



COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN CABO VERDE

An Archipelago of Opportunity: Pathways to Foster
Sustainable Private Sector–Led Growth

March 2024

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EXECUTIVE SUMMARY

Cabo Verde, an archipelagic small island developing state, is endowed with an economic geography that poses both challenges and opportunities. The country consists of ten islands, nine of which are inhabited, located 500 kilometers (km) off the west coast of Africa, with an estimated population of 556,000 people in 2020.¹ Only about 10 percent of the land is arable, and mineral resources are limited. Cabo Verde also has a sea-to-land ratio of more than 170, one of the highest in the world, and an extensive exclusive economic zone of over 700,000 square km.

Prior to 1991, the economy of Cabo Verde was largely sustained by official development assistance and remittances, with limited tourism receipts. From 1991 to 2018, recognizing the untapped potential of tourism, the government of Cabo Verde undertook structural reforms to attract tourism-related foreign direct investment (FDI) and heavily invested in multiple infrastructure projects to strategically position two of its main islands, Sal and Boa Vista, for the all-inclusive sun-and-sea model. This model, however, was dependent on charter flights to the two islands because of limited government capacity to invest in additional local infrastructure and services. By 2022, the number of international arrivals had reached over 785,000, which was more than double the number of arrivals in 2010 and represents a twentyfold increase compared to the mid-1990s.

This strategy, coupled with Cabo Verde's strong institutions and stable political environment, has enabled significant economic and social gains in the last three decades, leading the country to transition to lower-middle-income status in 2007.² The all-inclusive model spurred job creation and had broader economic impacts locally, generating substantial tourism revenues that were channeled into investments in local infrastructure, services, and the development of human capital.³ Moreover, Cabo Verde has maintained its status as a parliamentary democracy with a history of transparent elections and peaceful transitions of power since gaining independence from Portugal in 1975. Positive reforms to the rule of law and strong institutional governance have prompted significant economic and social progress leading to democratic and macroeconomic stability. Cabo Verde, along with the Seychelles, was the top-ranked country in Africa on the 2022 Corruption Perceptions Index by Transparency International,⁴ moving up two positions from 2021. The adult literacy rate of the country increased from 62.8 percent in 1990 to 90.8 percent in 2021.⁵ In addition, Cabo Verde's global ranking on gender parity also improved significantly from 68th in 2021 to 45th in 2022 and the country has worked to increase public investment in initiatives that support gender equality.⁶

Despite remarkable progress in development, the economic growth of Cabo Verde has fallen short of its potential in the past decade. Although the gross domestic product (GDP) growth rate averaged 7.5 percent in the 2000s, this has decreased to an average of 2.4 percent since 2010. This implies that the current development model is no longer reaping the same level of economic benefits. The

country's heavy reliance on the all-inclusive tourism market, strong state presence in the economy, and FDI that is concentrated in just three islands with few connections to other sectors, have led to limited value addition. This situation is evidenced by declining levels of FDI, whose annual growth has fallen from over 40 percent to less than 10 percent,⁷ coupled with low productivity levels and a services sector that mainly exports low-skilled services, with minimal contribution from higher-value-added services.

Cabo Verde's reliance on the sun-and-sea segment of the tourism sector increases its vulnerability to external shocks, which are exacerbated by the effects of climate change. The COVID-19 pandemic caused the second-worst economic contraction in Sub-Saharan Africa for Cabo Verde in 2020, reversing important social development gains made since 2015. Moreover, this development model has led to the overdevelopment of some islands, raising important environmental challenges, including the protection of biodiversity, and pressure on natural resources—notably in energy and water—and management of waste. The rapid growth of the tourism sector has brought severe threats to the country's rich yet fragile coastal and marine ecosystems, placing Cabo Verde among the 10 most endangered marine biodiversity hotspots in the world. The geography of the archipelago also exposes it to a wide range of natural hazards. In the 2021 Notre Dame Global Adaptation Initiative Index, Cabo Verde ranks 85th out of 185 countries in terms of vulnerability and 76th out of 193 countries on readiness to respond to climate change.⁸ Recent World Bank estimates show that the country faces potential annual average losses from disaster and climate-related shocks of almost 1 percent of its GDP.⁹

To overcome challenges and promote economic diversification, the government of Cabo Verde is implementing two key strategies to ignite new sources of growth. Building on the objectives of the first *Plano Estratégico de Desenvolvimento Sustentável* (Strategic Plan for Sustainable Development; PEDS), the second Strategic Plan for 2022–26 (PEDS II) focuses on addressing macroeconomic stability and strengthening blue economy initiatives. The objectives of PEDS II include: (1) cementing economic recovery through fiscal consolidation and economic diversification to transform the country into a mid-Atlantic digital hub; (2) promoting decentralization, regional development, air and maritime transportation development, and territorial convergence with a focus on environmental sustainability, climate action, resilience, biodiversity, and geodiversity; (3) advancing social development through human capital, inclusion, reduction of inequalities, eradication of extreme poverty, and gender equality; and (4) consolidating national sovereignty and promoting regional integration. Complementary to PEDS II, *Ambição 2030* focuses on strengthening human capital and increasing employment opportunities in tourism and industry, blue economy, digital economy, renewable energy, and agriculture.

This Country Private Sector Diagnostic (CPSD) explores several sectors in Cabo Verde with untapped growth potential. The aim of this report is to assist the Cabo Verdean government in leveraging its tangible and intangible endowments, as well as its strategic geographical position between Africa and Europe, to aid in mobilizing private sector capital, leveraging it to accelerate sustainable growth, and mitigating risk to external shocks. To identify these sectors, the study used a

mix of quantitative and qualitative criteria. These include (1) results from analysis of revealed comparative advantage, along with International Finance Corporation Sector and World Bank Services scans (see appendix A for more details), (2) potential for export growth in goods and services, (3) prospects for productivity growth and job creation potential, (4) potential for mobilizing private capital, and (5) impact on climate.

This CPSD evaluates sectors where targeted reforms could increase private investment, contribute to growth, and support job creation, aligning with the government’s strategic vision. To identify these sectors, a mix of quantitative and qualitative criteria was used, further validated through extensive internal and external consultations (for more details, see part I and appendix A). The criteria included an analysis of recent economic performance—including trends in trade, investment, and productivity indicators—highlighting where the country demonstrates potential for improvement. Consultations with key stakeholders, locally and internationally, provided additional insights on market dynamics and the private sector’s views on opportunities and constraints across the Cabo Verdean economy. Finally, additional consideration was given to areas of the economy where government initiatives could mobilize private capital, as well as actions that could positively impact climate adaptation and resilience.

Opportunities for private investment lie in the tourism, blue economy, and digital services sectors. This CPSD posits that to enhance the growth potential of Cabo Verde and promote resilient, higher-value-added growth, policies that focus on diversifying the tourism offerings, advancing the development of blue economy value chains, and nurturing the growth of the digital services sector should be implemented. For the *tourism sector*, this report goes beyond the traditional sun-and-sea offering, focusing on higher value added and environmentally friendly subsegments. These include considering the potential of less-developed islands within Cabo Verde. In addition, this CPSD analyzes the *blue economy*¹⁰ ecosystem of the country, aiming to develop associated value chains and strengthen linkages with the tourism industry and domestic private sector. Lastly, it explores how the government of Cabo Verde can effectively leverage the country’s robust digital infrastructure to explore emerging opportunities in *digital services* subsectors.

The CPSD also identifies key economywide constraints in cross-cutting or enabling sectors that need addressing to unlock private sector growth in the short-to-medium term. Tackling these constraints is crucial for attracting private investment and creating a transformative, sustainable impact on the economy. These enabling sectors were identified through consultations with the government and private sector, economic analysis, and benchmarking against aspirational peers such as Mauritius and the Seychelles. The CPSD focuses on addressing the top constraints in (1) transportation and logistics, (2) energy, and (3) the business environment, including market competition and the role of state-owned enterprises (SOEs). Additionally, challenges in accessing finance are discussed in the context of expanding digital financial services (see chapter 3).

The CPSD focuses on recommendations that are deemed actionable in the short (one to two years) to medium term (three to five years). These recommendations

are considered actionable because of their strong alignment with Cabo Verde's strategic plans and reform agenda. In particular, the shift toward rationalizing the role of the state in the economy stands is a key objective in Cabo Verde's new development model, as evidenced by government policy decisions across various sectors. The report recognizes that realizing these ambitions, and the related recommendations in the policy matrix—such as establishing new public-private partnerships (PPPs) or the privatizing selected SOEs—may progress more slowly than originally anticipated because of various procedural and institutional constraints. Nevertheless, these factors should not deter the implementation of the proposed measures, many of which are already receiving external support.

Investment Opportunities

The following is a summary of the investment opportunities and recommendations of the highest priority near-term. For additional information on each sector, including short- and medium-term considerations, see the full report.

Tourism

As a key driver of growth and job creation, the tourism sector in Cabo Verde offers substantial potential for catalyzing private investment. Looking beyond the traditional all-inclusive sun-and-sea model, the sector has opportunities to diversify into potentially higher-yielding markets such as (1) creative industries, (2) nautical tourism, and (3) digital nomad tourism. This CPSD presents a range of strategies to accelerate private investment in these niches. The yachting sector, in particular, is identified as having the greatest potential for growth. Key recommendations from this CPSD include (1) upgrading yachting infrastructure to meet the growing needs of the sector and future demands, (2) improving and streamlining legislation and policies for market segments, (3) establishing stronger PPPs, and (4) conducting targeted investment promotion. Additionally, the CPSD offers avenues for fostering sustainability and circular economy initiatives within the tourism industry, led by the private sector. For these strategies to succeed and maximize private investment opportunities, government support is crucial, particularly in (1) providing necessary infrastructure for waste management and (2) offering direct support and incentives for firms to invest in sustainability-linked practices.

