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Human Development, Economic Policy and Income Inequality in Cabo Verde

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Abstract:
By most accounts, Cabo Verde is making tremendous achievements economically, politically, and socially. Forty years after becoming independent, it finds itself consistently among the highest performers on human development scales anywhere in Africa. This paper is a reflection on Cabo Verde’s development and economic growth as it relates to questions of income and resource distribution. Specifically, it considers the challenge of inequality in the distribution of income and the possibility that present inequality trends may be related to economic policy-making over that last twenty-five years. It draws on government reports and United Nations and World Bank documents to capture the trajectory of inequality in this time period, and on recent ethnographic studies to substantiate its manifestations through different segments of the social system.

Keywords: Human Development, Economic Growth, Income Inequality, Market Economics, Resource Distribution, Gini Coefficient, Economic Policy

Introduction

On July 5th, 2015, Cabo Verde marked the fortieth anniversary of its independence. In its four decades of sovereignty, it has attained significant economic growth along with major gains in most measures of human development. By many accounts, the country is a model of good governance, political stability, and sensible management, and its achievements are regarded by some as a source of pride and optimism in Africa. At the same time, there is also concern over the manner in which economic resources are distributed amongst the population, and the likelihood that income inequality turns out to be a problem that is not only persistent but could get worse. Drawing on reports and

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measurements by governmental sources and international agencies as well as on recent analyses by scholars in the field, this paper is a reflection on this question of inequality in the midst of economic growth, the possible role of economic policy in this state of affairs, and possible unintended consequences of Cabo Verde’s chosen development path.

**Development Achievement in Cabo Verde**


These and other accolades are typically based on a number of performance indicators. Cabo Verde’s score of 0.646 on the UN’s Human Development Index is higher than the average of 0.614 for the group of medium development countries to which it now belongs. Its life expectancy of 73.3 represents a gain of nearly 15 years since 1980 and is the highest in Sub-Saharan Africa. Both its infant mortality and maternal mortality rates are among the lowest in the region after significant decreases in the last forty years (United Nations Development Program [UNDP] 2015). Its poverty rate decreased from 49 percent in 1988 to an estimated 25 percent in 2014, while per capita gross national income (in PPP) went from $1,050 in 1990 to $6,320 in 2013. Adult literacy rate (ages 15 and older) is 84.9 percent, slightly higher than the global rate and well ahead of the Sub-Saharan rate (Governo de Cabo Verde [GCV] 2012:11; UNDP 2015).

In a recent report titled *Cape Verde: A Success Story*, the African Development Bank (2012) attributes the country’s achievement record to its respect for “political rights, civil liberties and good governance” which enabled it to overcome severe constraints—small land area and population base, arid climate, lack of natural resources—and attain “one of the most impressive socio-economic performances in Africa” (pp. ix-x). A similar assessment was given by the United Nations (2010), which traced Cabo Verde’s progression toward the Millennium Development Goals to its commitment to “good
governance and investments in human capital” (p. 2). The World Bank (2014) chimes in that Cabo Verde’s “robust democracy” has been key to attaining “noticeable progress in terms of poverty reduction” (pp. 1-2), adding that in its capacity as an emerging middle-income country “Cabo Verde could become a focal point for South-South learning” in regard to socio-economic development (p. 48).

Remarking that Cabo Verde’s upgrade in 2007 from Least Developed Country to Middle-Income Country represents the first time that such an upgrade was “an outcome of efficient economic and social policies” (as opposed to external or accidental factors such as the discovery of new natural resources, or a sudden jump in world commodity prices), the African Development Bank (2012) declares that Cabo Verde is not only a “development showcase” but a “source of hope for the continent” (p. 5).

**Development and Economic Policy**

Within this broad narrative of success, three key factors are generally emphasized: peace and stability, good governance, and macroeconomic management. Indeed, in four decades of independence, Cabo Verde has experienced no serious social disturbance, whether class-based, ethnic, or regional, and the absence of major economic crises, famines, natural disasters, or other threats has likely also contributed to the country’s good fortune.

Additionally, Cabo Verde is often seen as benefitting from stable and relatively realistic political leadership. Even in the early days of independence and single-party rule, the government’s stated priority was to consolidate national sovereignty and social viability. Its focus was ostensibly to attend to the needs of the population while prioritizing national development over ideological concern. Its handling of food aid, for instance, was put forth as indicative of this posture. Secured from a variety of donors from different points in the ideological spectrum, food aid was often reconstituted as a revenue source as it was sold (not donated) to the population to generate income to fund infrastructure projects and job creation (Bigman 1993).

