

Uncovering Investment Opportunities in Cape Verde



Country overview

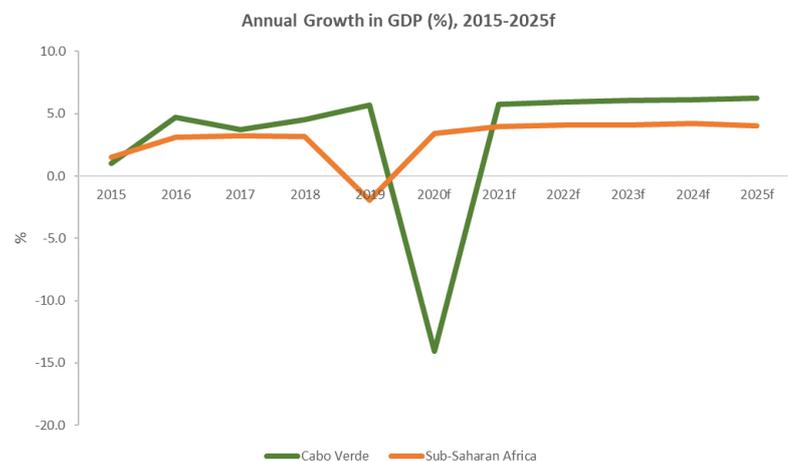
Cape Verde is an archipelago of ten islands in the middle of the Atlantic Ocean, off the west coast of Africa. The small country is strategically located between Africa, Europe, and the Americas, and is famous mostly as a tourist destination because of its white sandy beaches and all-year-round tropical climate.

A former Portuguese colony, the country has strong ties with Portugal and the European Union (EU). Its economic and legal environments are largely modelled after EU policies, particularly in the Financial Services sector. Cape Verde also has strong ties with other former Portuguese colonies such as Angola, Mozambique, and Brazil, and this is evidenced by a strong presence of Angolan companies in the banking and telecoms sectors.

Cape Verde's currency, the Cape Verdean Escudo (CVE), is pegged to the Euro. The country has preferential access to European markets through the Cotonou Agreement, with the right to export to the EU with reduced customs duties.

Economic and business environment

Since 2015, Cape Verde's economy has enjoyed higher than average growth in GDP compared to average growth in Sub-Saharan Africa.



Source: International Monetary Fund, World Economic Outlook Database, Oct 2021

The Tourism sector dominates the economy, contributing more than 20% to the country's GDP and directly and indirectly employing more than 40% of the country's working population. Whilst the government has targets to increase the sector's contribution to the country's GDP, it is also proactively looking to diversify its economy from high dependence on the tourism sector. As part of its five-year strategic plan for Sustainable Development, the government has identified priority sectors which it is specifically targeting for further investment. These include the digital / technology sector, the blue economy, renewable energy, and agri-business.

Cape Verde has a small but well-developed Financial Services sector, comprising a central bank, a stock exchange and seven commercial banks, which are a mix of local, regional (Angolan and Togolese) and international (mainly Portuguese) banks.



Key sectors for Investment



Tourism

The Tourism sector is strategically important to Cape Verde, contributing c.21% to the economy's GDP in 2018. Although it has attracted the largest share of investments in the country, several opportunities still exist in this sector for both private and blended finance vehicles to further develop the sector and bring it to its full potential.

The number of tourists to Cape Verde has grown consistently over the last decade, recording over 800,000 visitors in 2019, and forecast to reach three million by 2030. Such ambitious growth plans mean the sector needs to strengthen its capacity to host the growing number of visitors by providing additional hotel rooms, entertainment, and recreational facilities.



Source: Instituto Nacional de Estatística Cabo Verde (<http://ine.cv/>)

Private sector players have formed strategic alliances with several international hotel and travel chains such as TUI, RIU, Hilton, Melia, and Marriot. Such initiatives have served to attract more international visitors to the country.

Opportunities for further investments:

- Resorts, hotels, and tourist villages
- Event tourism (conferences / convention centres)
- Water sports
- Rural tourism (trekking, mountain biking)
- Recreation and leisure spaces
- Tourist cruises
- Maritime tourism
- Health tourism





Digital economy

Cape Verde has well-established telecoms and technology infrastructure which is of particular importance to the country's growth and development. Technology literally connects Cape Verde's ten physically separated islands, not only to each other, but also to the rest of the world. The country uses submarine and terrestrial fibre optic cables to connect internally and to South America, Europe, and mainland Africa. Cape Verde is also currently rolling out 4G mobile services, whilst piloting 5G technology in partnership with Chinese firm Huawei. If its pilots are successful, Cape Verde will become one of the first African countries to introduce 5G technology.

