can be explained by the fact that, because there are fewer people residing in the rural areas than in the urban centres, the proportion of access increases even if the absolute connections are few. The number of people with access to electricity in rural areas is estimated to reach 180 000 in 2043, compared to 480 000 in urban centres.

Based on the Leapfrogging scenario, it is projected that, by 2043, about 97% of Cape Verdeans, constituting 0.65 million people, will have access to electricity. This is above the projected average of 81.7% for lower middle-income countries. It is also higher than the 94.2%, reflecting 0.63 million people, in the Current Path forecast. This is equivalent to 20 000 more people than in the Current Path forecast by 2027; almost all rural dwellers will have access to electricity in the Leapfrogging scenario and will later converge with the projections of 99% in the Current Path in 2043. However, in the case

of urban dwellers, 96.1% and 92.4% will have access to electricity by 2043 based on the Leapfrogging scenario and the Current Path forecast respectively.

**Chart 37: GDP per capita in CP and Leapfrogging scenario, 2019–2043**  
Purchasing power parity



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

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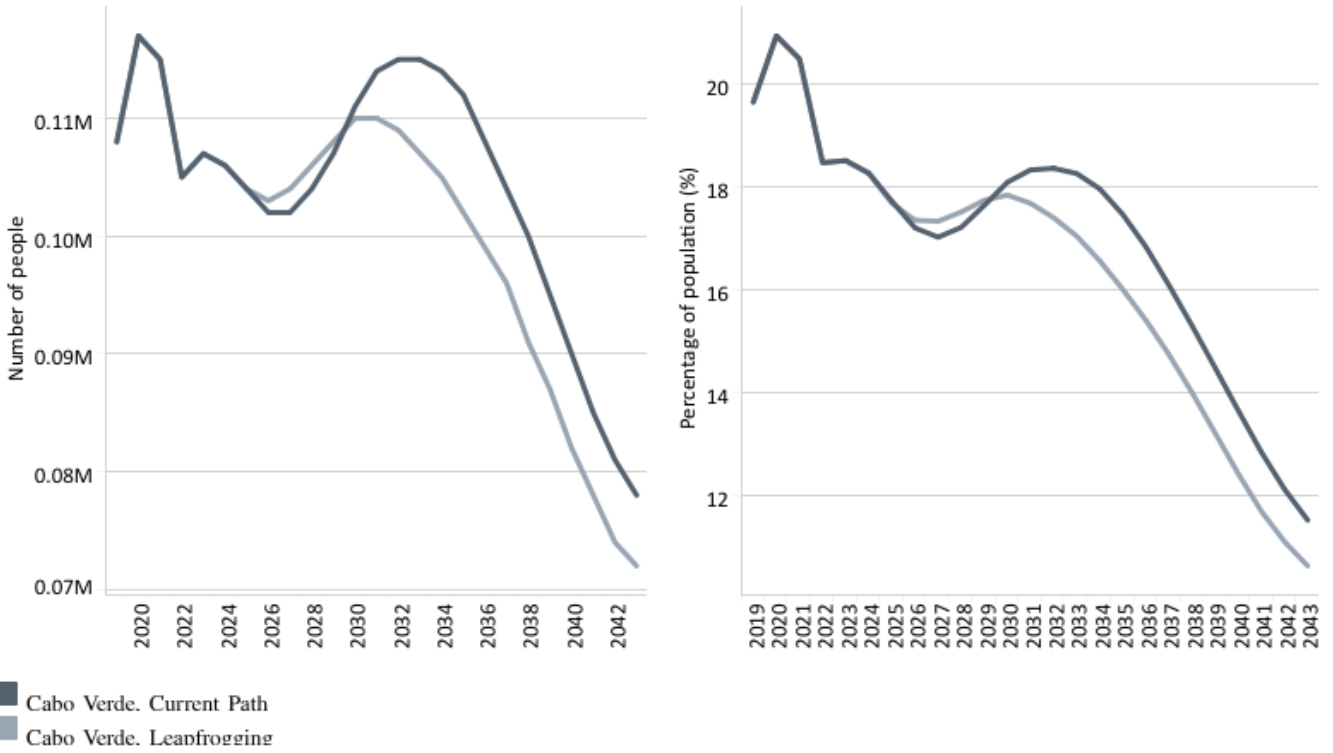
Chart 37 illustrates GDP per capita (PPP) in the Current Path forecast and the Leapfrogging scenario. Widespread access to high-speed Internet can improve a country’s socioeconomic outcomes. Broadband can increase productivity, reduce transaction costs and optimise supply chains, positively affecting economic growth.

Cape Verde’s GDP per capita in the Leapfrogging scenario increases from US\$7 533 in 2019 to US\$11 238 in 2043. This is US\$399 more than in the Current Path forecast in 2043. It is also above the average of US\$9 142 for lower middle-income countries in Africa.

**Chart 38: Poverty in CP and Leapfrogging scenario, 2019–2043**  
Millions of people and % of total population



Cabo Verde \$3.20



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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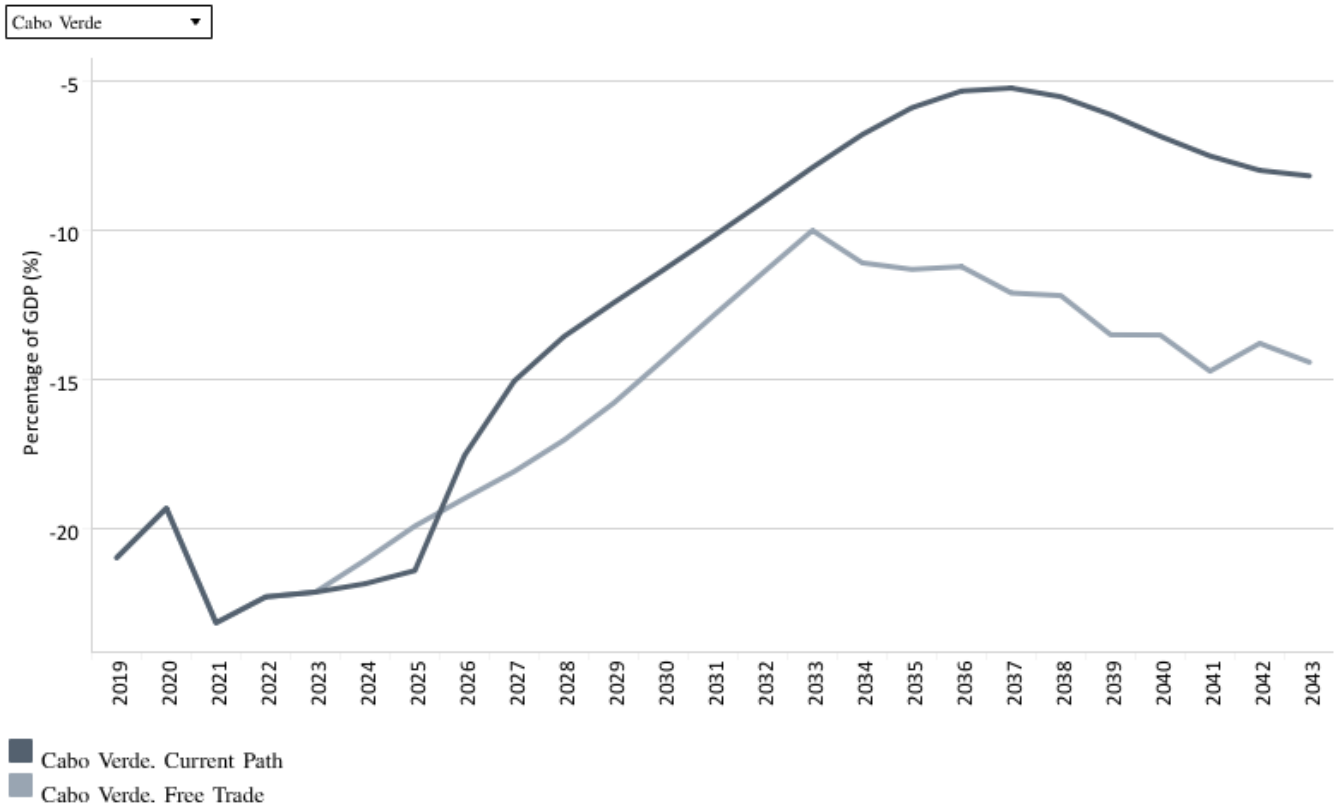
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Chart 38 depicts the number and proportion of people living below the poverty line of US\$3.20 in the Current Path forecast and Leapfrogging scenario. In the Leapfrogging scenario, the number of poor people in 2043 is projected to be 72 000, representing 10.6% of the population. This projection is 6 000 fewer poor people than in the Current Path forecast (78 000 poor people) in 2043. The number of poor people projected in the Leapfrogging scenario is 27.7 percentage points lower than the average for lower middle-income African countries.



