

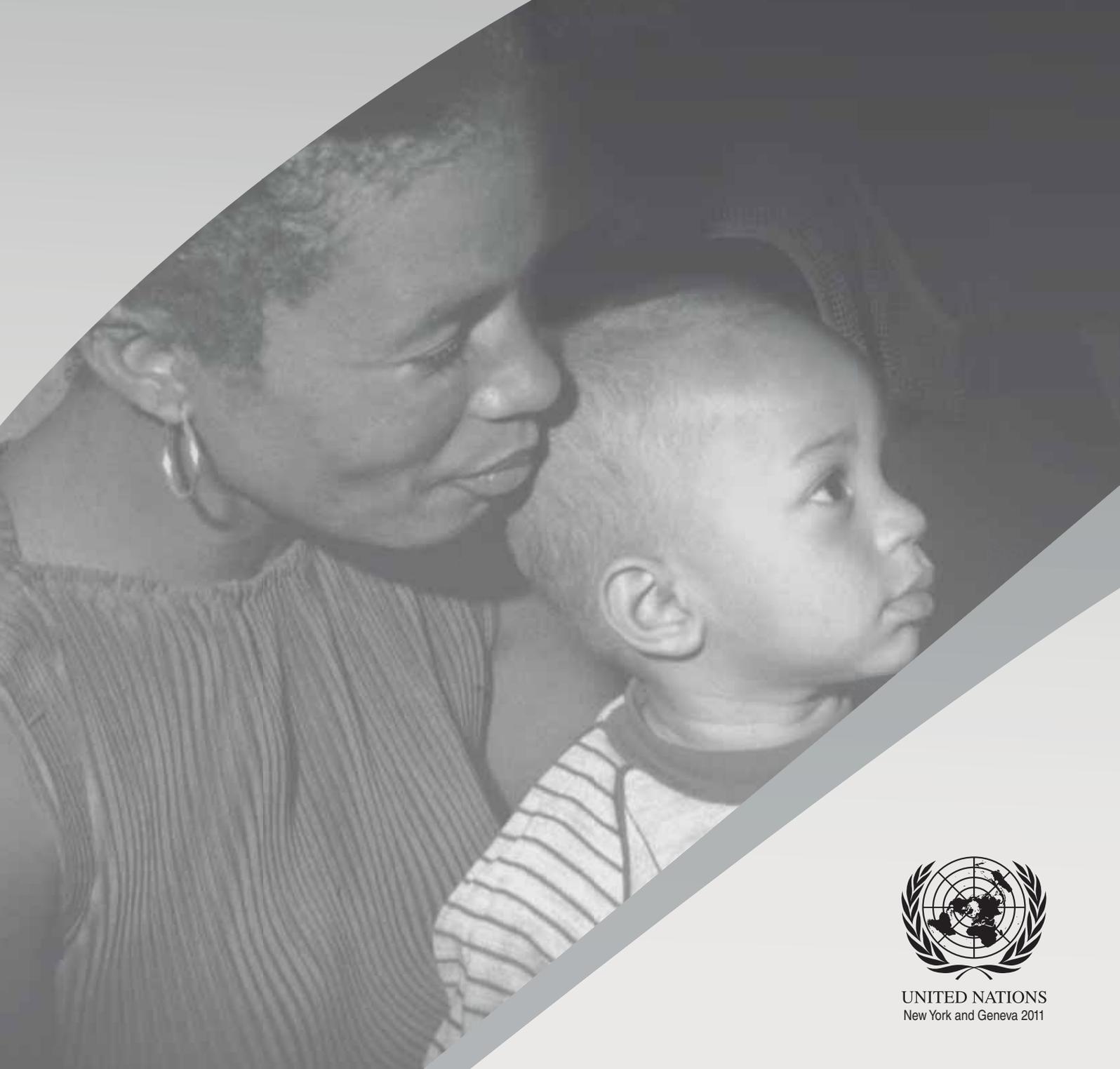


Who is benefiting from trade liberalization in Cape Verde?

A GENDER PERSPECTIVE



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This study was prepared by an UNCTAD team including Mona Froystad, Irene Musselli and Simonetta Zarrilli, in collaboration with Professor Guido Porto from the Department of Economics of the University of La Plata, Argentina. The overall work was coordinated by Simonetta Zarrilli.

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EXECUTIVE SUMMARY

Trade policies such as trade liberalization and facilitation that are aimed at fostering market integration tend to have strong redistributive effects, both across economic sectors and among individuals. Some may benefit, others may suffer, and yet others may be unaffected. The study explores some of the impacts of trade policies on household's welfare in Cape Verde, with a focus on gender issues. To the extent possible, it devises policies and instruments that would bring positive results for women. In particular, it looks at food prices, remittances and tourism. These dimensions emerge as important transmission channels through which trade policies affect gender relations in Cape Verde. They were identified in light of their critical significance to Cape Verde and Cape Verdean women, and based on considerations of data availability.

Cape Verde is characterized by being heavily dependent on imports, especially of food products and of several kinds of machineries. The export sector is small and limited to primary and low technology-intensive goods. The European Union (EU) is Cape Verde's main trade partner. Currently Cape Verde is eligible as beneficiary of the Everything but Arms (EBA) scheme, which gives the country duty-free access to the EU market. Cape Verde graduated from the Least Developed Country (LDC) status in 2008, and, as a result, will be removed from the list of EBA beneficiaries on 1 January 2012, after its three-year transition period. Within the Cotonou Agreement framework, Cape Verde is in the process of negotiating an Economic Partnership Agreement (EPA) with the EU. The agreement will guarantee that Cape Verde's exports continue enjoying duty-free access in the EU market after the phasing out of the EBA, but on reciprocal terms. There are concerns that the elimination of customs duties on most EU imports could lead to a significant decrease in Government revenue, which may badly affect the provisions of public services from which women in particular benefit. Moreover, if not implemented gradually and with appropriate safeguards, trade liberalization with the EU may hamper its industrialization prospects, with negative repercussions on women employed in import-competing sectors, among others. The risk is that many Cape Verdean producers will no longer remain profitable as their ability to compete with EU imports is highly limited by severe supply-side constraints.

Cape Verde, to a great extent, has showed commitment to gender equality and women's empowerment. It is a signatory of several related covenants and agreements at the multilateral and regional levels; domestically, the Constitution and other key laws guarantee equal rights for women and men. However, Cape Verde has experienced difficulties in ensuring de facto equality. Rather than in legislative barriers, gender inequalities seem to be rooted in socio-cultural norms that current policies and laws have not yet been able to overcome.

There are three main effects of trade policies on households that could be discerned: (a) the consumption effect on the price of the good consumed by the households; (b) the income effect on households' income, including earnings, sales of agricultural products and other forms of income; and (c) the revenue effect on the generation and distribution of Government revenues. Revenues may indirectly affect households through transfers and provision of public goods. Simulations were made in the study in order to assess how individuals' and households' welfare would be affected by (a) a change in food prices; (b) an increase in income originating from remittances; and (c) an expansion of some tourism subsectors. Results were aggregated by the relevant dimension (location, gender, poor or non-poor), so as to better identify any subgroup that would gain or lose from trade policy. The main findings of the analysis are summarized below.

Food prices

In both urban and rural households, food expenditure represents a large share of Cape Verdean households' total expenditures. Nationally, the food budget share is approximately 45 per cent amongst the households with the lowest income, with a small difference between female- and male-headed households. The share spent on food declines with the level of household well-being; it follows that higher food prices will affect more seriously the poorer households.

At the global level, average global agriculture and food prices are rising rapidly with the Food and Agriculture Organization of the United Nations (FAO) Food Price Index reaching a near historical high in May 2011. Against this background, the study simulates the poverty impacts of a 10 per cent increase

in international food prices that would translate in an equivalent increase in the cost of the food bundle at the household level. At the national level, the fraction of people below the poverty line increases by 2.6 percentage points (the increase in head-count ratio from 36.7 to 39.2 per cent). As stated earlier, there are only marginal differences between the poverty impacts on female- and male-headed households. However, in the case of extreme poverty, the impacts tend to be larger in female-headed households than in male-headed households (2.2 and 1.5 percentage points increase, respectively). The negative repercussions of a 10 per cent increase in the cost of the food bundle are larger in rural than urban areas: the fraction of people below the poverty line increases by 3.1 and 2.2 percentage points, respectively.

The study also simulates the poverty impacts of full tariff liberalization in agriculture, particularly in the context of ongoing EPA negotiations. Most favoured nation (MFN) applied tariffs average 12 per cent on agricultural products. Without estimates of the extent of the pass-through to domestic food prices, it was assumed that complete tariff liberalization would translate to a 10 per cent decline in food prices. The purpose of this second simulation is to isolate the impact of Cape Verde's trade liberalization policy on food prices from the impact on other factors. The change in food prices brought about by the hypothetical tariff cuts causes poverty to decline. At the national level, the fraction of people below the poverty line declines by 2.6 percentage points. Again, there are only marginal differences between the poverty impact in female- and male-headed households, though the impacts tend to be larger in female-headed households. The simulation also uncovers larger impacts in rural areas, particularly in the case of extreme poverty.

While the analysis shows that tariff cuts due to the EPA may have a pro-poor impact, it tends to discount considerations of food security. Because of its geographical and climate conditions, food insecurity in Cape Verde is structural, and the country will likely remain import-dependent on food. Nevertheless, it has an interest in preserving some capacity for domestic food and agriculture production. A balance should therefore be struck between the benefits, especially for poor households, of trade liberalization and related tariff reductions and the need to keep and enhance domestic productive capacity.

The 2007–2008 global food crisis has highlighted some of the risks of relying on food imports, leading to renewed interest in enhancing agricultural production in Cape Verde.

Persistently high agriculture and food prices in the international markets make national policies and programmes, including safety net programmes and proactive agricultural policies, of utmost importance. In Cape Verde, the central Government and the municipalities administer social protection mechanisms to control negative effects of food insecurity, such as school feeding programmes and targeted cash transfer programmes. A key consideration in designing a social protection scheme is deciding who should be targeted and how it should be provided. Findings from this study could provide some guidance on how to best identify the suitable beneficiaries of the schemes, based on the population's characteristics such as location, gender and income. The findings also point to the need to preserve and boost domestic capacity in staple food production to lessen Cape Verde's exposure to highly volatile international markets. Cape Verde has already identified some key areas of policy intervention, such as stimulating the artisanal fisheries sector, improving agriculture production through irrigation, and promoting sustainable management of natural resources.

A number of Aid for Trade initiatives could catalyse development assistance in support of Cape Verde's efforts to develop the infrastructure the country needs in enhancing food production capabilities. The key challenge is to align aid flows to the priorities expressed in national agricultural/sectoral policies. The technological upgrading of women farmers, their enhanced access to extension services, training on standards compliance could be included among the trade-related areas where support from the international financing schemes could be sought.

Remittances

Due to the Cape Verdean diaspora, remittances are a major link between migration and development for the country. Remittances and external rents are an important source of income, representing 10.5 per cent of total household income, and 14.7 per cent of income for female-headed households. There are also geographic disparities: in rural areas, remittances account for nearly 15 per cent of total income,

while in urban areas they account for only 7.1 per cent. Remittances have almost doubled between 1998 and 2008 in nominal terms (from \$77 million to \$138.4 million). However, the share of remittances in gross domestic product (GDP) actually declined in recent years.

The study simulates the household welfare effects of an increase of 20 per cent in income coming from remittances. The results show that the income gains are higher for female-headed households, and rural areas are more affected than urban areas. In urban areas, the gains are similar across the entire range of income levels, and are equivalent to 2 per cent of household income for female-headed households, and 1 per cent for male-headed households. In contrast, the gains in rural areas tend to be positively associated with per capita household expenditure, especially for female-headed households. Overall, the simulation suggests that an increase in remittances seems to be particularly beneficial for female-headed households, except for the poorest households in rural areas, whose share of income from remittances tends to be very small.

Given the equalizing effects of remittances on income distribution and their importance for household livelihoods, Cape Verde would benefit from exploring ways and means to sustain and facilitate remittance flows. This calls for policy and institutional coherence at the national and international levels, and it requires coordinated action among countries sending and receiving workers. There are two main policy areas that would be of particular importance: management of labour mobility and facilitation of remittance flows. Labour mobility is a complex issue where Cape Verde should carefully weigh the positive effects of migration and remittances, such as financial inflows and the establishment of transnational networks linked to the diaspora, against their negative repercussions, such as “brain-drain” and dependence on remittances. Regarding facilitation of remittance flows, there are several ways and means to lower transfer costs and formalize remittance flows, such as encouraging the establishment of foreign bank branches or promoting partnerships between banking institutions in sending and origin countries. A particular focus should be to cater for those irregular migrants, many of whom are women, who may not have access to formal transfer mechanisms.

The provision of services abroad through the General Agreement on Trade in Services (GATS) mode

4 – the temporary movement of people as service suppliers – represents the only multilateral treaty-based regime in existence today for managing the temporary movement of certain categories of persons. The precise definition of temporary services suppliers, however, is rather unclear, and given the fact that the boundaries between temporary movement and temporary migration tend to blur, some countries use the same legal instruments to regulate both movements. As highlighted above, trade and migration instruments can be used to make working abroad beneficial to workers and to both the sending and receiving countries. As far as the temporary movement of services suppliers under GATS mode 4 is at stake, the study identifies the enhancement of temporary movement of lower skilled services suppliers, the simplification of the granting of visas, work permits and licensing requirements, the recognition of professional qualifications, and the streamlining of the economic needs tests as measures that could be considered to facilitate women’s increased participation and benefits from working abroad.

Tourism

Through foreign exchange earnings, the creation of direct and indirect jobs, and skills development, tourism represents one of the most important opportunities for economic development, poverty reduction and women’s empowerment in the country.

Despite its potential benefits for overall economic development, the expansion of the tourism sector comes with potential costs, including the need for large investments in infrastructure, pollution, over-exploitation of natural resources, changes in social relations, and potential for increase in prostitution and sexually transmitted diseases, among others. These are challenges that Cape Verde should get ready to face.

The study explores, through simple simulations, the welfare impacts, especially on women, of an expansion of tourism. Tourism is an economic sector which includes a wide variety of activities and impacts different sectors of the economy. It is assumed that the major sectors/activities associated with tourism – namely Hotels and Restaurants, Commerce and Transport – are expanding. If the head of a household works in the Hotel and Restaurant sectors, the per capita expenditure of the household is assumed to increase by 30 per cent. If the head works in the Commerce or Transport sectors,

an additional increase of 10 per cent in per capita household expenditure is assumed.

At national level, the gains from expanding tourist sectors do not seem to be significant for the poorest households. Rather large welfare gains would be expected from an expansion of the Commerce and Transport sectors and such gains are likely to benefit the relatively richer households. Female-headed households are more affected by an expansion of the Commerce sector, and to a lesser extent by an expansion of the Hotel and Restaurant sector. This trend can be found in both rural and urban areas. Male-headed households mainly benefit from an expansion of the Transport sector. In rural areas, the gains are smaller for both male- and female-headed households. This is a consequence of the low share of these sectors in total employment in rural areas. Since islands are specialized in different tourism sectors, the study presents simulations on an island-specific basis.

In Cape Verde, the tourism labour market is an important mechanism for transferring benefits from tourism to the rest of its economy. The country may

achieve economic growth by linking tourism with other economic sectors. The promotion of cultural tourism, community-based tourism, business-related tourism, wellness and health tourism could be relevant in this respect. Community-based and cultural tourism could in particular benefit women in poor rural communities, where concrete policies should aim at emphasizing the importance of cultural industry and strengthening its links with the tourism sector.

Properly trained staff and a sufficient number of skilled personnel are preconditions for delivering high quality touristic services. Women's participation in tourism education and training would allow them to have access to more qualified, stable and better paid positions, including managerial ones. Policies should be put in place to cater for tourism education and training of women, especially those already employed in tourism. A more active role for women as tourism entrepreneurs may be facilitated by ensuring women's access to credit, land and property.

INTRODUCTION

The two principal aims of this report are to (a) shed light on the differentiated impacts of trade policies, especially policies geared to trade liberalization and facilitation, on men and women in Cape Verde; and (b) analyse whether there is a gender bias in the gains from trade. Specifically, the report looks at food prices, remittances and tourism as important transmission channels through which trade policies affect gender relations in Cape Verde.

The structure of the report is as follows:

Chapters 1 and 2 provide a stocktaking and analytical background. Chapter 1 offers both an overview of Cape Verde with a detailed description of character of its economy. Chapter 2 discusses Cape Verde's national policies and international commitments on gender mainstreaming and women's equality, and provides an assessment of women's current socio-political and economic status. The core of the analysis, presented in chapters 3 and 4, seeks to shed light on the gendered impact of trade policy, including trade liberalization. Chapter 3 specifically looks at trade flows and trade arrangements, and analyses the major obstacles to trade faced by Cape Verde. It briefly reviews the possible industrialization and revenue impact of tariff liberalization and the related implications for women. Chapter 4 explores some of the impacts of Cape Verde's trade policy on household welfare, with a focus on gender issues. The chapter simulates how different individuals and households would be affected by (a) a change in food prices; (b) an increase in income originating from remittances; and (c) an expansion of some tourism subsectors. These areas were se-

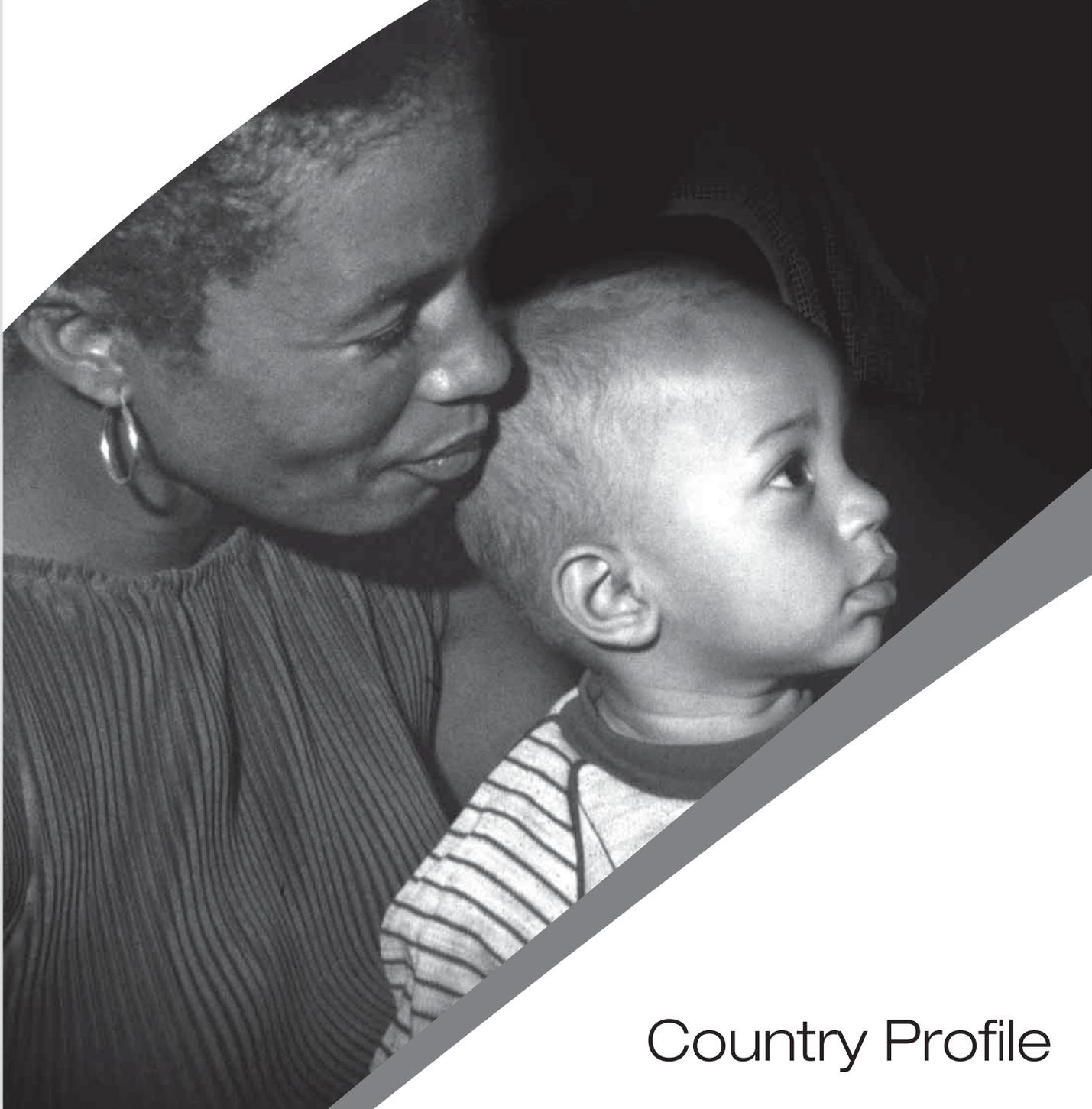
lected in consideration of the specificities of Cape Verde, namely the dependency of food imports, the diaspora, and the potential of the tourism sector. Chapter 5 concludes with some policy recommendations.

Let us note that some constraints (mainly data availability) are limiting the scope of the report.

First, the core analysis focuses on specific trade sectors/issues for which the available micro-survey data allow to generate a meaningful quantification of the likely gender impacts of trade liberalization/facilitation. Due to lack of relevant data, the report does not provide an in-depth quantitative assessment of other sectors in which Cape Verde is either currently competitive or where there is a potential to become competitive in the future. Furthermore, the study only partially explores some trade-related issues that may have a bearing on women – including the relationship between trade liberalization, inflation/deflation and poverty, and the issue of supply-side constraints and export competitiveness.

Second, the gender analysis in this report is limited in that it essentially discusses employment (and income) effects on female- versus male-headed households, while disregarding intra-household dynamics rooted in social patterns. For example, decision-making processes and command over resources within the household and intra-household transfers are not discussed. Yet, drawing on a quantitative model, the analysis provides important insights of the impacts of trade liberalization/facilitation on household welfare, with a focus on gender issues.

I



Country Profile

1. COUNTRY PROFILE

1.1. OVERVIEW

The Republic of Cape Verde is an archipelagic country consisting of 10 small islands located in Western Africa, 455 kilometres off the coast of Senegal. The total area is 4,033 km² and the climate is dry and tropical.¹ The 10 islands are geographically and economically different, portraying a mix of cultures.

The Cape Verdean islands were uninhabited when they were discovered by the Portuguese in 1460; two years later the first settlers arrived. Cape Verde had been a Portuguese colony until 1951 when the status changed from a colony to an overseas province. During the 1960s, Cape Verdeans – jointly with natives of Guinea-Bissau – formed a liberation movement. In 1961, the inhabitants gained full Portuguese citizenship, and in 1974 a transitional Government composed of Cape Verdeans and Portuguese was established. And finally in 1975, Cape Verde gained independence from Portugal. Cape Verde has since developed into a stable democracy, and is a unitary republic. The one-party rule ended in 1991 when the first multiparty elections were held. The most recent legislative elections took place in February 2011, and the African Party for the Independence of Cape Verde (PAICV) won with an absolute majority. The new Government was announced in March 2011. Scheduled Presidential elections were held in August 2011 and Mr. Jorge Carlos Fonseca from the Movement for Democracy Party was elected President.

Due to its location, Cape Verde has served as a trade facilitator throughout history, first as a centre for slave trade, and in the twentieth century as a shipping port. The islands were an important coaling and re-supply stop for whaling and transatlantic shipping. Cape Verde is today a services-based economy. The tourism sector has grown rapidly as the major factor behind the country's economic growth. Due to high growth rates, together with a stable democracy and a strong promotion of education, Cape Verde graduated from LDCs status in 2007. In 2008 Cape Verde became a member of the World Trade Organization (WTO) (WTO, 2008).

According to the 2010 Census, the population of Cape Verde is 491,875, the proportions of females and males are 50.5 and 49.5 per cent, respectively. About 40 per cent of Cape Verdeans live in

rural areas and 26.8 per cent of them live in Praia, the capital of the country, located in the island of São Tiago. Men and women are evenly distributed in urban and rural areas² (Republic of Cape Verde, 2011a). Natural features combined with a small domestic market, and a history of famines has contributed to a high emigration level throughout Cape Verde's history. In 2010, 192,500 Cape Verdeans were living abroad (World Bank, 2011), corresponding to 39.1 per cent of the population living in the country. The Cape Verde Diaspora is mainly concentrated in Europe (Portugal, France, the Netherlands, Italy and Spain), the United States, and other Portuguese-speaking African countries (Mozambique and Angola). Remittance flows are important for Cape Verde, accounting for about 9 per cent of GDP in 2008. Remittances, along with official development assistance (ODA), are contributing to the reduction of a negative balance of its current account.

The Cape Verde islands have very limited natural resources, and only about 10 per cent of the land is farmable (Republic of Cape Verde, 2003). Moreover, the country often bears droughts, irregular rainfalls and water shortages (Carling, 2001). The economy is constrained by this poor natural resource base. As a consequence, Cape Verde is heavily dependent on food imports. This makes the country particularly exposed and vulnerable to price spikes on food commodity markets.

The centrality of the tourism sector, the "Diaspora", and dependency of food imports, are important specificities of the Cape Verde economy.

The Constitution of Cape Verde and its laws guarantee equal rights for men and women; however, social-cultural habits have led to gender inequalities across a number of areas. Inequalities have persisted in income and employment opportunities, and access to essential services. Overall, there has been an increasing "feminization" of poverty: in urban areas, female-headed households tend to be poorer than male-headed households, with a widening of the poverty gap. Gender based violence also remains a serious problem, though some progress has been achieved through the adoption of a National Action Plan for the period 2007–2011 to fight violence against women, including foreign women, and, more importantly, through the adoption of a law against gender-based domestic violence that entered into force in March 2011 (Republic of Cape Verde, 2011b).

The Transparency International (TI) corruption perception index ranks Cape Verde number 45 out of a total of 178 countries. Only Botswana and Mauritius are doing better than Cape Verde in the sub-Saharan African region (TI, 2010). According to the Human Development Report 2010, Cape Verde falls in the category 'medium human development' on the human development index, and scores well over the average for the Sub-Saharan region (0.53 compared to 0.39) (United Nations Development Programme (UNDP), 2010). The distribution of income in Cape Verde is uneven with a Gini index of 50.5, which scores disappointingly as compared with other countries in the region.³

Cape Verde is ranked 55th overall (out of 183 economies) for Trading Across Borders – a measure of the costs and procedures involved in importing and exporting a standardized shipment of goods. It compares favourably with other countries in the region. For example, 19 days are

needed to export, as compared with 23 days in The Gambia and 35 days in Guinea. The cost to import (per container) is \$1,000, as compared to \$1,391 in Guinea and \$1,940 in Senegal. Cape Verde requires five documents both to export and to import. The Gambia and Senegal require six to export and eight and nine respectively to import. Overall, Senegal, The Gambia and Guinea are ranked 67, 87 and 129 respectively for Trading Across Borders (World Bank and International Finance Corporation (IFC), 2011).