By the late 1980s, the limits and inadequacies of the single-party model were laid bare not only by domestic realities but by geopolitical processes that would soon bring down the Berlin Wall, dismantle the Soviet Union, and unleash a wave of repudiation of
one-party regimes throughout Africa. Cabo Verde claimed a place at the leading edge of this wave of change when it set into motion the political process that would usher in multiparty elections in 1990. The newly-formed opposition party won parliamentary and presidential elections by substantial margins. The political process that followed in the years after that has generally been deemed relatively open and fair and now, as the country looks to upcoming national elections, it does so with a justifiable degree of democratic confidence and optimism (WB 2014:1).

Economic management of independent Cabo Verde closely reflects this political trajectory. The immediate post-independence period of single-party rule was marked by a socializing orientation that involved centralized planning and a significant government presence in the economy. The elections of 1990 brought that period to a close and ushered in a market economy dominated by a liberal trade policy and private enterprise which, in the words of the newly elected Prime Minister, would bring about “social progress,” and “rapid change” (Veronis 1992). In the ensuing years, significant change did occur in the form of higher rates of economic growth. GDP per capita nearly doubled from 3 percent in the 1980s to 5.7 percent on average since 1994, and as high as 9 percent in some years (AfDB 2012). Meanwhile, poverty rates were cut in half since 1990 (WB 2014). Importantly, when the independence party came back to power in the elections of 2001, it largely kept in place the neo-liberal policies of its predecessor, and economic growth continued unabated.

This growth was largely achieved through a combination of aid, direct foreign investment and emigrant remittances, under the close supervision of the International Monetary Fund and the World Bank, although other funders have also been critical players (e.g., the African Development Bank; the U.S. Government’s Millennium Challenge Corporation). Securing aid and development funds from such sources was predicated on careful adherence to achievement guidelines and targets set forth in structural adjustment and growth and poverty reduction protocols. Central to these protocols were demands for privatization, trade liberalization, and cuts in public spending, all of them foundational to the rational philosophies that guide those agencies and all of them dutifully heeded over the last quarter century by Cabo Verde’s successive governments, regardless of ideological persuasion. That the indicators show dramatic growth following the 1990 shift to a free-
market economy seems to vindicate the wisdom of those economic philosophies, and to legitimate the perception of Cabo Verde as a darling of the donor community\(^2\), a poster child of rags-to-riches capitalist modernization in Africa.

**Development and Inequality**

Yet, in the midst of this universal cheer, closer examination reveals underlying concerns over perhaps unexpected consequences of this neo-liberal transformation. Specifically, there is concern over the likelihood that while Cabo Verde is attaining growth economically, it may not be delivering equitable access to well-being and prosperity to all of its citizens. Speaking on the occasion of the 40\(^{th}\) anniversary of independence, the Cabo Verdean President singled out income inequality as one of the pressing challenges currently facing the country (Rádio Televisão Portuguesa [RTP] 2015). Likewise, the Prime Minister identified inequality as a problem that is lowering Cabo Verde’s level of performance on the United Nations’ Human Development Index, and went on to call for “greater access to work, family income, and social protection” for vulnerable Cabo Verdeans (*A Semana* 2014). In a recent government report titled *Estratégia para o Desenvolvimento da Proteção Social de Cabo Verde*, “reduction in social inequality” was listed alongside “poverty reduction [and] the elimination of extreme poverty” as Cabo Verde’s “greatest challenges” going forward (GCV-Ministério das Finanças e da Administração Pública [GCV-MFAP] 2008:36). A joint report by the African Development Bank, the Organization for Economic Cooperation and Development, and the United Nations Development Program (AfDB/OECD/UNDP 2014) cautions against “high and persistent inequality” in Cabo Verde for it “will inevitably have an impact on poverty reduction in the future” (p. 34).