## Free Trade scenario

Chart 39: Trade balance in CP and Free Trade scenario, 2019–2043  
% of GDP



Source: IFs 7.63 initialising from World Development Indicators data

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The Free Trade scenario represents the impact of the full implementation of the African Continental Free Trade Area (AfCFTA) by 2034 through increases in exports, improved productivity and increased trade and economic freedom.

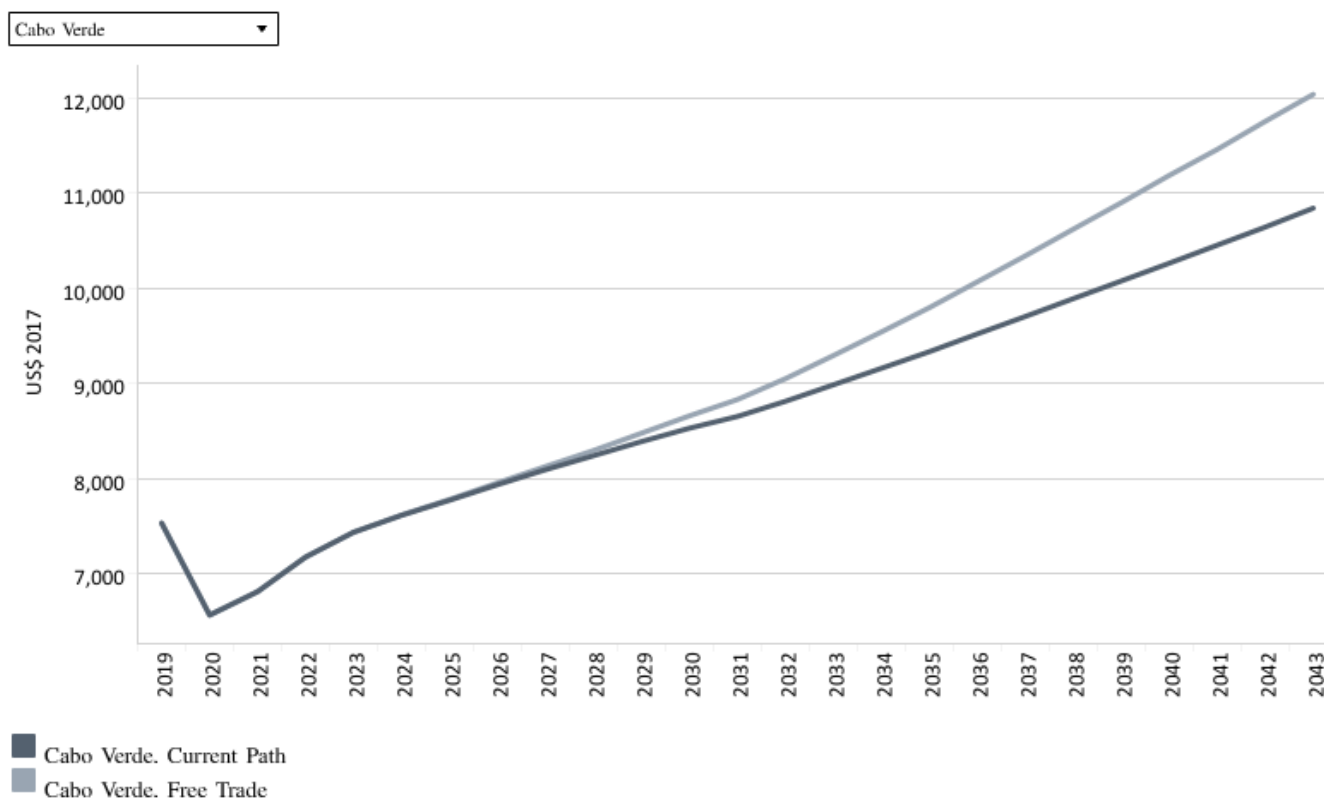
The intervention is explained in [here](#) in the thematic part of the website.

The trade balance is the difference between the value of a country's exports and its imports. A country that imports more goods and services than it exports in terms of value has a trade deficit, while a country that exports more goods and services than it imports has a trade surplus.

Chart 39 shows the trade balance as a per cent of GDP under both the Current Path forecast and the Free Trade scenario. Cape Verde, like many other African economies, is a net importer of goods and services. In 2019, Cape Verde's trade deficit represented 21% of GDP, which was far higher than the average of 6.6% for lower middle-income African countries. Although the country exports commodities such as fish, clothing, salt, pouzzolane, rum, animal hides, bananas and coffee, the quantity and value of these goods are limited. The large trade deficit can partly be explained by the fact that the country has no natural resources and an unfavourable climate for agriculture, as well as the inability to develop its industrial sector. As a result, the country relies heavily on imports for survival. The country's main imports include food, fuel and machinery, mainly from Portugal, the Netherlands, Spain and China. Cape Verde will begin to see an improvement in its trade balance from 2026 in both the Current Path forecast and the Free Trade scenario, although the improvement is

much quicker in the former. This upward trend will continue so that by 2043, the projected trade deficit will be 14.4% of GDP in the Free Trade scenario in 2043 – which is much higher than the projected 8.2% of GDP in the Current Path forecast. This suggests that the full implementation of AfCFTA may end up worsening the trade balance of Cape Verde compared to the Current Path. By 2043, Cape Verde’s trade deficit will be 11.2 percentage points higher than the average for lower middle-income African countries.

**Chart 40: GDP per capita in CP and Free Trade scenario, 2019–2043**  
Purchasing power parity

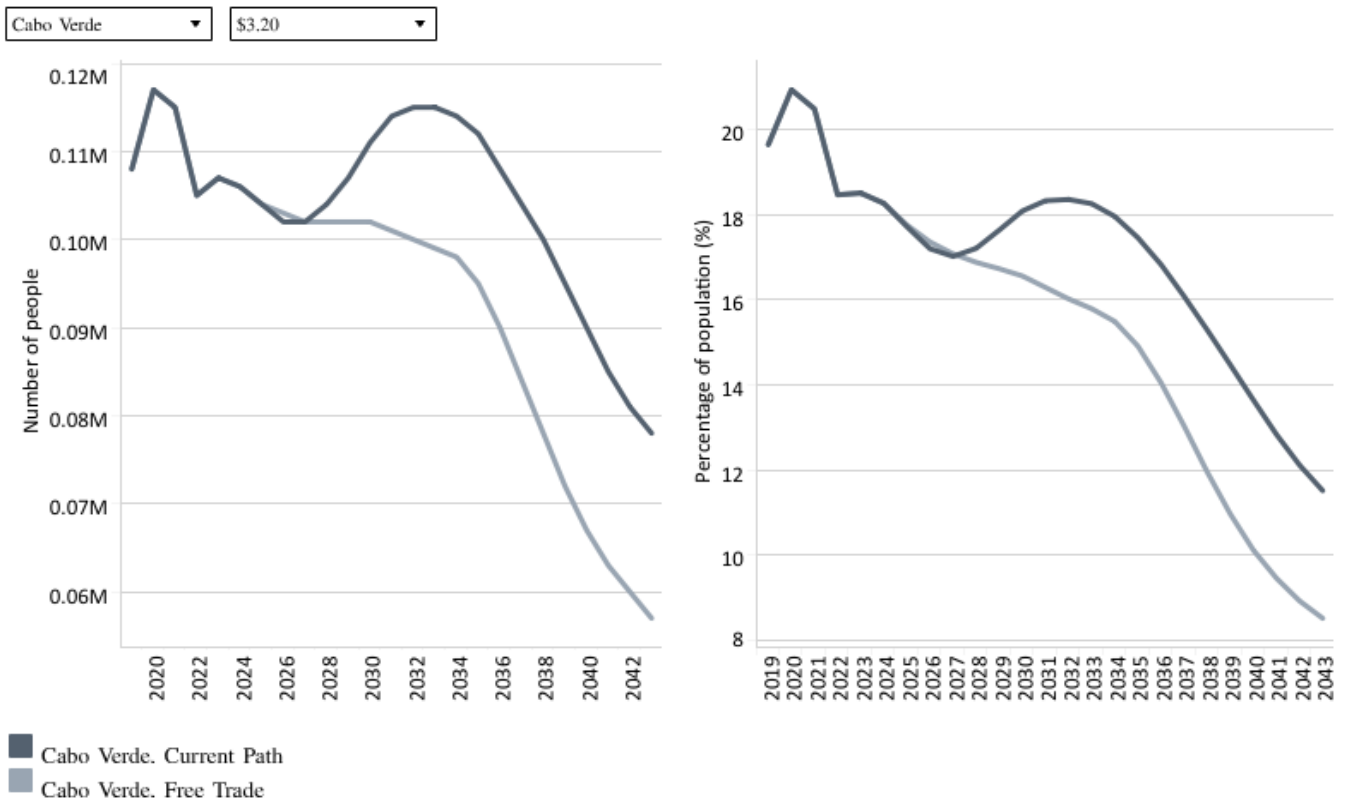


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 40 presents GDP per capita in the Current Path forecast and Free Trade scenario from 2019 to 2043. Trade openness increases technology diffusion and competition, positively affecting productivity growth. The GDP per capita for Cape Verde in the Free Trade scenario is forecast to be US\$12 034 by 2043, US\$1 195 more than in the Current Path forecast in that year. The GDP per capita for Cape Verde in the Free Trade scenario is US\$2 892 larger than the average of US\$9 142 for lower middle-income African countries. The findings show that the full implementation of AfCFTA has the potential to significantly enhance economic growth in Cape Verde.