The European Union (EU) is Cape Verde's main economic partner. In 2009, Spain was the destination of about 55 per cent of Cape Verde's exports, while about 42 per cent of Cape Verde's import came from Portugal (United Nations COMTRADE). Cape Verde has a fixed exchange rate, which is pegged to the Euro at 110.265 Cape Verde Escudo. The fixed exchange rate has served as an anchor for price and financial stability. The Euro,

Table 1. Gross domestic product (GDP), 1980-2008

GDP	1980	1990	2000	2004	2005	2006	2007	2008
Current prices (million dollars)	142	308	535	918	997	1,192	1,513	1,730
Constant prices (2,000 million dollars)	234	391	753	918	978	1,084	1,168	1,237
GDP annual growth (percentage at constant prices)		5.2	6.8	5.1	6.5	10.8	7.8	5.9
Per capita (dollars)	548	902	1,225	1,964	2,094	2,457	3,080	3,436
Per capita (2,000 dollars)	904	1,145	1,724	1,964	2,054	2,234	2,377	2,457
Composition (percentage at current prices)								
Primary	19.2	15.1	13.8	12.1		8.3	6.9	5.8
Agriculture, livestock and forestry	13.7	12.9	10.7	8.6				
Fishing	4.8	1.5	2.2	1.3				
Mining and quarrying	0.6	0.7	0.9	2.2				
Secondary	16.3	20.6	14.4	12.8		16.2	16.8	17.7
Manufacturing	4.6	7.5	5.2	3.7				
Electricity and water	-0.3	1.2	1.5	1.4				
Construction	12.1	11.9	7.7	7.7				
Tertiary	58.2	58.9	64.9	68.1		67.8	68.3	66.6
Wholesale and retail trade	29.0	19.5	17.8	19.3				
Hotel and restaurants	0.8	1.7	2.3	2.3				
Transport, storage and communication	9.0	15.1	19.9	21.1				
Financing, insurance and real estate	18.6	21.1	22.7	23.2				
Other services	0.8	1.5	2.2	2.2				
Plus: Indirect taxes less subsidies	6.3	5.4	6.9	7.0		7.7	8.0	9.9
	100.0							

Source: IMF (2010a) and Bank of Cape Verde (Republic of Cape Verde 1999-2009).

Table 2. Poverty, 2002-2007

Characteristics	Total				Rural				Urban			
	IDRF 2002			QUIBB 2007	IDRF 2002			QUIBB 2007	IDRF 2002			QUIBB 2007
	Female headed	Male headed	Total	Total	Female headed	Male headed	Total	Total	Female headed	Male headed	Total	Total
% of poor												
Households	31.0	25.7	28.0		42.8	41.3	42.0		21.3	14.7	17.5	
Individuals	39.6	34.6	36.7	26.6	50.8	51.3	51.1	44.3	29.9	21.6	25.0	13.2
Female	37.8	35.4	36.6	26.6	49.7	51.9	50.8	44.1	27.8	22.6	25.0	12.8
Male	42.1	33.9	36.8	26.6	52.3	50.7	51.3	43.4	33.1	20.7	24.9	13.9
% of extreme poor												
Households	14.9	13.4	14.0		21.6	23.9	22.8		9.5	5.9	7.4	
Individuals	20.0	19.5	19.7		26.8	32.1	29.8		14.1	9.7	11.5	
Female	19.3	19.8	19.6		26.7	32.4	29.7		13.1	10.1	11.5	
Male	20.9	19.3	19.9		26.9	31.9	30.1		15.6	9.3	11.5	

Source: Estimation based on IDRF, 2002 (Republic of Cape Verde, 2002b) and the QUIBB 2007 (Republic of Cape Verde, 2007c).

the currency of Cape Verde's main trading partners, and of most of international, is also the currency widely used for remittances. Cape Verde has pursued a prudent fiscal policy with improved tax collection and expenditure control which, along with good revenue performance due to economic growth, have allowed the country to have a contained fiscal deficit. The fiscal deficit is accelerating, however, because of a large increase in capital expenditure in 2010–2012, mainly due to a multi-sector expansion of the infrastructure to diversify the economy (AfDB, OECD, UNDP, UNECA 2011).

1.2. ANALYSIS OF SELECTED ECONOMIC AND SOCIAL INDICATORS

1.2.1. Composition of GDP

Cape Verde has been growing steadily, with an average annual growth rate of 5.9 per cent since 1982 (Table 1). In 2008, Cape Verde's gross domestic product (GDP) was \$1,730 million, with per capita income of \$3,436 (Republic of Cape Verde 1999–2009). GDP growth in 2010 was estimated to reach 5.3 per cent, compared with that of 3.6 per cent in 2009 (AfDB, OECD, UNDP, UNECA 2011).

Cape Verde has a services-based economy. In 2008, the service sector accounted for 66.6 per cent of GDP. The share of the tertiary sector has expanded by almost 10 percentage points over the

14-year period since 1980. The relevance of tourism and tourism-related foreign investments in the country's economy is poised to growth. The islands have a locational advantage relative to other highly tourism-based economies, due to their location near Europe, as well as their political and social stability.

The increasing contribution of the service sector to GDP has been mirrored by a decline in the primary sector, from 19.2 to 5.8 per cent over the 1980–2008 period. The secondary sector contributed around 17.7 per cent to the GDP in 2008. In the primary and secondary sectors, the share of industries that shrank most notably from 1980 to 2004 were agriculture, livestock and forestry (by 5 percentage points), construction (by 4.5 percentage points) and fishing (by 3 percentage points).

1.2.2. Socio-demographic indicators

Table 2 shows poverty statistics. In 2002, the National Statistics Institute (Instituto Nacional de Estatística - INE) created a relative poverty indicator by defining a poverty line equal to 60 per cent of median per capita expenditure. Based on this indicator, poverty substantially declined in the past decade. According to the 2002 Household Expenditure and Income Survey (Inquérito Às Despesas e Receitas Familiares) (IDRF), 28 per cent of Cape Verdean households and 36.7 per cent of Cape Verdean individuals were poor, while 14 per

Table 3. Demographic composition, 2002

Characteristics	Total			Rural			Urban		
	Female headed	Male headed	Total	Female headed	Male headed	Total	Female headed	Male headed	Total
Households	41,729	53,528	95,257	18,709	22,245	40,954	23,020	31,283	54,303
Individuals	196,914	273,773	470,687	91,199	120,167	211,366	105,715	153,606	259,321
% of total household	43.8	56.2	100.0	45.7	54.3	100.0	42.4	57.6	100.0
% of total individuals	41.8	58.2	100.0	43.1	56.9	100.0	40.8	59.2	100.0
Household size	4.7	5.1	4.9	4.9	5.4	5.2	4.6	4.9	4.8
Households composition									
Female	115,947	127,116	243,063	53,092	55,471	108,563	62,855	71,645	134,500
Male	80,967	146,657	227,624	38,107	64,696	102,803	42,860	81,961	124,821
% of female	47.7	52.3	100.0	48.9	51.1	100.0	46.7	53.3	100.0
% of male	35.6	64.4	100.0	37.1	62.9	100.0	34.3	65.7	100.0
Number of children	2.5	2.4	2.5	2.8	2.7	2.8	2.3	2.2	2.2
Age Groups total									
Less or equal to 14	44.1	39.8	41.6	48.5	42.7	45.2	40.3	37.6	38.7
Between 15 and 24	22.0	19.8	20.8	20.3	17.9	19.0	23.4	21.3	22.2
Between 25 and 40	16.7	19.5	18.4	14.4	17.4	16.1	18.8	21.2	20.2
Between 41 and 64	10.8	13.9	12.6	10.5	12.7	11.8	11.1	14.8	13.3
More or equal to 65	6.4	6.9	6.7	6.3	9.3	8.0	6.5	5.0	5.6

Source: Estimation based on IDRF 2002 (Republic of Cape Verde 2002b).

cent of households (and 19.7 per cent of individuals) lived in extreme poverty (with expenditures below 40 per cent of median per capita expenditure). Moreover, the share of poor households was significantly higher in rural areas than in urban areas. The gap between poor female- and male-headed household was narrow in rural areas, while in urban areas female-headed households tended to be poorer than male-headed households. Newer data from the 2007 Questionnaire on the Basic Welfare Indicators (Questionário Unificado de Indicadores Básicos de Bem Estar) (QUIBB) show a reduction in the headcount ratio for the total population of 10 percentage points (Republic of Cape Verde 2007c). These data also show increasing regional disparities: while more than 40 per cent of total individuals lived in poverty in rural areas, only around 10 per cent of the total population lived in poverty in urban areas. In addition, gender disparities widened. In 2002, the poverty rates for female-headed and male-headed households were 39.6 and 34.6 per cent, respectively. In 2007, these rates were 33 per cent for female-headed

households and 21 per cent for male-headed households (Table 2). It follows that the remarkable poverty achievements over the 2002 – 2007 period benefited specifically male-headed and urban households. The National Poverty Reduction Program (PNLP) - which represents a component of the Growth and Poverty Reduction Strategy 2008-2011 - has been recommending actions targeting low-income women, particularly those who are heads of family (IMF, 2010b).

At the national level, 43.8 per cent of households are female-headed households and 56.2 per cent are male-headed. Male-headed households tend to be bigger in size than female-headed households (5.1 and 4.7 persons per household respectively), as shown in Table 3.

As detailed in Table 4, there are important gender and location (urban versus rural) disparities in access to services. It is noteworthy that in both urban and rural areas, female-headed households have less access to electricity and water than their male-headed counterparts.

Table 4. Housing, 2002

Dwelling Characteristics	Total			Rural			Urban		
	Female headed	Male headed	Total	Female headed	Male headed	Total	Female headed	Male headed	Total
% of own dwelling	68.6	67.6	68.0	77.6	75.4	76.4	61.3	62.1	61.8
% pipe of drinking water inside dwelling	39.4	49.6	45.2	22.1	25.5	23.9	53.5	66.8	61.2
% have electricity	52.7	63.2	58.6	23.2	35.1	29.7	76.7	83.2	80.4

Source: Estimation based on IDRF 2002 (Republic of Cape Verde 2002b).

Table 5. Education**Literacy rate in percentage (15 years and above), 2000 and 2010**

	Year 2000	Year 2010
TOTAL	74.8	82.8
Men	83.5	88.5
Women	67.2	77.3

Literacy rate in percentage for age group, 2010

Age group	Male	Female	Total
15-24	96.4	97.4	96.9
25-44	92.9	90.4	91.7
45-64	79.8	52.1	64.6
65+	47.5	18.6	30.0

Literacy rate in percentage for urban and rural areas, 2010

	Urban areas	Rural areas
Male	91.7	82.9
Female	83.0	67.6

Source: Census 2010 (Republic of Cape Verde 2011a).

Recent progress in educational attainment is remarkable and reflects the strong commitment of the Government towards education. The overall literacy rate (15 years and above population) is estimated at 82.8 per cent, which is well above the sub Saharan Africa overall average of 62 per cent, with 71 per cent for men and 53 per cent for women. In 2010, gender disparities became smaller than those in 2000, but they were still significant. Despite an increase of around 15 per cent in the literacy rate for women over the period 2000-2010, it remains around 15 per cent lower than that of men, and gen-

der disparities in the literacy rate are deeper in rural than in urban areas (table 5). Encouragingly, however, youth education (age 15 to 24) shows a high literacy rate for both girls (97.4 per cent) and boys (96.4 per cent).

Data also show that women in Cape Verde pursue education mainly in health, education, social sciences, art and law, while they are significantly under-represented in engineering, construction, agriculture and veterinary. This situation confirms the global trend of education segregation. Regardless of current gender educational disparities however, it is

Table 6. Regional characteristics

Island	Population		Area (km ²)	Den- sity	% of Rural (2002)	Tourism (2006)			Maize (2002)			Fish captures (2001)			Principal Activity
	Total	%				% of ar- riv- als	% of beds	Arr. x 1000 hab	Tonnes	%	To. x 1000 hab	Total	%	Cap. x 1000 hab	
Santo Antão	43,915	8.9	779	56.4	67.2	3.1	3.5	200	376	7.4	8.6	776	13.74	17.7	Fishing, agriculture, livestock; little tourism
São Vicente	76,107	15.5	226	336.8	5.7	7.7	8.1	283	-	-		1,101	19.49	14.5	Industrial zone, fisheries centre; tourism
São Nicolau	12,817	2.6	388	33.0	59.1	0.6	0.9	123	86	1.7	6.7	378	6.69	29.5	Fishing, agriculture, livestock
Sal	25,657	5.2	216	118.8	7.8	59.6	59.1	6518	-	-		242	4.28	9.4	Tourism (3/4 of total), services
Boavis- ta	9,162	1.9	620	14.8	50.9	7.5	13.2	2289	-	-		161	2.85	17.6	Tourism, fishing
Maio	6,952	1.4	368	18.9	61.7	0.2	1.5	87	-	-		526	9.31	75.7	Fishing, agriculture, livestock
São Tiago	273,919	55.7	991	276.4	47.0	19.8	11.0	203	2,759	54.5	10.1	1,638	29.00	6.0	Political capital. Fishing, agriculture, livestock; little tourism
Fogo	37,051	7.5	476	77.8	73.9	1.4	2.1	109	1,782	35.2	48.1	448	7.93	12.1	Agriculture (wine, coffee, fruit trees), livestock; limited tourism
Brava	5,995	1.2	67	89.5	72.1	0.1	0.6	26	64	1.3	10.7	379	6.71	63.2	Fishing, agriculture, livestock
Total	491,575	100.0	4,131	119.0	44.91	100	100	571	5,067	100.0	10.3	5,649	100	11.5	

Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b), Food and Agriculture Organization (FAO) & World Food Programme (WFP), 2002, Africa info market (2005; 2009), Diagnostic Trade Integration Study - DTIS (Republic of Cape Verde, 2009b), and Census 2010 (Republic of Cape Verde, 2011a).

Table 7. Employment, 2010 (percentage)

Age group	Unemployment rate			Employment rate			Labour participation rate		
	Sex			Sex			Sex		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
15-24	18.3	25.5	21.3	46.7	35.4	41.1	38.2	26.3	32.4
25-64	7.0	8.5	7.7	85.4	68.0	76.6	79.4	62.2	70.8
65+	1.3	0.7	1.0	23.4	11.0	15.9	23.1	10.9	15.7
Total	9.6	12.1	10.7	67.4	51.1	59.1	60.9	45.0	52.8

Source: Census 2010 (Republic of Cape Verde 2011a).

likely that women's recent educational achievements will overcome these disparities in the coming years.

1.2.3. Regional characteristics of the islands

Even though Cape Verde is a small country, there are notable regional differences. The islands centre their economic activities on tourism, agriculture and fishing to varying degree.⁵ Each island has its own characteristics as shown in table 6, which provides a regional description of the islands. 55.7 per cent of the population is concentrated in the island of São Tiago, followed by São Vicente (15.5 per cent), Santo Antão (8.9 per cent), and Fogo (7.5 per cent).

Tourism activities are mainly concentrated on Sal and São Tiago. Sal is the most popular destination with almost 60 per cent of total arrivals in 2006, and São Tiago follows with close to 20 per cent of arrivals.

Agriculture is mainly a family subsistence activity, performed in small farm units that are fragmented often by the sharing of inheritances. A large number of farmers do not own the fields they cultivate, and plots are typically farmed indirectly through leasing and partnerships. As a consequence of climatic conditions (droughts and irregular rainfalls) and scarcity of arable land, production fluctuates widely and it is largely insufficient to cover the food needs of the country, with 54.5 per cent of maize production taking place in São Tiago, 35 per cent in Fogo, and the remaining among Santo Antão, São Vicente and Brava.

Fish represent an important part of the Cape Verdean diet and key contributors to protein intake. Fishing is an income earner on all the islands. São Tiago accounts for 29 per cent of the fish captures, São Vicente for almost 20 per cent, and Santo Antão for approximately 14 per cent. The rest of the islands represent less than 10 per cent of total captures each.

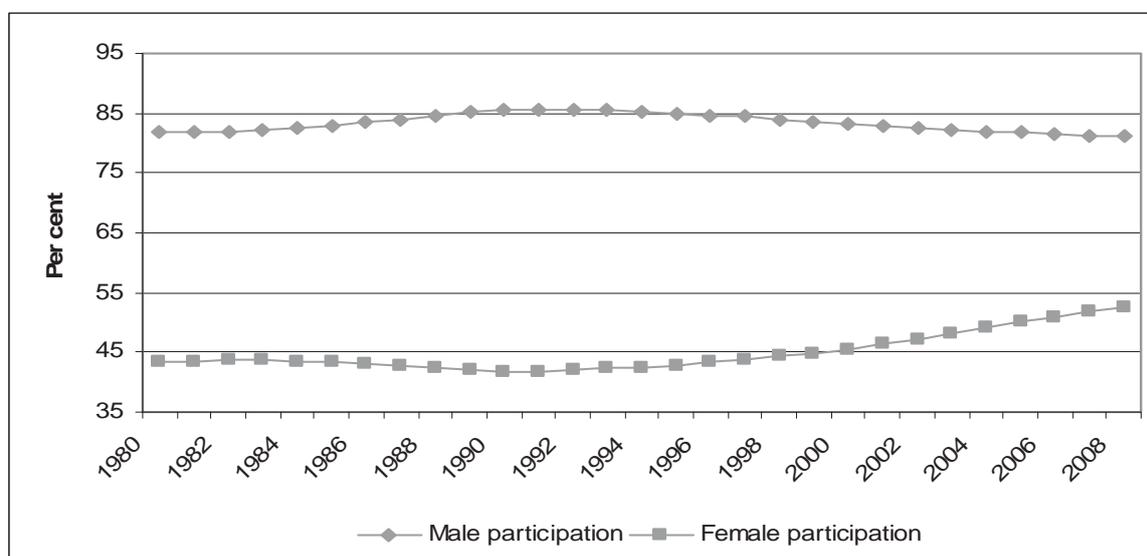
1.2.4. Employment

The participation rate in labour force is higher for males than for females, and this applies to each age group. Gender disparities are also present in unemployment, with higher rates for women than for men except in the age group above 65. With an unemployment rate of 25.5 per cent, the most affected group is young females (table 7).

Figure 1 gives an overview over how the labour participation rates have developed over time for men and women, showing a fairly stable trend for men and a steadily increasing one for women.

From a gender perspective, the fundamental piece of information about the labour market is the sectoral structure of employment, presented in table 8. This information reveals the sectors in which females are mostly employed, and thus the sectors via which international trade might affect women. As a general limitation of data, Cape Verdean statistics present information at a very aggregated level of economic activities. Female employment is by far concentrated in the tertiary sector, while male employment is spread around the productive sectors, though 50 per cent of men work in the tertiary sector.

Confirming a trend started in the early 2000s, the tertiary sector was the largest provider of employment in Cape Verde, absorbing 63 per cent of the total workforce in 2010, with 82.2 per cent of women and 50.1 per cent of men. Three years earlier, the tertiary sector absorbed 57.4 per cent of the total workforce, 72.5 per cent of women and 45.0 per cent of men (QUIBB 2007). Data from 2002 (IDRF 2002) report a total workforce in the tertiary sector of 59.4 per cent, with 71 per cent of women and 49.6 per cent of men. These employment patterns mirror the situation in other Small Island Developing States.

Figure 1: Development of labour force participation in Cape Verde, 1980-2008

Source: International Labour Organization, Key Indicator of the Labour Market database (1980-2008).

Within the tertiary sector, in 2010 women were employed mainly and in a higher proportion than men in Wholesale and retail trade, repair of vehicles and goods (24.2 per cent versus 10.6 per cent), Defence and social security (12.8 and 11.8 per cent, respectively), Private households with employed persons (11.3 per cent versus 1.7 per cent) and Education (7.4 per cent versus 3.2 per cent),

In the secondary sector – which in 2010 represented 23.6 per cent of total employment – Manufacturing accounted for only 7.6 per cent of employment and Construction for 15.1 per cent. The participation of women in all activities of the secondary sector was lower than that of men by 26 percentage points, especially in construction. Employment in secondary activities increased in 2010 (23.6 per cent), as compared with 2007 (22.2 per cent) and 2002 (18.5 per cent), for both women and men. However, this is mainly driven by the construction sector, and thus it does not appear to be a direct consequence of trade.

Finally, in 2010 total employment in the primary sector was 13.4 per cent, considerably down from 20.4 per cent in 2007 and 22.1 per cent in 2002. Around 12 per cent of employment was in Agriculture and

Fishing, with 15.2 per cent of males and 7.6 per cent of females employed in this sector.

Using data from IDRF 2002, table 9 depicts employment status in main occupations. Most of the population work as paid employees (59.3 per cent), and self-employment constitutes the second largest group (28.6 per cent). Only 8.6 per cent work as unpaid family workers. These statistics may indicate that trade policies will affect the population to a larger degree through formal labour markets and wages, than through the informal labour market. However, since unpaid family worker status is considerably high in rural areas (18 per cent), particularly among women (21.2 per cent), the impact of trade policies through informal channels should not be underestimated.

Table 10 shows employment distribution according to job and sex. Women mainly work as services providers and employees in retail trade, as public office employees and as unskilled workers. However, more women than men are occupied as scientists or specialists in intellectual activities. Very few women work in factories and, as expected, a tiny percentage of women work in defence.

Table 8. Main economic activities, 2010 (percentage)

	Male	Female	Total
Primary	15.9	9.6	13.4
Agricultural and fishing	15.2	7.6	12.2
Mining and quarrying	0.7	2.0	1.2
Secondary	34	8.2	23.6
Manufacturing	9.5	4.8	7.6
Electricity, gas and water supply	1.1	0.3	0.8
Waters management, sewage	0.1	0.0	0.1
Construction	23.3	3.1	15.1
Tertiary	50.1	82.2	63
Wholesale and retail trade, repair of vehicles	10.6	24.2	16.1
Transport	7.6	1.9	5.3
Hotels and restaurants	2.8	7.3	4.6
Information and communication	1.3	1.5	1.4
Financial intermediation and insurance	0.8	1.3	1.0
Real estate	0.5	0.3	0.4
Consultancy	0.8	1.0	0.9
Public administration	4.4	5.8	5.0
Defence and social security	11.8	12.8	12.2
Education	3.2	7.4	4.9
Public health and social services	1.1	3.1	1.9
Arts, sports and other entertainment services	0.7	0.5	0.6
Other services	2.5	3.4	2.9
Private households with employed persons	1.7	11.3	5.5
International organizations and entities	0.3	0.4	0.3

Source: Census 2010 (Republic of Cape Verde 2011a).

Table 9. Status in Main Occupation, 2002 (percentage)

Employment status	Total			Rural			Urban		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Paid employee	53.1	64.5	59.3	42.3	54.6	49.1	61.1	72.4	67.1
Own-account worker/self-employed	32.0	25.8	28.6	35.5	28.9	31.9	29.3	23.4	26.2
Employer	0.5	1.5	1.1	0.3	0.9	0.6	0.6	2.0	1.4
Unpaid family worker	10.0	7.5	8.6	21.2	15.5	18.0	1.7	1.2	1.4
Other	4.4	0.7	2.4	0.6	0.1	0.4	7.2	1.1	3.9
Total	100.0								

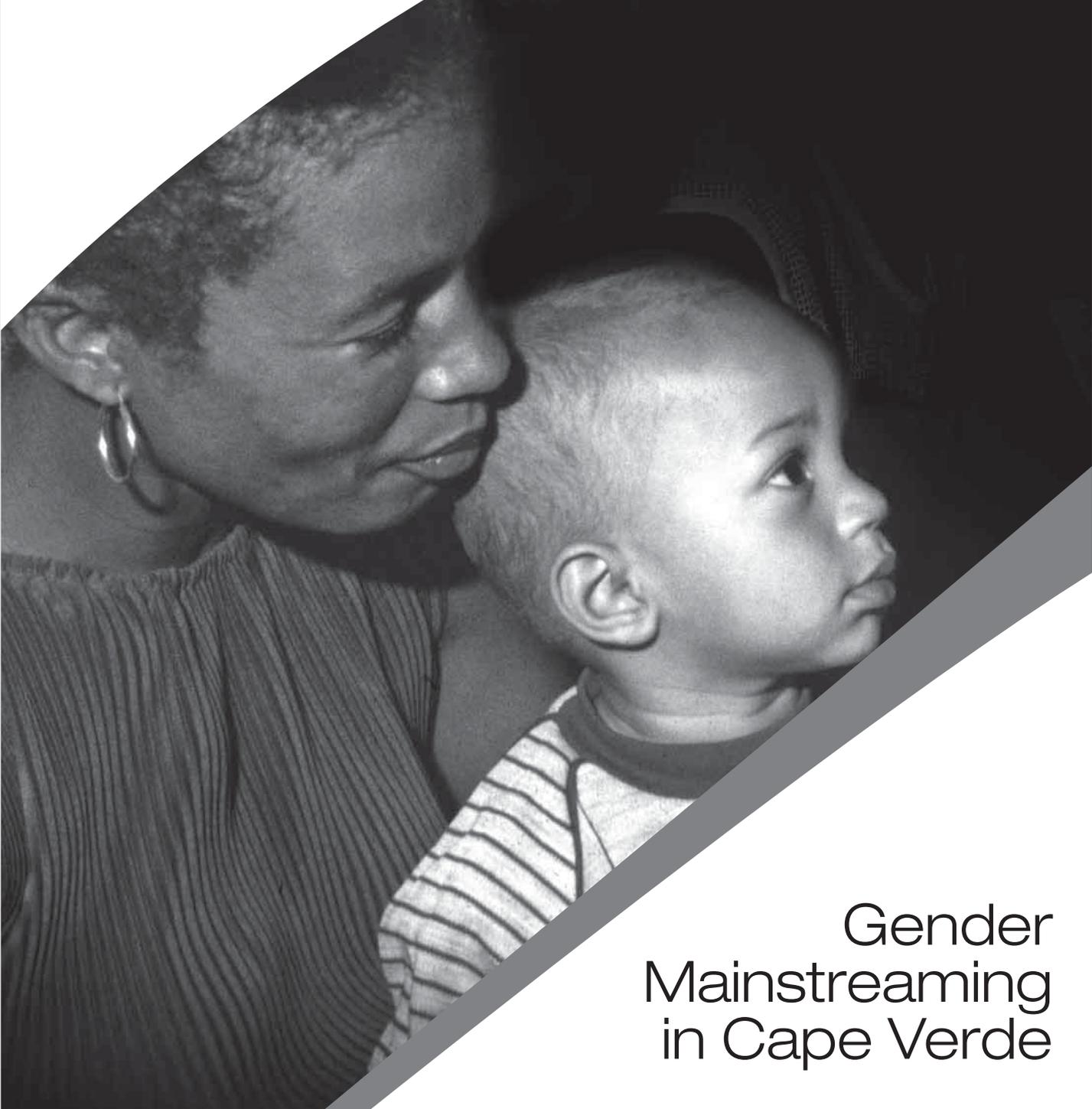
Source: Estimation based on IDRF, 2002 (Republic of Cape Verde, 2002b).