This well-developed infrastructure has the potential to establish a strong digital economy in Cape Verde and position the country as a tech hub and gateway for technology companies looking to expand in Africa. The government, with funding from the African Development Bank, is currently building a €40m technological park which will offer services that include software development, computer maintenance and back-office operations. It will house tech companies, incubators, start-ups, a data centre, and a centre for ICT training and qualification. All these developments create opportunities for Cape Verde to position itself as an offshore service provider of technology solutions such as software development and IT services to meet the growing demand from European companies.

With a mobile phone penetration of over 100% and internet penetration of c.75%, opportunities also exist in the wider digital applications space in Cape Verde. There is a growing number of innovative solutions that have been introduced in the economy over the last few years, which include ride hailing apps, mobile payment providers, local music streaming apps and fast-food ordering apps. These early-stage developments in the digital economy have the potential to grow not only in the local market, but also potentially to other countries in Africa and Europe.

Opportunities for further investments:

- Information Technology outsourcing – software development, mobile application development, web development, e-commerce platforms
- Development of digital services (e-Payments, e-learning applications, animation, and gaming)
- Disaster recovery and business continuity outsourcing
- Business process outsourcing (payroll processing, accounting outsourcing and finance, legal process outsourcing)





Agri-business

Around 90% of the food consumed in Cape Verde is imported to meet the needs of both the domestic market and the growing number of tourists and other international visitors. The country's climate and soils are suitable for growing bananas, corn, beans, sugarcane, coffee, and a variety of tropical fruits and vegetables, but the quantities currently being produced are significantly less than demand. There are vast opportunities for private sector investment in agriculture and agri-business solutions across the value chain to supply both the domestic market and potentially the export market.

Most of Cape Verde's arable land is on the islands of Santiago, Fogo, Santo Antão and São Nicolau. Fogo is particularly known for coffee farming, mainly for the export market (Europe), where demand far outstrips supply. Fogo also produces local wine, which is currently exported to Europe and the United States. The country also produces its own rum (grogue) which is exported under AGOA to the United States. There is a potential to increase the production of and market for both Cape Verde's wine and rum.

Opportunities for further investments:

- Production / processing of fruit and vegetables for local and export markets
- Production / processing of coffee, wine, and rum for export
- New technologies and innovation in farming / agri-processing
- Poultry meat production and processing, and egg farming
- Production of animal feed



Blue economy

The natural abundance of sea and ocean resources in Cape Verde presents several unexploited opportunities to monetise the blue economy in various subsectors. At the forefront of the coastal opportunities is the vast potential in **fishing and aquaculture**. The World Bank anticipates that by 2030 aquaculture will account for about two thirds of global fish supply, and Cape Verde's strategic geographical location makes it well positioned to play a role in this global supply chain. The country already exports both fresh and frozen fish, mainly to Europe. Fish exports represented more than 60% of Cape Verde's total exports in 2017. However, there is greater potential in this area that remains unexploited.

Cape Verde's location in the mid-Atlantic, in the centre of intercontinental trade routes, presents opportunities for investment in the country as a logistical hub and shipping and port infrastructure.

Opportunities for further investments:

- Aquaculture - industrial fish production and processing for export
- Logistics hub – a container transshipment terminal
- Inter-island and international maritime transport
- Marina construction
- Shipping and port infrastructure





Renewable energy

The government of Cape Verde is targeting 100% use of renewable energy in electricity production by 2030, and this presents opportunities for further development of the country's capacity to generate renewable energy from wind, solar, thermal, and solid urban waste.

With a strong wind capacity of and all-year-round sunshine, the opportunities for implementation of renewable energy in Cape Verde are vast. In addition, being an island nation means there are opportunities for coastal and maritime renewable energy.

The country has the potential to not only meet its target of 100% renewable energy for domestic consumptions, but also act as a production base for export into Sub-Saharan Africa, particularly West Africa.

Opportunities for further investments:

- Solar parks
- Wind farms
- Generation of tidal energy

There is a growing need for capital by companies in Cape Verde from investors who can also provide technical knowledge and market linkages. We are currently working with several private sector companies in Cape Verde's priority sectors, and we would welcome the opportunity to discuss specific investment opportunities with you.

About Market Intelligence Africa

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