**Chart 41: Poverty in CP and Free Trade scenario, 2019–2043**  
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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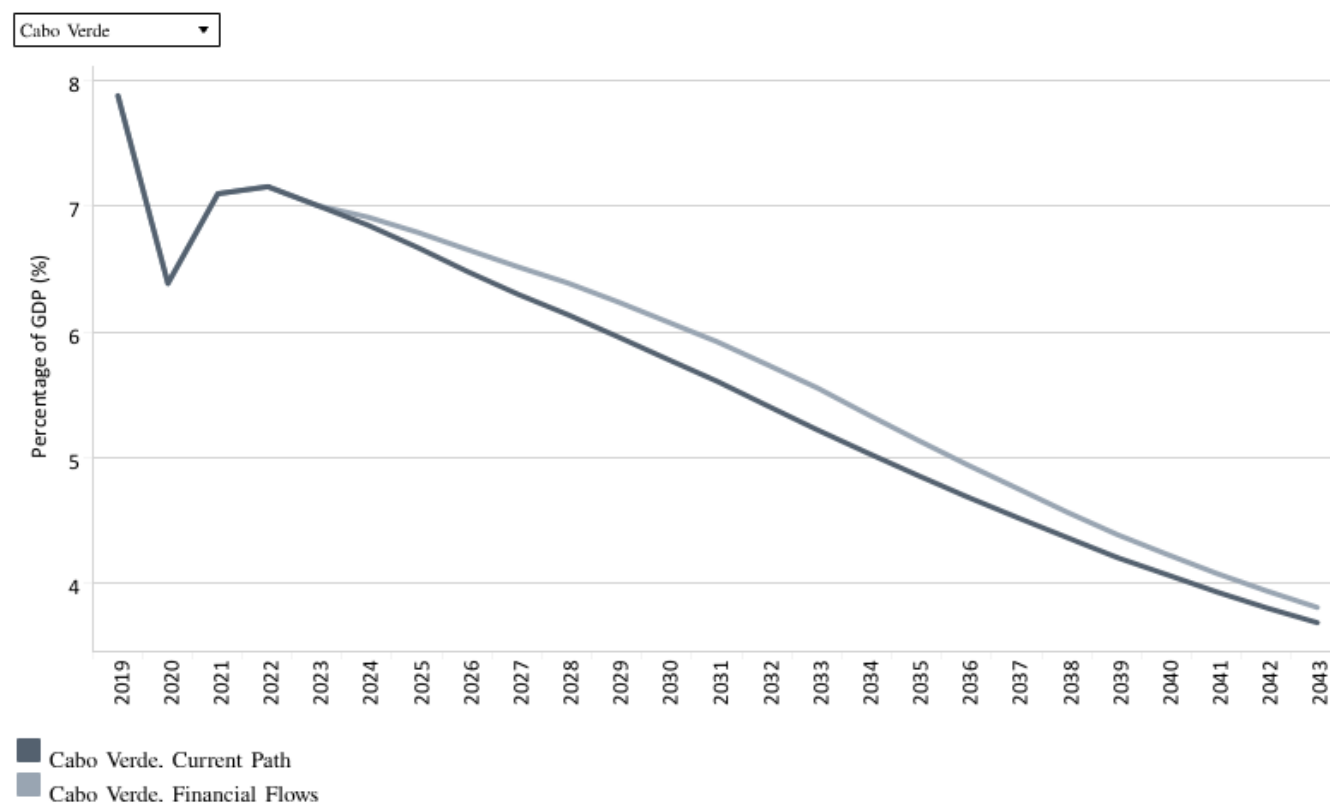
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Chart 41 illustrates the number and portion of poor people in the Current Path forecast and Free Trade scenario. In the Free Trade scenario, the number of people living below the poverty line of US\$3.20 is 57 000, representing 8.5% of the population. This is three percentage points lower than the Current Path forecast, meaning that the Free Trade scenario has 21 000 fewer poor people than the Current Path forecast in 2043. The proportion of poor people projected in the Free Trade scenario will also be lower than the average for lower middle-income countries in Africa.



## Financial Flows scenario

Chart 42: Foreign aid in CP and Financial Flows scenario, 2019–2043  
% of GDP



Source: IFs 7.63 initialising from Development Assistance Committee of the OECD data, and World Bank and OECD GNI estimates.

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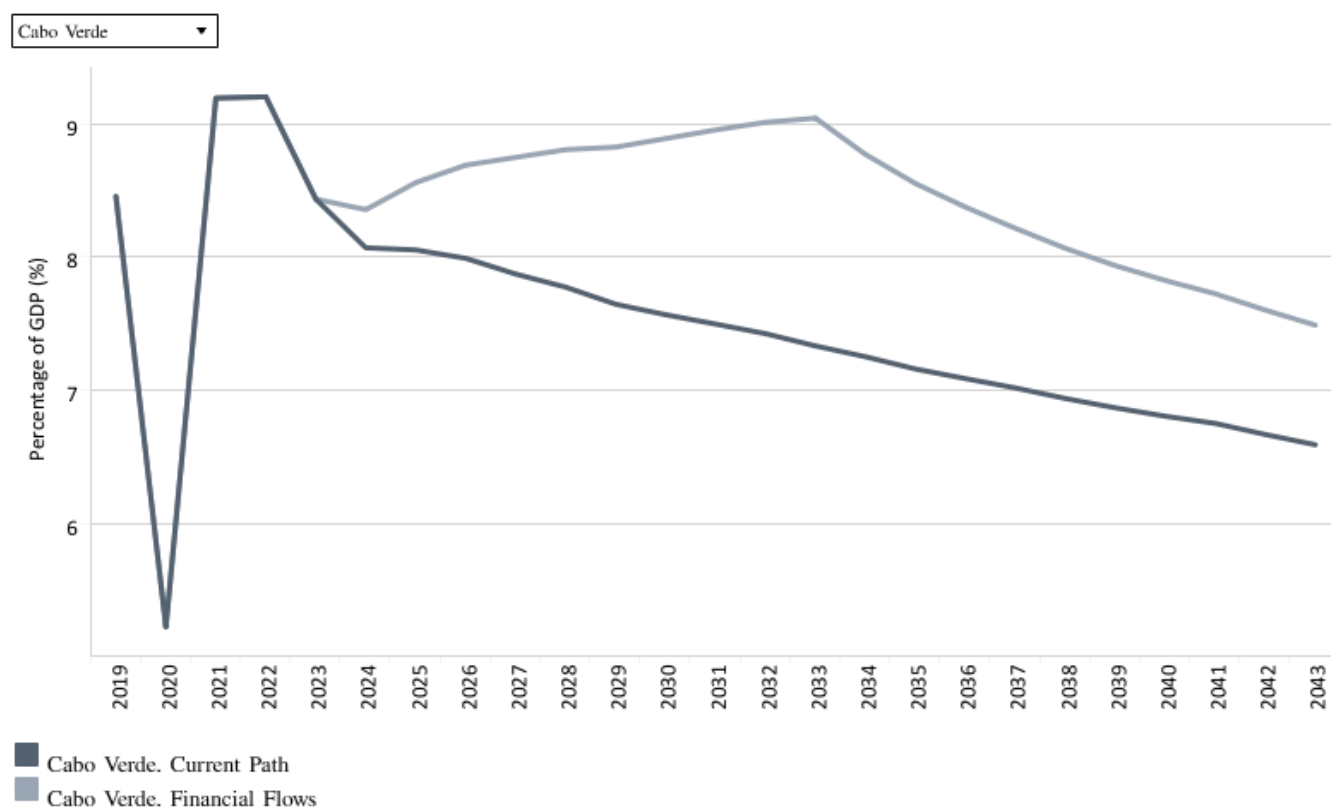
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The Financial Flows scenario represents a reasonable but ambitious increase in worker remittances and aid flows to poor countries, and an increase in the stock of foreign direct investment (FDI) and additional portfolio investment inflows to middle-income countries. We also reduced outward financial flows to emulate a reduction in illicit financial outflows.

The intervention is explained in [here](#) in the thematic part of the website.

Chart 42 depicts the trends in foreign aid as a percentage of GDP in the Current Path forecast and Financial Flows scenario. The total foreign aid received by Cape Verde in 2019 was 7.9% of GDP, above the average of 1.7% for lower middle-income countries in Africa. Cape Verde has been a large beneficiary of foreign aid. In 2010 alone, the country received a total of about US\$327 million in aid. The [country](#) was the first in Africa to complete the Millennium Challenge Corporation (MCC) Compact of US\$110 million in 2010. It also successfully completed the second MCC compact by 2018. The large influx of aid into the country can partly be explained by its democratic stability and relatively good governance. Most of the [foreign aid](#) received by Cape Verde is from bilateral sources, mainly from Portugal, other European countries and the EU. For instance, in 2016, over 70% of the US\$144 million of ODA received came from bilateral sources. Although foreign aid to Cape Verde in absolute terms is projected to rise, foreign aid as a percentage of GDP is expected to decline such that, by 2043, the total foreign aid received by the country is projected to be 3.8% of GDP under the Financial Flows scenario and 3.7% of GDP in the Current Path forecast. These projections are above the projected average of 0.5% of GDP for lower middle-income African countries.