Table 10. Distribution of the employed population according to job and sex, 2010 (percentage)

Main occupation	Male	Female	Total
Defence	98.2	1.8	100
Government and parliament representatives, directors	62.4	37.6	100
Scientists and specialists in intellectual activities	44.1	55.9	100
Mid-level professionals and technicians	62.4	37.6	100
Public offices employees	42.1	57.9	100
Service sector and retail trade employees	39.4	60.6	100
Farmers and specialized agriculture workers	72.5	27.5	100
Factory workers, craftsmen and similar workers	92.0	8.0	100
Factory chain workers	92.5	7.5	100
Unskilled workers	42.6	57.4	100
Total	55.9	44.1	100

Source: Census 2010 (Republic of Cape Verde 2011a).

II



Gender
Mainstreaming
in Cape Verde

2. GENDER MAINSTREAMING IN CAPE VERDE

The Republic of Cape Verde has showed commitment, at the national and international levels, to promote gender equality and women's empowerment. Yet, there are still questions about how effectively these commitments have been translated into practice, particularly in the socio-economic domain.

2.1. NATIONAL AND INTERNATIONAL COMMITMENTS

2.1.1. Government policies and laws related to gender

At the national level, the 1992 Constitution of the Republic of Cape Verde as well as other laws⁶ ensure equal rights to men and women. The Constitution recognizes the participation in society of all citizens as a fundamental right (Republic of Cape Verde, 1992).

2.1.1.1 The Labour Code⁷

The Labour Code was approved by Legislative Decree number 5/2007. The Code strengthens the principle of equality between men and women, stipulating that equal work in identical situations should be remunerated equally. A great achievement in Cape Verde is that the Code recognizes domestic employment as a professional category (Article 286).⁸ Domestic workers' fundamental rights – such as weekly rest, holiday, and effective remuneration – are recognized (Article 286-294). It is worth noticing that, at the international level, a Convention on Domestic Workers was adopted only in June 2011.⁹

The Code has a chapter devoted to female employees' work (Articles 270-275), which secures the protection of maternity, a 60-day maternity leave, the rights to breastfeed and that the dismissal of a pregnant, postpartum or breastfeeding women cannot be enforced without a just cause. The Labour Code ensures to women the right to not work over time or to be involved in night shifts during pregnancy and the post-partum period (Art. 270(b)). The mother has right to full salary during the period of maternity leave, if she is included in the Social Security System (Article 212). The possibilities for the fathers to get involved in the care of newborns are limited, since only two days of justified absence are allowed (Art. 186(2)(j)). The father has the right to paternity leave only in case the mother is sick or if she passed away (Art. 271).

2.1.1.2 The Social Security System

The Social Security System has been under revision since 2006 and social protection has significantly improved. The country is gradually extending contributory social insurance and combining it with the provision of automatic basic benefits (non-contributory, tax financed). Social insurance provides a broad coverage (old-age, disability and survivors' pensions, health-care coverage, maternity, sickness, paternity benefits and family allowance, among others) and is extending its coverage to previously excluded groups, such as domestic workers, informal workers and self-employed people. It is reported to cover 29 per cent of the economically active population. The non-contributory pension reaches 90 per cent of the target population and essential health services cover nearly the whole population. A school meals programme is providing additional income security, and a low-housing programme is under way (A House for All). Cape Verde has long used employment-intensive public works (FAIMOs) as a means of guaranteeing an income for the working poor. Between 15,000 and 20,000 people have access to FAIMOs each year, a third of them are women (ILO, 2011).

2.1.1.3 National Plan for Gender Equality and Equity (PNIEG)

The National Institute for Gender Equality and Equity (ICIEG)¹⁰ was created by the Government in 1994 (then called Instituto da Condição Feminina (ICF)) under the Prime Minister's Office. Two national plans have been developed by ICIEG since its establishment: namely, the National Action Plan for 1996-2000 and the National Plan for Gender Equality and Equity (PNIEG) 2005-2009. Both plans are based on the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) principles and their aims are to promote policies that put emphasis on gender equality, and women's participation in all spheres of life. Government policies such as the Strategic Plan for Growth and Poverty Reduction and the Programme for the 7th and 8th legislatures have been influenced by ICIEG's work (see below).

2.1.1.4 Strategic Plan for Growth and Poverty Reduction II

Cape Verde's Strategic Plan for Growth and Poverty Reduction (DECRP) II 2008-2011 emphasises

the goal of sustainable development of the country, with a particular focus on five areas: good governance through public sector reform; development of human capital; improving competitiveness; improving the infrastructure and the socio-economic status.

Gender stands as a cross-cutting issue in the DECRP II, but socio-cultural perceptions are regarded as a hindrance to the integration of a gender perspective in policy formulation and implementation. The gender perspective is seen as vital to development, and the Government action plan for gender, as mentioned above, is included in the DECRP II. In addition, the DECRP stresses that mechanisms should be created in order to stimulate women's presence in legislative, executive, judicial and local spheres of power (Republic of Cape Verde, 2008).

The DECRP II does not mention how female participation in economic activities will actually be promoted, and trade and other macro-economic policies are not singled out as potential instruments through which women's economic empowerment can materialize.

2.1.1.5 The Government Programme 2006-2011 of the 7th legislature

The programme lays out the national objectives for Cape Verde for the period 2006-2011 (Republic of Cape Verde, 2006). It focuses on better governance, continued and sustainable economic growth and increasing the quality of life for Cape Verdeans. In relation to gender, the programme emphasizes the need for a number of specific actions. These include: (a) Make sure that the necessary conditions are in place for implementing the signed agreements and conventions related to gender; (b) Develop and implement a Platform for Action based on the National Plan for Gender Equality and Equity, geared towards the promotion of a global social development policy, and towards the achievement of the MDG, in particular Goal 3; (c) Design and implement concrete actions in order to mainstream gender in political planning as well as in budgets; (d) Assure that the gender perspective is integrated into all Governmental programmes, projects and sector policies (and particularly in education and training, poverty reduction, employment and promotion of citizenship); (e) Make sure that law enforcement provides effective protection of rights; (f) Adopt mechanisms that promote equal economic opportunities for wom-

en and men as well as a higher female participation in economic activities; (g) Pay particular attention to issues related to gender-based violence, as well as the reduction of unequal access to services; (h) Establish an adequately trained special police brigade to deal with gender-based violence; and (i) Promote multi-stakeholder public-private partnerships that foster families cohesion, citizenship, women's rights, community's development and poverty reduction must be reinforced.

2.1.1.6 The Government Programme 2011-2016 of the 8th legislature

The new Government programme has proposed a vision for Cape Verde for the period 2011-2016 with the motto: "an inclusive nation, fair and prosperous, with opportunities for everyone". The objective for the programme is to develop a dynamic, competitive and innovative economy, with prosperity shared amongst everyone. Concerning gender issues, the gradual implementation of the National Plan for Gender Equality and Equity should permit the effective participation of women in decision making bodies, a better access to economic entrepreneurship and provide incentives for women to pursue a scientific education, as well as creating institution mechanisms to combat violence and exploration of Cape Verdean women (Republic of Cape Verde, 2011b).

2.1.2. International commitments to gender equality and empowerment of women

At the multilateral level, Cape Verde ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1980. In addition, Cape Verde has ratified or subscribed several covenants and international agreements.¹¹

At the regional level, Cape Verde is member of the African Union (AU) and the Economic Community of West African States (ECOWAS). Both AU and ECOWAS work regionally towards achieving gender equality and as a member Cape Verde takes part in this endeavor.

The AU has subscribed to a number of declarations on gender issues. These include: (a) The Protocol to the African Charter on Human and Peoples' Rights (2003), including the additional Protocol on the Rights of Women in Africa; (b) The Solemn Declaration on Gender Equality in Africa (SDGEA) (2004), through which African heads of State and Govern-

ment committed to report annually on progress towards the goal of gender equality; (c) The African Plan of Action to Accelerate the Implementation of the Dakar and Beijing Platforms for Action for the Advancement of Women (1999); and (d) The Addis Ababa Declaration on Violence against Women (1997).

In 2000 the ECOWAS Gender Policy process was initiated, and in 2004 the Gender Policy Document was adopted by the Council of Ministers. The Council also adopted a Strategic Plan framework and guidelines on the structures and mechanisms of the Gender Management systems for ECOWAS. The 27th Ordinary Summit of Heads of State and Government of ECOWAS in 2003 approved the establishment of a Gender Unit in the Executive Secretariat of ECOWAS, and of the ECOWAS Gender Development Centre. The main role of the Centre is to (a) mobilize women and empower them to be active participants in the regional integration process; (b) mainstream gender in ECOWAS institutions and member States; and (c) develop networks and partnerships with relevant agencies for technical and financial support for ECOWAS Gender mainstreaming programme.¹²

Gender figures prominently in other programmatic documents and instruments. The United Nations Development Assistance Framework (UNDAF), which is the common strategic framework for the operational activities of the United Nations system at the country level, provides a collective United Nations response to national priorities and needs within the framework of the MDGs. Gender equality is one of the three normative principles that inform it. The preliminary version of Cape Verde UNDAF 2012-2016 states that gender equality will be integrated as a priority thematic area of the framework and as a cross-cutting issue. The draft UNDAF particularly addresses the feminization of poverty and unemployment in Cape Verde.

2.2. WOMEN'S CURRENT SOCIO-POLITICAL AND ECONOMIC STATUS

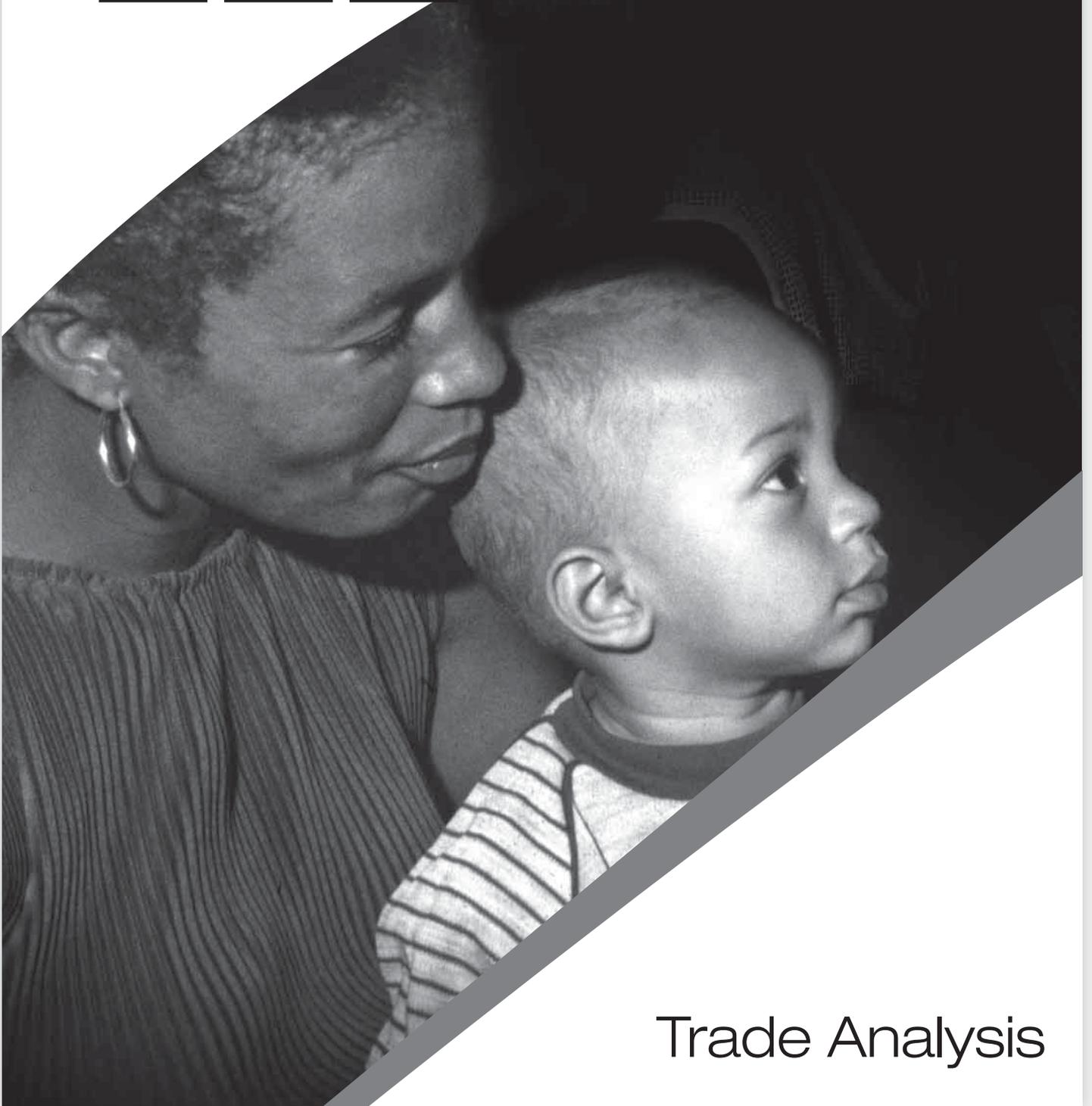
While women in Cape Verde enjoy full gender equality under the law, there are several areas in which women are at a disadvantage compared with men. The main message emerging from the CEDAW reports¹³ and other evaluations¹⁴ is that Cape Verde has seen substantial improvements in female participation in education and political activities, as

well as improvements in literacy rate. However, the country is facing challenges related to socio-cultural habits, manifested in an uneven power structure between men and women (Republic of Cape Verde, 2009c). Inequalities persist in terms of income and opportunities for economic inclusion, and insufficient consideration is given to gender specificities in policy planning and in monitoring and evaluation instruments. According to the Enterprise Survey 2009, 33 per cent of firms had female partnership in ownership, and 17 per cent of firms had a woman as managers (Enterprise Survey 2009). While only 21 per cent of the members of parliament are women, there has been great improvement of female participation rate at the executive level: 8 out of 19 of Ministers are women. Having almost the same number of male and female ministers represents a result that very few countries in the world have been able to achieve.

Despite formal commitments, as reported in chapter 1, unemployment is higher among women than men. Higher female illiteracy rates, education segregation, as well as inadequate professional training are seen as limiting women's employment possibilities. There are also important gender disparities in access to services (access to water and electricity). These patterns of inequality reflect in poverty statistics: as explained earlier, in urban areas female-headed households tend to be poorer than male-headed households, with the poverty gap between them widening (Chapter 1).

Another area requiring attention is gender-based violence. According to the National Demographic and Reproductive Health Survey, 22 per cent of Cape Verdean women reported in 2005 that they had been exposed to such violence (Republic of Cape Verde, 2007a). The Government has therefore taken several steps to mitigate this problem through legislation aimed at preventing and condemning gender-based violence, including the 2007-2011 National Plan to Combat Gender-based Violence, and, more recently, the approval and entering into force in March 2011 of the law against gender-based domestic violence. Domestic violence is regarded by the new law as a public crime that can be brought to the attention of public authorities by anyone and that should be treated by the judiciary as matter of urgency and priority (Republic of Cape Verde, 2011c).

III



Trade Analysis

3. TRADE ANALYSIS

This chapter provides the background for the analysis on who would gain from trade liberalization/facilitation in Cape Verde. The chapter first analyses Cape Verde's trade flows, broken down by broad product categories and major origins and destinations (section 3.1). It then presents a summary listing of the major trade agreements involved, briefly assessing their commercial significance in the light of the country's trade specialization and direction of trade flows (section 3.2). It concludes with a brief assessment of issues related to domestic market protection and protection faced in the major export markets (section 3.3).

3.1. TRADE FLOWS

3.1.1. Balance of payments

The export sector of Cape Verde, a small and open country with heavy import-dependency, is small and limited to primary and low technology-intensive goods, causing a large negative balance of trade (\$629 million or 41.2 per cent of GDP in 2008). Nev-

ertheless, part of this deficit is financed by remittances from emigrants (\$136 million or 8.5 per cent of GDP in 2008)¹⁵ and by Tourism and travel receipts (\$264 million or 19.5 per cent of GDP in 2008). Exports of Air transport services are also important (\$137 million or 9.9 per cent of GDP in 2008).

Table 11 shows that the trade deficit grew from 34.8 per cent of the GDP in 2000 to 46.2 per cent in 2007 and 41.2 per cent in 2008, basically resulting from the growth of imports. Although exports grew in nominal terms, the balance of trade (exports minus imports) has always been remarkably negative, averaging -41 per cent of GDP during 2004-2008. Tourism and travel experienced an important increase (from 7.5 per cent in 2000 to 19.5 per cent in 2008) as did Air transports (although only marginally).

3.1.2. Merchandise trade

According to World Trade Indicators (World Bank 2009), out of 171 countries, Cape Verde ranks 105th in agricultural exports and 137th in non-agricultural exports. The country also ranks 12th in agricultural imports, and 74th in non-agricultural imports. This

Table 11. Balance of payments, 1999-2008 (percentage of GDP)

Balance of Payments	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Current account	-13.7	-10.9	-10.5	-11.1	-11.2	-14.3	-4.3	-6.9	-13.7	-11.4
Goods	-35.8	-34.8	-34.1	-38.0	-37.8	-40.7	-37.5	-39.2	-46.2	-41.2
Exports	4.4	7.1	6.5	6.7	6.5	6.2	9.6	8.1	5.7	6.6
Imports	-40.1	-41.9	-40.6	-44.8	-44.3	-46.9	-47.1	-47.3	-51.9	-47.9
Services	-2.9	1.3	2.0	2.1	1.8	3.4	6.6	11.2	13.7	14.2
Exports	16.4	19.9	22.9	25.8	24.9	25.6	29.0	32.3	34.2	34.3
Air transports	6.7	7.8	8.3	11.6	10.0	10.2	10.6	9.9	8.4	9.9
Tourism and travel	4.7	7.5	9.5	9.7	10.5	10.4	12.5	16.8	20.4	19.5
Imports	-19.4	-18.6	-21.0	-23.7	-23.1	-22.2	-22.5	-21.1	-20.5	-20.1
Income	-1.5	-2.6	-1.1	-2.4	-1.8	-2.0	-3.6	-3.4	-2.2	-2.7
Current transfers	26.5	25.3	22.7	27.2	26.7	25.0	30.2	24.4	21.0	18.3
Official Transfers	8.1	4.1	3.6	5.7	6.0	5.7	5.2	4.0	4.7	6.0
Remittances	13.1	15.9	13.5	14.5	12.5	10.9	14.3	11.0	9.3	8.5
Capital account	2.1	2.2	3.8	2.5	3.1	2.5	2.2	1.5	1.9	1.6
Financial account	9.9	9.4	9.2	7.0	9.9	10.8	2.0	6.2	11.7	16.4
Direct investment	10.2	7.8	2.2	6.2	4.1	7.3	8.8	11.1	13.3	12.1
Other investment	5.9	-0.5	10.3	4.6	5.6	7.5	-0.7	0.0	4.6	6.1
Reserves	-6.3	2.0	-3.3	-3.8	0.1	-4.0	-6.0	-4.9	-6.2	-1.8
Net errors and Omissions	1.7	-0.7	-2.5	1.7	-1.9	1.2	0.0	-0.7	0.1	-6.6
Current account + Capital account	-11.6	-8.7	-6.7	-8.6	-8.0	-11.8	-2.1	-5.5	-11.8	-9.8

Source: Estimation based on Bank of Cape Verde (Republic of Cape Verde 1999-2008).

Table 12. Trade composition, 1999-2007

Trade composition (% of GDP)	Cape Verde				Sub-Saharan Africa	World
	1999	2002	2005	2007	2007	2007
Export integration (g+s)	23.52	30.74	38.31	39.60	38.70	49.27
Goods exports	7.30	6.78	7.47	5.66	28.39	34.92
Agricultural	1.43	0.65	3.72	2.31	7.45	5.88
Food	1.19	0.49	3.72	2.31	5.72	5.00
Non-agricultural	5.87	6.13	3.75	3.35	20.94	29.04
Manufactured	5.15	6.13	3.75	3.33	8.32	16.34
Fuel	0.00	0.00	0.00	0.00	5.39	8.07
Ores and metals	0.00	0.00	0.01	0.02	5.39	2.86
Services exports	16.22	23.96	30.84	33.94	10.31	14.35
Transport	8.45	9.76	9.85	8.76	1.94	2.70
Tourism and travel	3.16	9.94	16.84	21.01	4.75	6.33
Other commercial services	2.47	2.66	2.51	2.60	2.05	4.57
Government services n.i.e	2.14	1.60	1.64	1.57	1.57	0.75
Import integration (g+s, % of GDP)	56.76	66.32	67.94	68.00	58.30	58.73
Goods imports	41.34	44.41	47.31	47.65	40.66	45.39
Agricultural	14.93	14.78	14.06	13.98	7.43	6.12
Food	13.92	13.79	13.32	13.18	6.93	5.52
Non-agricultural	26.41	29.63	33.25	33.67	33.23	39.27
Manufactured	24.02	25.97	27.96	27.71	23.99	28.21
Fuel	2.19	3.47	4.77	5.34	7.99	8.58
Ores and metals	0.19	0.18	0.39	0.62	0.65	1.22
Services imports	15.42	21.91	20.63	20.35	17.64	13.34
Transport	7.01	9.83	9.80	9.08	5.51	4.39
Tourism and travel	4.32	8.42	6.98	7.39	2.20	2.50
Other commercial services	2.94	2.78	3.16	3.23	4.74	4.67
Government services n.i.e	1.15	0.88	0.69	0.65	4.90	1.33

Source: World Trade Indicators (World Bank 2009).

confirms that Cape Verde has the low export capacity of goods, and it is among the countries that are highly dependent on agricultural imports (as a share of GDP). The magnitude of the goods trade deficit makes Cape Verde rank at the very bottom of the list, in position 167. This confirms that Cape Verde has one of the most negative trade balances in the world.

Table 12 depicts the trends in the composition of trade (exports and imports shares in GDP) from 1999 to 2007. Food imports accounted for approximately 13.5 per cent of GDP throughout the period under consideration, while food exports rose from 1.2 per cent in 1999 to 2.3 per cent of GDP in 2007. Non agricultural goods show an opposite pattern. On the one hand, imports increased from 26.4 per

cent of GDP in 1999 to 33.7 per cent in 2007. On the other hand, exports fell from 5.9 to 3.3 per cent of GDP during the same period. Finally, trade in services increased: while imports increased from 15.4 per cent in 1999 to 20.3 per cent in 2007, exports showed a remarkable increase from 16.2 per cent in 1999 to 33.9 per cent of GDP in 2007 due to travel exports (which increased from 3.2 to 21 per cent over the same period).

Table 13 reports on the pattern of trade in goods of Cape Verde, with major export and import categories. It is noteworthy that the range of the country's exported products is very limited, with only five commodities accounting for more than 95 per cent of total exports in 2009. Around 40 per cent of total exports were primary products, mainly fish, and the remaining 56 per cent comprised manufactures with low technological intensity. For instance, nearly 30

Table 13. Major exports and imports, 2009

Principal products	2009	
	Value (\$)	%
Exports		
Fish and crustaceans, molluscs and other aquatic invertebrates	14,043,295	39.93
Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	10,464,174	29.75
Footwear, gaiters and the like; parts of such articles	3,657,413	10.40
Articles of apparel and clothing accessories, not knitted or crocheted	3,333,900	9.48
Articles of apparel and clothing accessories, knitted or crocheted	2,378,360	6.76
Other commodities	1,292,320	3.67
Total	35,169,462	100.00
Imports		
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	80,392,038	15.75
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	68,763,744	13.47
Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	50,015,578	9.80
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	38,706,516	7.58
Food and live animals	160,592,128	31.46
<i>Cereals and cereal preparation</i>	45,128,102	8.84
<i>Vegetables and fruit</i>	29,748,708	5.83
<i>Dairy products and birds' eggs</i>	26,981,474	5.29
<i>Meat and meat preparations</i>	19,346,723	3.79
<i>Sugars, sugar preparations and honey</i>	11,394,329	2.23
<i>Other food stuffs</i>	27,992,792	5.48
Other commodities	111,964,391	21.94
Total	510,434,395	100.00

Source: UN COMTRADE database (2010).

per cent of exports were food preparations. Exports of footwear and apparel were also important, accounting for around another 30 per cent of exports. The main re-exported products were canned and frozen fish, mineral products, aircraft engines, and containers.

In 2009, the export concentration index for Cape Verde was 0.436, lower than the Western Africa average (0.572), but higher than that of several countries in the region.¹⁶ High export concentration is associated with volatility of export earnings and overall growth, as well as slow productivity growth because of limited spillovers and deteriorating terms of trade.

The top-ranking imports in 2009 were mineral fuels, which accounted for 16 per cent of total imports. Nuclear reactors, boilers, machinery and mechanical appliances, vehicle's electrical stuff, and electrical machinery and equipment also figured importantly, accounting together for about 31 per cent of total imports. Food imports (here including cereals, cereals preparations, vegetables, fruits, dairy products, birds' eggs, meat, meat preparations, sugars, sugar preparations, honey and other food stuff) accounted for 31 per cent of total imports.

In terms of direction of trade flows, the EU is Cape Verde's most important trading partner. As detailed in table 14, the EU is the largest export market for Cape Verde, accounting in 2009 for about 97 per cent of its total exports. Major individual markets for exports included Spain, Portugal and France. In the same year, over 77 per cent of the country's imports originated from the EU (Table 15).

One interesting feature on the structure of trade is the process of re-exports which consist mainly in foreign goods, principally fuel and food stuff, exported in the same state as previously imported. Oil re-export is reported to account for 7 per cent of the GDP (ADB, OECD, UNDP, UNECA, 2011).

3.2. TRADE AGREEMENTS/ ARRANGEMENTS

Cape Verde has entered into trade agreements at the bilateral, regional and multilateral levels.

3.2.1. Bilateral

At the bilateral level, Cape Verde is deepening its long-standing trade relations with the EU, its major trade partner, while also seeking to increase bilate-

Table 14. Top 10 export markets (ranked by market share), 2009

Destination	Rank	Trade Value (\$)	Share	Cumulative Share
European Union (27)	1	34,108,832	97.0	97.0
United States	2	233,879	0.7	97.6
India	3	120,671	0.3	98.0
Singapore	4	97,907	0.3	98.3
Guinea	5	12,084	0.0	98.3
Senegal	6	8,745	0.0	98.3
Angola	7	2,744	0.0	98.3
Republic of Korea	8	235	0.0	98.3
Cambodia	9	132	0.0	98.3
Brazil	10	129	0.0	98.3
Unspecified areas		584,103	1.7	100.0

Source: UNCTAD calculations based on United Nations Comtrade database (2010).

Note: Certain percentages may not sum to totals due to rounding.

Table 15. Top 10 suppliers (ranked by market share), 2009

Supplier	Rank	Trade Value (\$)	Share	Cumulative Share
European Union (27)	1	520,931,381	77.6	77.6
Brazil	2	32,304,748	4.8	82.4
Japan	3	21,082,555	3.1	85.6
Thailand	4	13,403,426	2.0	87.6
United States	5	12,453,262	1.9	89.4
China	6	12,254,665	1.8	91.3
Uruguay	7	10,517,363	1.6	92.8
Senegal	8	6,084,362	0.9	93.7
Viet Nam	9	3,766,059	0.6	94.3
Switzerland	10	3,623,275	0.5	94.8
Unspecified areas		7,377,382	1.1	95.9

Source: UNCTAD calculations based on United Nations Comtrade database (2010).