Blue Economy (fisheries and aquaculture)

Cabo Verde's rich marine biodiversity, including more than 5,000 identified species across terrestrial and marine environments, plays a crucial role in its economic growth. This biodiversity offers opportunities to diversify the country's export basket and improve the livelihoods of populations dependent on the blue economy. However, the fisheries and aquaculture sectors in Cabo Verde face significant challenges because of governance and management challenges, including inadequate enforcement of total allowable catch limits, limited research and knowledge of fish stock resources, and a lack of sector dynamism, particularly

in traditional fisheries. To leverage private investment opportunities in capture fisheries and select aquaculture value chains, key bottlenecks must be addressed. These include enhancing the productivity of the semi-industrial fishing fleet, filling the supply gap in domestic value chains, and establishing Cabo Verde as a distinguished source of socially responsible and environmentally friendly seafood.

The proposed policy recommendations in this report aim to foster sustainable growth in these sectors by creating a supportive environment for investment. This involves providing potential investors clear, transparent information on regulations and incentives and the long-term prospects of blue natural capital. Implementing these actions would enable the government of Cabo Verde to attract private investment in key value chains, thereby unlocking the potential of capture fisheries and mitigating risks for entrepreneurs venturing into aquaculture.

Digital Services

Sitting at the intersection of multiple international fiber-optic submarine cables—the most recent of which came online in 2021—Cabo Verde has a unique advantage in connecting with the African mainland, Europe, and South America. The anticipated arrival of more submarine cables until 2027 is expected to increase Cabo Verde's international internet bandwidth by an average of 43 percent annually. This increase will enhance reliability and performance and drive down costs both businesses and consumers.¹¹

Capitalizing on its strategic location, the government has made significant investments to nurture and support its burgeoning digital ecosystem. These investments include infrastructure and world-class initiatives such as the new *Parque Tecnológico Arquipélago Digital de Cabo Verde* (known as the TechPark) and the Cabo Verde Digital program. These efforts position Cabo Verde to harness the digital services sector as a key driver of growth, domestically and regionally. The country has already established a strong reputation in e-government services, with significant potential for market expansion. Emerging opportunity areas—such as digital financial services and bespoke digital solutions developed for broader technology adoption in the private sector, particularly among local tourism operators—are being cultivated by a vibrant young entrepreneurial ecosystem.

To fully unlock this potential, critical challenges must be addressed. These include (1) reassessing the roles of vital public institutions such as the *Núcleo Operacional Para a Sociedade de Informação* (Operational Nucleus for the Information Society) and the *Sociedade Interbancária e Sistemas de Pagamentos* (Interbank Society and Payment Systems), (2) promoting competition in the financial technology (fintech) sector by addressing regulatory barriers, (3) fast tracking the establishment of the Universal Service Funds to subsidize infrastructure, access, innovative local service solutions, and digital skills programs, and (4) refocusing government support for start-ups with an emphasis on women-owned and led businesses.

Constraints in Key Enabling Sectors

Analyzing the development bottlenecks in tourism, blue economy, and digital services sectors, the following key crosscutting constraints to private investment in Cabo Verde were identified: (1) limited competitive landscape, (2) transportation and logistics, and (3) energy. In the short-to-medium term, it is essential for the government of Cabo Verde to prioritize addressing these bottlenecks for the country to fully harness its private sector and steer it toward sustainable, productive private sector-led growth.

Business Environment/Competition

To foster competitive and well-functioning markets, Cabo Verde must create a level playing field by removing regulatory barriers that hinder private investment. This involves strengthening institutional capabilities to implement regulations that foster market contestability, which is critical for attracting productivity-enhancing investments. If implemented properly, these, in turn can expand the economic base and empower more firms and entrepreneurs to compete globally in terms of prices and quality. As a small island economy, Cabo Verde is structurally prone to market concentration with limited competitors. Businesses in Cabo Verde face risks stemming from the state's presence in various sectors, regulations that increase operational costs, and weak enforcement of competition and sector regulation.

First, the government's significant role as regulator and market player in competitive sectors needs recalibrating to allow private entry and competition. Firms with direct and indirect state participation of 10 percent or more, referred to as "businesses of the state," held stakes in 33 firms, accounted for 18 percent of GDP, and employed over 3,100 workers (3.5 percent of the formal employment) in 2019. The recalibration should focus on unbundling vertically integrated services, liberalizing markets through public-private partnerships (PPPs), and implementing divestiture measures where appropriate. Application of subsidiarity principles could help determine where state ownership is necessary vis-à-vis areas better served by private firms.

Second, to further liberalize the market, introducing risk-based licensing, adjusting price controls, and facilitating infrastructure sharing in key enabling sectors will be essential. The limited competition in key input markets not only translates into high internet and energy costs and unreliable air and maritime services (passenger and shipping), but also diminishes Cabo Verde's appeal to tourists.

Finally, the establishment of a new competition authority in 2022 is a positive step toward improving the competitive landscape. However, the authority needs further strengthening through additional human and capital resources and a clear demarcation of functions across sectoral regulators to surveil markets more effectively. A robust competition policy is essential for enabling private investment and enforcing pro-competition rules that ensure a level playing field. Cabo Verde can seize important opportunities by opening its markets to private investment,

reforming its regulatory environment to level the playing field, and strengthening the capabilities of its institutions to enable adequate enforcement.

Transportation and Logistics

Given its fragmented geography and the long distances between production sites and end-users, air¹² and maritime transportation infrastructure, as well as logistics services, play a crucial role for Cabo Verde's economic performance. The country is well-connected to the European container feeder market, but the number of operators remains limited. Although cargo clearance of imported products has improved, some processes need further optimization. The modernization of port cargo handling equipment and full implementation of the *janela única de comércio externo* (single window for international trade) are poised to streamline import procedures through digitalization, a critical factor, especially for perishable products.

Interisland maritime connectivity faces challenges, including unreliable links between islands, scheduling inconsistencies, insufficient national fleet, and outdated subsidy and tariff schemes. These challenges largely stem from the underperformance of a 20-year interisland transportation concession contract initiated in 2019. Similarly, domestic interisland air connectivity, provided solely by one airline, faces challenges such as limited flight frequencies, an insufficient aircraft fleet, poor operational performance, and stringent price caps. Furthermore, Cabo Verde's airports require rehabilitation and runway expansion. In this vein, Vinci Airports' 40-year concession to invest in climate-friendly airport upgrades represents a positive step towards private sector involvement in the country's infrastructure development.

The supply chain for perishable products in Cabo Verde faces additional challenges, including deficient postharvest centers, unreliable maritime transportation, and insufficient cold-storage capacity. Furthermore, the absence of a unified logistics strategy, coupled with fragmented sectoral plans, hinders the development of an efficient supply chain. To address these multifaceted issues, a task force has been established, aiming to devise a more integrated and strategic logistics approach in Cabo Verde. This CPSD addresses these bottlenecks and proposes several measures for sectoral improvement via private participation. These measures include the (1) liberalization of cargo services and tariff regulations in air and maritime transportation, while maintaining certain routes under a public service obligation scheme; (2) development of a harmonized strategy to allow private entry in maritime cargo services and port operations via PPPs, learning from the successful airport concession and addressing potential social and financial liabilities from privatizing SOEs (that is, previous debts and dissatisfaction coming from workers such as stevedores or maintenance technicians); (3) introduction of climate-friendly measures in port infrastructure; and (4) creation of a national logistics and cargo plan and task force that will bring together various stakeholders to guide investment decisions and policy reforms.

Energy

With no fossil fuel reserves, Cabo Verde relies on imported petroleum products, making it vulnerable to fluctuations in international prices. To mitigate this exposure, the government of Cabo Verde, through its Energy Sector Masterplan, intends to have 54 percent of electricity generated from renewable sources by 2030, a significant increase from the 17 percent recorded in 2022.¹³ Although access to electricity stands at 95 percent, Cabo Verde has some of the highest electricity tariffs in Africa.

The primary recommendation of this CPSD for Cabo Verde's energy sector is the timely completion of the state-owned Electra's ongoing restructuring. This process is expected to accelerate the energy transition, mobilize private capital by enhancing investor confidence, reduce the generation cost and nontechnical losses, and improve the service quality. Further strategies to improve affordability and increase the use of clean energy via private participation include (1) defining a regulatory framework for battery energy storage systems; (2) developing a private sector aggregation platform and a single risk mitigation initiative for renewable energy investments; (3) updating the electricity sector master plan to an integrated energy planning framework that considers various forms of energy generation and the full spectrum of energy demand across sectors, notably tourism and digital infrastructures; and (4) regularly updating the fixed tariffs paid to independent generators and microproducers.

Priority Reform Recommendations

This CPSD provides a comprehensive list of actionable recommendations that can be realized within a five-year time frame. Table ES.1 summarizes the top priorities the government of Cabo Verde must address for increasing private investment. This CPSD prioritizes policy actions that are feasible in the short (one to two years) or medium term (three to five years) and offer substantial development benefits.