Chart 43: Inflow of FDI in CP and Financial Flows scenario, 2019–2043  
% of GDP



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

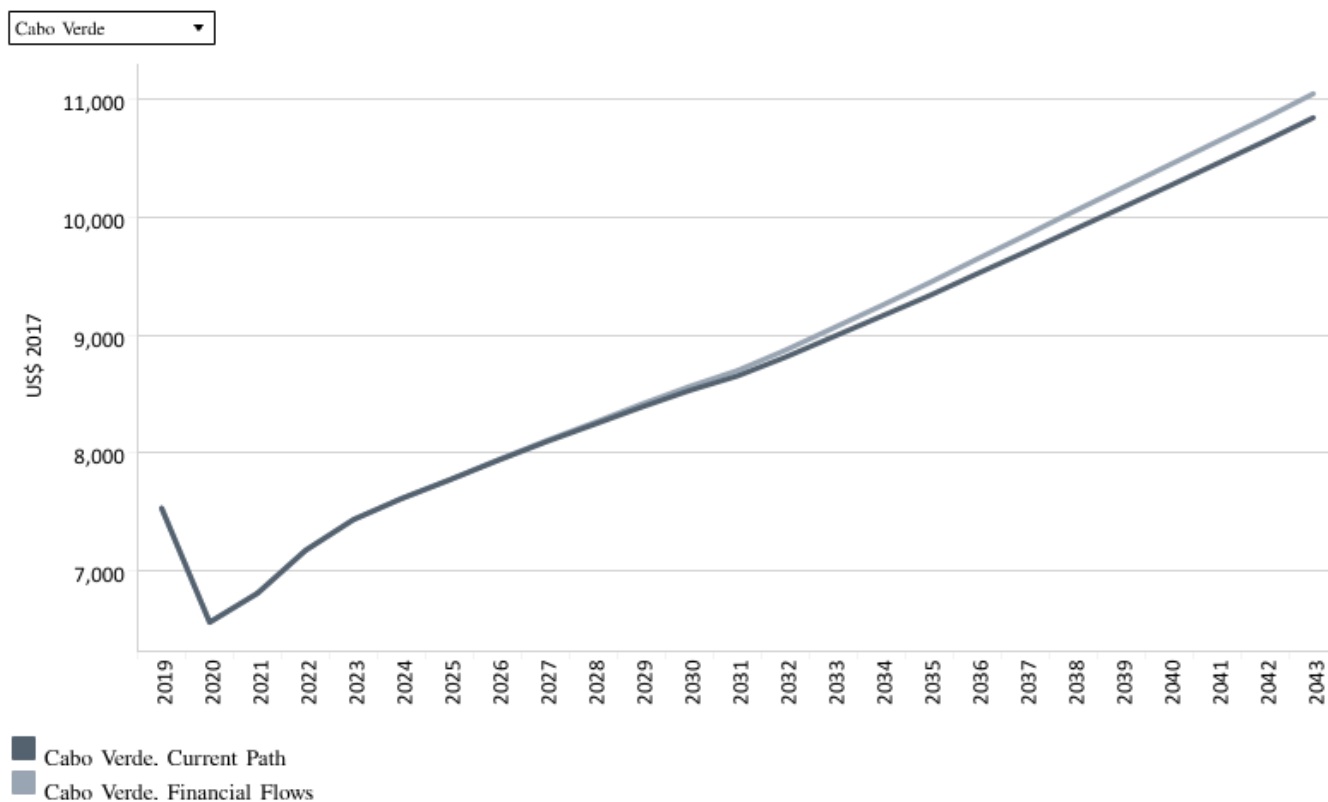
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Chart 43 shows foreign direct investment (FDI) as a percentage of GDP in the Current Path forecast and Financial Flows scenario. The Cape Verdean economy depends heavily on FDI. In 2019, Cape Verde’s total FDI amounted to 8.5% of GDP, which was far above the average of 2.6% for lower middle-income African countries. Political stability, democratic institutions, good governance and economic freedom, as well as effective macroeconomic management, have contributed to the favourable investment climate in the country. For instance, the country is highly rated on the corruption perception index, and there is equal treatment for both local and foreign companies, with only a few regulatory challenges for foreign businesses in Cape Verde. However, FDI in the country is highly focused on a few sectors, mainly the tourism sector. The government has attempted to attract more FDI to other sectors through its investment promotion agency, Cabo Verde TradeInvest, by offering tax incentives and breaks to potential investors in sectors such as ICT. By 2043, it is projected that total FDI to the country will be about 6.6% of GDP in the Current Path forecast. In the Financial Flows scenario, FDI is projected to be about 7.5% of GDP in 2043, which is above both the Current Path forecast and the average for lower middle-income countries on the continent.



Chart 45: GDP per capita in CP and Financial Flows scenario, 2019–2043  
Purchasing power parity

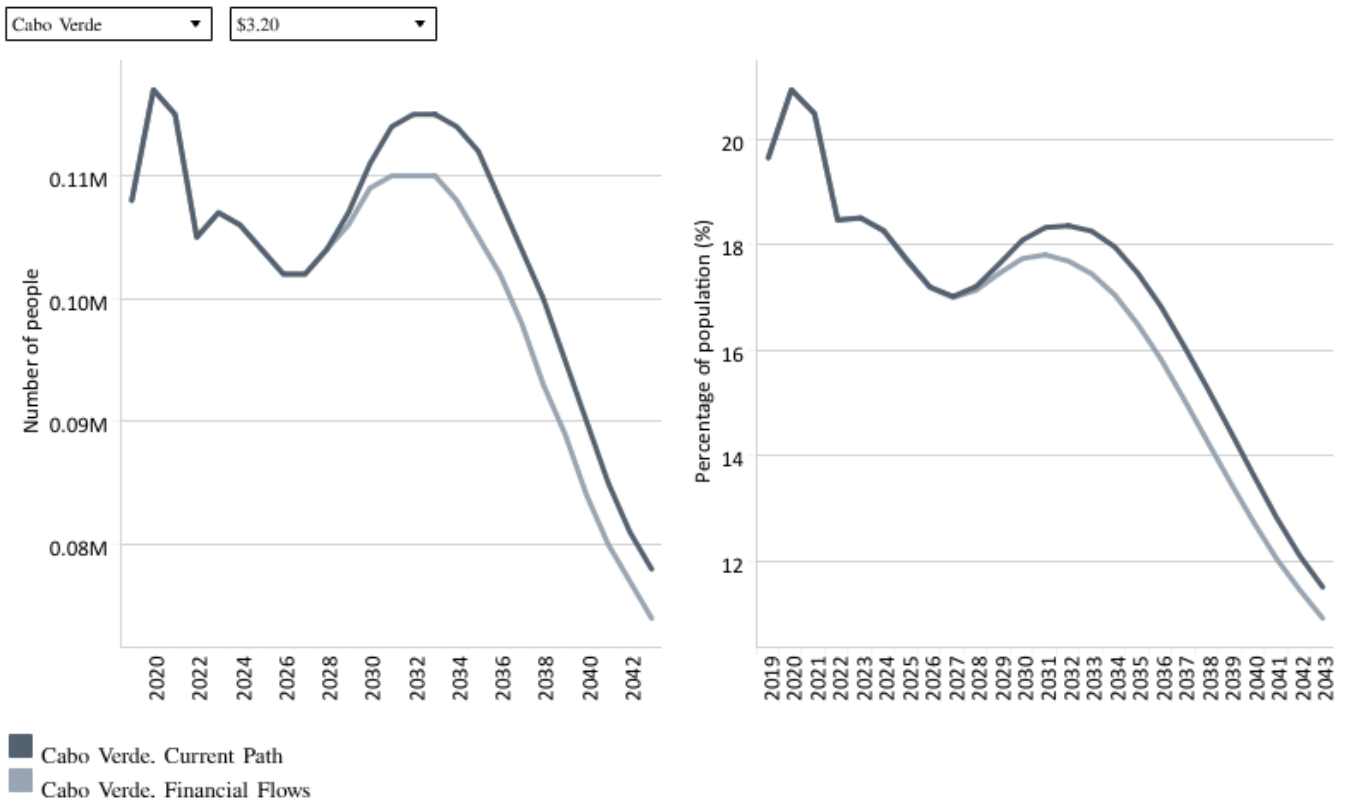


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 45 illustrates the trend in GDP per capita in the Current Path forecast and Financial Flows scenario. Cape Verde’s GDP per capita is estimated to increase to US\$11 042 by 2043 in the Financial Flows scenario. This represents an increase of US\$203 over the Current Path forecast in the same year. It is also higher than the projected average of US\$9 142 for lower middle-income countries in Africa by 2043.