Note: Certain percentages may not sum to totals due to rounding. (Alignment of data by decimal point in the table).

ral cooperation with the largest emerging economies (China and Brazil, in particular). The country also has reciprocal bilateral free trade agreements with African Portuguese-speaking countries (Angola, Guinea Bissau, Mozambique and São Tomé and Príncipe), and a bilateral preferential agreement with Mauritania. The country is eligible as a beneficiary under the following non-reciprocal preferential schemes.

(a) EU- Cape Verde relations

Under a transitional regime, Cape Verde continues to be a beneficiary of the EU's special arrangement for LDCs, also known as the Everything but Arms (EBA) scheme.¹⁷ The EBA gives the LDCs duty-free access to the EU for all products, except arms and ammunition. Following the graduation from LDC status in January 2008,¹⁸ it was decided that Cape Verde would be removed from the list of EBA beneficiaries after the expiry of a three-year transitional period, i.e. with effect from 1 January 2011 (EU, 2007).¹⁹ This transitional period was then extended until 1 January 2012, since the three-year transition, coming in a time of economic crisis, was judged to be too short for Cape Verde to alleviate potential adverse effects

of the removal from the EBA scheme (EU, 2010). Duty-free entry to the EU market – whether under the EBA or under other preferential arrangements – is of great commercial significance to Cape Verde. As discussed in section 3.1, the EU is the largest export market for Cape Verde, accounting in 2009 for about 97 per cent of its total exports. In light of this trade pattern, it is critically important for Cape Verde to continue enjoy duty-free access to EU markets after the EBA phasing out. In some instances, interim Economic Partnership Agreements (EPAs) have been negotiated as a temporary solution to prevent disruption to exports to the EU, while negotiations for a full EPA were ongoing.²⁰

Deepening trade relations with the EU remains central to Cape Verde's external trade policy. Within the Cotonou Agreement framework,²¹ the country is in the process of negotiating an EPA with the EU. Under the trade pillar, the Agreement will allow Cape Verde to continue enjoy duty-free access to the EU market after the EBA phasing out, but this time on reciprocal terms (i.e. the country will open its domestic market to European products). The EPA would also contain rules on trade in services and

foreign investment. The EU-Cape Verde agreement should have been originally reached within the regional framework of ECOWAS. The country, however, opted to negotiate independently with the EU, building on its close relationship with Portugal and other European countries.

Among the challenges posed by the prospective EU-Cape Verde EPA is a possible delay in industrialization or a risk of de-industrialization. As mentioned above, Cape Verde exports a limited amount of agricultural items and food preparations (around 70 per cent of its total exports) and other low technology-intensive products (footwear and apparel account for the remaining 30 per cent). Conversely, it imports a relatively large amount of electrical machinery and equipment, mechanical appliances and other industrial equipments, in addition to food products. The elimination or the reduction of tariffs on EU imports will force many domestic producers in Cape Verde to compete directly with EU firms. According to trade theory, greater exposure to competition from imports lead to greater innovation and efficiency gains under the condition that local firms are able to adapt. The ability of Cape Verdean producers to compete with EU imports is, however, highly inhibited by the severe supply-side constraints they face, such as lack of adequate infrastructure, geographical fragmentation, low levels of value-addition and the small-scale nature of production. If tariff protection was removed, many Cape Verdean producers would no longer remain profitable due to their much lower levels of industrial productivity and competitiveness, compared with the counterparts in the EU.

Such a development would bear important gender implications, considering that, as shown by the Asian experience, women particularly benefit from the first phase of industrialization which encompasses the production of low-tech products, such as food preparation, and textiles and footwear. A slow-down in these sectors would then be particularly detrimental for women in Cape Verde.

An additional challenge linked to the EPA is the need to consider fiscal implications. Since a large share of Cape Verde's imports originates in the EU and trade revenue constitutes a significant proportion of total revenue, there are concerns that the elimination of customs duties on most EU products could lead to a significant decrease in Government revenue. As detailed in section 3.1, over 77 per cent

of the country's imports originated from the EU in 2009. Customs and other import duties – largely levied on EU imports – accounted for about 20.8 per cent of tax revenue in 2009 (World Bank 2009). Zouhoun-Bi and Nielsen (2007) found that tariff liberalization in the EPA context would lead to a 78 per cent decrease in total tariff revenue of the country. This contraction would translate in a 15.8 per cent decrease in total Government revenue, and this would be as large as 3.6 per cent of GDP. These shortfalls hold the threat of disproportionately affecting women, as Government's social spending forms a large part of the budgetary outlay in the country (UNCTAD 2010). In addition, tariffs elimination or reduction would significantly lessen Cape Verde's ability to use tariff policy as a means of encouraging industrial development and nurturing local industries, including those that may employ women.

Since 2007, the EU and Cape Verde have cooperated in several areas pursuant to the Special Partnership between the EU and Cape Verde. Areas of on-going cooperation include good governance, security and stability, regional integration, knowledge-based society, poverty alleviation and development.

Bilateral trade between Cape Verde and the EU is facilitated by the fixed exchange rate between the two currencies.

In June 2008, Cape Verde and the EU launched a Mobility Partnership to coordinate migration and ensure that both the origin and receiving countries and the migrants themselves benefit from migration. Cape Verde and Moldova were the first two countries with which the EU has entered into such a commitment.²²

(b) South-South cooperation

Although the EU will continue to be the main economic partner, Cape Verde is leveraging its strategic position for cross-Atlantic trade to strengthen South-South cooperation with non-traditional partners, especially with China and Brazil (EIU, 2008 and 2011). In 2007, China designated Cape Verde as one of its six Special Economic Areas to be used as entrepôts for Chinese goods prior to their distribution across Africa (EIU, 2008). At the third Ministerial Conference of the Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries, held in November 2010, China's Prime Minister stated that "China and the

Portuguese-speaking countries should work to oppose trade protectionism and for bilateral trade to increase to \$100 billion by 2013".²³ China's plans to use Cape Verde as entrepôt coincide with the latter's national strategy to become a centre of transatlantic trade. During the last decade, Brazil has been expanding its trade and investment ties with Africa, especially with the Lusophone countries, and has also set up social programmes and alliances aimed at knowledge sharing and skills transfer. Its activities in Cape Verde have been concentrated in literary courses, vocational training, water desalinization and agriculture projects. In August 2011, Cape Verde signed a number of agreements with the Brazilian Cooperation Agency worth over \$3 million, focusing on the environment, housing and land planning, cultural heritage, civil aviation, and telecommunications among other. Brazil is expected to provide technical and human resources to Cape Verde to make the identified projects viable.²⁴

(c) African Portuguese speaking countries and Mauritania

As mentioned earlier, Cape Verde had concluded a free trade Agreement with a group of African Portuguese speaking countries - Angola, Guinea-Bissau, Mozambique and Sao Tome and Principe. This Agreement, signed on 30 March 1980, still needs a protocol on rules of origin to become fully functional (WTO, 2007a).

It is important to note that, despite a framework for free trade being already in place, these countries continue to be minor trading partners for Cape Verde. In 2009, Angola, Guinea-Bissau, Mozambique and Sao Tome and Principe as a whole accounted for just 0.01 per cent of Cape Verde's total exports, while only 0.03 per cent of its total imports originated from these countries. Overall, trade diversification away from the EU is proceeding at a rather slow pace.

3.2.2. Regional

Cape Verde is a member of ECOWAS. All 15 ECOWAS member States had agreed to establish a Customs Union (CU) and adopt a Common External Tariff (CET). Within the Customs Union, all duties and border charges were to be eliminated, and member States were accorded duty-free treatment in each other's markets. Non-tariff barriers such as quotas, quantitative restrictions and prohibitions were also to be removed. A common external tariff was to be

established which would be applied to imports from outside the Customs Union. Both the CU and the CET have not yet been fully implemented. Cape Verde presently only provides for the free movement of persons among the ECOWAS member States. The country also applies an ECOWAS Community Levy of 0.5 per cent on all imports from non-ECOWAS countries (WTO, 2007a).

Cape Verde's trade integration within the ECOWAS block is still limited, especially on the export side. In 2009, only 0.06 per cent of Cape Verde's total exports were directed to ECOWAS countries. In that year, the country sourced from ECOWAS members about 1.65 per cent of its total imports. This may be due to similarity of goods exported, high incidence on non-tariff barriers (NTBs), and high transport and trade-related costs, among others. The negotiation of a separate EPA gives signals that Cape Verde is further moving from the ECOWAS towards the EU.

3.2.3. Multilateral

Cape Verde became a member of the World Trade Organization (WTO) on 23 July 2008. As a result of the negotiations, Cape Verde has agreed to undertake a series of liberalization commitments in both goods and services.

3.2.3.1. Market access for goods

Following accession, all Cape Verde's tariff lines were bound (100 per cent binding coverage). On average, tariffs were bound at fairly low ceiling levels,²⁵ leaving only some margins for applied tariff increases (Table 16). The country's average most favoured nation (MFN) applied tariff is currently 10.4 per cent, which is lower than the average tariff for sub-Saharan Africa (12.5 per cent) and also lower than the average tariff of lower-middle-income countries (11.4 per cent). In fact, MFN applied tariffs average 12.2 per cent on agricultural products (bound at 19.3 per cent), and 10.2 per cent on non-agricultural products (bound at 15.2 per cent). Cape Verde ranks 109th out of 181 countries (where 1st is least restrictive) in the World Trade Indicators 2009/10 (World Bank 2009).

The pre-membership structure of applied MFN tariffs is detailed in table 17. Between 2006 and 2009, the accession process does not appear to have involved significant revenue effects through the post-accession lowering of customs duties. Indeed, the post-accession bound duties are higher than the pre-accession applied rates.

Table 16. Structure of MFN tariffs in Cape Verde, 2008 and 2009

	Final bound	MFN applied (2009)	Trade weighted average (2008)
All goods	15.8	10.4	12.2
Agricultural	19.3	12.2	16.4
Non-agricultural	15.2	10.2	10.6

Source: WTO, UNCTAD and ITC (2010).

Table 17. Cape Verde's pre-membership applied tariff structure, 2006 (ad valorem)

	MFN applied	Trade weighted average
All goods	10.4	12.3
Agricultural	11.7	17.0
Non-agricultural	10.2	10.2

Source: WTO, UNCTAD and ITC 2006.

Notes: MFN applied: Simple average of MFN applied duties (based on pre-aggregated HS six-digit averages); Trade weighted average: HS six-digit MFN tariff averages weighted with HS six-digit import flows.

This comparison, however, does not provide an accurate picture to the extent that it does not account for two developments. First, some WTO tariff liberalization commitments involve reductions phased in over a period of up to 2018. Some applied rates will be significantly reduced over time. Second, the 2006 tariff structures already reflected tariff reforms that had been implemented earlier throughout the negotiation process.

Since 2003, the fiscal system in Cape Verde experienced sweeping reforms, leading to simplification of the fiscal structure. As a result, the trade-weighted average tariff rate had lowered significantly, from as high as 31 per cent in 2002 to 12 per cent in 2004 (TradeCom Facility, 2008). According to data from the Bank of Cape Verde as reported by Marking (2010), between 2003 and 2004, revenue from taxes on international trade (tariffs and other customs duties) dropped by 42 per cent, following the elimination of customs general fees.²⁶ As a share of GDP, revenue from trade taxes were reported to decline from 7.3 per cent in 2000 to 4.9 per cent in 2007. It should be pointed out, however, that these developments have not translated in significant revenue losses for the Government.

The introduction of a value added tax (VAT) in January 2004 has outweighed the drop in import revenues.²⁷ Also, the lowering of import tariffs has been partially counterbalanced by increased imports.

Tax reform, administrative improvements and the simplifications of the tax system have improved the ability of the Cape Verdean tax system to collect revenues, and they have so far been instrumental to limit and counterbalance revenue losses due to tariff reductions mainly linked to the process of WTO accession. It remains, however, to be seen the role they will be able to play in the future in recovering revenue loss due to the elimination or the reduction of tariffs on imports from the EU due to the EPA. Indeed, tariff reductions due to WTO accession seem to be significantly less important than those that will follow the conclusion of the EPA negotiations. Moreover, the introduction of VAT has some social implications: VAT is generally considered to disproportionately affect more the poor – who spend a larger proportion of their income on goods than do wealthier individuals – and women, who tend to predominate among the poor.

In agriculture, Cape Verde has neither export subsidy programmes, nor WTO-inconsistent domestic support programmes. All domestic support measures were reported to be green box (permitted) subsidies. They included, among other, expenditure on research, information dissemination through extension and advisory services, support to the development of agriculture and livestock, and infrastructural services serving both environmental and agricultural purposes in view of the limited water resources

in the country (WTO, 2007a). Cape Verde has not made special safeguard (SSG) reservations in its schedule of agricultural concession, where such reservations would allow for the imposition of an additional tariff where certain criteria are met.

3.2.3.2. Market access for services

Services are taking an increasingly important place in Cape Verde's economy. The country has made specific commitments under the General Agreement on Trade in Services (GATS) on 10 services sectors and a wide range of subsectors (WTO, 2007b). To inform the analysis under chapters 4 and 5, this section briefly reviews liberalization commitments scheduled by Cape Verde in tourism – a leading and fast-growing service sector in the country and a major source of foreign exchange earnings.

It should be borne in mind that the GATS definition of tourism is distinctly limited in scope. In the WTO Services Sectoral Classification List,²⁸ tourism (Tourism and Travel Related Services) covers four subsectors: (a) services provided by hotels and restaurants, including catering; (b) travel agencies and tour operator services; (c) tourist guide services; and (d) other related services.²⁹ Numerous other tourism services – such as computer reservation systems; cruise ships and many other transport services; hotel construction; car rentals; certain distribution, business, and financial services; as well as most recreational, cultural and sporting services – have been placed within other W/120 sectoral categories.³⁰

The analysis of Cape Verde's services schedule (WTO, 2007b) reveals that the country's liberalization commitments on tourism vary widely by mode of supply and by individual subsectors (see table 18). It is worth exploring in some detail commitments undertaken with regard to commercial presence. This mode covers service delivered within its territory through the commercial presence of the supplier. In other words, this covers the establishment and treatment of legal entities.

In regard to commercial presence, Cape Verde grants broad market access in the hotels and restaurants subsector. This level of commitment reflects the desire of the country to expand foreign direct investment (FDI) inflows in this subsector. While FDI from European countries is still negligible due to the low level of economic growth registered in Europe, Chinese investments are expanding.

With respect to "Travel agencies and tour operator services" (subsector B), market access is liberalized for foreign operators that establish joint ventures with local counterparts, as long as the foreign interest is less than 50 per cent. Conversely, there are important market access restrictions on foreign-controlled entities. The scheduled market access qualifications are also discriminatory in nature (i.e. they are a limitation on national treatment). These provisions seem to reflect the intention of Cape Verde to favour partnerships and business linkages between national and foreign travel agencies and tour operators, and to further make tourism an economic sector from which Cape Verdeans can benefit.

In both subsectors, Cape Verde places no restriction on national treatment. The "no limitations" entry in the NT column (expressed as "none") would mean that incentives to sustain/expand the subsectors (hotels and restaurants and travel agencies and tour operator services) cannot discriminate on the basis of the supplier's country of origin. This liberalization commitment deserves some attention, since it may possibly have some gender ramifications. It should be borne in mind, in fact, that limitation on national treatment cover cases of both de facto and de jure discrimination. Incentives schemes targeted at female business ventures (tax incentives, facilities for the transfer of funds and banking, etc) can in some cases result in less favourable treatment of foreign (male) suppliers, in contrast with the disciplines of Article XVII (National Treatment).

Cape Verde remains free to maintain market access restrictions on foreign tour guide agencies. This mode of supply does not cover own-account tourist guides, falling under mode 4.

Under the EPA, the EU is likely to request for additional services liberalization. While further liberalization could provide benefits to Cape Verde, if it is focused on sectors or subsectors where the country lacks capacity or is unlikely to develop it in the short run, it would be wise for the country to retain the ability to use safeguards and to regulate market access for foreign firms in order to allow the strengthening of domestic capacities.

3.3. MAJOR OBSTACLES TO TRADE

3.3.1. Domestic market access protection

As discussed in section 3.2, Cape Verde has a relatively liberal trade regime in terms of domestic tariff protection.

Table 18. Sector-specific commitments in tourism and travel-related services

Subsector	Limitations on market access	Limitations on national treatment
A. Hotels and restaurant service (CPC 641, 642, 643)	1) Unbound	1) Unbound
	2) None	2) None
	3) None, except (a) operation of hotels may optionally seek to take advantage of the investment incentives under Tourism Utility Law, and (b) restaurants that want to take advantage of investment incentives under the Tourism Utility Law, are subject to an economic needs test (ENT). However, restaurants that do not want to take advantage of investment incentives under that law are not subject to an ENT.	3) None
	4) Unbound, except as indicated under Horizontal Commitments	4) Unbound, except as indicated under Horizontal Commitments
B. Travel agencies and tour operators services (CPC 7471)	1) Unbound	1) None
	2) None	2) None
	3) None with respect to travel agencies and tour operator services provided in joint venture with Cape Verde nationals, as long as foreign interest is less than 50 per cent. Travel agencies and tour operator services with foreign investment of 50 per cent or more are subject to the following limitations: - the number of such travel agencies cannot exceed more than one-third of all national service providers (including joint ventures with a foreign interest of less than 50 per cent) operating in the territory of Cape Verde; - the number of such tour operators cannot exceed more than one-third of all national service providers (including joint ventures with a foreign interest of less than 50 per cent) operating in the territory of Cape Verde; - a travel agency with less than 50 per cent Cape Verde ownership is limited to one establishment on each of three islands; and - a tour operator with less than 50 per cent Cape Verde ownership cannot operate on more than 3 islands.	3) None
	4) Unbound, except as indicated under Horizontal Commitments	4) Unbound, except as indicated under Horizontal Commitments
C. Tour guides (CPC 7472)	1) Unbound	1) None
	2) Unbound	2) None
	3) Unbound, except for tour guides with language capabilities not otherwise available in Cape Verde	3) None
	4) Unbound, except as indicated under Horizontal Commitments	4) Unbound, except as indicated under Horizontal Commitments

Source: WTO Services Database Output.

Note: "None" indicates full liberalization commitment (no limit on Market Access) or National Treatment) in a given subsector and for a given mode of supply); "Unbound" means no commitment (the member remains free to introduce or maintain measures inconsistent with Market Access or National Treatment, except as indicated in the schedule).

3.3.2. Protection faced in the major export markets

Table 19 details the share of the country's duty free exports to major trading partners. As also discussed in section 3.2, Cape Verde enjoys preferential (duty-free) access to the EU and other export markets. Taking into account these trade patterns, in terms of both export specialization and destination, the country does not currently face major tariff barriers in its largest export markets.³¹ More prominent trade policy issues are seemingly related to non-tariff barriers and trade facilitation.

Just as in the case of many other developing countries, Cape Verde's ability to expand and diversify its export trade is largely contingent on overcoming supply-side obstacles and fulfilling increasingly stringent entry requirements in export markets. Important market access/entry obstacles are in the form of non-tariff barriers (NTBs). These include Governmental measures (licensing procedures, as well as technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS)), as well as private sector standards. A number of entry barriers also stem from the structural characteristics of supply chains and markets. These impediments include important structural (sunk costs, economies of scale, etc.) and behavioural barriers (e.g. abuse of market power by incumbent firms) that impact developing countries' ability to enter new export markets.

From 2000 to 2003, Cape Verde faced a ban on imports of fish and seafood in the EU due to non-compliance with sanitary and hygienic requirements. Limited capacities to check the safety of food products have not only hampered exports, but also diminished the ability to guarantee the quality of nationally produced and imported products, as well as to protect the health of consumers, including tourists. The ban had obvious detrimental implication for the economy of the country, considering that fish are among the top exports of Cape Verde and that EU is by far its largest market of destination. Cape Verde has a fishing fleet composed by artisanal boats (around 1,200) and industrial vessels (less than 100). Fish undergoes port-side processing, mainly done by women. Canning facilities and other facilities for the production of fish meet exist in the country, mainly in Mindelo, Praia, and Sal. However, cold-storage and freezing infrastructures are insufficient and many artisanal fishermen and women processors do not have access to ice (US-AID and West Africa Trade Hub, 2008). Lack of adequate technology for deep water fishing and lack of modernization of fishing fleets seem to hamper the development of the industry.

The following chapter explores some of the impacts of trade liberalization on household welfare, with a focus on gender.

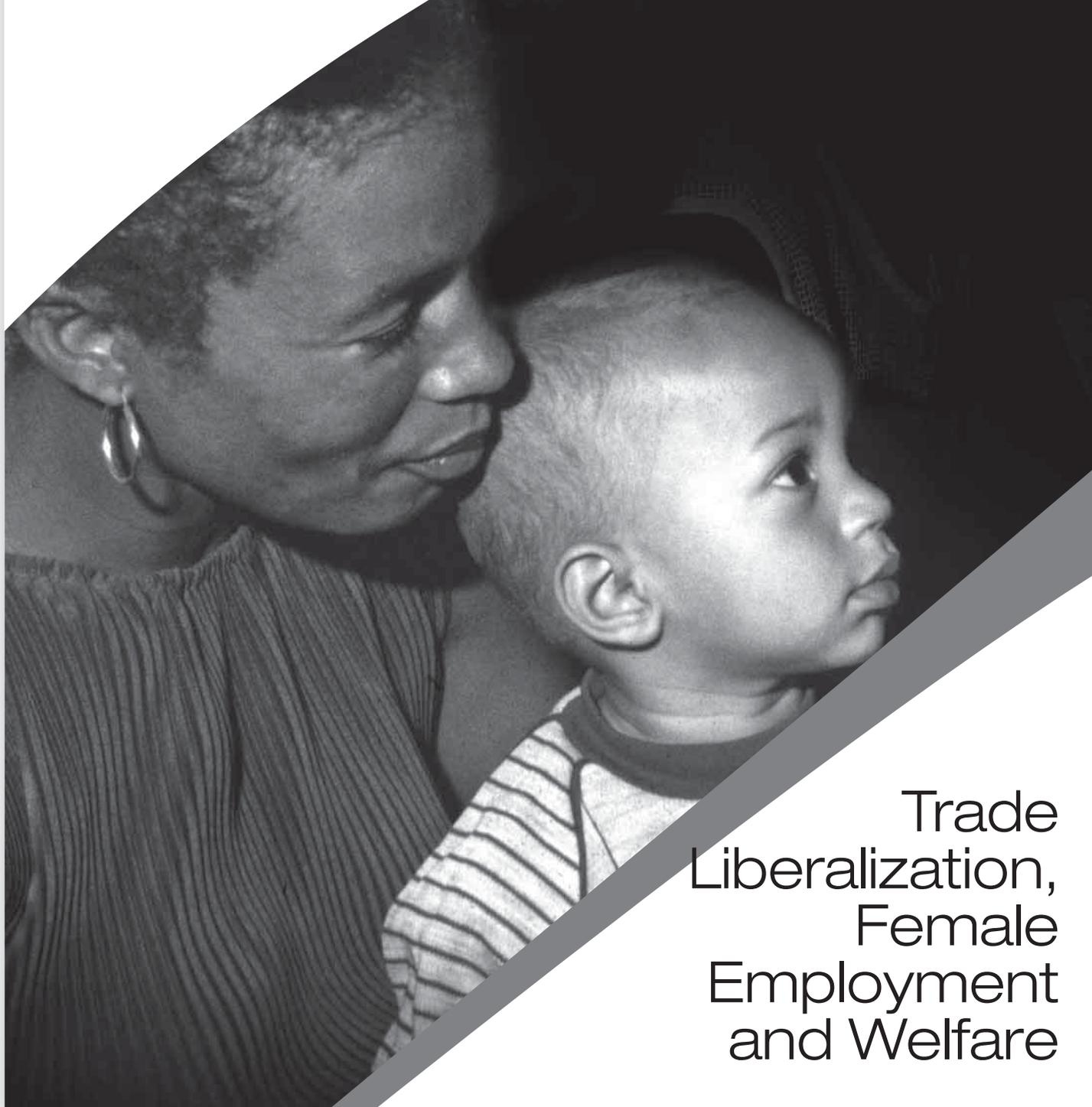
Table 19. Exports to major trading partners, 2008 - Share of duty-free trade

Major export markets		Bilateral imports	Duty-free imports	
		in \$ million	Percentage of tariff lines	Percentage of imports
Agricultural products				
1	European Union	2	91.4	91.0
2	Switzerland	0	91.7	77.9
3	United States	0	100.0	100.0
4	Brazil	0	0.0	0.0
5	Niger	0	0.0	0.0
Non-agricultural products				
1	European Union	35	100.0	100.0
2	Cote d'Ivoire	8	0.0	0.0
3	Singapore	1	100.0	100.0
4	Morocco	1	4.8	81.0
5	Hong Kong, China	0	100.0	100.0

Source: WTO, UNCTAD and ITC 2010.

Notes: "Percentage of tariff lines" means the duty-free tariff lines in per cent of all traded tariff lines. "Percentage of imports" indicates the share of duty-free trade in per cent of all bilateral trade flows, including duty-free preferential treatment

IV



Trade
Liberalization,
Female
Employment
and Welfare

4. TRADE LIBERALIZATION, FEMALE EMPLOYMENT AND WELFARE

Policies geared to trade liberalization and facilitation have diverse impacts on individuals: some will benefit, others may suffer, yet others may not be affected. The impacts that trade liberalization/facilitation policies have on individuals depend mainly on two factors. First, they depend on the influence that trade policies have on domestic prices of goods and factors of production (such as wages, earnings, returns to capital and land) where individuals operate. Owing to regulatory frameworks, some domestic markets and/or economic sectors may be sheltered from the effect of trade policies, while others may be fully dependent on international markets, and thus on trade policies. Second, the impact of trade policies depends on the degree of exposure that individuals have to the various goods and factors of production. Individuals employed in export sectors, for example fishery, may not be affected in the same manner as those in import-competing sectors, such as cereals. The degree of exposure also depends on the extent of self-subsistence activities that the individual is engaged in. In small developing countries, such as Cape Verde, many households engage in self-sufficient activities, that is, production for own use. Those activities, largely independent of price shocks, are therefore isolated from trade policies.