TABLE ES.1
Priority Reform Recommendations

High-level objectives	Constraints	Recommendations	Responsible entity	Time frame*
1. TOURISM				
1.1. Yachting				
Upgrade infrastructure to meet growing demand with a focus on São Vicente and Sal.	Infrastructure gaps for accommodating the demands of high-value niches and addressing environmental concerns.	<ul style="list-style-type: none"> → Implement wastewater and sewage regulations for ports and marinas. → <i>Sal</i>: Conduct a comprehensive feasibility study for a new marina, considering environmental, engineering, and market factors; establish a courtesy float at Santa Maria's pier; and expand repair services to reduce the reliance on Mindelo for repairs. → <i>São Vicente</i>: Enhance Marina Mindelo by building a breakwater, improving its services, and installing a travel lift. 	MTT, MM, Enapor	Short/medium term
Improve and streamline yachting-related policies.	Complex policy environment for arrival and management of foreign and charter vessels.	<ul style="list-style-type: none"> → Define policies for privately-owned foreign vessels under existing regulation and guidelines for boat movement and liability. → Refine regulations to clarify charter vessel operation and consider extending charter periods. → Develop enforcement protocols for managing wreckage and safety regulation. → Create a centralized online portal to streamline procedures and payments. 	MTT, MM, IMP	Short term
Establish resilient PPPs.	Limited collaboration in governance and promotion for the segment.	<ul style="list-style-type: none"> → Review and document the government's role and responsibilities in charter vessel as well as private-use vessel entrance, licensing, and registration. → Establish a council for recreational navigation that would guide local advocacy in marine and yachting tourism. 	MTT, MM, private sector	Short term
1.2. Sustainability and circularity in tourism				
Establish enabling infrastructure, services, and goods.	Insufficient enabling infrastructure and services at island level.	<ul style="list-style-type: none"> → Develop integrated waste collection and management systems with the public, private, and third sectors in Santiago, Sal, and São Vicente, with Sal as a priority. 	MAA, MTT, local municipalities, private sector	Short/medium term
Provide firms with direct support.	High costs and limited availability of financing for firms to adopt sustainable practices.	<ul style="list-style-type: none"> → Create tailored financing and technical assistance windows under Pró-Capital, Pró-Garante, and the FSST to enable firm-level implementation of sustainable and circular practices. 	MTT, Pró-Capital, Pró-Garante	Short term

(Table continues next page)

TABLE ES.1
Priority Reform Recommendations (continued)

High-level objectives	Constraints	Recommendations	Responsible entity	Time frame*
1.3. Creative and cultural tourism				
Improve strategic planning and monitoring.	Lack of a national strategy developed collaboratively and absence of relevant data.	<ul style="list-style-type: none"> Develop an interministerial, national strategy and action plan for segment development, including private sector inputs and clear definition of public and private roles and responsibilities, and indicators of success. 	MTT, MCIC, ITCV, private sector	Short term
1.4. Digital nomad tourism				
Improve strategic planning and monitoring.	Unclear strategic objectives and limited data availability.	<ul style="list-style-type: none"> Redefine the Remote Working program's strategic objectives, target markets, and indicators of success, using market intelligence and in consultation with the private sector, while ensuring alignment with broader digital and entrepreneurship ecosystem objectives. 	MTT, ITCV, Cabo Verde Digital, private sector	Short term
2. BLUE ECONOMY				
Establish a foundation for sustainable fisheries and aquaculture strategies through data-driven decision-making.	Lack of information on the status of important fishery resources.	<ul style="list-style-type: none"> Conduct and publicize research demonstrating the various types of aquacultures best suited for Cabo Verde's current and future oceanic conditions under climate change. 	MM	Short term
Improved governance, management and enforcement.	Overfishing leading to diminished fish stock productivity.	<ul style="list-style-type: none"> Establish and enforce total allowable catches and other management tools. 	MM	Short term
A more concerted effort to attract investment in aquaculture.	Weak monitoring and data collection of catches and fishing practices on domestic and foreign vessels.	<ul style="list-style-type: none"> Establish or strengthen existing vessel monitoring and catch reporting systems for domestic semi-industrial and foreign/industrial vessels. 	MM	Short term
Improve access to markets and finance for private sector.	Lack of information on viable opportunities in aquaculture for investors. Lack of capital available to local fishers for investing in improved fishing practices.	<ul style="list-style-type: none"> Consider formalizing the zones for aquaculture activities and explore the potential of clustering related public infrastructure and other incentives to attract investment. Improve the availability of financial services such as credit and insurance products that target the fisheries and aquaculture sectors, strictly conditioning these on formality and regulatory compliance. 	MM, MIOHT MM, Pró-Empresa, Pró-Garante	Short term Short term
3. DIGITAL SERVICES				
Open market for e-gov services.	Dominant presence of NOSi in the market.	<ul style="list-style-type: none"> Devise and implement new standards and protocols for procuring e-government services, including opening up proposal requests for public competitive bidding; and implement a fiscally sustainable organizational model. 	MF/MED	Short term

(Table continues next page)

TABLE ES.1

Priority Reform Recommendations (continued)

High-level objectives	Constraints	Recommendations	Responsible entity	Time frame*
Improve the legal framework for digital financial services.	Governance structure deters competitive market entry.	<ul style="list-style-type: none"> → Consider the potential of spinning off commercial operations into a new company (which could still be a SOE) and ensure that its regulatory role is independent, with a clear mandate to foster competition, access, and market growth. 	MF/Central Bank	Short term
	Legal framework for digital financial services is not aligned with global and regional standards.	<ul style="list-style-type: none"> → Remove costly licensing and entry barriers that prevent private players from entering further segments of the fintech market. → Align legal frameworks with regional and international standards and best practices to position the country as a leader in the field. This includes: (1) aligning consumer protection regulations with global standards and the principles outlined in the G-20 High-Level Principles for Digital Financial Inclusion;^a (2) creating regulations and guidelines that require digital financial services providers to implement robust cybersecurity measures; (3) aligning cross-border remittance regulations with regional standards, in line with the African Union's efforts to promote remittance corridors; (4) aligning the interoperability framework with regional and international standards; (5) aligning legal frameworks with the recommendations of the Financial Action Task Force^b and regional guidelines to prevent financial crimes and maintain international financial integrity. 	MF	Short term
4. BUSINESS ENVIRONMENT/COMPETITION				
Recalibrate the participation of the state in competitive sectors viable for private participation.	Significant presence of the state as a market player in competitive sectors that are feasible for private participation, operating under certain rules that create an unlevel playing field.	<ul style="list-style-type: none"> → Ensure a level playing field among public and private operators by (1) establishing a definition for commercial/noncommercial (public service obligations) activities of SOEs; (2) separating commercial and noncommercial activities, (3) requiring a market-based benchmark rate of return and net present value for the return on investments of SOEs. 	MF, UASE	Short/medium term
Reforming the regulatory framework: Promoting access in network and other industries.	Lack of interconnection rules and competition guarantees to balance bargaining power between private operators and state incumbents to facilitate infrastructure sharing.	<ul style="list-style-type: none"> → Develop a methodology that applies subsidiarity principles and economic rationale for state ownership to determine whether new or existing SOEs risk crowding out private participation. <p><i>Electricity and telecommunications</i></p> <ul style="list-style-type: none"> → During the sector unbundling, review and revise interconnection rules to establish competition safeguards that balance bargaining power among all market players. → Foster implementation of the interconnection rules and ensure all market players have equitable access to essential facilities such as fiber network and electricity grid. 	UASE, AdC, ARME ARME, AdC	Short/medium term Short term

(Table continues next page)

TABLE ES.1
Priority Reform Recommendations (continued)

High-level objectives	Constraints	Recommendations	Responsible entity	Time frame*
		<i>Air transportation</i>	AAC, AdC	Short term
	Price controls deter new entrants and impact investment prospects in key sectors.	<ul style="list-style-type: none"> Review requirements and restrictions for foreign operators. Review the impact of price controls and tariffs on passenger and cargo services in air and maritime transportation and explore alternatives that reduce market distortions and price controls, ensuring that public service obligations are met through alternative measures. Assess the necessity of price controls in key enabling sectors and explore alternative approaches that allow companies more flexibility to adapt their pricing with actual demand and operational costs. 	UASE, AAC, AdC	Short term
Implementing competition regulatory framework and strengthening institutional capacity.	The competition authority is still not fully operational, and laws provide exemptions favoring certain market players.	<ul style="list-style-type: none"> Ensure adequate human and economic resources, and independence of the competition authority (AdC). 	MF, AdC, ARME	Short term
5. TRANSPORTATION AND LOGISTICS				
Improve performance and reliability of maritime cargo services.	Interisland maritime services are infrequent and unreliable, with outdated fleet and underperforming monopoly concessionaire because of artificial entry barriers (regulated tariffs and discretionary licensing).	<ul style="list-style-type: none"> Deregulate cargo services and prices, targeting regulation on routes under a public service obligation scheme, strictly to maintain connectivity in areas where the private sector may not operate. Implement an appropriate tariff adjustment mechanism for regulated passenger and cargo services that allows for adequate cost recovery, particularly on segments/routes where price controls are already in place. 	MM, ARME	Short term
Increase the resilience of maritime port infrastructures and associated services.	Port infrastructure is highly vulnerable to climate-related damage and disruption like extreme weather and sea level rise.	<ul style="list-style-type: none"> Define a strategy that promotes private participation in the management of maritime cargo services. Introduce climate change adaptation criteria for port investments. 	MM, ARME Enapor, Cabnave, MM	Short term Medium term
Strengthen mechanisms that oversee PPP contracts.	Limited capacity and governance to effectively prepare and manage PPP programs of high-stakes contracts (airports and port operations).	<ul style="list-style-type: none"> Establish institutional mechanisms that promote an integrated approach within the transportation sector and encourage private participation. Launch the PPP for port operations. 	MF, UASE ENAPOR, Cabnave, MM	Short term Medium term