**Chart 46: Poverty in CP and Financial Flows scenario, 2019–2043**  
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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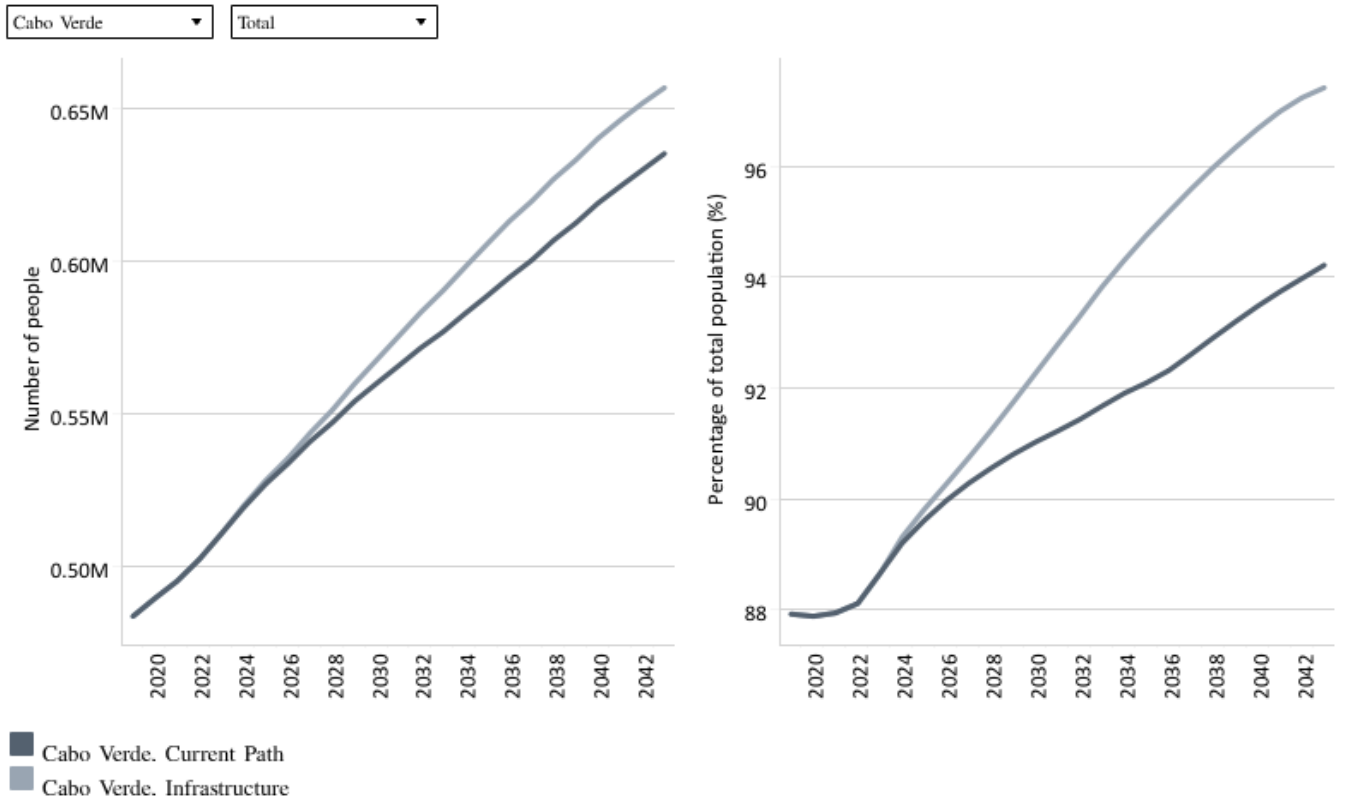
Trade openness will reduce poverty in the long term after initially increasing it due to the redistributive effects of trade. Most African countries export primary commodities and low-tech manufacturing products, and therefore a continental free trade agreement (AfCFTA) that reduces tariffs and non-tariff barriers across Africa will increase competition among countries in primary commodities and low-tech manufacturing exports. Countries with inefficient, high-cost manufacturing sectors might be displaced as the AfCFTA is implemented, thereby pushing up poverty rates. In the long term, as the economy adjusts and produces and exports its comparatively advantaged (lower relative cost) goods and services, poverty rates will decline.

Chart 46 depicts the number and portion of poor people respectively who are living below the poverty line of US\$3.20 in the Current Path forecast and Financial Flows scenario. In the Financial Flows scenario, the number of people living in extreme poverty is projected to decline to 74 000 in 2043, representing 10.9% of the total population. This translates to 4 000 fewer poor people than in the Current Path forecast in the same year. It is also lower than the projected average poverty rate of 38.3% for lower middle-income countries in Africa.



## Infrastructure scenario

Chart 47: Electricity access in CP and Infrastructure scenario, 2019–2043  
Millions of people and % of population



Source: IFs 7.63 initialising from World Development Indicators data

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The Infrastructure scenario represents a reasonable but ambitious increase in infrastructure spending across Africa, focusing on basic infrastructure (roads, water, sanitation, electricity access and ICT) in low-income countries and increasing emphasis on advanced infrastructure (such as ports, airports, railway and electricity generation) in higher-income countries.

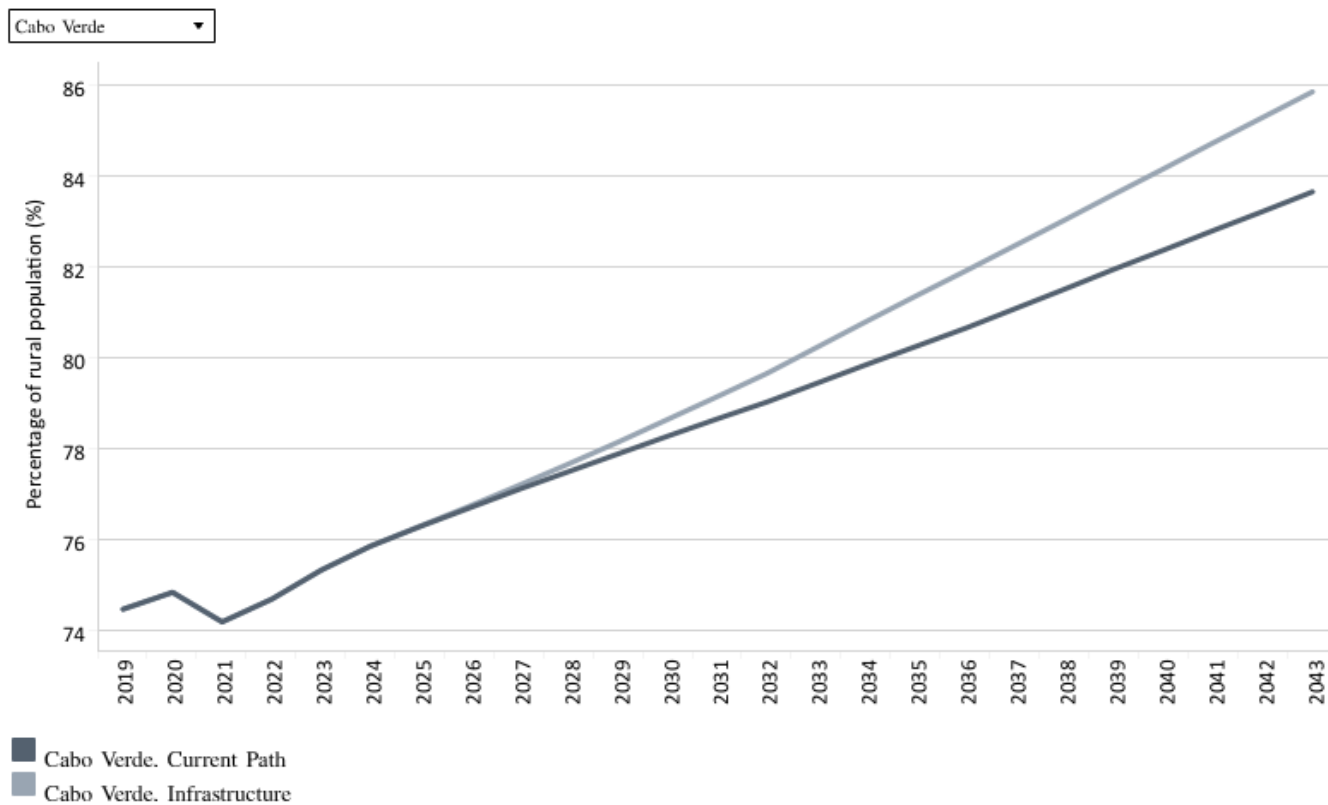
Note that health and sanitation infrastructure is included as part of the Health/WaSH scenario and that ICT infrastructure and more rapid uptake of renewables is part of Leapfrogging. The interventions there push directly on outcomes, whereas those modelled in this scenario increase infrastructure spending, indirectly boosting other forms of infrastructure, including those supporting health, sanitation and ICT.