The quantitative analysis in this study on the effect of trade policies on individuals was conducted in three steps (see Appendix 1 for technical details):

- (1) It sought to measure the extent to which trade policies affect domestic prices of goods and factors of production. This included making estimations or assumptions about the degree of which international prices pass through to domestic prices of goods and factors of production. Estimations and assumptions were also made to determine to what extent trade policy impact Government revenues;
- (2) It then identified and quantified the sources of income and the consumption basket for each household. This provided a measure of the dependence between the real income of the households and the change in price of a particular good or factor of production due to trade policy;
- (3) It mapped the changes in the prices of goods and factors of production due to trade policies into each household's budget and income shares. This allows for the calculation of the positive or negative effects of trade policy on a household's real income. Results are then aggregated by the relevant dimension (location, gender, poor or non-poor), so as to better identify any subgroup that would gain or lose from the trade policy.³²

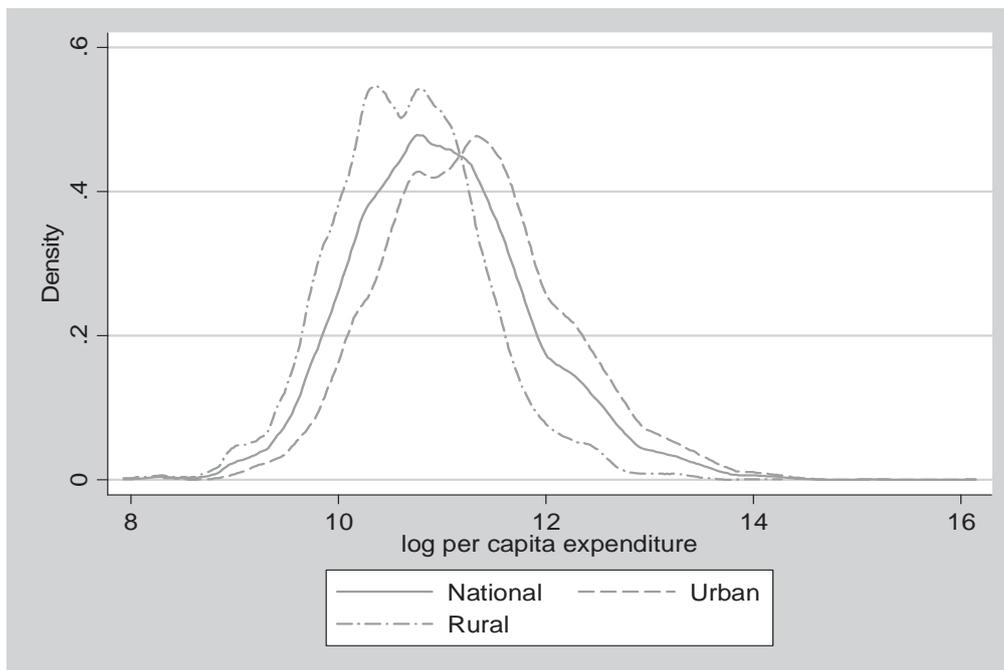
In some detail, this chapter looks at transmission mechanisms through food prices, remittances and tourism. These areas are worth being considered in detail in consideration of the specificities of Cape Verde, namely the dependency of food imports, the diaspora, and the potential of the tourism sector.

4.1. CHARACTERIZATION OF INCOME DISTRIBUTION

The section explores some of the impacts of trade policy on household welfare, with a focus on gender issues. The aim is to shed some light on how different individuals and households would be affected by (a) a change in food prices; (b) an increase in income originating from remittances; and (c) an expansion of some tourism subsectors. The aim is to shed some light on questions such as whether Cape Verde will benefit from further trade liberalization and, if so, whether there is a gender bias in the gains from trade. The analysis builds on both the data described in chapters 1 and 3 and on the analytical framework discussed above. After a brief characterization of the distribution of income in the country, both at the national level and across genders, the analysis focuses on food imports (section 4.2), remittances (section 4.3), and tourism and services (section 4.4).

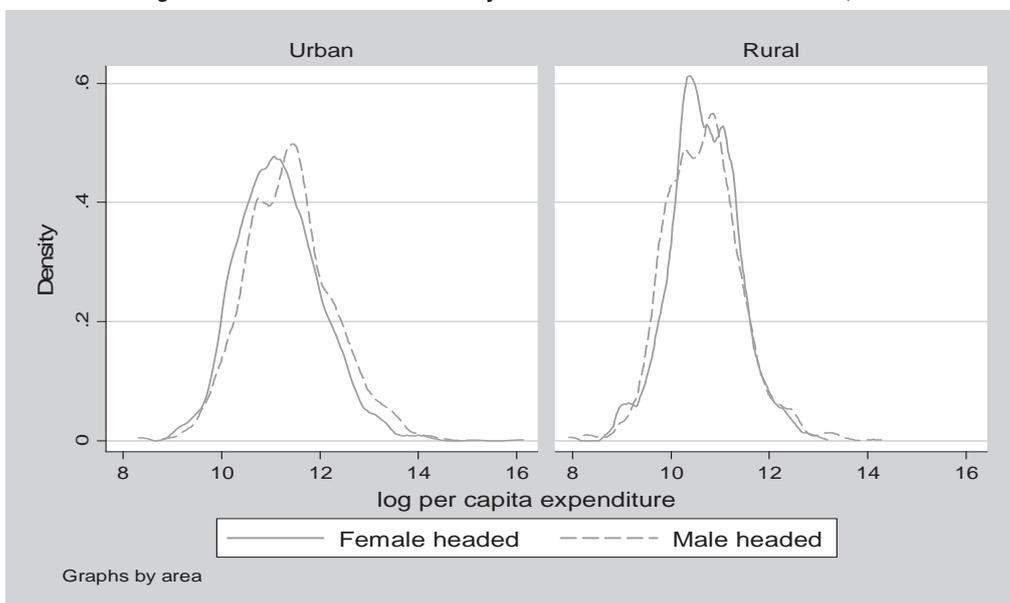
This section quantifies the distribution of income, and uses per capita expenditure to measure household welfare.³³ Appendix 1 provides more information about the methodology used. Figure 2 describes the income distribution at the national level, and for both rural and urban samples. The graph illustrating the income distribution corresponding to rural areas is biased to the left (meaning lower expenditure) relative to the one corresponding to urban areas. This means that rural population have a lower mean per capita expenditure than urban households and that they tend to be poorer than urban households.

Figure 2: One graph with three densities: national, urban, rural, 2002



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 3: Distribution of income by sex of households head and area, 2002



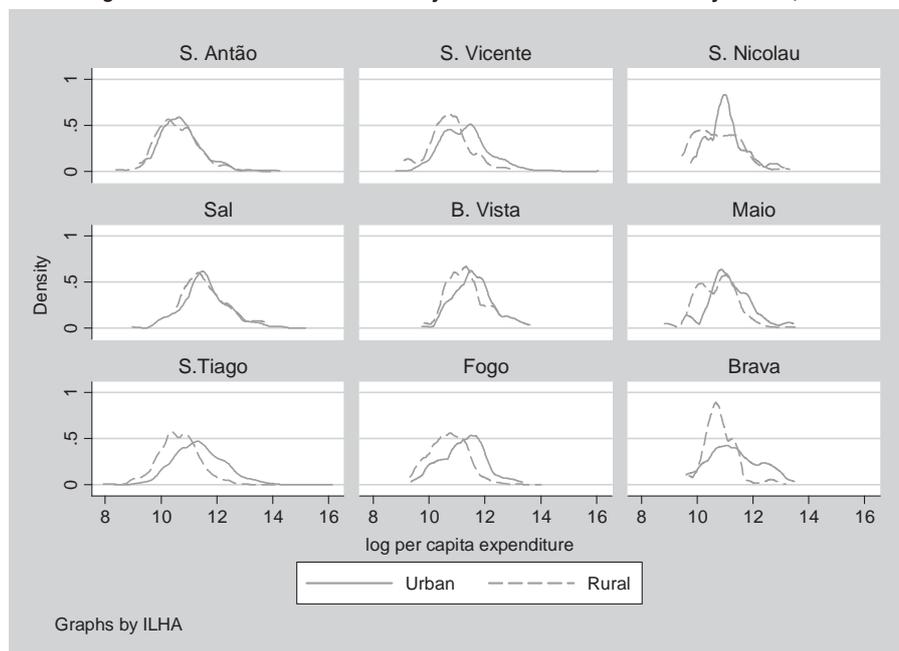
Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 3 compares the income distribution among rural and urban, female- and male- headed households. The density of the female-headed households overlaps with the density of the male-headed, with a slight poverty bias against female-headed households. A left-bias of the female-headed income distribution relative to the

male-headed income distribution, both in urban and rural areas, means that they have a lower mean per capita expenditure and that they tend to be poorer than male-headed households.

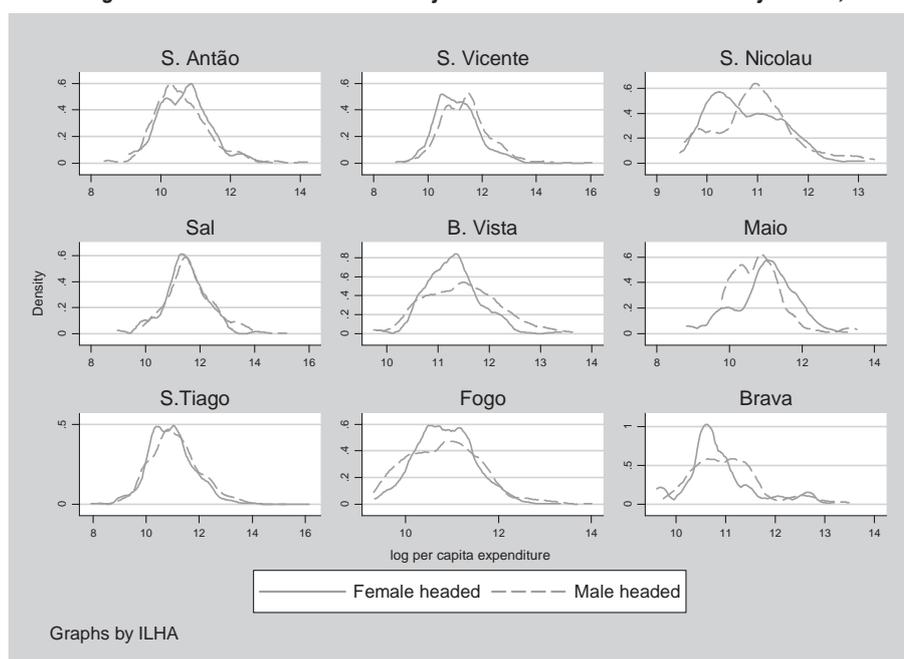
Figures 4 and 5 show the densities for urban and rural areas, and female- and male-headed total households by island. S. Antão and Sal have similar

Figure 4: Distribution of income by area of households and by island, 2002



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 5: Distribution of income by sex of households head and by island, 2002



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

distributions for urban and rural per capita expenditure, but the urban distributions appear to be on the right of the rural one for four of the nine islands, namely Fogo, B. Vista, São Vicente and São Tiago. The dispersion of the expenditure is higher for urban areas in all the islands but in São Nicolau (figure 4).

The graphs show that there are lesser disparities in the distributions of income for male- and female-headed households in Sal and São Tiago. São Vicente, São Nicolau show a higher mode for men. On the contrary, the mode seems higher for women in São Vicente. Boa Vista, Brava and Fogo show a greater dispersion for women than that of men (figure 5).

Disparities between islands, areas and sex of households' heads are presented in table 20, where the mean of annual per capita household consumption (in United States dollars) in 2002 is calculated. The poorest islands are Fogo, S. Antão, São Nicolau and Braga. The wealthiest island on average is Sal, where the consumption gap between female- and male-headed households is however large.

4.2. FOOD PRICES

The IDRF does not contain data that allow identifying net-producers and net-consumers of food. However, considering that Cape Verde imports 80 per cent of the food it consumes (World Food Programme, 2009), it seems reasonable to assume that most households consume imported food.

At the global level, very rapid rises in average global agriculture and food prices are taking place, with the FAO food price index in May 2011 reaching a near historical high (FAO and WFP, 2011). The global phenomenon of high food and agriculture prices experienced in recent years is the result of several long and short-term factors: growing population and income in developing countries, the demand for food and feed crops for the production of bio-fuels, high oil prices, depleted agriculture stocks,

unfavourable climate conditions in major producing countries/regions, political unrest especially in North Africa and the Near East, under-investment in agriculture, speculation, and the depreciation of the United States dollar. Import and export restrictions, as well as domestic support schemes that distort production incentives, discourage supply in response to market demand and constrain international trade of food and agriculture products.

Higher prices for commodities are being passed through the food chain, leading to rising consumer price inflation in most countries. Given Cape Verde's high dependence on commodities imports, consumer prices are rising, allegedly due to increases in the cost of flour, water, fuel and electricity. The retail price for rice in April 2011 was 4 per cent higher than a year earlier and 11 per cent higher than two years earlier (FAO and WFP, 2011). The Government is prioritizing interventions to restrain price rises that are targeted at the most vulnerable groups, while planning to withdraw general subsidies on food prices (EIU, 2011).

In both urban and rural households, food expenditure represents a large share of Cape Verdean household total expenditures. This can be explored with the help of non-parametric regressions of the

Table 20. Average per capita expenditures, 2002 (\$)

Island	Total			Rural			Urban		
	Female headed	Male headed	Total	Female headed	Male headed	Total	Female headed	Male headed	Total
Santo Antão	658	886	814	655	756	726	663	1,214	1,014
São Vicente	1,686	1,625	1,651	613	738	705	1,722	1,688	1,702
São Nicolau	712	1,065	911	664	937	820	776	1,253	1,037
Sal	1,387	2,535	2,187	949	1,877	1,581	1,435	2,601	2,249
Boavista	1,100	1,298	1,241	929	923	925	1,257	1,639	1,529
Maio	985	1,090	1,035	902	716	808	1,085	1,682	1,345
São Tiago	1,036	1,276	1,159	530	616	570	1,529	1,719	1,634
Fogo	649	857	771	544	696	633	985	1,341	1,199
Brava	793	1,113	980	686	829	774	1,004	1,966	1,496
Total	1,074	1,300	1,201	571	706	645	1,483	1,722	1,621

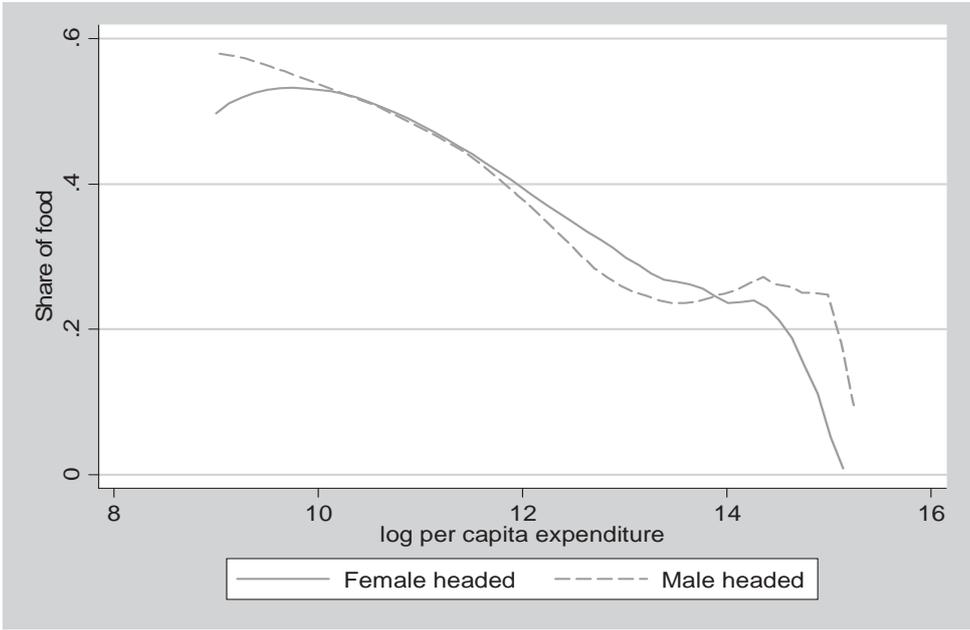
Source: Estimation based on IDRF 2002 (Republic of Cape Verde 2002b).

share of food on the log of household per capita expenditure. These regressions estimate the average food share at different levels of living (measured by per capita expenditures). In figure 6, the food budget share at the left tail of the income distribution is approximately 45 per cent (in both urban and rural areas). In rural areas, there are some differences be-

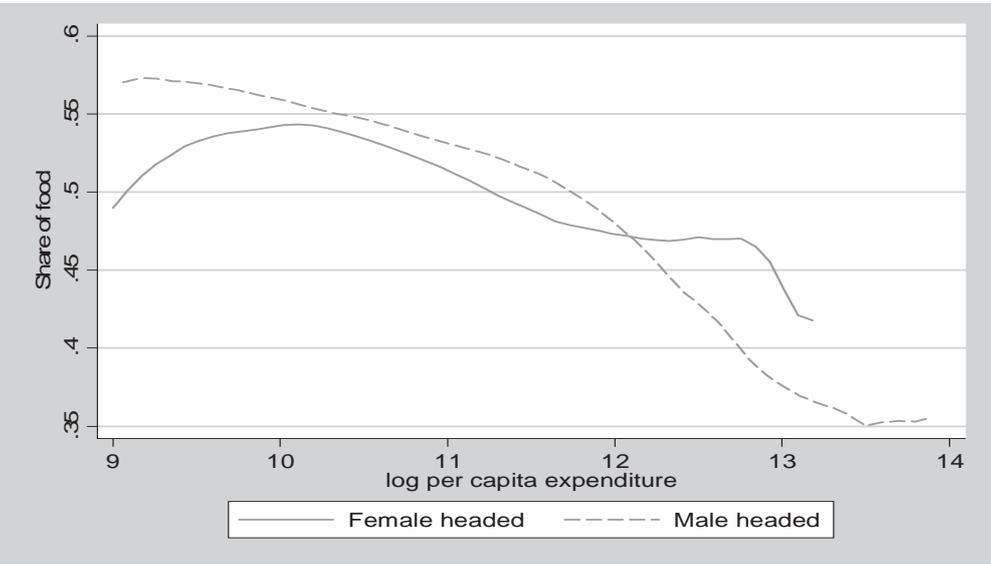
tween female-headed and male-headed in the share spent on food (more than 55 per cent for the former versus less than 50 per cent for the latter). As expected, the share spent on food declines with the level of household well-being. It follows that lower food prices will have a pro-poor bias, while higher food prices will have an anti-poor bias for non-producers.

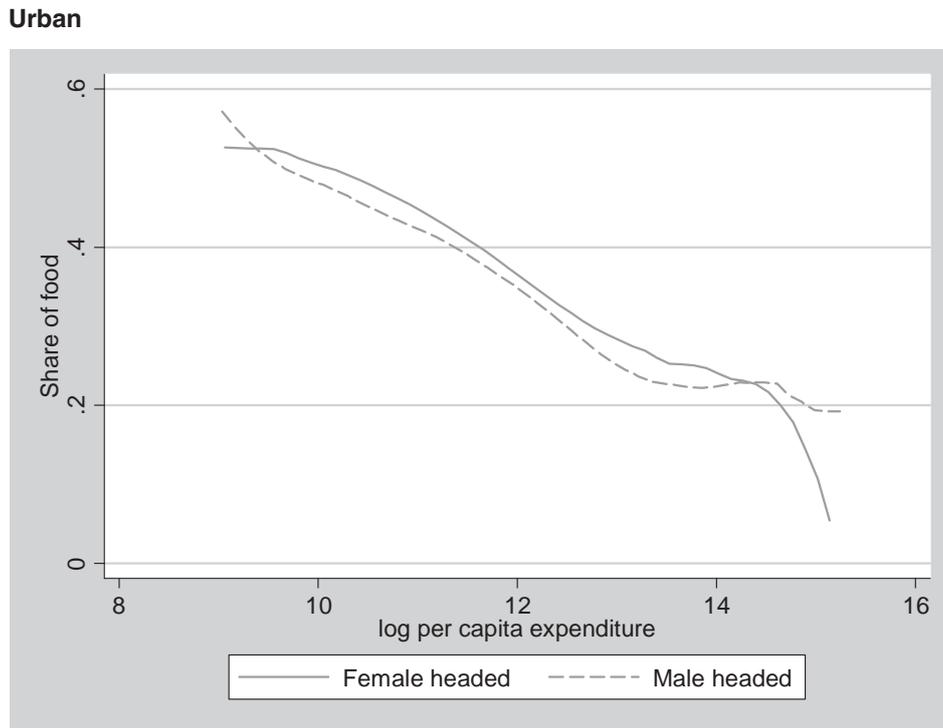
Figure 6: Share of food and log of per capita expenditure

National



Rural



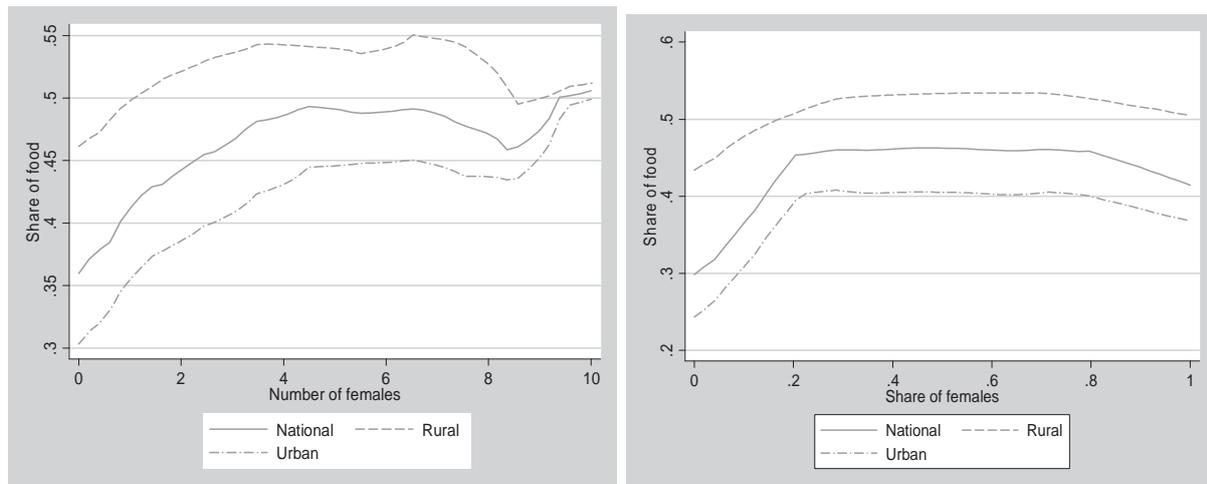


Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Looking at the difference between female- and male-headed households does not necessarily capture all the impacts on women. So far, the analysis has focused on female-headed households. But obviously women living in male-headed households can also benefit from lower food prices. This is explored by examining the relationship between the food share on the one hand and the total number of females in the household or alternatively the share of females in the

household on the other. As before, non-parametric regressions are estimated and reported in figure 7. In principle, households with more women tend to allocate a slightly higher share of their expenditure to purchase food, especially in rural areas, and thus these households will enjoy higher gains from lower food prices. Note, however, that there are little differences in food shares for different gender structures (share of females) in Cape Verdean households.

Figure 7: Share of food and women



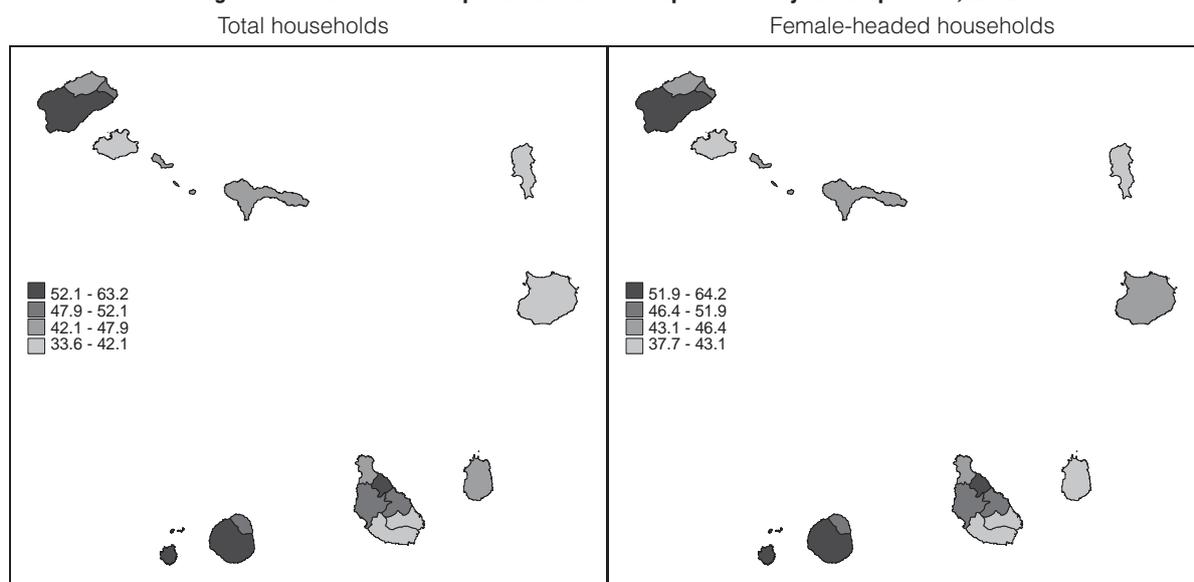
Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 8 shows the regional distribution of the share of food expenditure in total expenditures by island, both for total households and for female-headed households. The average share of total expenditures spent on food is higher than 50 per cent in Santo Antão, Brava, Fogo, and some rural areas of São Tiago (São Miguel) both for all households and for female-headed households. Note that these islands

are also poorer (table 20). In all areas, the food shares are slightly higher for female-headed households.

Table 21 presents simulations of the poverty impacts of an increase in international food prices of 10 per cent. Without estimates of the extent of the pass-through to domestic food prices, the simulations are run by assuming that the cost of the food bundle of a given household increases by 10 per cent.

Figure 8: Share of food expenditure in total expenditure by municipalities, 2002



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Table 21. Poverty impacts of increased food prices (10 per cent increase)

Characteristics	Total			Rural			Urban		
	Female headed	Male headed	Total	Female headed	Male headed	Total	Female headed	Male headed	Total
% of poor									
Households	2.4	2.4	2.4	3.3	3.0	3.1	1.7	2.0	1.9
Individuals	2.5	2.7	2.6	3.1	3.1	3.1	2.0	2.4	2.2
Female	2.5	3.1	2.8	3.1	3.6	3.4	1.9	2.8	2.4
Male	2.5	2.4	2.4	3.0	2.7	2.8	2.2	2.1	2.1
% of extreme poor									
Households	1.8	1.3	1.5	2.4	1.9	2.1	1.3	0.8	1.0
Individuals	2.2	1.5	1.8	2.4	2.1	2.3	2.1	1.0	1.4
Female	2.3	1.6	1.9	2.4	2.3	2.4	2.2	1.0	1.5
Male	2.2	1.4	1.7	2.4	2.0	2.1	1.9	1.0	1.3

Source: Estimation based on IDRF 2002 (Republic of Cape Verde 2002b).

Simulations are made of changes in the head count ratio, and the proportion of the population below the poverty line. The increase in food prices causes the poverty line to rise, with the implication of an increase in poverty. After a price increase of 10 per cent, the proportional change in the poverty line is the product of the proportional change in prices and the share in the poverty line. Following the approach in Porto (2010), these shares are estimated using the average share spent on food by households with expenditures in a neighbourhood of the poverty line. This corresponds to the average share of food expenditures from households with between 50 and 70 per cent of median per capita expenditure.³⁴

With the simulated poverty line, a calculation is made of headcount ratios for all, female-headed and male-headed households, in rural and urban areas. Table 21 reports changes in the headcount ratio from the baseline scenario to the simulated food price increase. At the national level, the fraction of people below the poverty line increases by 2.6 percentage points (the headcount ratio increase from 36.7 to 39.2 per cent). In the case of extreme poverty, the fraction of people living under the extreme poverty line increases by 1.8 percentage points. The table also shows that there are only marginal differences between the poverty impacts on female- and male-headed households, though the impacts tend to be larger in female-headed households, especially in the case of extreme poverty. A 10 per cent increase in food prices would have more severe negative repercussions in rural than urban areas, especially in the case of extreme poverty. Female-headed households would be particularly penalized in rural areas. The extreme poverty count would increase by 2.3 percentage points in rural areas and by 1.4 percentage points in urban areas, and more specifically by 2.4 percentage points for female-headed household in urban area and by 2.1 percentage points for female-headed household in rural areas.