(Table continues next page)

TABLE ES.1
Priority Reform Recommendations (continued)

High-level objectives	Constraints	Recommendations	Responsible entity	Time frame*
Unlock the market potential of perishable goods.	Poorly coordinated policies and investments to promote perishable logistics hinder linkages between local producers and tourism.	<ul style="list-style-type: none"> → Strengthen the regulatory capacities of the government to effectively oversee the newly concessioned airport system. → Define an integrated logistics framework and strategy with clear roles and responsibilities to guide investment decisions and policy reforms. 	MTT, UASE, AAC	Short term
6. ENERGY				
Increase electricity generated from renewable sources through private investments and reduce distribution losses.	Slow progress in the restructuring process.	<ul style="list-style-type: none"> → Complete the ongoing restructuring of Electra mandated by Decree Law No. 34/2022. 	MICE, ARME	Short term
Integrate priority grid investment into energy sector master plan.	Limited technical capacity for undertaking comprehensive studies.	<ul style="list-style-type: none"> → Update the energy sector master plan and identify priority investments in grid reinforcement and modernization. 	MICE, ARME	Short term
Accelerate the provision of affordable and reliable electricity generated mainly by renewable energy technologies.	Lack of regulatory regime for new technologies and business models. Post-unbundling financial capacity and creditworthiness of the transmission and system operator.	<ul style="list-style-type: none"> → Create the business environment and regulatory framework to attract investments in battery energy storage systems. → Develop an aggregation platform and a single risk mitigation initiative for renewable energy projects. 	MICE, ARME MICE	Short term

Note: AAC = Agência de Aviação Civil (Civil Aviation Authority); AdC = Autoridade da Concorrência (Competition Authority); ARME = Agência de Regulação Multissetorial da Economia (Multisectoral Economy Regulation Agency); Cabnavae = Estaleiros Navais de Cabo Verde; Enapar = Empresa Nacional de Portos; FSST = Fundo de Sustentabilidade Social para o Turismo (Tourism Fund for Social Sustainability); G-20 = Group of Twenty; Imar = Instituto Marítimo Portuário (Maritime Port Institute); MAA = Ministério de Agricultura e Ambiente (Ministry of Agriculture and the Environment); MED = Ministério da Economia Digital (Ministry of Digital Economy); MF = Ministério das Finanças e do Fomento Empresarial (Ministry of Finance and Business Development); MICE = Ministério da Indústria, Comércio e Energia (Ministry of Industry, Trade and Energy); MIOTH = Ministério das Infraestruturas, Ordenamento do Território e Habitação (Ministry of Infrastructure, Territorial Planning and Housing); MM = Ministério do Mar (Ministry of the Sea); MTT = Ministério do Turismo e Transportes (Ministry of Tourism and Transport); NOSi = Núcleo Operacional Para a Sociedade de Informação (Operational Nucleus for the Information Society); PPPs = public-private partnerships; SISP = Sociedade Interbancária e Sistemas de Pagamentos (Interbank Society and Payment Systems); SOE = state-owned enterprise; UASE = Unidade de Acompanhamento do Setor Empresarial.

a. <https://www.gpfi.org/publications/g20-high-level-principles-digital-financial-inclusion>.

b. <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>.

*For short term, one to two years. For medium term, three to five years.

Notes

1. Based on data from World Bank Open Data database.
2. World Bank (2019).
3. MF (2022).
4. See “Corruption Perception Index 2022,” Transparency International, Berlin, <https://www.transparency.org/en/cpi/2022/index/cpv>.
5. Based on data from World Bank Open Data database.
6. WEF (2022).
7. BCV (2023).
8. See “Notre Dame Global Adaptation Initiative,” University of Notre Dame, Notre Dame, IN, <https://gain.nd.edu/our-work/country-index/rankings/>.
9. World Bank Group (2023).
10. The “blue economy” in this report is limited to fisheries and aquaculture.
11. See “Submarine Cable Map 2023,” Telegeography, Washington, D.C., <https://submarine-cable-map-2023.telegeography.com>.
12. Although this CPSD addresses air transportation, for a comprehensive discussion of the sector in Cabo Verde, see ALG (2023).
13. MICE (2018).

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ABBREVIATIONS AND ACRONYMS

4G	fourth generation
5G	fifth generation
AAC	<i>Agência de Aviação Civil</i> (Civil Aviation Authority)
AdC	<i>Autoridade da Concorrência</i> (Competition Authority)
AfCFTA	Africa Continental Free Trade Area
ARME	<i>Agência de Regulação Multisectorial da Economia</i> (Multisectoral Economy Regulatory Agency)
BESS	battery energy storage systems
BCV	<i>Banco de Cabo Verde</i> (central bank of Cabo Verde)
BOS	businesses of the state
Cabnave	<i>Estaleiros Navais de Cabo Verde</i> (Cabo Verde Naval Shipyards)
CAD	current account deficit
CAGR	compound annual growth rate
CPSD	Country Private Sector Diagnostic
CVD	Cabo Verde Digital
CVEsc	Cape Verde escudo
CVI	Cabo Verde Interilhas
CVTP	Cabo Verde Technology Park
DFS	digital financial services
ECOWAS	Economic Community of West African States
EEZ	exclusive economic zone
Enapor	<i>Empresa Nacional de Administração dos Portos</i> (National Company for Port Administration)
EU	European Union
FDI	foreign direct investment
FFVs	fresh fruits and vegetables
Gbps	gigabits per second
GDP	gross domestic product
GNI	gross national income
GSMA	Groupe Speciale Mobile Association (aka Global System for Mobile communications Association)
ICTs	information and communication technologies
Imar	<i>Instituto do Mar</i> (Maritime Institute)
IMP	<i>Instituto Marítimo Portuário</i> (Maritime Port Institute)
ITO	international tour operators
km	kilometer
Mbps	megabytes per second

MED	<i>Ministério da Economia Digital</i> (Ministry of Digital Economy)
MF	<i>Ministério das Finanças e do Fomento Empresarial</i> (Ministry of Finance and Business Development)
MICE	<i>Ministério da Indústria, Comércio e Energia</i> (Ministry of Industry, Trade and Energy)
MM	<i>Ministério do Mar</i> (Ministry of the Sea)
MSME	micro, small, and medium enterprise
MTT	<i>Ministério do Turismo e Transportes</i> (Ministry of Tourism and Transportation)
NOSi	<i>Núcleo Operacional Para a Sociedade de Informação</i> (Operational Nucleus for the Information Society)
PEDS	<i>Plano Estratégico de Desenvolvimento Sustentável</i> (Strategic Plan for Sustainable Development)
PNSE	<i>Programa Nacional para a Sustentabilidade Energética</i> (National Plan for Energy Sustainability)
PPP	public-private partnership
RCA	revealed comparative advantage
RE	renewable energy
SAATM	Single African Air Transport Market
SIDS	small-island developing state
SISP	<i>Sociedade Interbancária e Sistemas de Pagamentos</i> (Interbank Society and Payment Systems)
SOE	state-owned enterprise
TAC	total allowable catch
UASE	<i>Unidade de Acompanhamento do Setor Empresarial do Estado</i> (Unit for State Business Sector Monitoring)
WEF	World Economic Forum

OVERVIEW

O.1

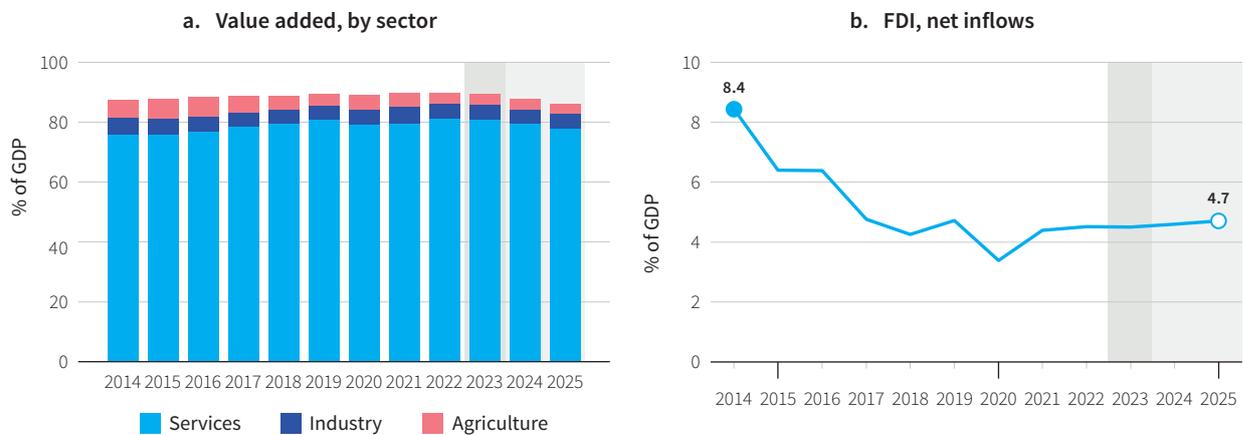
Country Context

Cabo Verde's growth trajectory, fueled by service-related exports, especially tourism, has been remarkable, yet average growth has been declining.