These concerns are substantiated by readings in Gini coefficient, which measures the distribution of income or expenditure among the population of a country. On a scale of 0 to 100, a score of 0 denotes complete equality in the distribution of income among all persons in the country, while a score of 100 indicates total inequality. Scores in the 20s and 30s denote low levels of inequality, while scores between 50 and 70 indicate extreme inequality. In Sub-Saharan Africa, countries with low levels of inequality include Burundi.
(33) and Mali (33) while countries such as Botswana (61), Namibia (64), and South Africa (63) are highly unequal (UNDP 2015).

The lower the index the more equitable the distribution, and declines in the index over time denote improvements in the spreading of prosperity, while rising scores are indicative of growing inequality (Todaro 1989). For example, in the case of Cabo Verde, after estimating that the Gini coefficient had fallen from 55 in 2003 to 48 in 2008, the World Bank enthusiastically announced that “great progress ha[d] been made in boosting shared prosperity” (WB 2015). On closer inspection, however, one finds that while this five-year snapshot (2003-2008) does indicate a decline, a fuller picture of change over time is more complex and likely also more instructive. While data on the subject are very limited and incomplete (Angel-Urdinola and Wodon 2007; Proença 2009), some government figures from the last twenty-five years are helpful. In a series of Growth and Poverty Reduction Strategy Papers (GPRSP) submitted to the International Monetary Fund and World Bank by Cabo Verde’s Ministry of Finance [GCV-MFP], the Gini coefficient was set at 43 in 1989, 57 in 2001, and 48 in 2010 (GCV-MFP 2002; GCV-MFAP 2004; GCV 2012). At least two things stand out from these figures. First, while the decline from 57 to 48 that occurred in the 2000s is significant, at 48 the 2010 index was still considerably higher than it had been in 1989. In other words, the sharp rise in inequality (from 43 to 57) that occurred in the 1990s was partially reversed in the 2000s (from 57 to 48), but not enough to bring the rates down to 1980s levels. Secondly, by the government’s own admission, whereas in the early 2000s the “pace of decline” in inequality coefficient was “steep,” by 2008 the pace of decline had “moderated” (GCV 2012:10), such that the reading in 2010 was 48, five points higher than in 1989.

The figures indicate inequality that is not only pronounced (at upper-forties to fifties levels) but also persistent and with a tendency to getting worse. Back in its 2004 GPRSP report, the government had already noted that the increase in inequality that occurred during the previous decade looked particularly problematic “when compared to countries with the same income level;” Cabo Verde, it lamented, was “at the most unequal deciles among countries with medium level human development according to UNDP classification” (GCV-MFAP 2004:40). Its 2012 follow-up report found that “high levels of inequality . . . are still a concern” (GCV 2012:10-11).
Similarly troubling is the prospect of what may have happened after 2010. While we await post-2010 government data, the UN’s Human Development Report estimates Cabo Verde’s Gini Index to be 51 in 2013 (UNDP 2015). By this estimate, Cabo Verde’s level of inequality is higher than that of any other country in Western Africa; second-highest in Lusophone Africa; tenth highest in Sub-Saharan Africa; and within striking distance of notoriously unequal countries such as Zambia (58) and South Africa (63), or the likes of Brazil (55) and Colombia (56) in Latin America (UNDP 2015).

The picture that emerges, then, is one that shows gains in poverty reduction—from 49% in 1990 to 25% in 2015 (Instituto Nacional de Estatística [INE] 2004; GCV-MFAP 2004; GCV 2012; AfDB 2012; WB 2015)—but persistent imbalance in the distribution of income. In other words, while the market has expanded economic output, the allocation of resources is not equitable and not all segments of the population are keeping up with the expansion. Given these trends, at least one World Bank study maintains that going forward it would be rather “optimistic” for Cabo Verde to assume “growth that is evenly distributed among all individuals” (Angel-Urdinola and Wodon, 2007:105). This means that the possibility that Cabo Verde is growing into a more unequal society cannot be dismissed (AfDB 2012; GCV 2012), and the question as to why it is that strong economic growth is not being accompanied by a reduction of inequality has to be considered.

**Inequality and Economic Policy**

Debate is longstanding as to what the relationship between economic growth and income inequality looks like and whether or not economic growth is beneficial to the poorest segments of society. Some see income inequality rising almost inevitably as a function of economic growth, a sort of collateral damage that in any case is eventually balanced out by overall growth that benefits everyone (Dollar and Kraay 2000; World Bank 2000; Kuznets 1955; Galenson and Leibestein 1955; Todaro 1989; Firebaugh 2003). The rising tide lifts all boats and in the final analysis the gains are universally realized. Others suggest that equity need not be traded away for growth, that inequality may actually compromise growth, and that it may be possible to promote more equity through a “combination of more growth, a more pro-poor pattern of growth and success in reducing the antecedent inequalities that limit the prospects for poor people to share in the
opportunities unleashed in a growing economy” (Ravallion 2001:15; Saith 1983; Singer 2002; Ravaillon 2005).