While agriculture and food prices are expected to keep their rising trend at the global and local levels, the conclusion of the EPA negotiations will lead to the reduction or elimination of tariffs on imports from the EU, including agriculture and food imports. As showed in table 16, the MFN applied rate for agricultural products is 12.2 per cent. A simulation is then conducted to assess the poverty impact that a 10 per cent tariff cut on agriculture products could

have. Without estimates of the extent of the pass-through to domestic food prices, the simulation assume that the cost of the food bundle of a given household declines by 10 per cent. Given the tariff rate and considering that food imports account for around 80 per cent of total food consumption, this assumption seems plausible. The purpose of this exercise is to isolate the impact deriving from Cape Verde's trade liberalization from the impact of other factors that affect world agriculture and food prices.

The simulation assesses changes in the head count ratio and the proportion of the population below the poverty line. The change in food prices brought about by the hypothetical tariff cuts causes the poverty line to decline, and, in consequence, would cause a decline in poverty.

Following the same approach as above, headcount ratios for all, female-headed and male-headed households, is calculated breaking it up by area. Table 22 reports changes in the headcount ratio from the baseline scenario to the simulated tariff cuts. At the national level, the fraction of people below the poverty line declines by 2.6 percentage points (the headcount ratio decrease from 36.7 to 34.1 per cent). This is equivalent to more than 12,000 individuals. In the case of extreme poverty (the fraction of the population below the food poverty line), 2 per cent of all Cape Verdean change their status to "poor." This represents almost 10,000 individuals. Table 22 also shows that there are only marginal differences between the poverty impacts in female- and male-headed households, though the impacts tend to be larger in female-headed households. Also, the simulation uncovers larger impacts in rural areas, particularly in the case of extreme poverty.

While the analysis shows that the tariff cuts due to the EPA would have a pro-poor impact, it tends to discount considerations of food security. Because of its geographical and climate conditions, Cape Verde will remain a net-food importer. Nevertheless, it has an interest in preserving some capacity for domestic food and agriculture production. A balance should therefore be struck between the benefits, especially for poor households, of trade liberalization and related tariff reduction and the need to keep and enhance domestic productive capacity. The 2007-2008 global food crisis has highlighted some of the risks of relying on food imports, leading to renewed interest in enhancing agricultural production in Cape Verde.

Table 22. Poverty impacts of decreased food prices (10 per cent decrease)

Characteristics	Total			Rural			Urban		
	Female headed	Male headed	Total	Female headed	Male headed	Total	Female headed	Male headed	Total
% of poor									
Households	2.3	2.1	2.2	2.5	2.7	2.6	2.2	1.6	1.9
Individuals	2.9	2.5	2.6	2.9	2.8	2.9	2.9	2.2	2.5
Female	2.6	2.4	2.5	2.9	2.9	2.9	2.4	2.0	2.2
Male	3.3	2.5	2.8	2.9	2.8	2.9	3.6	2.3	2.7
% of extreme poor									
Households	1.8	1.2	1.5	2.7	1.8	2.2	1.1	0.8	0.9
Individuals	2.5	1.7	2.0	3.1	2.0	2.5	1.9	1.5	1.7
Female	2.4	1.6	2.0	2.8	1.7	2.3	2.1	1.6	1.8
Male	2.6	1.7	2.0	3.5	2.2	2.7	1.7	1.4	1.5

Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

4.3. REMITTANCES

Cape Verde's Diaspora creates a major link via remittances between migration and development. In the 1900s Cape Verdeans mainly migrated to the United States. After immigration quotas were introduced in the United States in 1920, migration shifted to Portugal and West Africa, and it converged to countries of Western Europe after the 1960s. At present, top destination countries for Cape Verdean migrants are Portugal, France, the United States, Mozambique, Angola, the Netherlands, Senegal, Italy, Spain and Nigeria (World Bank, 2011).

The character of the emigrants from Cape Verde has changed over time. Between 1960 and 1970, labour migrants were mainly men who wanted to accumulate savings abroad, who left their wives behind in the country, and who mainly worked as sailors (Carling, 2004). Later on, women also started to migrate and from 1995 to 2000, men and women migrated at similar rates: 46.7 per cent of the emigrants were women and 53.3 per cent men. However, female migration was higher than male migration for women aged up to 24 years, while it was lower for women between 25 and 44 years old (Republic of Cape Verde, 2002a). Women migrated both to join family members already established abroad (family-related migration) and independently, especially to work as domestic employees in Southern Europe. These single women are reported to

remit regularly to their children and to other close relatives.³⁵ There is a strong link between women working abroad and women left behind in Cape Verde, mainly grandmothers, who take care of the grandchildren in the absence of the mothers. This also implies that the decision of women to work abroad is often a family decision (Carling, 2002). In 2000, nurses migrating abroad were more than 40 per cent of nurses born in the country (World Bank 2011).

The provision of services abroad through GATS mode 4 – the temporary movement of people as service suppliers – represents the only multilateral treaty-based regime in existence today for managing the temporary movement of certain categories of persons. Mode 4 offers a great potential for women's participation in the economy. The boundaries of GATS mode 4, however, are not well-defined. GATS recognizes that services delivery may require the presence of foreign natural persons, but it does not detail specific ways in which this can be achieved. Lack of clarity on the issue has led to a diversity of views among countries on the types of movements of natural persons that fall under GATS. Nevertheless, consensus exists that job seekers, permanent establishment and citizenship do not fall within the purview of GATS, while contract-based services provision by individuals or firms and investment-related movement of persons are covered. Mode 4 issues in most countries are dealt with in the same manner as migration issues, blurring the boundaries

Table 23. Sources of income, 2002, percentage

Quintile	Income	Total			Rural			Urban		
		Female headed	Male headed	Total	Female headed	Male headed	Total	Female headed	Male headed	Total
All	Labour income participation	50.6	65.5	58.9	47.0	58.8	53.4	53.5	70.2	63.1
	Capital income participation	3.7	3.7	3.7	3.0	2.8	2.9	4.3	4.4	4.3
	External pensions and remittances	14.7	7.3	10.5	18.6	12.0	15.0	11.5	3.9	7.1
	National pensions	3.4	4.4	4.0	3.8	5.1	4.5	3.0	4.0	3.6
	Other welfare benefits	1.0	0.9	0.9	0.6	0.6	0.6	1.4	1.1	1.2
	Other sources of income	7.2	2.2	4.4	6.5	3.2	4.7	7.7	1.6	4.2
	Imputed rent	19.4	16.0	17.5	20.5	17.5	18.9	18.5	14.9	16.5
1	Labour income participation	51.0	58.3	54.4	47.2	55.9	51.3	54.6	63.3	58.0
	Capital income participation	3.0	1.8	2.4	2.6	1.3	2.0	2.5	2.3	2.4
	External pensions and remittances	8.2	5.6	6.9	8.8	4.7	6.9	7.3	3.1	5.6
	National pensions	3.8	4.7	4.2	5.0	3.7	4.4	2.7	5.5	3.8
	Other welfare benefits	0.9	2.1	1.5	0.7	2.0	1.3	2.0	2.1	2.0
	Other sources of income	7.9	3.7	5.9	8.7	4.0	6.5	9.6	1.8	6.5
	Imputed rent	25.2	23.8	24.6	27.0	28.5	27.7	21.3	22.1	21.6
3	Labour income participation	49.8	65.0	57.7	46.2	58.4	52.9	50.3	70.7	61.7
	Capital income participation	3.0	2.9	2.9	1.2	2.5	1.9	4.4	3.4	3.8
	External pensions and remittances	16.4	8.3	12.2	18.3	10.9	14.2	15.2	5.0	9.5
	National pensions	3.2	3.9	3.6	5.1	7.5	6.4	2.5	3.6	3.1
	Other welfare benefits	1.1	0.3	0.7	0.8	0.3	0.6	1.1	0.5	0.8
	Other sources of income	7.2	2.5	4.7	7.9	2.8	5.1	7.0	1.7	4.0
	Imputed rent	19.3	17.2	18.2	20.6	17.5	18.9	19.5	15.2	17.1
5	Labour income participation	52.1	70.7	64.4	43.4	59.5	52.8	55.9	73.4	67.7
	Capital income participation	6.5	5.5	5.8	4.1	4.8	4.5	7.0	6.1	6.4
	External pensions and remittances	15.2	5.9	9.0	29.4	17.6	22.5	11.9	3.0	5.9
	National pensions	3.7	3.8	3.7	2.8	3.4	3.2	4.5	4.2	4.3
	Other welfare benefits	1.0	1.0	1.0	0.5	0.3	0.4	1.1	1.1	1.1
	Other sources of income	5.7	1.5	2.9	4.8	1.9	3.1	4.6	1.2	2.3
	Imputed rent	15.8	11.7	13.1	15.2	12.3	13.5	15.0	10.9	12.2

Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

between temporary and permanent movement. Conversely, treating mode 4 as a trade issue – instead of a migration issue – would facilitate the movement of services suppliers and could pre-empt some of the problems currently generated by permanent migration and irregular labour flows (UNCTAD, 2009).

It has been argued that mode 4 is not usable if the countries of origin cannot guarantee the return of their services providers working abroad, and hence ensure that their work abroad is in fact temporary. The policy recommendations will discuss how to overcome these constraints.

The analysis of the role of remittances is carried out by exploring the sources of household income based on data from the IDRF (2002), for female- and male-headed households, and for rural and urban areas. Results are presented in table 23. Labour income is the main source of income, ranging from as low as 47 per cent for female-headed households in rural areas to as high as 70.2 per cent to male-headed households in urban areas. Remittances and external rents are an important source of income.

They represent 10.5 per cent of total household income, reaching 18.6 per cent for female-headed households in rural areas. Not only are there gender disparities but also geographic disparities: in rural areas remittances account for nearly 15 per cent of total income, while in urban areas they account for only 7.1 per cent. Remittances are a much larger source of income for female-headed households in rural areas (18.6 per cent) than for male-headed households in urban areas (3.9 per cent).

Another interesting feature related to remittances is their evolution in the country of origin (table 24). It is noteworthy that remittances almost doubled between 1998 and 2008 in nominal terms (from \$77.7 million in 1998 to \$138.4 million in 2008). However, the share of remittances in GDP actually declined in recent years.

To assess the welfare implications of remittances in Cape Verde, non-parametric regressions are estimated of the share of income accounted for by remittances on the log of per capita household expenditures. These are estimates of the average importance of remittances as a source of income at

Table 24. Trends of remittances, 1998-2009

	1998	2002	2006	2007	2008	2009
Millions of dollars	77.7	68.3	123.1	126.0	138.4	128.4
% of GDP	156	108	104	95	89.0	86
Country of Origin						
USA		27.4	19.4	16.5	14.1	15.1
The Netherlands		11.0	8.9	10.2	11.6	9.1
France		22.4	22.9	22.2	21.8	21.9
Portugal		25.3	28.6	30.5	30.1	30.3
Others		14.0	20.2	20.7	22.3	23.7
Total		100.0	100.0	100.0	100.0	100.0

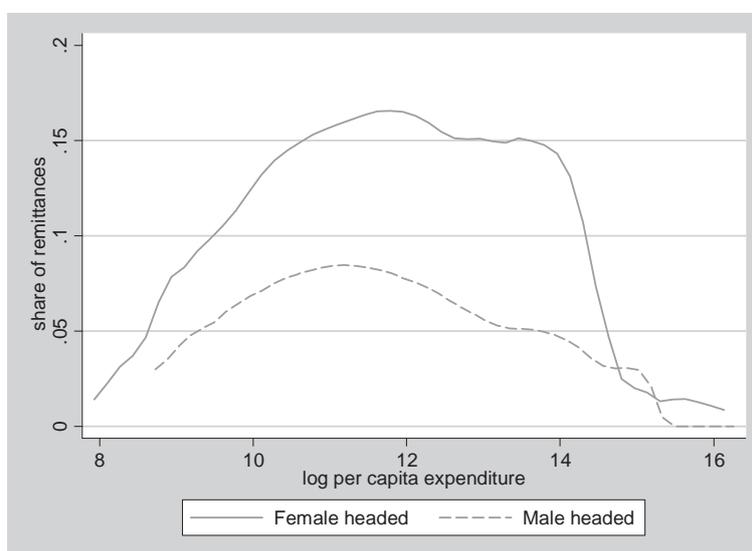
Source: Estimation based on Bank of Cape Verde (Republic of Cape Verde 1999-2009).

different levels of living. The first panel in Figure 9 shows the non-parametric regressions at the national level. The share of remittances is always higher for female-headed than for male-headed households. For females, the share increases sharply with the level of living at the left tail of the distribution; in the wide middle range of the income distribution, the share of remittances is higher than 15 per cent and, at the top (for the richest households), they plummet abruptly to less than 5 per cent. The non-parametric averages for males follow a similar pattern, but the shares are always lower.

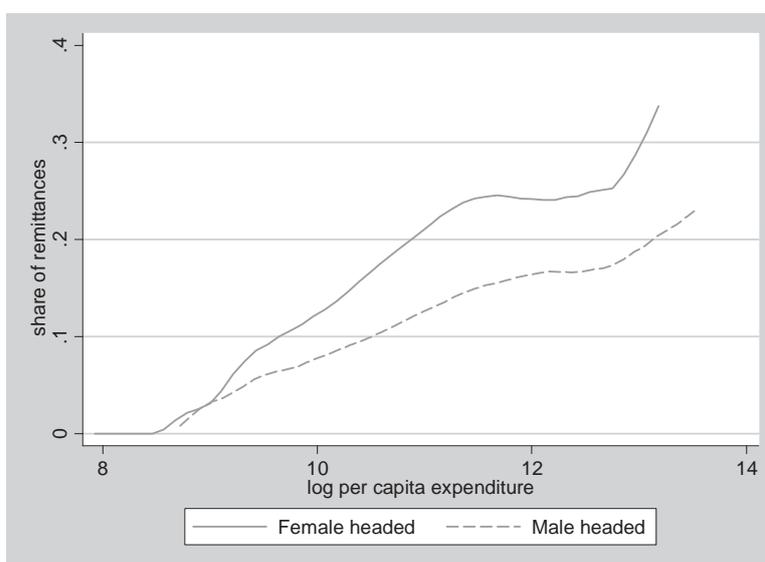
The lower panels of figure 9 report results for urban and rural areas. In urban areas, the share of remittances is higher for female-headed households at the left tail of the distribution (the poorest people) and at the middle, but the shares converge at the richest tail. In rural areas, in contrast, the share of remittances on total income is low for the poorest households but they sharply increase as the level of living increases. This analysis reveals that remittances are an importance source of income, and more so for female-headed households than for male-headed households, as well as for rural areas than urban areas.

Figure 9: Share of remittances and log of per capita expenditure

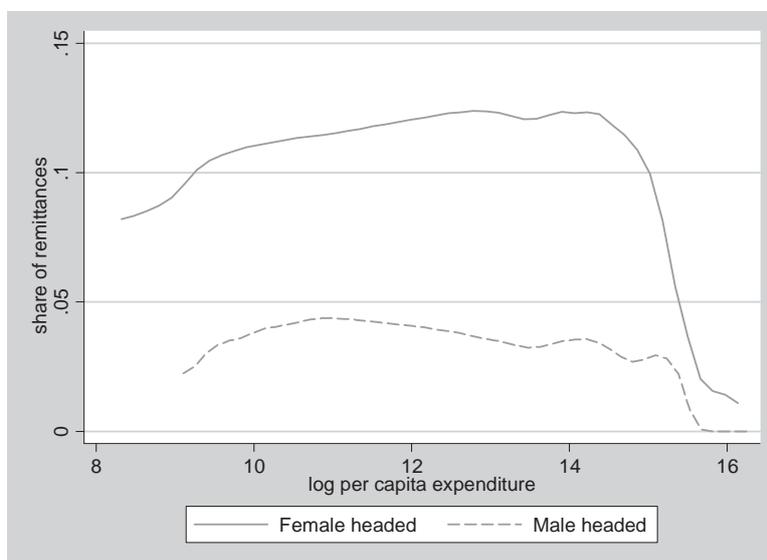
National



Rural



Urban

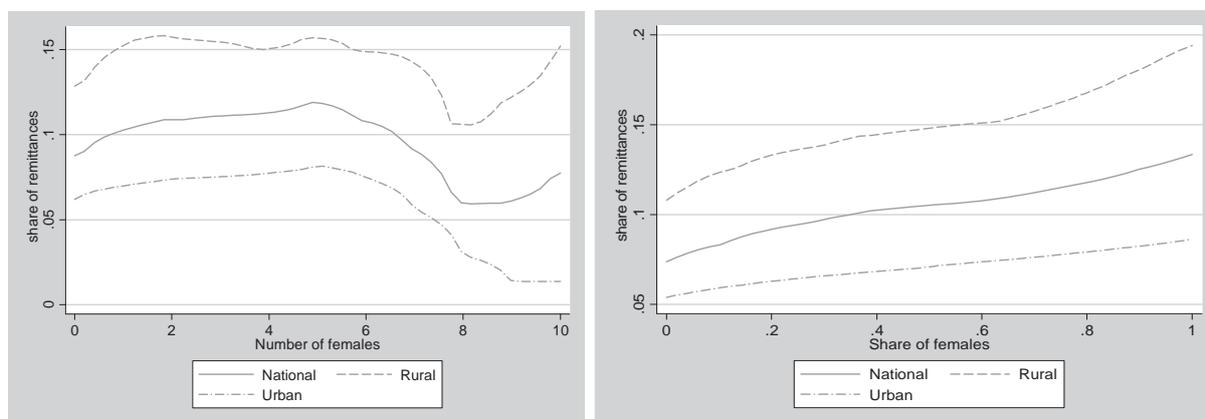


Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 10 shows the relationship between the share of remittances in total income and the number of females and the share of females in households. On the left panel, remittances are equally important (as an income source) for households without females than for households with up to six or seven females. Households with more than seven females tend to report lower remittances shares, but the difference

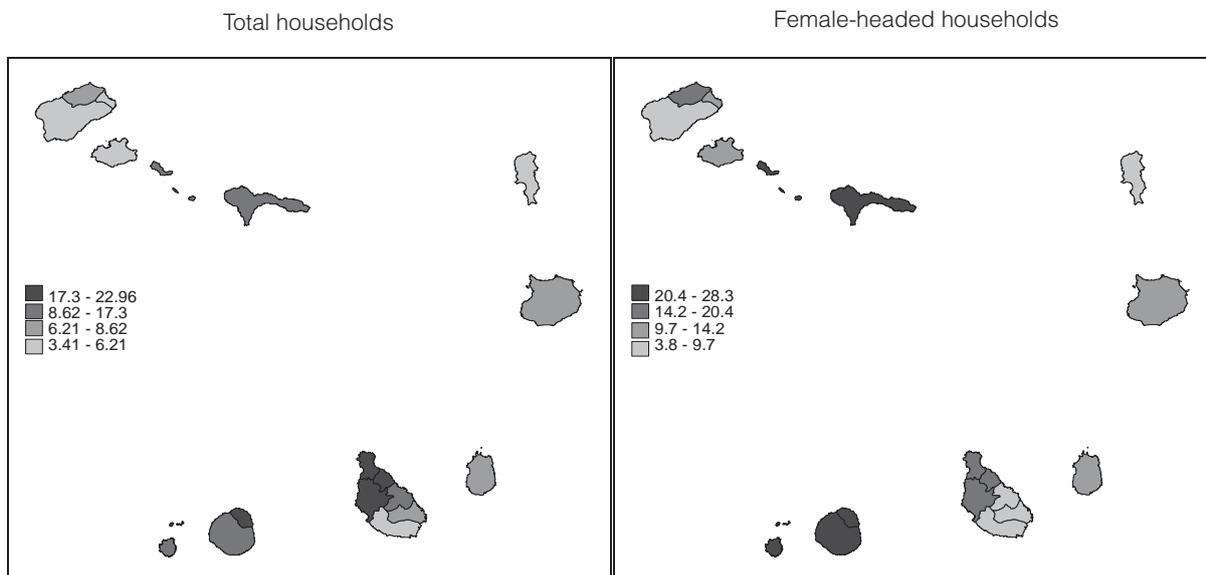
is not significant. On the right panel, the share of remittances increases with the share of females in the household and this increase can be abrupt. In rural areas, for instance, households with no females earn more than 10 per cent of their income from remittances while only-female households can earn up to 20 per cent.

Figure 10: Share of remittances and women



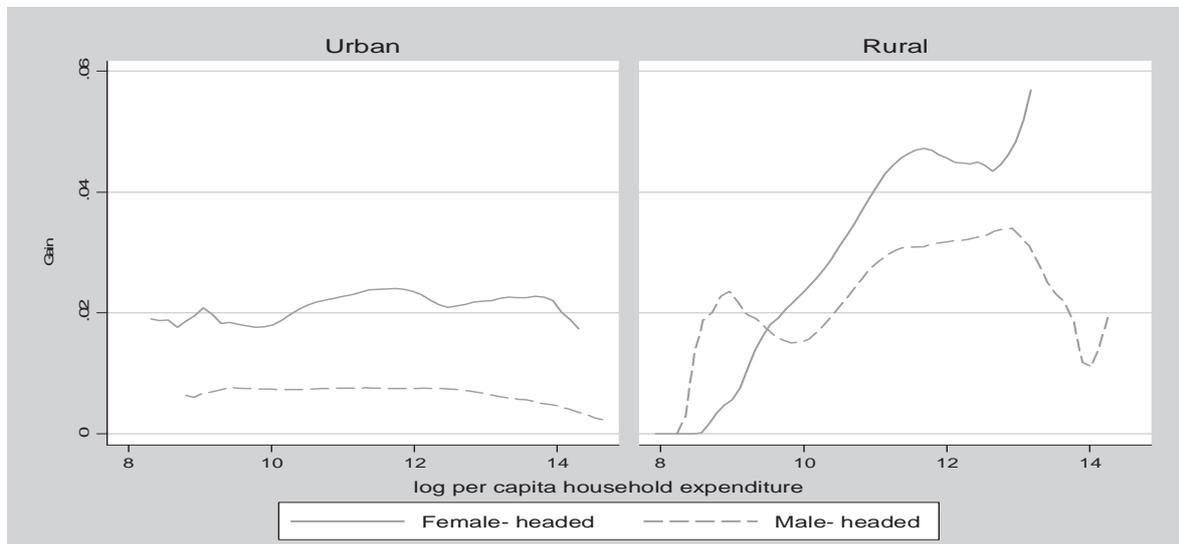
Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 11: Share of remittances in total income by municipalities, 2002



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 12: Gain by head and area



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

The share of remittances in total income, by islands, both for total households and female-headed households, is presented in figure 11. There are some discrepancies in the distribution between these cases. For total households, São Tiago and Fogo show a high share of remittances; for female-headed households, this occurs in Fogo and São Nicolau. In all cases, with the exception of São Miguel in the island of São Tiago, female-headed households show a significantly higher share of remittances than male-headed households. This is especially the case in São Nicolau (26.6 per cent in female-headed and 15.8 per cent in male-headed households) and Fogo (21.1 and 13.7 per cent, respectively).

To assess the effect of a possible increase of remittances on households, a simulation of the welfare impacts of an increase of 20 per cent in income coming from remittances is carried out. Figure 12 shows the percentage gain in per capita household income for each Cape Verdean household, using the non-parametric analysis to link the size of the gain with the initial level of household well-being (measured with the log of per capita household expenditure). As expected, the gains are higher for female-headed households and rural areas are more affected than urban areas. In fact, in urban areas the gain is similar across the entire income distribution and is equivalent to 2 per cent of household income for female-headed households, and 1 per cent for male-headed households. In contrast, the gains in rural areas tend to be positively associated with per capita household expenditure, especially for female-headed households. Overall, this exercise suggests that an increase in remittances seems to be important for female-headed households, except for the poorest households in rural areas, whose share of income from remittances tends to be very small.

4.4. TOURISM, SERVICES AND LABOUR MARKET INCOME

Tourism has become the primary source of growth and foreign exchange in Cape Verde and represents one of the most important opportunities for economic development, poverty reduction and women's empowerment in the country, through foreign exchange earnings, the creation of direct (e.g. hotel and restaurant employees) and indirect (e.g. taxi drivers, gift shops, artisanal crafts, street

vendors, food manufacturers) jobs, and skills development. More accurate tourism statistics, however, are needed for assessing the real impact of tourism on the national economy as well as on poverty and on the environment (Republic of Cape Verde, 2009b).

At the global level, the tourism sector provides direct and indirect opportunities for women to get earnings and jobs in both the formal and informal sector. Women make up between 60 and 70 per cent of the labour force, among others, because most tourism jobs are flexible and can rather easily accommodate women's need to devote time to family responsibilities. Contrary to other sectors, tourism can provide employment to women, including young ones, with little or no formal training (ILO, 2010).

On the other hand, there is a divergence between qualifications and employment opportunities for women. Unskilled or semi-skilled women tend to work in the most vulnerable jobs, where they are more likely to experience poor working conditions, inequality of opportunity and treatment, violence, exploitation, stress and sexual harassment. They are on average paid 25 per cent less in the sector than male workers for comparable skills (ILO, 2010). Employment segregation implies that women tend to perform functions such as cooking, cleaning and hospitality, while men are in charge of more skilful and better paid tasks. Moreover, jobs in the tourism sector and in particular in lower level occupations, are often seasonal and fluctuate according to the volatile nature of the industry (United Nations World Tourism Organisation and United Nations Women, 2011). Women also suffer segregation in terms of access to education and training.

Despite its potential benefits for overall economic development, the expansion of the tourism sector comes with potential costs, including, among others, the need for large investments in infrastructure, pollution, over-exploitation of natural resources, such as fresh water, changes in social relations, potential for increase in prostitution and sexually transmitted diseases.

In Cape Verde, tourism is mainly concentrated on Sal and São Tiago. Sal is the most popular destination with almost 60 per cent of total arrivals in 2006, and São Tiago follows with 20 per cent. Tourism and travel exports represent 62 per cent of total exports

of services. A challenge in order to make tourism beneficial for the population as a whole, and in particular for vulnerable groups, is that people tend not to live where tourism is taking place (see table 25 for an overview on the geography of tourism). Improving the transport infrastructure between the islands would both make it easier for Cape Verdeans to take part in the tourist sector and improve tourists access to different islands. Two high-speed ferries have recently begun operation for cargo and passengers in order to foster the development of tourism, as well as the socio-economic integration among the islands.

An important dimension of the touristic activity is the supply side. There has been a substantial increase in the number of hotels and in different types of accommodations. Hotels are still the main establishments for tourism, basically in Sal; pensions and residences are common in Santo Antão and São Vicente. The regional distribution of accommodations is shown in table 26, as well as the type of tourism the establishments are catering for.