The remarkable growth trajectory of Cabo Verde stems from the targeted strategy of the government to position the island-nation as an all-inclusive destination for year-round tourist arrivals. From its independence in 1975 until 1991, the country's economy was largely reliant on official development assistance and remittances, with limited tourism receipts. During this period, economic growth was relatively low, averaging 3 percent annually, because of low investment levels. However, in the years following up to 2018, the government recognized the untapped potential of its tourism sector and undertook structural reforms to attract tourism-related foreign direct investment (FDI) such as instituting a multiparty democracy, pegging the national currency, the Cape Verde escudo, to the euro, and joining the World Trade Organization. The government also invested heavily in multiple infrastructure projects to strategically position the two main islands, Sal and Boa Vista, for the all-inclusive sun-and-sea tourism model. This model was dependent on charter flights to the two islands, given the limited capacity of the government to invest in additional local infrastructure and services. Between 1991 and 2008, Cabo Verde's robust annual average growth rate of 6.8 percent advanced the country from least developed to lower-middle-income status in 2007.

This strategic decision resulted in the dominance of tourism-related services in Cabo Verde's economic base. Over the past decade, services have accounted for roughly 75 percent of gross domestic product (GDP), with industry and agriculture accounting for 5 percent each (figure O.1). The tourism sector directly contributes 25 percent to the country's GDP, which rises to 44 percent when considering indirect effects. It also accounts for 40 percent of the country's economic activity and 45 percent of its formal employment, making it the main driver of growth over the past twenty years. Moreover, the tourism sector is concentrated on the islands of Sal and Boa Vista, which together account for 78 percent for tourist arrivals, mainly from Europe.

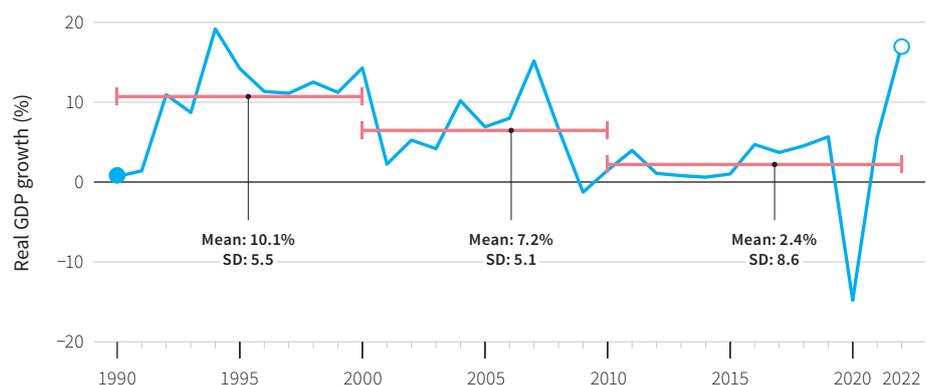
FIGURE O.1
Drivers of Growth



Source: Based on data from World Bank Group 2023.
Note: FDI = foreign direct investment; GDP = gross domestic product. Data for 2023 are estimated, and data for 2024 and 2025 are forecasts.

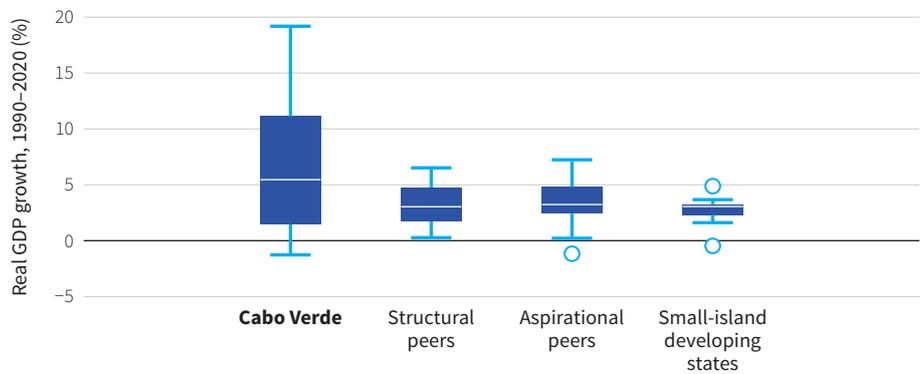
However, the development model of Cabo Verde has shown signs of fatigue, with its annual growth rate gradually decelerating over the past three decades. Following a 1.3 percent contraction in GDP during the global financial crisis in 2009, the average annual GDP growth has hovered around 2.4 percent up until 2022. This lackluster performance can be attributed to structural rigidities, including limited fiscal space resulting from accumulated government debt in response to the 2009 crisis and the completion of initial investments in the tourism sector. Although Cabo Verde’s economic growth has been higher, on average, than its structural and aspirational peers,¹ it has also been more volatile (figures O.2 and O.3). This is evidenced by the impact of the COVID-19 pandemic, when GDP growth contracted by 19.3 percent in 2020, the largest contraction recorded in the country and the highest in Sub-Saharan Africa, primarily because of the 76.3 percent drop in tourist arrivals from 2019. The crisis reversed the progress in poverty reduction achieved since 2015, pushing close to 10,000 people into temporary poverty. The national poverty rate (measured at US\$3.65 per day in

FIGURE O.2
Despite the Long-Term Deceleration Trend, Growth Rates Have Rebounded Since the COVID-19 Pandemic



Source: Adapted from World Bank 2023a.
Note: GDP = gross domestic product; SD = standard deviation.

FIGURE O.3
Growth Volatility Is the Highest Among Peers

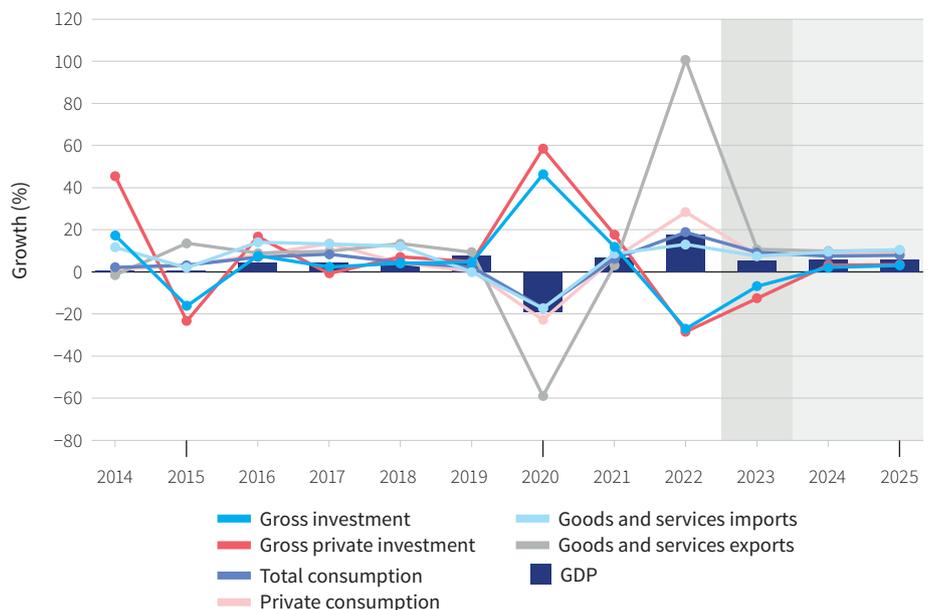


Source: Adapted from World Bank 2023a.
Note: GDP = gross domestic product.

2017 purchasing power parity) increased from 15.5 percent in 2019 to 22 percent in 2020 but has since shown a gradual decline to 19.8 percent in 2021 and 16.9 percent in 2022.

Services exports continue to drive Cabo Verde’s competitiveness. In 2022, the services sector grew by nearly 21 percent, leading to the creation of new jobs mostly in the tourism sector. Services associated to tourism, such as accommodation and air travel, remain the primary source of foreign receipts in the trade balance. Notably, the number of tourist arrivals in 2022 surpassed its pre-pandemic levels, contributing to a remarkable 17.7 percent GDP growth and reaffirming the tourism sector’s role as a key source of private investment opportunities in the country (figure O.4).