The intervention is explained in [here](#) in the thematic part of the website.

Chart 47 shows the number and proportion of people with access to electricity in the Current Path forecast and the Infrastructure scenario. The total number of people with access to electricity in 2019 was 0.48 million, representing 87.9% of the population. This is expected to increase to 0.66 million in 2043, constituting 97.4% of the population, in the Infrastructure scenario. This increment exceeds the projected value of 0.63 million, representing 94.2% of the population, in the Current Path forecast. In terms of rural–urban dichotomy, by 2043 it is projected that all rural dwellers will have access to electricity in the Infrastructure scenario compared to the 99% estimated in the Current Path forecast. However,

96.5% and 92.4% of urban dwellers in the Infrastructure scenario and the Current Path forecast respectively will have access to electricity in 2043, indicating a disparity in access to electricity between urban and rural dwellers in both the Current Path forecast and the Infrastructure scenario.

**Chart 48: Rural road access in CP and Infrastructure scenario, 2019–2043**  
 % of rural population within 2 km of an all-weather road



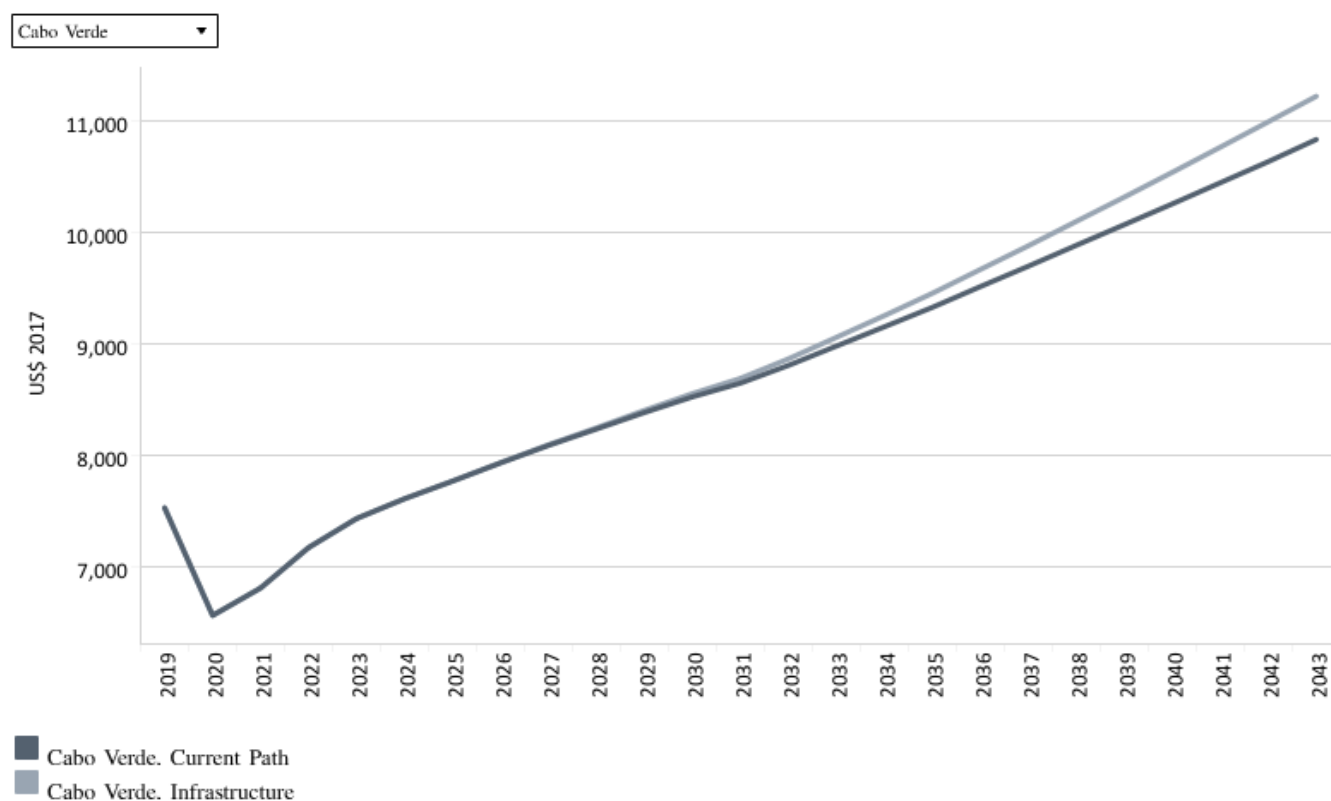
Source: IFs 7.63 initialising from World Bank Rural Access Index data

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Indicator 9.1.1. in the Sustainable Development Goals refers to the proportion of the rural population who live within 2 km of an all-season road and is captured in the Rural Access Index.

Chart 48 represents the per cent of the rural population within 2 km of all-weather roads in the Current Path forecast and the Infrastructure scenario. Accessibility to rural areas is important in spurring the socioeconomic development of a country and improving the living standards of the rural population. Better rural roads facilitate trade between rural and urban areas. In 2019, 74.5% of all rural dwellers in Cape Verde resided within 2 km of all-weather roads, which was higher than the average of 61.4% for lower middle-income African countries. In the Infrastructure scenario, this is expected to rise to 85.9% by 2043, higher than the 83.7% projected in the Current Path forecast and the average of 67.8% for lower middle-income countries in Africa.

Chart 49: GDP per capita in CP and Infrastructure scenario, 2019–2043  
Purchasing power parity

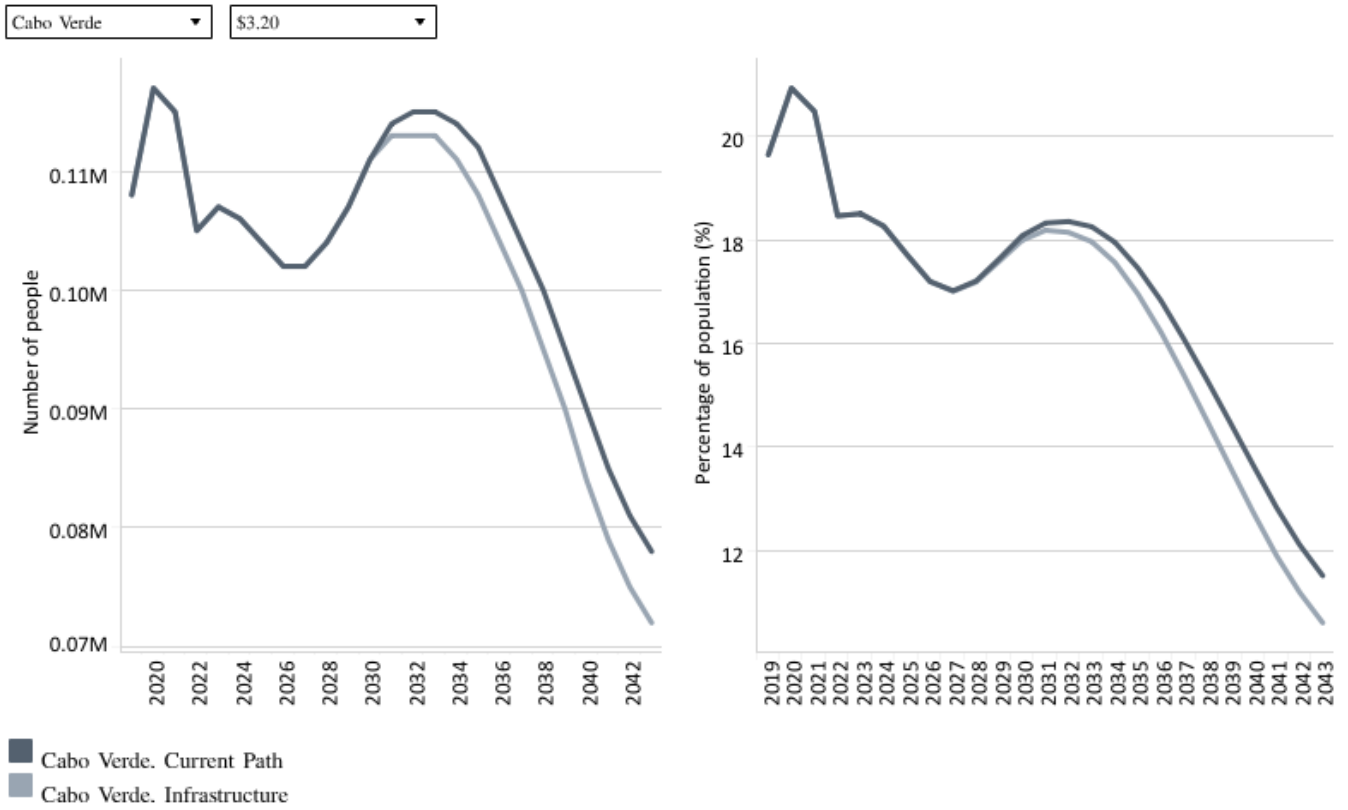


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 49 illustrates GDP per capita in the Current Path forecast and Infrastructure scenario. Increased investment in infrastructure improves connectivity and reduces transaction costs, positively affecting productivity and growth. Cape Verde’s GDP per capita is estimated to rise to US\$11 227 by 2043 in the Infrastructure scenario. This is US\$388 more than in the Current Path forecast in the same year, and also above the average of US\$9 142 for lower middle-income countries in Africa.