The tourism labour market is an important mechanism for transferring benefits from tourism to the Cape Verdean economy: Table 27 shows the number and types of enterprises in the tourism sector (microenterprise, small and medium enterprise). It also reveals that microenterprises are common on most islands. The medium sized enterprises can mainly be found on the most touristic islands.

The study explores, through simple simulations, the welfare impacts, especially for women, of an expansion of tourism. Tourism is an economic sector which includes a wide variety of activities and impacts different sectors of the economy. Hotels and restaurants are affected by tourism, and so are commerce and transport. Agriculture and construction can also be affected by tourism, but to a lesser extent. There is little quantitative data on how a given sector is affected by tourism. In the simulations, this hurdle is sidestepped by assuming growth in the major sectors/activities associated with tourism, namely Hotels and Restaurants, Commerce, and Transport.³⁶ If the head of a household works in

Table 25. The geography of tourism, 2009

	Residents		Non residents		Total	
	Number	%	Number	%	Number	%
Santo Antão	2,390	6.2	6,409	2.7	8,799	3.1
São Vicente	5,252	13.5	16,322	6.8	21,574	7.7
São Nicolau	775	2.0	798	0.3	1,573	0.6
Sal	12,606	32.5	154,616	64.0	167,222	59.6
Boa Vista	1,842	4.7	19,126	7.9	20,968	7.5
Maio	203	0.5	399	0.2	602	0.2
São Tiago	14,792	38.1	40,856	16.9	55,648	19.8
Fogo	913	2.4	3,125	1.3	4,038	1.4
Brava	67	0.2	91	0.0	158	0.1
Total	38,840	100.0	241,742	100.0	280,582	100.0

Source: Africa infomarket (2009).

Table 26. Regional distribution of accommodations, 2009)

Island	Establishments		Beds		Type of tourism	Infrastructure
	Number	%	Number	%		
Santo Antão	19	13.4	310	3.5	Rural	
São Vicente	20	14.1	711	8.1	Active, cultural	International Airport
São Nicolau	6	4.2	79	0.9	Active	Airport
Sal	34	23.9	5,219	59.1	Sun and beach, active , cultural	International Airport
Boavista	14	9.9	1,168	13.2	Sun and beach, active , cultural	International Airport
Maio	3	2.1	133	1.5	-	Airport
São Tiago	31	21.8	973	11.0	Active tourism, business	International Airport
Fogo	10	7.0	188	2.1	Active tourism, rural	Airport
Brava	5	3.5	47	0.6	-	
Total	142	100	8,828	100		

Source: Africa infomarket (2009).

Table 27. Tourism enterprises, 2008

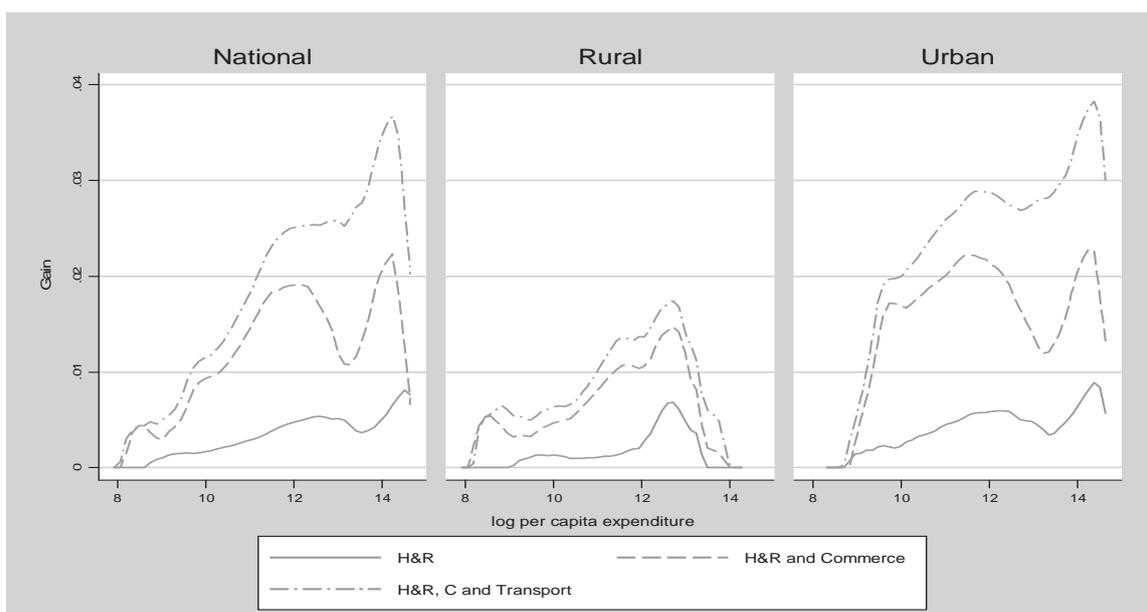
Island	Microenterprise		Small enterprise		Medium enterprise		Total		Employees
	Number	%	Number	%	Number	%	Number	%	
Santo Antão	15	15.2	5	11.9	0	0.0	20	12.7	240
São Vicente	14	14.1	7	16.7	3	17.6	24	15.2	684
São Nicolau	6	6.1	0	0.0	0	0.0	6	3.8	36
Sal	17	17.2	8	19.0	9	52.9	34	21.5	1,512
Boa Vista	10	10.1	6	14.3	3	17.6	19	12.0	630
Maio	3	3.0	1	2.4	0	0.0	4	2.5	48
São Tiago	20	20.2	14	33.3	2	11.8	36	22.8	800
Fogo	9	9.1	1	2.4	0	0.0	10	6.3	84
Brava	5	5.1	0	0.0	0	0.0	5	3.2	30
Total	99	100.0	42	100.0	17	100.0	158	100.0	4,064

Source: Estimation based on Africa infomarket (2009).

Hotels and Restaurants, the per capita expenditure of the household is assumed to increase by 30 per cent. In addition, if the head works in Commerce or Transport, a further increase of 10 per cent in per capita household expenditure is assumed. In the analysis, the gains are assessed cumulatively so as to illustrate the contribution of each sector.

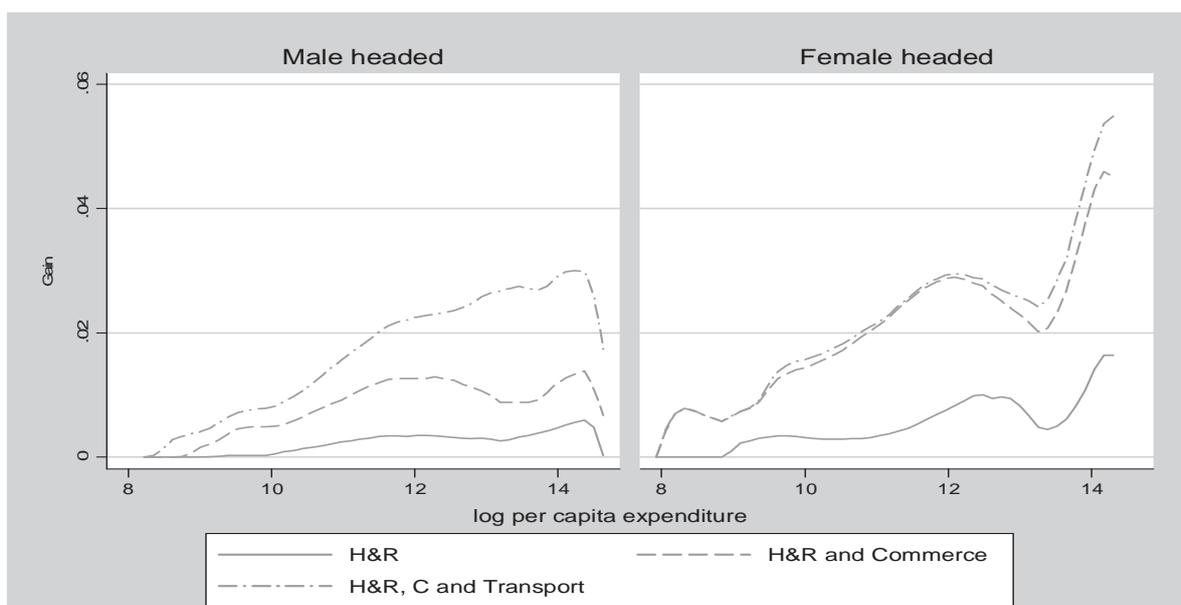
The simulations allow calculating the percentage gain in per capita household expenditure for each Cape Verdean household. These gains are described by using the non-parametric analysis to link the size of the gain with the initial level of household well-being. Figure 13 shows the results at the national level, and for rural and urban areas. Each panel reports three non-parametric regressions.

Figure 13: Gains from tourism



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

Figure 14: Gains by gender



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

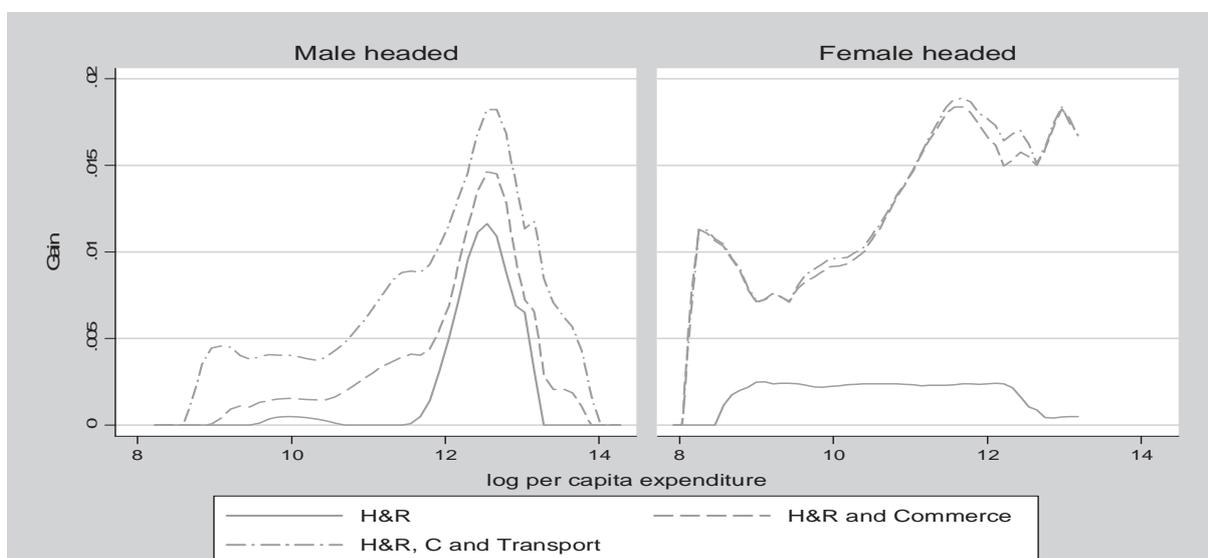
The regression labelled H&R assumes an expansion of the Hotels and Restaurant sector only. The regression labelled H&R and Commerce adds the gains from the expansion of Commerce. The regression labelled H&R, C, and Transports further adds the gains from an expansion of Transport.

At the national level, the gains do not seem to be significant for the poorest households, especially gains originating in Hotels and Restaurants. Larger gains are expected from an expansion of Commerce and Transport and these gains are concentrated at

the middle and, especially, at the top of the distribution (i.e. richer households are more likely to benefit). Conversely, Commerce gains seem to be more centred at the bottom-to-middle part of the income distribution. In rural areas, the gains are very small because few household heads work in the affected sectors. On the other hand, the simulated effects are important in urban areas, which in fact drive the results reported at the national level.

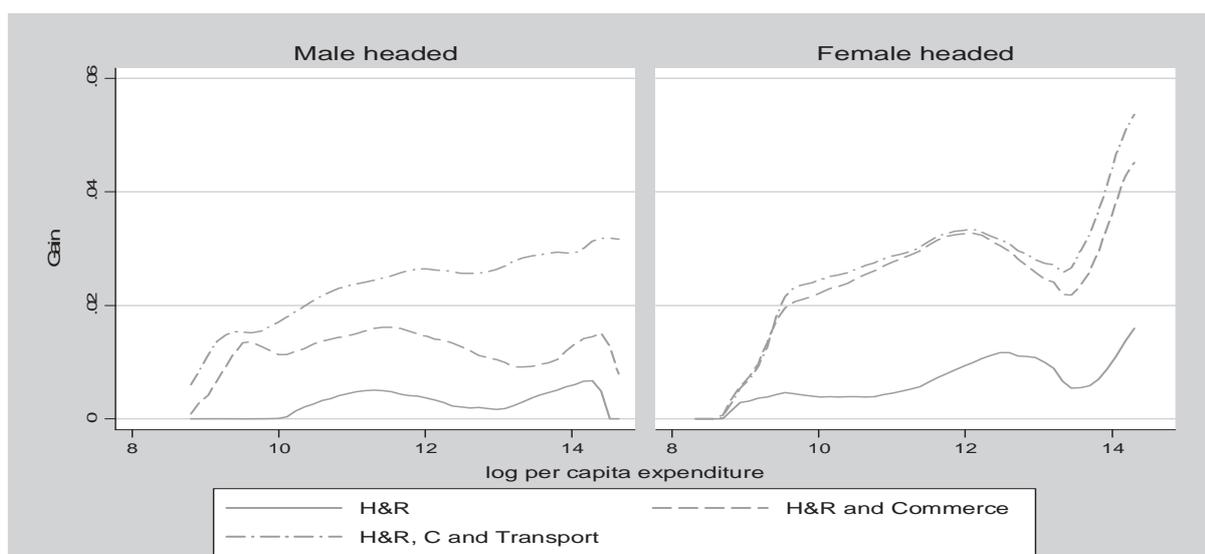
Figure 14 shows the gains by gender at national level, while figures 15.a and 15.b present results

Figure 15.a: Gain by gender in rural areas



Source: Own estimation based on IDRF (2002).

Figure 15.b: Gain by gender in urban areas



Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

for rural areas and urban areas. Female-headed households are undoubtedly more affected by an expansion of Commerce, and, to a lesser extent by an expansion of Hotels and Restaurants. However, as expected, only few women are employed in the Transport sector (1.35 per cent of female heads) and this sector practically does not have an impact on the well-being of female-headed households. Conversely, male-headed households are mainly benefited by an expansion of the Transport sector and the gains tend to be more concentrated in the upper tail of the expenditure distribution. In rural areas the gain is smaller for both male- and female-headed households – a consequence of the low share of these sectors in total employment in rural areas. The gains from an expansion of Commerce for female-headed households in urban and rural areas are important and are observed along all the per capita household expenditure distribution.

The regional analysis is also relevant because each island is specialized in different sectors. The aver-

age gains are reported in table 28. Some islands, including Santo Antão, São Nicolau, Maio, Fogo and Brava, enjoy little tourism and the gains are consequently small. In contrast, the islands of São Vicente, Sal and São Tiago benefit from tourism activities. It is interesting to observe that different islands benefit from expansions of different sectors. In São Vicente, the highest gains are observed in male-headed households at the middle of the income distribution. In female-headed households, the gains originate in the Commerce sector and are similar across all levels of living (except perhaps for the poorest households). In Sal, which receives 60 per cent of all tourists, the gains of male-headed households come from the Transport sector; in female-headed households, the gains from an expansion of Hotels and Restaurants sector and of Commerce are important and affect all social strata. Finally, in São Tiago, the gains from tourism are relatively anti-poor. In female-headed households, the predominant gains originate in the Commerce sector.

Table 28. Welfare impacts of an expansion in tourism and services

Region \ island	Household head	Hotel and restaurants			H & R + Commerce			H & R + C + Transport		
		All	Poor	Non poor	All	Poor	Non poor	All	Poor	Non poor
National	All	0.3	0.1	0.4	1.4	0.9	1.7	1.8	1.1	2.2
	Female headed	0.4	0.3	0.5	2.0	1.4	2.4	2.1	1.5	2.5
	Male headed	0.2	0.0	0.3	0.9	0.4	1.1	1.6	0.8	2.0
Region										
Rural	All	0.1	0.1	0.1	0.7	0.5	0.9	0.9	0.6	1.2
	Female headed	0.2	0.2	0.2	1.2	0.9	1.6	1.3	1.0	1.6
	Male headed	0.1	0.0	0.1	0.3	0.1	0.4	0.6	0.4	0.8
Urban	All	0.4	0.2	0.5	1.9	1.6	2.0	2.6	1.9	2.8
	Female headed	0.6	0.4	0.7	2.7	2.1	3.0	2.8	2.3	3.1
	Male headed	0.3	0.0	0.4	1.4	1.0	1.5	2.4	1.5	2.6
Island										
Santo Antão	All	0.2	0.0	0.4	0.6	0.3	1.0	0.7	0.3	1.2
	Female headed	0.0	0.0	0.0	0.4	0.5	0.3	0.4	0.5	0.3
	Male headed	0.3	0.0	0.6	0.7	0.1	1.4	0.9	0.3	1.7
São Vicente	All	0.4	0.3	0.4	1.9	1.6	2.0	2.7	2.0	2.9
	Female headed	0.6	0.6	0.6	2.5	2.4	2.6	2.7	2.6	2.8
	Male headed	0.2	0.0	0.2	1.5	0.7	1.6	2.7	1.4	3.0
São Nicolau	All	0.0	0.0	0.0	0.7	0.3	0.9	1.4	1.7	1.2
	Female headed	0.0	0.0	0.0	0.8	0.0	1.6	1.7	1.8	1.6
	Male headed	0.0	0.0	0.0	0.6	0.6	0.6	1.2	1.6	1.1
Sal	All	2.0	1.4	2.1	3.2	2.9	3.3	4.3	3.4	4.4
	Female headed	2.3	4.3	1.9	4.5	4.3	4.6	4.7	4.3	4.8
	Male headed	1.9	0.0	2.2	2.7	2.3	2.7	4.1	2.9	4.2
Boavista	All	1.0	0.0	1.2	2.5	0.5	2.8	3.0	2.0	3.2
	Female headed	1.9	0.0	2.1	3.0	2.2	3.1	3.0	2.2	3.1
	Male headed	0.6	0.0	0.8	2.2	0.0	2.7	3.1	1.9	3.3
Maio	All	0.0	0.0	0.0	1.1	0.3	1.6	1.3	0.3	2.0
	Female headed	0.0	0.0	0.0	2.0	0.7	2.5	2.3	0.7	2.9
	Male headed	0.0	0.0	0.0	0.2	0.0	0.4	0.4	0.0	0.8
São Tiago	All	0.2	0.1	0.3	1.4	1.0	1.7	1.8	1.1	2.1
	Female headed	0.4	0.1	0.5	2.2	1.4	2.8	2.3	1.5	2.8
	Male headed	0.1	0.1	0.1	0.7	0.5	0.8	1.3	0.8	1.6
Fogo	All	0.2	0.2	0.2	0.6	0.5	0.8	0.9	0.5	1.2
	Female headed	0.4	0.6	0.3	0.8	0.9	0.8	0.8	0.9	0.8
	Male headed	0.1	0.0	0.2	0.5	0.2	0.7	1.0	0.3	1.4
Brava	All	0.6	1.4	0.0	1.4	1.9	1.0	1.6	1.9	1.3
	Female headed	1.3	2.6	0.0	1.9	3.0	0.9	1.9	3.0	0.9
	Male headed	0.0	0.0	0.0	1.0	0.7	1.2	1.3	0.7	1.6

Source: Estimation based on IDRF 2002 (Republic of Cape Verde, 2002b).

V



Policy
Recommendations

5. POLICY RECOMMENDATIONS

Informed by the previous analysis, this chapter presents some policy recommendations. The aim is to point to some key issues that have an important bearing on women and to suggest some policies that may facilitate the process of women's economic empowerment.

5.1. DIASPORA AND REMITTANCES

As discussed in chapter 4, remittance flows are important for Cape Verde, accounting for about 8.5 per cent of GDP in 2008. To better inform policy decisions, this study explicitly addressed the link between migrants' remittances, poverty and gender. It was found that remittances are essentially poor-friendly and retain an equalizing effect on overall income distribution in the country, although their direct effects on the poorest may be limited. The analysis also provides some evidential support that households that receive remittances rapidly attain standards of living greater than those who do not have family members working abroad. In terms of distributional effects across gender and locations, the findings from the study show that remittances are more important for female-headed households than for male-headed households and that they are a more important source of income in rural areas than in urban locations.

These poverty- and gender-specific findings have important implications for policy purposes. Cape Verde may consider ways and means to sustain and facilitate remittance flows. This calls for policy and institutional coherence at the national and international levels – bilateral, regional and multilateral. In particular, it requires concerted and coordinated action among sending, transit and receiving countries.

There are two main policy areas in this regard: (a) new comprehensive policies and regulatory and institutional frameworks to manage labour mobility; and (b) a concerted approach to facilitate remittance flows.

(a) Labour mobility

Further progress can be made at the national and international levels, i.e. in the relation between Cape Verde and destination countries, for managing labour mobility. This is a complex issue where Cape Verde may wish to carefully weigh the positive effects of migration and remittances (financial inflows,

investments, transnational networks linked to the diaspora, the return of highly qualified individuals) against their negative repercussions ("brain-drain"; dependence on remittances without the ability to leverage them to generate additional income; Dutch-disease type impact at the macroeconomic level, etc.).

Both trade and migration instruments can be used to make migration beneficial to both the sending and receiving country. As far as the temporary movement of services suppliers under GATS mode 4 is at stake, the following measures could be considered to facilitate women's increased participation and benefits from it: (a) simplifying the granting of visas, work permits and licensing requirements; (b) enhancing temporary movement of lower-skilled workers; (c) eliminating economic needs tests or reducing their coverage, and making them more transparent and predictable; (d) facilitating recognition of professional qualifications (UNCTAD, 2009).

Cooperation agreements between origin and destination countries on "temporary" and "circular migration" have become a way to address a wide range of issues including migrant rights, labour and social protection, and facilitation of remittance flows (UNCTAD, 2004). Within the framework of these agreements, there are several policy areas that Cape Verde may wish to consider, including:

- Setting up in Cape Verde centres to process visas and distribute information concerning migrations and employment opportunities in the receiving countries (this already exists in the case of migration to EU countries);
- Improving the legal situation of migrants, particularly undocumented women workers, in the receiving country;
- Targeted negotiations to facilitate the recognition of professional qualifications relevant to the Cape Verdean diaspora, based on a better understanding of their number, composition, skill levels and aspirations. Special attention needs to be paid to health workers, including nurses, both to ensure proper recognition of their professional qualifications abroad, and to limit the phenomenon of brain drain that, among other, could negatively affect the health and retirement tourism;

- Co-financing return programmes for highly-skilled migrants, or scholarships with return conditions, so as to facilitate “circular” migration and/or return;
- Implementing integration policies in the host country not exclusively focused on assimilation into the receiving country, but on training, so as to empower migrants, and on reintegration issues (return);
- Facilitating remittance flows (see below).

As mentioned in Chapter 3, the “mobility partnership” between the EU and Cape Verde provides a framework for facilitating temporary and circular migration from Cape Verde to the EU, and for combating irregular immigration and regulating re-admission. It, among others, set up in Praia a joint centre to process short-stay visas and to distribute information concerning employment opportunities in the EU members participating in the project. It also envisaged capacity-building in Cape Verde to manage migration, notably by developing a centre designed to implement measures for the information, integration and protection of migrants and returnees. There were also plans to improve the efficiency of workers’ migration procedures and to develop job opportunities both in Cape Verde and abroad. The partnership also provides for initiatives to facilitate remittance transfers (European Union, 2008a and 2008b). More specifically, the Centre for Migrant Support in the Origin Country (CAMPO) project aims at facilitating the correspondence between skills and available job vacancies and at providing information on migration channels, so as to promote the use of legal migration channels. It also aims at facilitating the reintegration the labour market at home for Cape Verdeans returning from EU countries, and at supporting them in making the best possible use of the skills and resources acquired through the migration experience, for their own benefit and their country’s development (African Union Commission and the European Commission, 2009). Within this framework, special attention should be devoted to women migrants, in consideration of the special difficulties they usually face as migrants, and in order to make the country benefit as much as possible from the expertise they may have acquired abroad.

(b) Facilitate remittance flows

There are several ways and means to lower transfer costs and formalize remittance flows. Various practices to that end have been reviewed in the context

of UNCTAD’s Expert Meeting on Maximizing the Development Impact of Remittances (Geneva, 14–15 February 2011).

Some innovative schemes have been implemented through multi-stakeholder partnerships involving destination and recipient countries, post offices, banks and credit unions. Mexico, for example, has adopted two approaches to making financial services available to the 19.3 per cent of unbanked and 24 per cent of underbanked Hispanic households in the United States (UNCTAD, 2011). One was the issuance of consular cards to Mexican migrants through Mexican consulates in the United States, so as to facilitate the opening of bank accounts. Agreements to accept such cards as official ID for Mexican migrants had been signed between banks/credit unions and Mexican consulates. Another approach was to provide financial education to migrants in the United States and to recipients of remittances in Mexico.

Other successful pilot projects to promote the use of formal channels in remittance transfers are aimed at increasing the diversity of agencies involved, namely credit unions, financial cooperatives and microfinance institutions and post offices, alongside traditional institutions such as banks and money transfer organizations. The postal system could play a useful role in improving remittance flows, on account of its wide physical network and in light of the fact that post offices are usually cheaper than banks or money transfer organizations. Various schemes have successfully established links between remittances and postal account-based service (listed in UNCTAD, 2011).

Receiving countries could also consider exempting remittances from taxation, which would contribute to lowering transaction costs and increasing the level of formal remittance flows. Another powerful means to facilitate easy and speedy flow of remittances from source countries is to encourage the establishment of foreign bank branches, or encouraging partnerships between local banking institutions and banks in origin countries. In the United States, for example, Citizens Bank has established an arrangement with banks in Cape Verde to offer migrants from the country a remittance facility that is cheaper than that granted by money transfer organizations.

All these customized remittance policies/schemes are typically implemented through multi-stakeholders initiatives involving destination and recipi-

ent countries, as well as public and private actors. Cape Verde may wish to carefully revise the potential of these schemes to reach out to its migrants, and particularly to cater for those temporary/undocumented migrants, often unbanked/underbanked women, who may not have the possibility to access formal transfer mechanisms.

5.2. FOOD PRICES

The analysis on the welfare implications of food prices in chapter 4 found that food price developments would have discrete effects across gender, class and spatial location.

First, it was observed that, in both urban and rural locations, and for both male- and female-headed households, the share of household expenditure devoted to food declines sharply with the level of well-being. Consequently, lower food prices would have a remarkable pro-poor bias, in that the poorer would benefit significantly more from declining food prices than the better-off. Conversely, soaring food prices would disproportionately hit the poorer. It was estimated that, at the national level, a 10 per cent increase in the cost of the food bundle at the household expenditure level would lead to an increase of 2.6 percentage points in the poverty headcount ratio, the fraction of people living under the extreme poverty line would increase by 1.8 percentage points.