Although the essentials of causation underlying changes in inequality index are beyond the scope of this paper, it appears from this discussion that economic growth, by itself, may be necessary but not sufficient to address inequality. Singer (2002 cited in Furtado 2008) points out that whereas economic growth generally reduces poverty, its benefit “does not reach down to the very poor or the chronically poor” and may instead “result in social exclusion” (p. 20). Ravallion (2001) adds that the evidence does not support the notion that “growth raises incomes of the poor . . . by about as much as it raises the incomes of everybody else,” and that an imbalance in the distribution of income is of significant consequence in regard “to the outcomes for the poor—both as an impediment to growth . . . and as an impediment to poverty-reducing growth” (p. 1804). Economic growth, he argues, unleashes upon different segments of the population a “diversity of impacts” that requires deliberate and targeted policy consideration (p. 1805).

In the case of Cabo Verde, this connection between growth and inequality is increasingly being articulated in both official accounts and scholarly analyses.3 According to a Ministry of Labor, Family and Social Solidarity (GCV-Ministério do Trabalho, Família e Solidariedade Social [GCV-MTFSS] 2010) report, rapid economic growth “pushed an important segment of the population to a situation of poverty” (p. 36). The Ministry of Finance and Public Administration (GCV-MFAP 2004) maintains that the strong economic growth of the 1990s and early 2000s “had a significant impact . . . on the distribution of income (and wealth) both nationally and between the islands” (p. 35). The African Development Bank (2012) observes that there has been “a widening income gap in recent years as a result of the country’s fast growth” (p. 37), while a World Bank study asserts that whereas rapid economic growth dramatically reduced poverty in Cabo Verde, it also brought with it a rise in inequality over time (Angel-Urdinola and Wodon 2007).

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3 Recently the President’s Chief of Staff suggested that the consequences of income inequality are even more dire than those of poverty itself (Rádio Televisão Caboverdiana, “Desigualdade é Mais Penalisadora no País do que a Pobreza: Manuel Faustino” 24 March 2011). Letters to the Editor and opinion pieces have appeared in national newspapers discussing manifestations of inequality (e.g., “Cabo Verde: Desigualdade de Renda e Gênero” blogpost by Joao Silvestre Alvarenga, on 9 March 2012), and at least one piece of public sociology has suggested a link between inequality and rising rates of youth violence in the capital city.
In a recent study of poverty and social vulnerability on Santiago Island, Claudio Furtado (2008), goes further and argues that the growth in inequality is a function of “macroeconomic policies” which rendered segments of the population “unlikely to benefit from the results” of economic expansion (p. 25). As he puts it, the “disengagement of the State from economic activity” after 1990 along with the emergence of private (especially foreign) enterprise as the preferred engine of growth significantly impacted the distribution of resources. The tertiary sector, especially tourism, transport, and banking, became dominant, in detriment of the primary sector, whose “diminished performance . . . end[ed] up having a negative impact on the income of rural families and workers, exposing them further to the risks of poverty and vulnerability” (p. 25).

Through connecting increased risk of poverty on the one hand with “disengagement” of the State from the economy on the other, Furtado accentuates the question of why Cabo Verde’s economic growth has not translated into shared prosperity and why benefits haven’t been spread more evenly. In so doing, he also helps to extend the question to whether persistent inequality may in fact be a function of economic policy itself, and whether rationalized market processes are adequate to address issues of equity and social justice in the allocation of life chances. Is inequality an unintended consequence of market growth, or its corollary? While further empirical research is needed to examine this question in regard to Cabo Verde, at least a couple of other recent studies underscore the pertinence of such examination. In her work on food insecurities in Cabo Verde, Rodrigues (2008) highlights the incongruence between entrenched vulnerabilities among significant numbers of urban and semi-urban dwellers on the one hand, and the narrative of neo-liberal modernization success on the other. As she puts it, “If acknowledging past famines undermined colonial competence and imperial control, present food vulnerabilities in urban areas undermine the postcolonial discourse on modernity, liberalism, and development” (p. 370). By juxtaposing pervasive if “silent” parallels between present-day food insecurities and the wretched famines of Cabo Verde’s colonial past, she exposes some of the limits of market-driven development philosophies and projects when it comes to their response to the vulnerable segments of society.