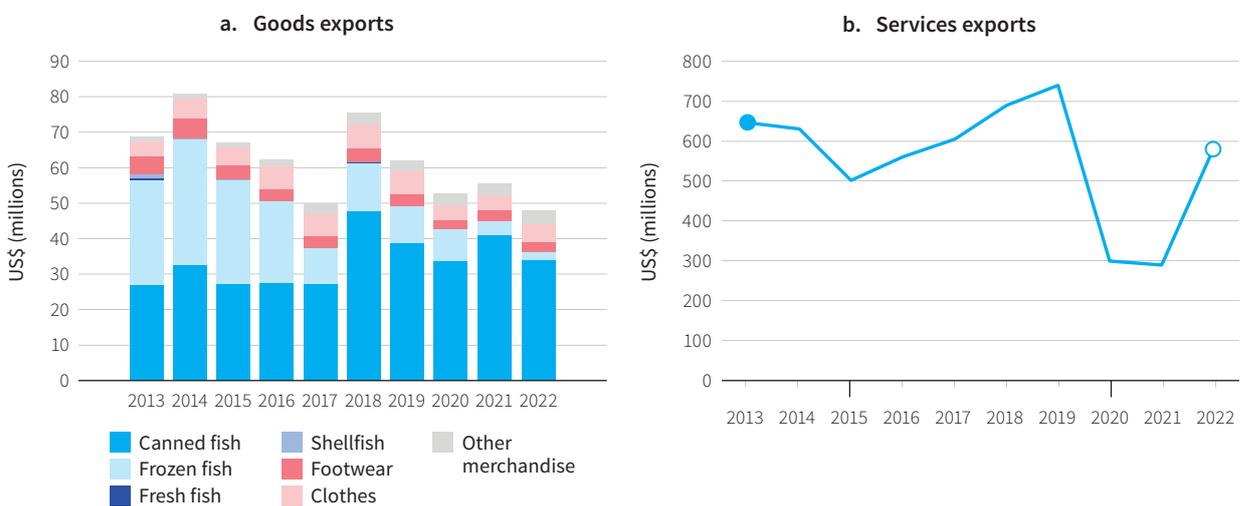
FIGURE O.4
Service Growth Is Driving Export Growth



Source: Based on data from World Bank Group 2023.
Note: GDP = gross domestic product. Data for 2023, 2024, and 2025 are estimates.

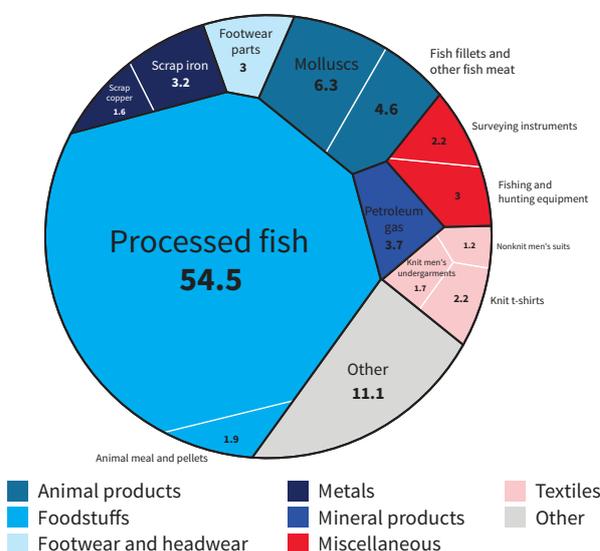
Although Cabo Verde has seen relative stagnation in its exports of goods and maintained a small number of trading partners, a segment of the fisheries sector experienced a substantial rise. The share of canned fish in merchandise exports has surged, increasing from approximately 40 percent in 2013 to 80 percent in 2023 (figure O.5). This growth reflects the government’s focus on sustainable fisheries and suggests potential for the emerging aquaculture industry. However, the frozen fish segment has lost its competitiveness over the years, pointing to an overall stagnation in the sector in terms of its scale because of bottlenecks identified in the blue economy and transportation and logistics sectors. Although merchandise exports were stagnant and concentrated on a few European trading partners such as Spain and Portugal (see figures O.6 and O.7), they have

FIGURE O.5
Merchandise Exports Only Represent a Tenth of Services, with Growth in the Canned Fish Segment



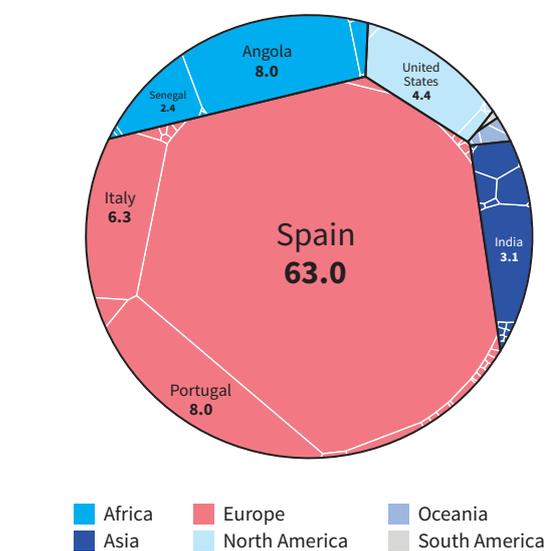
Source: Based on 2023 data from BCV External Sector database.

FIGURE O.6
Merchandise Export Basket, 2022 (%)



Source: Adapted from the Observatory of Economic Complexity database.

FIGURE O.7
Merchandise Export Destinations, 2022 (%)



Source: Adapted from the Observatory of Economic Complexity database.

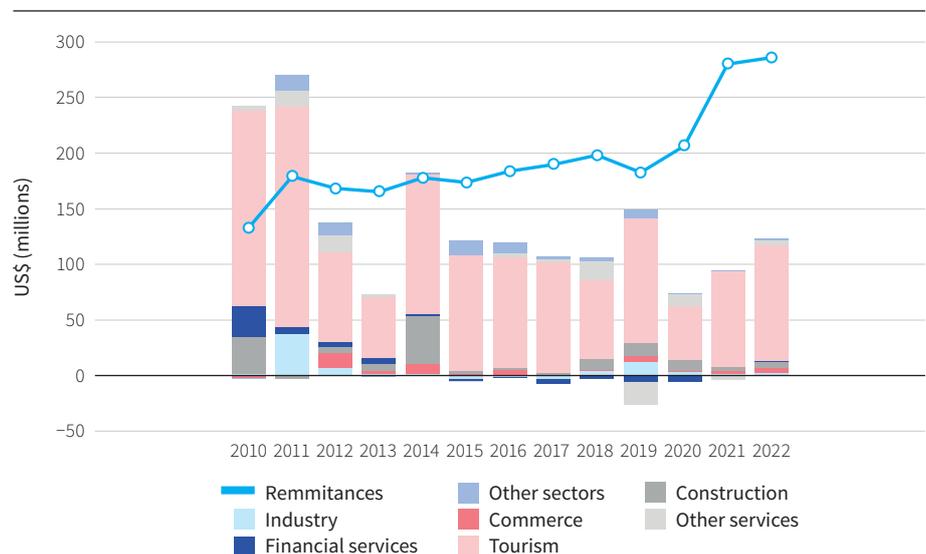
been dwarfed by increasing services exports, mainly driven by the tourism and air travel industries.

FDI and remittances play an important role in the Cabo Verdean economy.

The small scale and insular geography of Cabo Verde have led its private sector to heavily rely on international investment and trade flows, making it vulnerable to external shocks. FDI has played a significant role in the country's economy, mostly on the tourism sector (figure O.8). Over the past 20 years, investment, particularly through gross fixed capital formation, has been a major contributor to growth, fueled by increased FDI. These FDI inflows have contributed to an annual growth rate of 6.8 percent, culminating to Cabo Verde's transition to lower-middle-income status in 2007. The country's GDP per capita almost quadrupled from 1989 to 2017, largely driven by tourism-related growth.

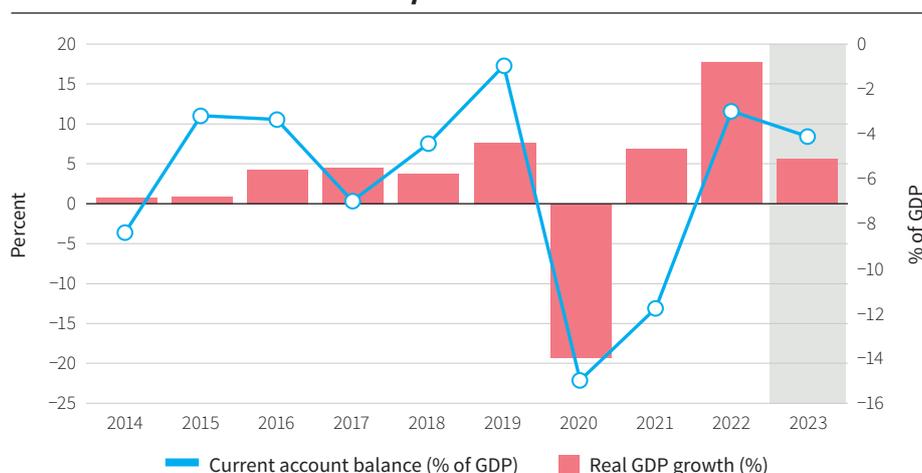
The significant size of Cabo Verde's diaspora, with approximately half of its population residing outside the country, plays a crucial role to its economy mainly through remittances. In 2022, remittances amounted to US\$290 million, representing 12 percent of the GDP. Despite the adverse impact of the COVID-19 pandemic on the global economy, remittances to Cabo Verde grew by 19.7 percent year-on-year for the first three quarters from 2019 to 2020. This upward trend is expected to persist, as approximately 1 percent of Cabo Verdeans permanently leave the country every year, representing twice the average rate observed in other small-island developing states (SIDS).² This robust increase in remittances, with the economic rebound in advanced economies, also supported the recovery of the current account deficit (CAD), which narrowed to 3 percent of GDP in 2022 from 11.8 percent in 2021 (figure O.9). The CAD has been primarily financed through FDI and concessional loans, with international reserves reaching a level sufficient for six months of imports. This reserve has been instrumental in supporting the accommodative monetary policy initiated during the COVID-19 crisis.

FIGURE O.8
Tourism Continues to Represent the Lion's Share of FDI, with Increased Remittances



Source: Based on 2023 data from BCV External Sector database.
Note: FDI = foreign direct investment.