Although there would be only marginal differences between the poverty impacts on female- and male-headed households, the impacts would tend to be larger for females and for rural as opposed to urban households. This reflects the fact that households with more women tend to allocate a higher share of their expenditure to purchase food, especially in rural areas, and they would accordingly be more severely hit by soaring food prices.

Conversely, a 10 per cent reduction in the cost of the food bundle at the household expenditure level due to tariff cuts linked to the EPA would lead to a decline by 2.6 percentage points in the fraction of people below poverty line. In the case of extreme poverty, 2 per cent of Cape Verde people would change their status from “extremely poor” to “poor”. There would be only marginal differences between the poverty impacts in female- and male-headed households, though the impacts tend to be larger in female-headed households. Also, the simulation uncovers larger impacts in rural areas, particularly in the case of extreme poverty.

The analysis revealed that, for all households and for female-headed households in particular, the share of food in total expenditures was, on average, higher than 50 per cent in Santo Antão, Brava, Fogo, and some rural areas of São Tiago. Since these areas are relatively poorer than others, it follows that food price developments would disproportionately affect the most disadvantaged locations.

These findings are critically important, as they unveil the discrete effects of soaring food prices within society, and help to better define and target policy interventions for socially inclusive development.

As discussed, food insecurity in Cape Verde is structural in nature due to agro-ecological constraints. With only 10 per cent arable land, the Cape Verde islands are heavily dependent on food imports and greatly exposed to external food price shocks. Hence the importance of national policies and programmes that mitigate the domestic impacts of spikes in international food prices. These include safety net programmes (cash, food, vouchers, or subsidies) as well as pro-active agricultural policies aimed to secure basic livelihoods.

(a) Safety net programs

In Cape Verde, the central Government and the municipalities administer several social protection mechanisms to control the negative incidence of food insecurity. These include school feeding programmes and targeted cash transfer programmes. Overall, Cape Verde has a National Strategy for Food Security (ENSA), which was developed in 2002 to run through 2015, together with a Five-Year Program for Food Security (PSA 2002-2007) and a National Program of Food Security for 2007-2011 (Republic of Cape Verde, 2007d).

A key consideration in designing social protection schemes is deciding who should be targeted and how. Findings from this study could provide some guidelines when targeting schemes by characteristics such as location, gender and income. Indeed, domestic food subsidies and other universal programmes are expensive, and they may benefit groups who do not need them. In terms of reaching the neediest, targeted programmes, such as focused cash transfers, tend to perform better than untargeted schemes. The Government seems to be heading in this direction.

(B) Proactive agricultural/sectoral policies

The findings also point to the need to preserve and boost some domestic capacity in staple food pro-

duction to lessen Cape Verde's exposure to highly volatile international markets. In 2009, 6.6 per cent of the budget of the Government went to modernisation programmes aimed to improve the quantity and the quality of agriculture production, especially through improved irrigation systems. On the other hand, the fisheries sector got less than 1 per cent of the 2009 budget (0.9 per cent) and remains a subsistence activity (AfDB, OECD, UNDP, UNECA 2011).

Cape Verde may wish to consider several policy actions to increase production of staple, non-traded, traditional and indigenous crops and fisheries/livestock for local markets. The Government has already identified some key areas of policy intervention, which include:

- To implement rural management policy for the sustainable management of natural resources in order to take full advantage of the potential for agricultural, forestry and livestock production;
- To stimulate the artisanal fisheries sector;
- To strengthen inter-islands maritime connections to improve market supply and exportation of local production;
- To reinforce the integration of difficult access zones in order to facilitate the access to goods and services; to assure the operation of the Food Security Information System at central (national) and local (municipalities) levels to improve planning, evaluation and maximize the impact of interventions in this area;
- To assure the operation of the Food Security Network to improve the integration of food security concerns into sectoral policies;
- To increase productivity and to diversify production through technological upgrading;
- To assure the availability and stability of food supply in the markets by optimizing its management and assigning the supply to private sector;
- To improve food crisis prevention and management system;
- To build local stakeholders' institutional and technical capacities and to promote the good management of food security;
- To promote sanitary security and the quality of foodstuffs and water through nutritional and

environmental education (Republic of Cape Verde, 2007d).

Special attention should be paid in these plans to the role that women can play in alleviating food insecurity and to ways and means to facilitate their active involvement. For example, it would be crucial to ensure that the Food Security Information System reaches women.

Concerted national and international policy actions are needed to finance productive investment in agriculture and fisheries. This calls for internal and external resource mobilization. In domestic resource mobilization, a key issue is sustained growth in dynamic sectors of the economy (tourism, etc.) and transfer of resources within the economy, across sectors – ultimately, a matter of revenue management. Turning to the pooling and alignment of external funds, a number of Aid for Trade initiatives can catalyse development assistance in support of Cape Verde's efforts to develop the infrastructure to enhance production capabilities. The key challenge is to align aid flows to the priorities identified in national agricultural/sectoral policies. The technological upgrading of women farmers, their enhanced access to extension services, and training on standards compliance represent examples of trade-related areas where support from the international financing schemes could be sought.

(c) South-South cooperation

Enhancing the trade links with countries in the region and deepening South-South cooperation could prove beneficial for Cape Verde, especially considering its large food deficit. While at present only 1.7 per cent of Cape Verde's imports come from other ECOWAS countries, the provisions for the duty-free and quota-free circulation of goods in the ECOWAS region could be used to facilitate trade in some agricultural products, such as vegetable oils, fruits and vegetables, and nuts. The elimination of non-tariff measures, such as sanitary and phytosanitary measures, and the reduction of transport and other related trade costs could also be discussed in the framework of enhanced regional cooperation.

5.3. TOURISM

Chapter 4 looked into how an increase in tourism-related activities affects households' income. Three sectoral groups were studied: Restaurants and hotels, Transport, and Commerce. The analysis shows that female-headed households' income is positively affected by an expansion of the Commerce sec-

tor, and to a lesser degree by an expansion of the Hotels and Restaurant sector. The effect is stronger in urban areas than in rural areas. It is interesting to note that female-headed households appear to be stronger affected by the simulated income increases than male-headed households (with all three sectors included). Further, different islands benefit from expansions in different sectors. Hence the analysis shows that tourism is a potential sector for improving the economic condition of women, and that regional differences should be taken into account.

As already mentioned, people tend not to live where tourism is taking place. Hence, policies to improve the transport infrastructure between the islands would be instrumental to make it easier for Cape Verdeans to take part in the tourist sector, and would improve tourists' access to different islands. The recent start of operation of two speed ferries for cargo and passengers points to the right direction. The country's ambitious plan for the expansion of its infrastructure, including modernization of ports, upgrading of roads and improvement of energy production capacity, will enhance its attractiveness as tourist destination.

Economic growth for Cape Verde may be achieved by linking tourism with other economic sectors. The promotion of cultural tourism, community-based tourism, business-related tourism, wellness and health tourism could be relevant in this respect. Community-based and cultural tourism could of particular benefit women in poor rural communities. However, there is still little data available on this sector, and adequate copyright law or legislation on the protection of national cultural heritage are yet not available. Concrete policies are needed for emphasizing the importance of cultural industry and at strengthening its links with the tourism sector. Overall, more accurate tourism statistics are needed to assess the real impact of tourism on national economy (particularly on poverty) as well as on the environment (Republic of Cape Verde, 2009b).

Properly trained staff and a sufficient number of skilled personnel are preconditions for delivering high quality tourist services. Women's participation in tourism education and training would allow them to have access to more qualified, stable and better paid positions, including managerial ones. Policies should be put in place to cater for such education and training for women, especially those already employed in the sector. Brazil provides education and vocational training to Cape Verde in several areas

and grants scholarship to Cape Verdean students. Tourism could be included among the areas of cooperation, and a number of scholarships on tourism studies could be reserved to female candidates. Flexible hours, arrangements for childcare and opportunities for working from home would make it possible for more women to enter the tourism sector. A more active role for women as tourism entrepreneurs may be facilitated by ensuring women's access to credit, land and property.

5.4. ECONOMIC PARTNERSHIP AGREEMENT

Trade liberalization is likely to affect the prospect of industrialization in Cape Verde, since local producers increasingly face direct competition from EU producers. Many Cape Verdean producers may not remain profitable given their ability to compete with EU imports being highly limited by severe supply-side constraints. The food-processing, footwear and clothing sectors may be particularly affected. These sectors traditionally rely on large female workforce.

Given these concerns, it is crucial that Cape Verde use all the flexibilities available within the EPA in defining the product coverage, sequencing and transitional period for liberalization. The country should include certain safeguards to protect its sensitive products, both agricultural and non-agricultural, also considering women's participation in production.

Loss of Government revenue is a common concern with trade. As detailed in chapter 3, customs and other import duties accounted for about 20.8 per cent of tax revenue in 2009. According to some analysis, tariff liberalization in the EPA context would lead to a 78 per cent decrease in total tariff revenue. This contraction would translate to a 15.8 per cent decrease in total Government revenue. These shortfalls may disproportionately affect women due to the negative repercussions they may have on public services from which they in particular benefit. Recovering Government revenue loss in order to keep the level of public services provided at present remains one of Cape Verde's key challenges for the future.

In order to mitigate the possible negative effect of loss of revenue a country may wish to develop alternative sources of income, including by broadening its tax base. Cape Verde's introduction of a value added tax (VAT) in January 2004 has outweighed the drop in import revenues due to the reduction of trade taxes. The poverty and redistribution effects of taxation, however, should be kept in mind when imposing new taxes. Improving the education of tax officials,

enhancing the technological capacity of tax authorities and supporting corporate management efficiency, starting for example from adequate bookkeeping, would be ways of increasing public revenues and at least partially counterbalancing revenue decline due to trade liberalization. Lower import tariffs, in combination with simplified tax and tariff systems, may also be enhancing trade, and hence offset loss of revenue.

5.5. ECONOMIC EMPOWERMENT

Women who are economically empowered may find it easier to gain respect within the society and in the household. Cape Verde has experienced difficulties in ensuring de facto gender equality despite of very advanced and comprehensive legal commitments at the national, regional and multilateral levels. The challenge is to facilitate the transition from theory to practice.

Increasing women's participation in the labour market would not only have positive repercussions on their social and economic status, but would positively impact the economy and contribute to higher tax income for the Government. Full use should be made of the high levels of education attained by Cape Verdean women and of the huge investments made by the Government to this end.

Multilateral development assistance frameworks, such as Aid for Trade (AfT), provide entry points to use international trade as an instrument for women's economic empowerment. Projects and programmes are eligible for AfT if they match the trade-related development priorities of the recipient country's national development strategies. Thus interventions aimed at facilitating women's participation in international trade would be eligible for AfT financing if such actions were identified in Cape Verde's trade related priorities, national action plans, export strategies and poverty reduction policies. Tradable sectors which have a clear export potential, such as tourism and fishery, could be considered, and AfT financing could include, among other, skills upgrading for women working in the tourism sector, awareness building on SPS requirements in the markets of destination for women working in the fishery sector, or improvement of the cooling and freezing facilities for fishery, especially those which have a large female workforce.

In consideration of women's significant presence in the decision-making process (8 out of 19 ministers are women), including targeted measures for women involved in trade among Cape Verde's trade priorities, seems to be an achievable objective.

Family policies would be particularly important to enhance women's participation in the labour market. For example, measures (incentives or requirements) to increase fathers' participation in parental leave would enable women to go back to work sooner, as child care would be more equally shared between the parents. Provisions of public child care would enable both parents to work. While such services are expensive, increased female labour supply and tax revenues could offset the costs.

In order to increase women's participation at the executive level, imposing a female quota for board directors in publicly listed companies may be considered. Norway has implemented such quotas, and France, Spain and the Netherlands are phasing in similar measures.

5.6. HUBS AND PLATFORMS

Being located at the crossroads between Africa, Europe and America, Cape Verde enjoys an ideal geographical position for international transport of passengers and cargo. However, exploiting such a strategic position, thereby becoming an international air and maritime transport hub, requires the development of infrastructure to international standards. Expansion and modernization works are ongoing in several ports and some of them, such as Mindelo Port, could become important trans-shipment ports. In the air sector, the construction of the Praia Airport has had a positive impact in improving traffic and the development of tourism and subregional integration (African Development Bank, 2009). Such development would allow the country to strengthen trade links with non-traditional partners, such as China and Brazil. However, Cape Verde should not overlook competition from other existing or potential regional hubs and should realistically assess the competitiveness of its services. The Diagnostic Trade Integration Study and the Transport Strategic Plan 2008-2011 have identified some key areas of policy intervention to this end. They include, in addition to the necessary infrastructure upgrading, implementing a modern maritime code, and increased coordination among maritime, air and road transportation systems to facilitate inter-island connections. The participation of international partners is critical to the development of this sector and for securing the necessary funding; therefore, the Government plans to induce private sector investment through subventions and concession contracts.

APPENDIX 1: ANALYTICAL FRAMEWORK

This section lays out the analytical framework used to assess the impacts of trade liberalization on welfare in general and on women, in particular. This framework builds on standard agricultural household models, as in Singh, Squire and Strauss (1986), and follows Porto (2007) and Brambilla and Porto (2010).

The unit of analysis is the household, denoted by h . To measure welfare changes, the analysis adopts the approach in Dixit and Normal (1980) and works with the budget constraint of the household.³⁷ In equilibrium, household expenditures (including savings) have to be financed with household income (including transfers). That is

$$(1) \quad e^h(p, u^h, x^h) = \sum_j w^j + \sum_i \pi_i^h(p, \emptyset) + T^h + x_o^h$$

The expenditure function $e(\cdot)$ of household h , on the left hand side, is defined as the minimum expenditure needed to achieve a given level of household utility u^h . It depends on a vector of prices of consumption goods, p , on the level of utility u^h , and on other household characteristics, x^h (such as household composition).

Income comprises the sum of the wages of all working members j (w^j) and the sum of the profits π_i made in different economic activities i . Profits include, for instance, the net income from agricultural production (potatoes, oranges, apples, rice) or farm enterprises. They depend on prices, technical change and key household characteristics, such as gender (summarized by \emptyset). Notice that profits are defined as sales net of purchases of inputs so that some of the effects caused by protection on inputs or intermediate goods can be captured by π_i . In equation (1), T^h measures transfers (public or private), saving and other unmeasured factor returns. Finally, exogenous income x_o^h is added for technical reasons.

It is evident from equation (1) that household welfare depends on equilibrium variables, such as prices and wages (that affect household choices) and also on household endowments. For instance, household consumption depends on the prices of consumer goods, and household income depends on the labour endowment (skilled, unskilled), the wage rate, and the prices of key outputs. It follows that changes in commodity prices affect welfare directly via consumption and production decisions, and that these impacts are heterogeneous insofar as they depend on household choices and endowments. In addition, there are short-run impacts, when households do not adjust, medium-run impacts, when households make partial adjustments, and long-run impacts, when growth, investments, and long-run choices have taken place.

A crucial assumption that consent to work with equation (1) for welfare analysis is that the principle of “separability” holds.³⁸ Under this assumption, production decisions are independent of consumption decisions (utility maximization). This means that the income level of the household can be considered as exogenous (once optimal production decisions have been made) when utility maximization takes place. The separability assumption is not innocuous: it requires perfect and complete markets (for goods, credit, insurance and so on). Further, just to simplify the algebra, separability is also assumed between consumption and leisure in utility.

First-order impacts

The analysis will now consider the impacts of changes in the price of commodity i . The short-run impacts on the household can be derived by differentiating equation (1) (while keeping utility constant and adjusting T^h). It follows that

$$(2) \quad cv^h = (b_i^h - s_i^h) dlnp_i^h + \sum_j \theta^j \varepsilon w_i^j dlnp_i^h$$

where $cv = -\frac{dx_o}{e}$ is a measure of the compensating variation (as a share of initial expenditures) associated with a change in the i th price. The compensating variation is defined as in Hicks (1939). It is the revenue of a planner that needs to compensate households for the price change. If a household loses from a price increase, the compensating transfer of income from the planner is $\frac{dx_o}{e}$ and the compensating variation cv is negative (i.e., a deficit for the planner). Instead, if the household benefits from a price increase, the com-

pensating variation is positive because it actually represents a transfer from the household to the planner (so that $\frac{x_0}{e}$ is negative).

In equation (2), s_i is the budget share spent in good i , b_i is the share of household income from the production of good i , θ^j is the share of the wage income of member j in total household income, and ϵw_i^j is the elasticity of the wage earned by household member j with respect to the price p_i .

Equation (2) summarizes the first-order impacts of a price change. Notice that $d \ln p_i^h$ has been purposely indexed by h in order to introduce heterogeneity of price changes at the household level. The right-hand side of equation (2) reveals impacts on both household consumption and income. On the consumption side, consumers are worse off if prices go up, and they are better off if prices go down. In a first order approximation, these impacts can be measured with budget shares, s_i . On the income side, there is also a direct impact on profits, if the household produces goods i , which depends on the share of income attributed to these goods, b_i . In rural economies, this source of income can account for a large fraction of total income. In more urbanized economies with more developed labour markets, the role of the direct production of (agricultural) goods will be much less important.

Overall, the first term on the right hand side of equation (2) establishes a key result in the literature: after a price increase, net consumers (as defined by the difference between budget shares and income shares) are worse off and net producers are better off. The opposite is true for price declines: net consumers become better off and net producers worse off. Further, this shows that the welfare impacts will be heterogeneous across countries. An exporter of agricultural goods will be, on average, benefited by price increases associated with the international liberalization of agriculture; but an importer will probably be hurt by those changes.

The result was introduced by Deaton (1989a), who launched a whole literature (by advocating the use non-parametric density estimation and non-parametric regressions in economic development) to study the distributional effects of price changes. Deaton (1989a) used data from the Thailand Socioeconomic Survey of 1981–82 to explore the distributional consequences of the export tax on rice across all Thai households. The ideas introduced in Deaton's work have been, and still are, extensively utilized in the literature. Early examples include (a) Deaton (1989b), who reviews applications for Cote d'Ivoire, Indonesia, and Morocco; (b) Budd (1993), who investigates food prices and rural welfare in Cote d'Ivoire; (c) Benjamin and Deaton (1993), who study cocoa and coffee in Cote d'Ivoire, too; (d) Barret and Dorosh (1996), who look at rice prices in Madagascar; and (e) Sahn and Sarris (1991), who examine structural adjustments in several Sub-Saharan African countries. Deaton (1997) provides an account of the early use of these techniques in distributional analysis of pricing policies.

Price changes also affect wages. This channel is described by the second term on the right hand side of (2). The mechanisms are in principle simple. When there is a price change, labour demand for different types of labour (and also labour supply) can change, thus affecting equilibrium wages. In (2), these responses are captured by the elasticities ϵw_i^j , which will vary from one household member to another provided different members are endowed with different skills (unskilled, semi-skilled or skilled labour) or if they work in different sectors (industry premia). These impacts on labour income depend on the share of income contributed by the wages of different members, θ^j . Clearly, if countries differ in technologies, endowments, or labour regulations, the responses of equilibrium wages to prices can be heterogeneous across different economies.

As shown in equation (2), the response of wages can generate first-order effects on household welfare. To account for these responses, the standard net-consumer/net-producer proposition needs to be modified. To see this, consider the extreme case where a farm-household consumes a product but does not produce it at all. Instead, the farm earns income from selling labour in neighbouring farms. Omitting wages, this household is a net consumer and could thus be hurt by a price increase. But if wages respond positively to prices, the final welfare effect may not necessarily entail a loss. For details, see Ravallion (1990), Boyce and Ravallion (1991), Porto (2005), and Porto (2006).

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NOTES

- 1 The information on the history and geography of Cape Verde included in this section is available on the official site of the Government of Cape Verde: <http://www.governo.cv/>.
 - 2 In urban areas, 49.8 per cent of the population is men and 50.2 per cent women. In rural areas, 49 per cent of the population is men and 51 per cent women. (Republic of Cape Verde, 2011a).
 - 3 The Gini index lies between 0 and 100. A value of 0 represents absolute equality and 100 absolute inequality of income. Countries in the region display more even income distribution patterns than Cape Verde. For example, the Gini Index for Benin is 38.6, for Cameroon 44.6, for Côte d'Ivoire 48.4, for The Gambia 47.3, for Ghana 42.8, for Mauritania 39 and for Senegal 39.2 <http://hdrstats.undp.org/en/indicators/161.html>.
 - 4 2005-2008 period. (UNESCO, 2011).
 - 5 The Government seeks to raise the contribution to GDP of fishing and agriculture. Statistically, the current contribution of fishing and agriculture is underestimated since only artisanal fishing and traditional crops are captured in statistics, leaving out industrial fishing, the impact of the Public Investment Programme (PIP) on dams, and microcredits for irrigation to raise agricultural productivity (AfDB, OECD, UNDP, UNECA, 2011).
 - 6 The penal code, the electoral law, the labour code and the civil code give equal rights to men and women.
 - 7 This section is based on Republic of Cape Verde (2007b).
 - 8 Domestic work is defined as work conducted in the residence of the employer. For more details see : <http://www.ine.cv/Legisla%C3%A7ao/Outras/C%C3%B3digo%20laboral%20cabo-verdiano.pdf>.
 - 9 The Convention was approved on 16 June 2011 during the annual conference of the ILO. It sets out a set of standards, including reasonable hours of work, weekly rest of at least 24 consecutive hours, a limit on in-kind payment, clear information on terms and conditions of employment, as well as respect for fundamental principles and rights at work including freedom of association and the right to collective bargaining.
 - 10 For more information: <http://www.icieg.cv/>.
 - 11 The International Covenant on Civil and Political Rights, 1993; the International Covenant on Economic, Social and Cultural Rights, 1993; the Principles and Plan of Action of the Cairo International Conference, 1994; the Beijing Declaration and Platform for Action, 1995; and the MDGs, 2000.
 - 12 Information on ECOWAS can be found at: <http://www.ccdg.ecowas.int/>; and http://www.comm.ecowas.int/dept/stand.php?id=e_e2_brief&lang=en.
 - 13 CEDAW requires signatory countries to report about progress in implementing the Conventions' obligations every four years. Cape Verde presented its first report in 2005 and this was considered a cumulative report, including rounds 1 to 6 of the CEDAW reports. In September 2010 the Government approved a CEDAW report combining rounds 7 and 8 (Republic of Cape Verde, 2010).
 - 14 The PNIEG was evaluated in 2008, and a progress report towards achieving the MDGs was published in 2009.
 - 15 Remittances contribute to partially balancing the negative trade deficit; however, they are mainly used to increase consumption-related activities, rather than to finance productive activities.
 - 16 For example, Benin (0.354), Cote d'Ivoire (0.363) and The Gambia (0.262) have an export concentration index far lower than Cape Verde's. The concentration index shows how exports of individual countries are concentrated on several products. The values rank from 0 to 1 (maximum concentration). Source: *UNCTAD Handbook of Statistics 2010*.
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- 17 Cape Verde also qualifies as a beneficiary under two other preferential schemes: the United States' African Growth and Opportunity Act (AGOA) and the Canadian General Preferential Tariff (GPT) treatment. The commercial significance of these schemes has been limited for the country: virtually no exports occurred in 2008 and 2009 under the provisions of AGOA, and Cape Verde's exports to Canada are not significant.
- 18 The graduation entered into effect from 1 January 2008 (United Nations General Assembly Resolution A/Res/59/210 of 20 December 2004).
- 19 Article 11(8) of Regulation (EC) No 732/2008 provides for the withdrawal of a country from the EBA, when that country is excluded by the UN from the list of the LDCs. This Article also provides for the establishment of a transitional period of at least three years before the removal takes effect (European Union, 2008a).
- 20 Côte d'Ivoire and Ghana, for example, both agreed to interim EPAs with the EU in December 2007. As a result, the main exports of Côte d'Ivoire and Ghana continued to enjoy preferential access to EU markets.
- 21 The "Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part and the European Community and its Member States of the other part" ("ACP-EC Partnership Agreement" or "Cotonou Agreement") was signed on 23 June 2000 in Cotonou, Benin. It was concluded for a 20-year period from March 2000 to February 2020, and entered into force in April 2003. While under the Lomé conventions the EU granted non-reciprocal trade preferences to the ACP Group of States, the Cotonou Agreement envisages a system of regional economic partnership agreements (EPAs), under which the ACP States open their domestic markets to the EU as a reciprocal concession for duty-free access to the EU market. Source: Europa, *Summaries of EU legislation*, http://europa.eu/legislation_summaries/development/african_caribbean_pacific_states/r12101_en.htm.
- 22 The Mobility Partnerships are not legally binding international treaties. They do not cover all EU member States – member States instead take part in the partnerships on a voluntary, opt-in basis, according to the interest they have in managing migration flows, including irregular ones, coming from a specific third country. France, Luxembourg, The Netherlands, Portugal and Spain have signed the Partnership with Cape Verde. Because of their "soft" legal nature, their different geographical coverage and the fact they are perceived to serve the national interests and the political agendas of the participating EU members countries rather than the interests of third country workers, such agreements have been the object of criticism. Source: Carrera S. and R. Hernandez i Sagra (2009).
- 23 http://www.macaunews.com.mo/index.php?option=com_content&task=view&id=1099&Itemid=4.
- 24 Macauhub, 27 June 2008 and 2 August 2011.
- 25 Relative to other developing countries, particularly in Africa.
- 26 The customs general fees were levied on imports as a fixed percentage of the import value.
- 27 With the introduction of the VAT, the structure of indirect taxes was considerably simplified. It substituted 10 different taxes such as the Consumption Tax, the Tax on Oil Products, the Special Tax on Consumption of Alcohol and Tobacco and the Tourism Tax. The normal VAT rate is of 15 per cent.
- 28 Document MTN.GNS/W/120, dated 10 July 1991. "Tourism and Travel Related Services" fall under, category 9 of the Services Sectoral Classification List.
- 29 The first three subsectors have associated listing under the United Nations' "Provisional Central Product Classification" (CPC), as follows: CPC 641-643 for "Hotels and restaurants (including catering)"; CPC 7471 for "Travel agencies and tour operators services"; CPC 7472 for "Tourist guides services".
- 30 See, for example, Communication from the Dominican Republic, El Salvador, and Honduras – *The Cluster of Tourism Industries* (WTO document S/CSS/W/19, 5 December 2000).
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- 31 Tariffs may however become an issue, if Cape Verde manages to diversify towards more added value exports. Also, tariffs may become an issue should there be a hiatus between the expiration of the EBA transitional period and the conclusion of EPA negotiations.
- 32 This description of the impact of trade policy on individuals is based on the framework developed by Nicita (2009).
- 33 The densities of the (log) of per capita expenditure is used. A kernel density estimation is a non-parametric way of estimating the probability density function of a random variable. This function describes the relative likelihood for a variable to occur.
- 34 Official poverty line is 60 per cent of the medium annual household income of IDRF 2002.
- 35 A case study carried out in Naples, Italy, in the 1980s (Monteiro, 1997) reported that Cape Verdean women were sending more money home than men, about 18 per cent of their income, as opposed to 7 to 13 per cent sent by men.
- 36 The sectors/activities reported are following the classification from the IDRF 2002 survey.
- 37 An alternative method is to start with the indirect utility function, see Deaton (1997).
- 38 See Barnum and Squire (1979) and Singh, Squire, and Strauss (1986) for a theoretical discussion of the principle of separability.
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