Chart 50: Poverty in CP and Infrastructure scenario, 2019–2043  
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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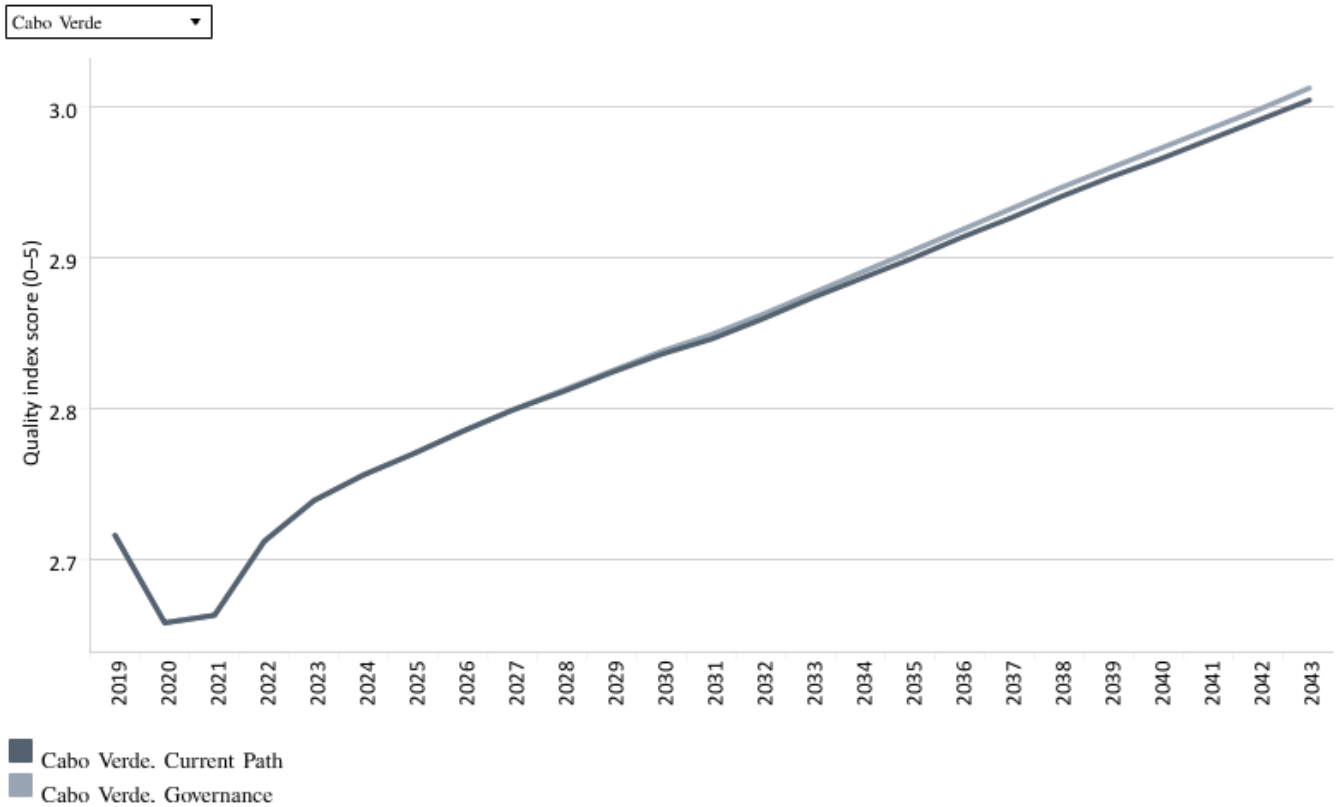
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Chart 50 shows the number and proportion of poor people living below the poverty line of US\$3.20 in the Current Path forecast and Infrastructure scenario. In the Infrastructure scenario, the extreme poverty rate is forecast to be 10.6% in 2043. This corresponds to 72 000 poor people in 2043. The Infrastructure scenario has 6 000 fewer poor people than the Current Path forecast in 2043. Moreover, the poverty rate in the scenario is 27.7 percentage points lower than the projected average of 38.3% for lower middle-income countries in Africa.



## Governance scenario

Chart 51: Gov effectiveness in CP and Governance scenario, 2019–2043  
World Bank quality index score for government effectiveness



Source: IFs 7.63 initialising from Kaufmann, Kraay and Mastruzzi (2010) data

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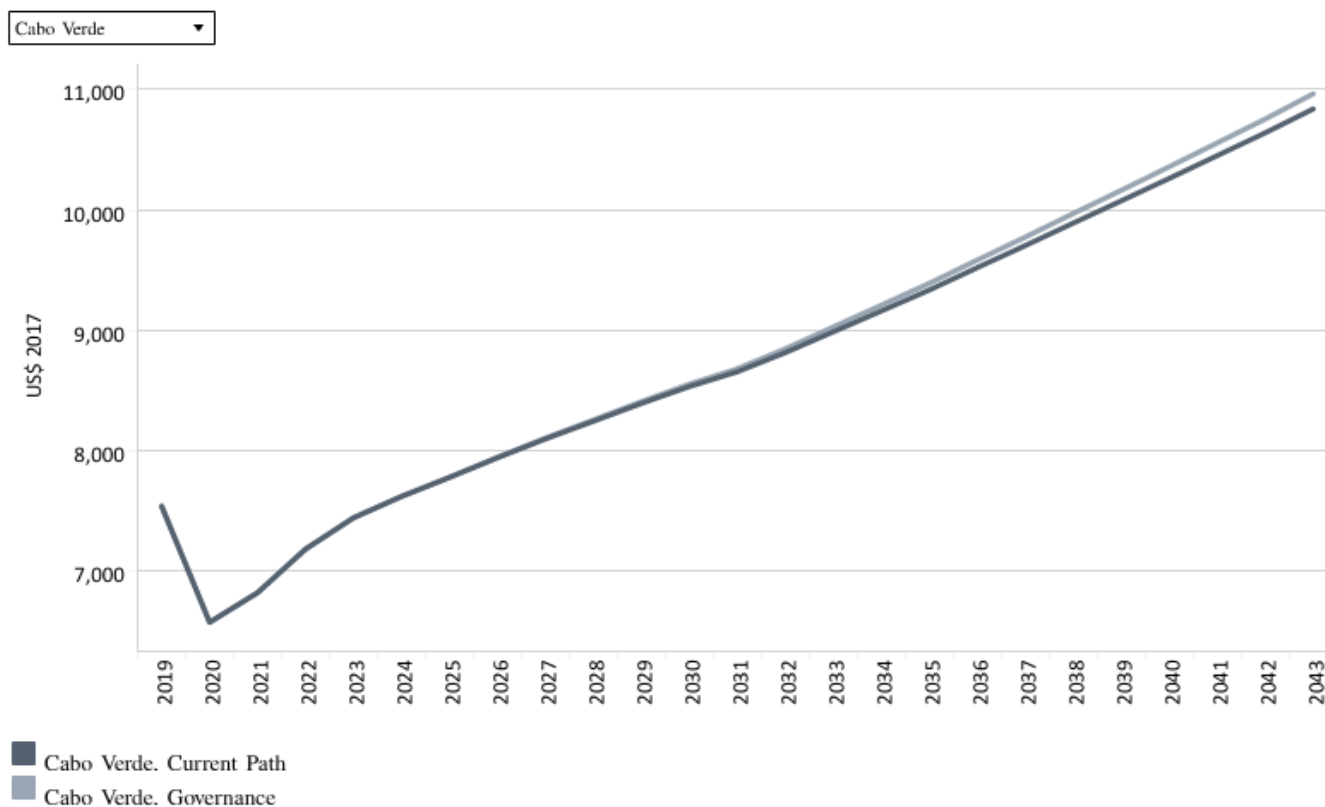
The Governance scenario represents a reasonable but ambitious improvement in accountability and reduces corruption, and hence improves the quality of service delivery by government.

The intervention is explained in [here](#) in the thematic part of the website.

As defined by the World Bank, government effectiveness ‘captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies’.

Chart 51 presents the impact of the interventions in the Governance scenario on government effectiveness. It depicts the World Bank government effectiveness quality score in the Current Path forecast and Governance scenario. In 2019, Cape Verde’s score on government effectiveness was 2.7 (out of a maximum of 5), above the average of 1.9 for lower middle-income countries in Africa. In the Current Path forecast and the Governance scenario, government effectiveness is estimated to increase across the forecast horizon. However, the increase in the Governance scenario is slightly higher than the increment in the Current Path forecast. The projected score for government effectiveness in the Governance scenario by 2043 is 3.01, which is 0.01 more than in the Current Path forecast. Also, Cape Verde’s score on government effectiveness for 2043 will be above the average of lower middle-income countries in Africa.