FIGURE 0.9
Current Account Balance Driven by Increased Remittances and FDI



Source: Estimated based on data from World Bank Group 2023.

Note: FDI = foreign direct investment; GDP = gross domestic product. Data for 2023 are estimated.

However, the concentration of FDI in Cabo Verde, primarily in all-inclusive resorts, has resulted in limited opportunities for economic linkages and spillovers. Although there has been a temporary boost in the construction industry and increased demand for low-skilled hospitality labor in Sal and Boa Vista, the all-inclusive segment of tourism in Cabo Verde imports most of its inputs, including food, furniture, equipment and other supplies. These resorts operate under a business model that packages most customer expenditures, limiting the potential to drive the local economy.³

Despite this, Cabo Verde's recent integration with the Africa Continental Free Trade Area (AfCFTA) and the Economic Community of West African States (ECOWAS) present both opportunities and challenges to its export competitiveness. As a member of the ECOWAS customs union and with ongoing developments on trade in services with the AfCFTA, Cabo Verde is expected⁴ to improve its trade relations with other countries in the region, potentially leading to increased trade specialization that would result in welfare gains, including for poorer households. Yet, these regional trade improvements might lead to less favorable trade relations between Cabo Verde and the rest of the world because of the adoption of a common external tariff regime.⁵

Since 2020, economic indicators have shown improvements, but the government is constrained by limited fiscal space, prompting the need for strategic action.

The country has been on a path to recovery since 2021, with consecutive quarters of high growth. Following the loosening of COVID-19 restrictions and the strong bounce-back of tourism flows, GDP growth stood at 6.8 percent in 2021 and 17.7 percent in 2022, surpassing prepandemic levels. However, real GDP growth is projected to moderate at 5.6 percent in 2023 as exports, mostly tourism, stabilize. Medium-term growth is expected to be supported by the implementation of structural reforms to improve public sector efficiency and the business environment.

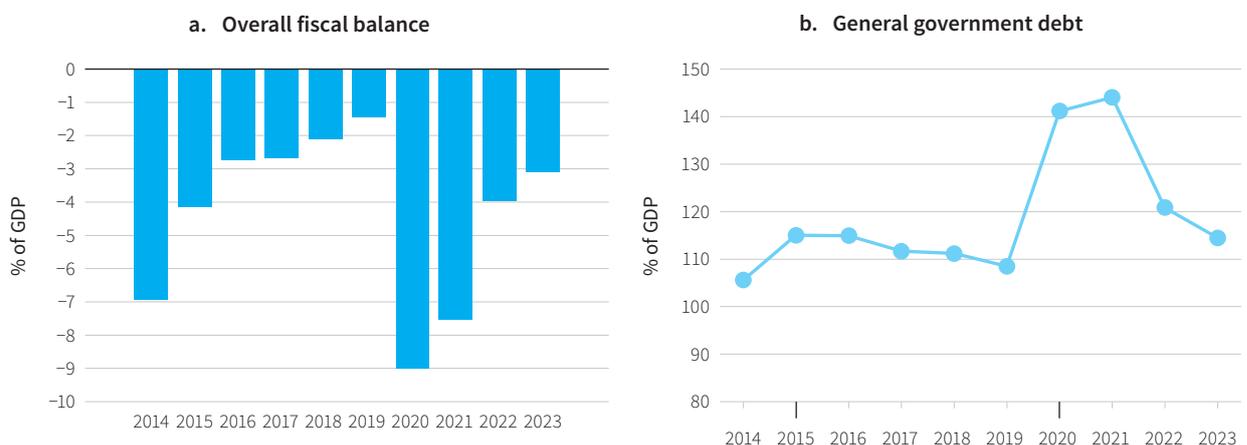
The commitment of the government to fiscal consolidation⁶ has helped improve the debt-to-GDP ratio and fiscal balance, despite the dual impact of COVID-19 and the invasion of Ukraine by the Russian Federation. The fiscal deficit nar-

rowed to 4 percent of GDP in 2022 from 7.5 percent in 2021, supported by increased fiscal revenues (figure O.10). In the first half of 2023, total revenue increased by 22.8 percent, driven by personal income tax and value added tax, while total expenditure increased by 3.4 percent, reflecting higher acquisition of goods and services, interest payments, social benefits, and subsidies. The overall fiscal balance is projected to improve to -3.1 percent of GDP in 2023 and potentially a small surplus by 2025.

Cabo Verde's public debt, which had been declining since 2016 to 108 percent of GDP in 2019, saw an increase to 144 percent of GDP in 2021, the largest debt-to-GDP ratio among SIDS that year. However, in 2022, it declined to 120.9 percent of GDP on the back of strong GDP growth.⁷ The public debt-to-GDP ratio is expected to improve from 114.5 percent in 2023 to 104.1 percent by 2025 but requires continued management of the fiscal risks related to state-owned enterprises (SOEs). According to the June 2023 World Bank–International Monetary Fund Debt Sustainability Assessment, Cabo Verde's public debt is sustainable, but the risk of overall debt distress is high, while the risk of external debt distress is moderate—unchanged since the previous assessment in June 2022.

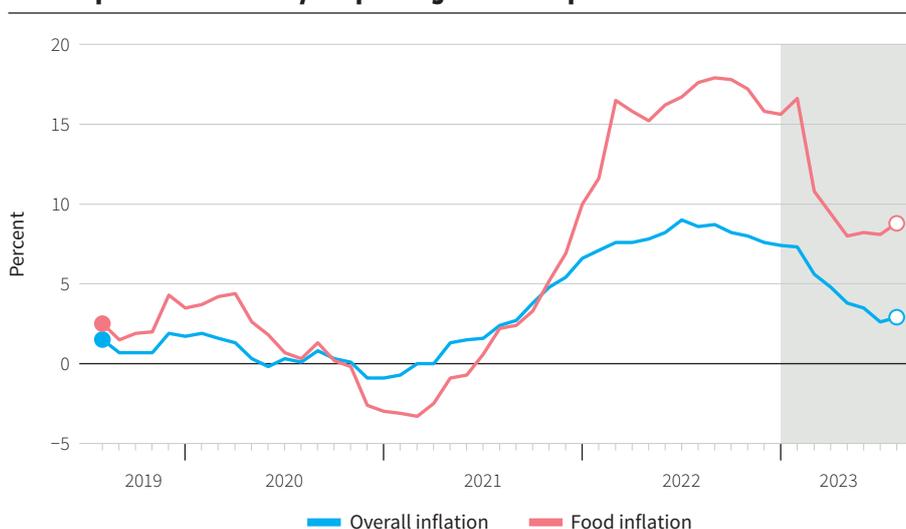
Although the impact of the war in Ukraine has not stalled tourism arrivals, it has nonetheless led to higher food and energy costs and widened social disparities. The war has led to double-digit increases in energy and food prices, with the rising cost of living having a particularly negative impact on vulnerable groups. The government responded in April 2022 with a comprehensive support package for the most affected households. In 2022, headline inflation reached 7.9 percent year-on-year, fueled by high international oil and commodity prices. Food inflation peaked at 15.7 percent and energy inflation increased to 23.8 percent (figure O.11). Inflationary pressures eased in the first half of 2023, with headline inflation reaching 6.3 percent in July and food and energy inflation at 13.4 percent and 5.5 percent, respectively. The poverty rate (measured at US\$3.65 per day in 2017 purchasing power parity) fell to 16.9 percent in 2022, down from 19.8 percent in 2021, but it remains above prepandemic levels of 15.5 percent in 2019. Cabo Verde's heavy reliance on imported consumer goods (80 percent

FIGURE O.10
Fiscal Consolidation Continues



Source: Estimates based on data from World Bank Group 2023.
Note: GDP = gross domestic product.

FIGURE O.11

Food Inflation Stubbornly Surpassing Overall Inflation

Source: Based on data from INE Inflação database. Data for 2023 are estimated.

for consumption) has increased social disparities, with 9 percent of the population experiencing food insecurity as of June 2022.⁸

The overall economic outlook remains favorable, contingent on the government's commitment to structural reforms, although risks still persist.

In the short-to-medium term, the overall economic outlook is positive. Real GDP growth is expected to be supported by sustained tourism flows, remittances, and FDI. Medium-term growth is expected to be supported by private consumption and investment in tourism and the blue economy. Ongoing construction of several hotels across the archipelago will stimulate job creation and economic activity. Restructuring of several important SOEs and implementing structural reforms outlined in the *Plano Estratégico de Desenvolvimento Sustentável* (Strategic Plan for Sustainable Development; PEDS) II are set to attract further foreign and domestic private investment to support growth. The information and communication technology (ICT), energy, and fisheries sectors are expected to support a gradual economic diversification and enhance resilience of the economy to external shocks.

Inflation is expected to decline from its 2022 peak as the effects of high international oil and food prices eases, and yet the CAD is projected to widen because of higher imports, particularly for private investment. Headline inflation is projected to average at 4.5 percent in 2023, owing to a contractive monetary policy, including an increase in the reference interest rates to reduce the interest rate differential with the European Central Bank and protect the peg, helping control inflation. The CAD is expected to decline to 3.3 percent of GDP in 2025, underpinned by the increase in tourism receipts and the stabilization of consumption import prices. The high level of remittances will also support the CAD's decline. Higher public debt amortization outflows are expected to increase external financing needs, which are projected to be met primarily by official borrowing and FDI. Robust export growth and remittances, coupled with higher FDI inflows, are expected to keep international reserves at six months of import cover.