Similarly, Fikes’ (2010) ethnographic work on Santiago market women examines what she calls “drastic shifts in relation to Ca[bo] Verde’s local history of income creation,”
shifts which in her view engender exclusion and economic “violence” especially for women toiling in the lower strata of the distribution pyramid (p. 56). She argues that deregulation after 1991 left local markets “decimated by the presence of new, economically stable [foreign] retailers and entrepreneurs” who, while availing themselves of incentives and investment opportunities made possible by the new climate of private initiative, “were not redistributing or recycling profits within the local economy” (p. 59). By the early 2000s, many of the market women she interviewed were reporting “huge income losses” as a result (p. 59). In a pointed critique, Fikes asserts that this downturn in their fate “is primarily about a new politics and practice of income distribution and circulation” which creates new forms of exclusion and vulnerability that escape traditional mechanisms of response and support (e.g., family relations; communal systems of djunta-mon), and leave the poor increasingly “dependent upon external, non-Ca[bo] Verdean foreign benefactors” (p. 58, emphasis mine). Even migrant remittances, once “a dominant and steady portion of income circulating” within the islands (p. 56), are partly displaced by foreign investment moneys and the disconcerting result, she says, is that “today, while there may be more money circulating in Cape Verde than previously, fewer people have a direct relationship to it” (p. 58).

Herein lies a paradox that calls for reflection on the nature of development in Cabo Verde. Rational, market-driven modernization processes adopted over the last twenty-five years have delivered major achievements on a number of vital fronts, and by many measures the country is considered a success story as a result. But is there a hidden caution beneath that story? Is the paradox Cabo Verde’s soft underbelly and inequality its damning flaw? Is the free-market to be trusted to deliver life chances equitably to all of Cabo Verde’s citizens? Although data are limited and additional study is needed to address these questions, caution seems warranted when it comes to reliance upon the market to deliver progress for all Cabo Verdeans. Modernization comes with the promise of wealth, opportunity, and development—and much of that is being realized in Cabo Verde. At the same time, market-driven modernization is fraught with uncertainty and risk for the most vulnerable. As rational processes of deregulation and privatization take over, they displace traditional systems of social and communal support on which the poor rely, without extending to them the benefit of formalized support structures (e.g., credit; capital;
insurance). The new order ushered in by modernization is, as Giddens puts it, a “post-traditional order, but not one where the sureties of tradition and habit have been replaced by the certitude of rational knowledge” (Giddens 1990:2-3). For the vulnerable and marginalized this spells risk of further exclusion as attested by the market women of Fikes’ story, the food-insecure urban dwellers in Rodrigues’ work, or the rural poor that Furtado studied. Crucially, as Stiglitz (2002) reminds us, this fragility and disempowerment do not stem from malfunction, distortion, or aberration in the market’s allocation of resources. Quite the contrary: they are embedded in the workings of privatization and of elimination of barriers to capital investment (Bourdieu 2001; Goesling 2001; Stiglitz 2002; Marglin 2003). The problem is that this “disappearance of protection” (Bourdieu 2001:85), exacerbates social inequalities, undermines solidarity, and spells ruin for the most vulnerable.

Conclusion

Twenty-five years of market economics seems to be delivering to Cabo Verde that which the market is set to deliver: capital investment opportunities, profit-realization mechanisms, economic growth. Along the way, improvements in measurement averages and development indicators are significant and encouraging. But, as the World Bank’s Martin Ravallion (2001), reminds us, “underlying th[ose] averages” and indicators—that in the case of Cabo Verde have fueled so much international cheer and goodwill—is a “diversity of impacts” (p.1813) that must be accounted for and leveraged in economic policy if exclusion, poverty, and vulnerability are to be diminished and prosperity shared. At present, how well that call is being heeded remains an open question.
### Abbreviations

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<td>GCV-MFAP</td>
<td>Governo de Cabo Verde – Ministério das Finanças e Administração Pública</td>
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<td>INE</td>
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