Chart 52: GDP per capita in CP and Governance scenario, 2019–2043  
Purchasing power parity

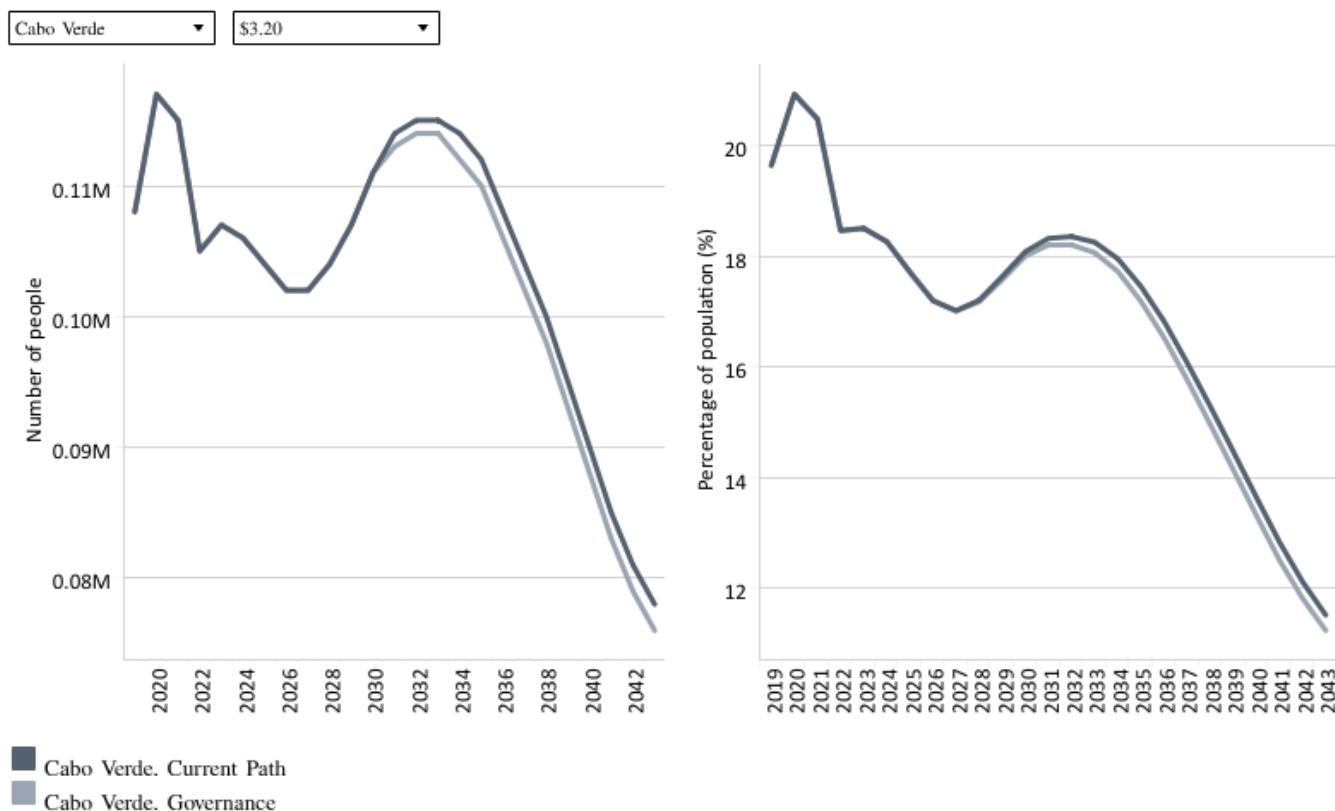


Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Chart 52 displays GDP per capita in the Current Path forecast and Governance scenario. In the Governance scenario, Cape Verde’s GDP per capita is projected to increase to US\$10 965 in 2043, which is US\$126 more than in the Current Path forecast and higher than the average of US\$9 142 for lower middle-income countries on the continent in the same year. This suggests that good governance in the form of reducing corruption, improvement in quality of service delivery and accountability can enhance economic growth in Cape Verde.

Chart 53: Poverty in CP and Governance scenario, 2019–2043  
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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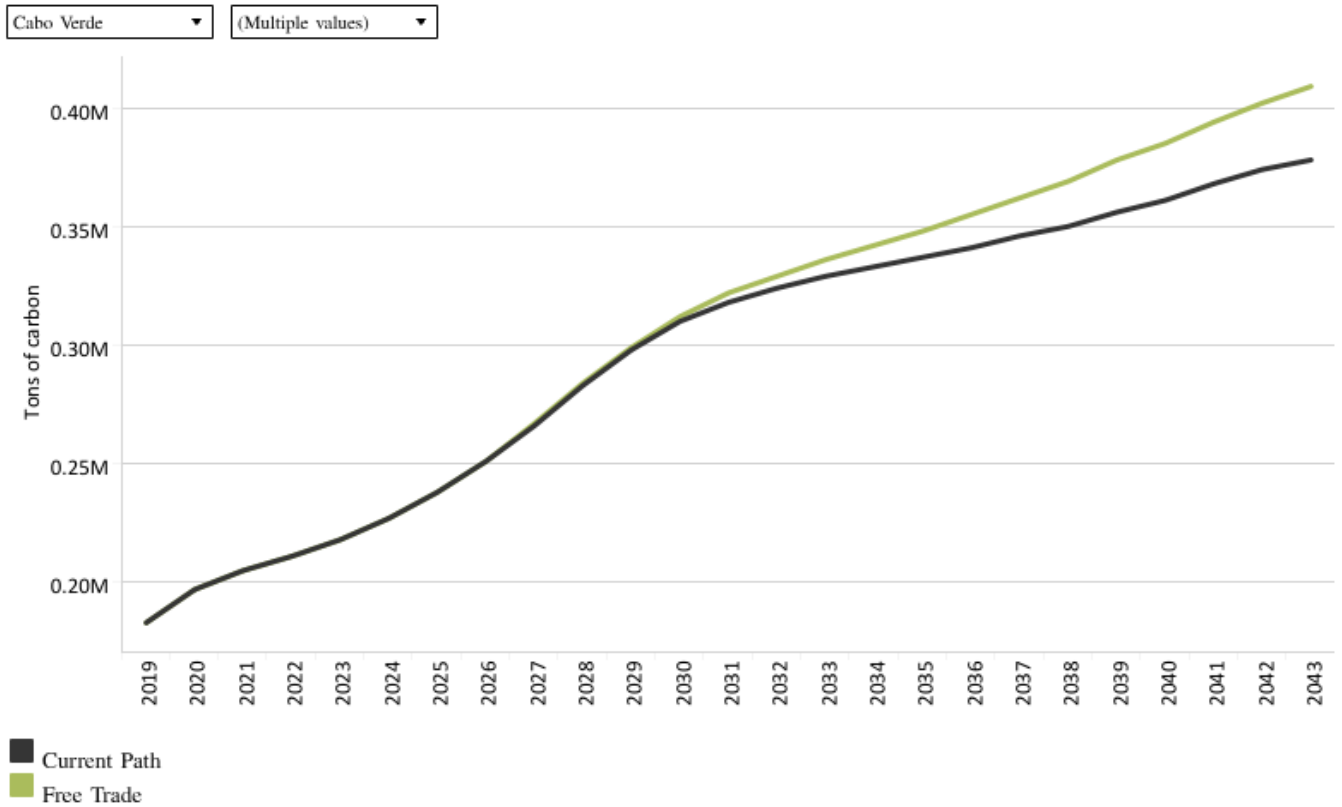
Chart 53 illustrates the number and portion of the poor people in the Current Path and Governance scenario. The proportion of people living below the poverty line of US\$3.20 is expected to decline to 11.2% in 2043 in the Governance scenario, which is lower than the 38.3% average for lower middle-income African countries in the same year. It also corresponds to about 2 000 fewer poor people than the 78 000 poor people in the Current Path forecast for 2043.



## Impact of scenarios on carbon emissions

### Chart 54: Carbon emissions in CP and scenarios, 2019–2043

Million tons of carbon (note, not CO<sub>2</sub> equivalent)



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

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This section presents projections for carbon emissions in the Current Path for Cape Verde and the 11 scenarios. Note that IFs uses carbon equivalents rather than CO<sub>2</sub> equivalents.

Chart 54 shows the estimated tons of carbon emission for Cape Verde in the various scenarios. The total quantity of carbon emitted by Cape Verde in 2019 was 0.18 million tons, and is projected to increase to about 0.47 million tons by 2043. Cape Verde's carbon emissions are projected to increase in all the scenarios. The intervention with the greatest impact on carbon emissions is the Free Trade scenario, which will lead to Cape Verde emitting 0.41 million tons of carbon in 2043. This is followed by the Manufacturing/Transfers and Agriculture scenarios, with carbon emissions of 0.40 and 0.39 million tons by 2043 respectively.

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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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