However, the outlook faces downside risks stemming from the lingering inflationary impacts from the war in Ukraine and weaker external demand. If the trade disruptions emanating from the war persist, inflationary pressures may continue. This scenario could necessitate further policy support to improve its impact, potentially hindering fiscal consolidation and increasing public debt. There is also a risk that political pressures against continued fiscal consolidation could derail planned structural reforms to manage fiscal risks. Nevertheless, the authorities remain committed to improving fiscal and debt management, aiming to lower debt burdens and enhance public services over the medium term. Another concern is that weaker external demand in Cabo Verde's main tourism markets could dampen economic growth. Similarly, the Central Bank's monetary policy response to global financial tightening, particularly the country's currency peg with the euro, could restrict credit access, potentially impacting economic growth in the medium term.

Climate-related shocks will remain a source of concern.

Cabo Verde is already grappling with geological and climate-related events that impact livelihoods and critical economic sectors, and these challenges are expected to worsen. The Notre Dame Global Adaptation Initiative ranks Cabo Verde 77th, lagging behind aspirational peers such as Mauritius, St. Kitts and Nevis, or St. Lucia.⁹ In addition, the temperature has increased by 0.04 percent per year since 1990, with further increases projected at approximately 1 degree Celsius over the 2011–40 period and 3 degrees Celsius until the end of the century and accompanying reductions in annual precipitation, prolonged dry seasons, increased droughts, and shorter rainy periods. These pose a threat to the country that relies significantly on its blue natural capital for economic growth, with a substantial portion of its population depending on ocean-related livelihoods, including tourism and fisheries. Cabo Verde's vulnerability to climate change is accentuated by its volcanic islands' limited water resources, natural forests, mineral reserves, and arable land. The nation confronts extreme weather events, persistent droughts, desertification, and rising sea levels, posing challenges for water availability, land degradation, erosion, flooding, droughts, and food and energy security. Shoreline erosion is already eroding beaches and critical infrastructure, and Cabo Verde ranks lower than its peers in adaptation readiness. To address this urgency, PEDS II underscores the need for comprehensive policies supporting climate action investments in adaptation and renewable technologies, particularly in the energy transition.

O.2

State of the Private Sector

Cabo Verde has a small economy facing structural challenges to achieve scale.

Dominated by micro, small, and medium enterprises (MSMEs), Cabo Verde's private sector is largely concentrated in three main islands. The country has a little over 11,000 active companies,¹⁰ with 75 percent of them located in Santiago, São Vicente, and Sal (table O.1). In 2018, firms from these islands accounted for 95 percent of national output and generated around 85 percent of formal jobs. MSMEs, constituting nearly 98 percent of formal companies in Cabo

TABLE O.1

Number of Firms, Job Positions, and Turnover per Island, 2021

Island	No. of active firms	No. of people employed	Turnover (US\$, millions)
Santo Antão	852	3,185	56.8
São Vicente	2,180	17,832	873.7
São Nicolau	278	847	16.7
Sal	1,375	14,300	247.6
Boa Vista	631	3,180	51.0
Maio	121	372	3.2
Santiago	5,149	30,965	1,388.8
Fogo	612	1,675	40.1
Brava	206	584	6.4
Total	11,404	72,940	2,684.4

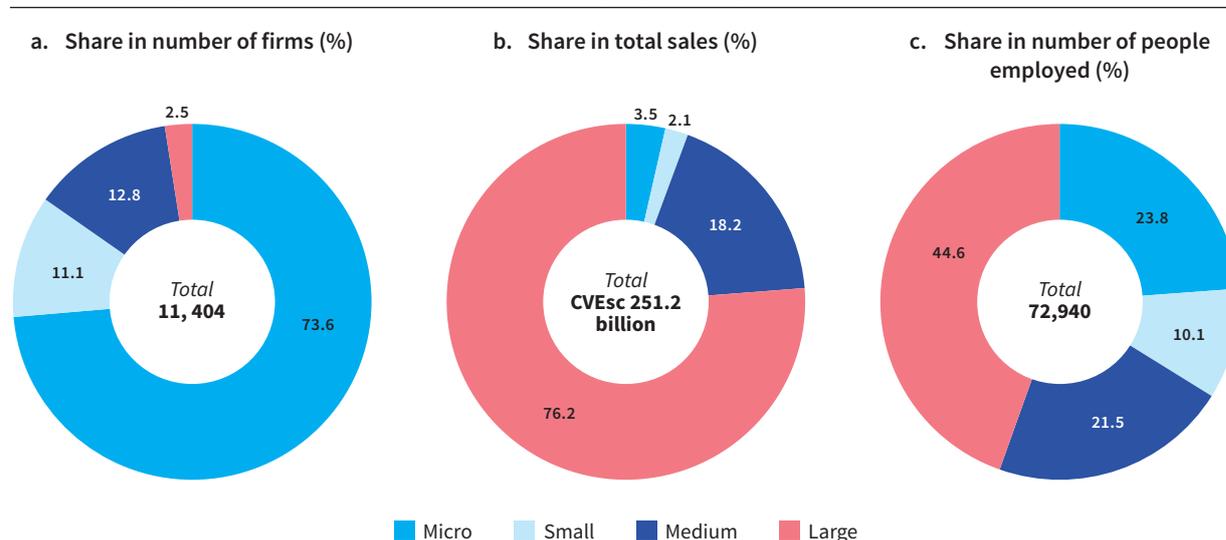
Source: Based on data from INE *Estatísticas Empresariais em Cabo Verde* database.

Verde, account for 55 percent of jobs (figure O.12). Notably, women make up 41.5 percent of formal employees across islands.

Given the strong dependence on tourism, most jobs are concentrated in the services sectors. In 2022, more than two thirds of the employed population (66.9 percent) were in the services sector, contributing to 70 percent of GDP. Over time, the share of services has been steadily increasing, starting from slightly over half (52 percent) of employment in 1991. This growth in services has absorbed the decline in employment in the agriculture sector, while employment in industrial sectors has been hovering at around 20 percent. Retail trade and tourism accommodations represent 44 percent of all nongovernment formal jobs in the country. The role of agriculture and fisheries to employment and output is minor across all islands. Notably, there is some dynamism observed in food man-

FIGURE O.12

Distribution of Firms, Share in Total Sales, and Employment by Firm Size, 2021



Source: Based on data from INE *Estatísticas Empresariais em Cabo Verde* database.

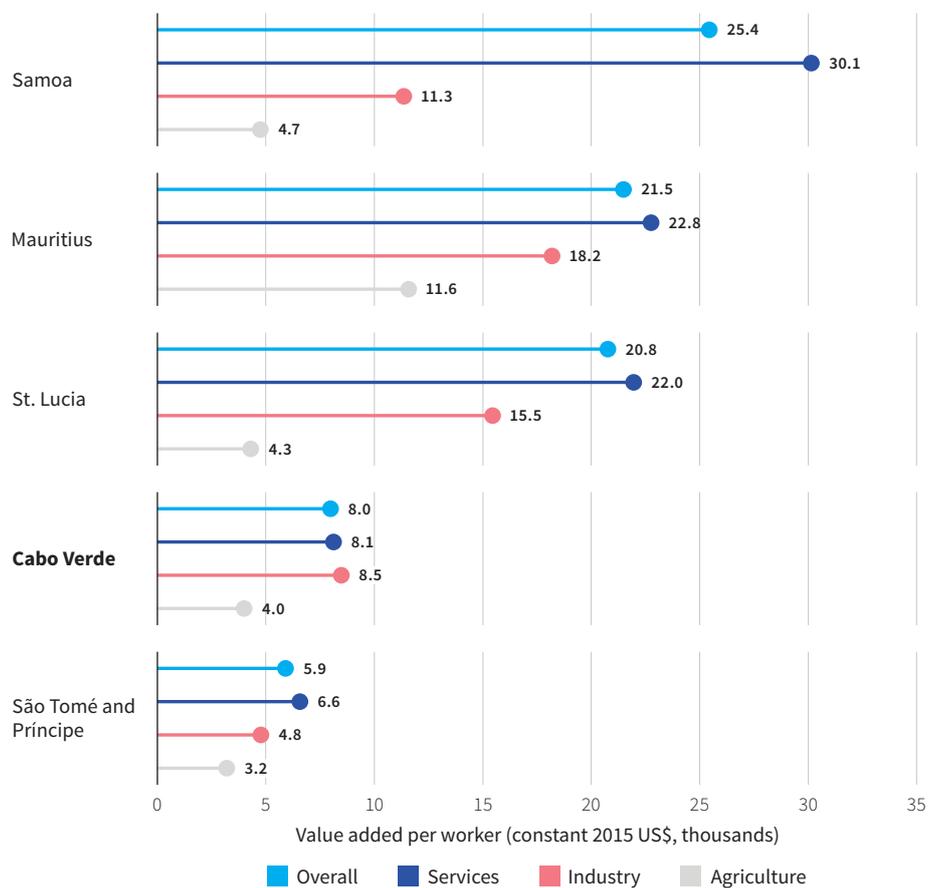
ufacturing, particularly in fish processing and preservation, in São Nicolao and São Vicente, where these sectors are the second largest employers, contributing 14.7 and 8.8 percent of total employment, respectively.¹¹

Enhancing productivity is a fundamental requirement for bolstering the private sector's competitiveness.

Productivity levels in Cabo Verde are comparatively low, hindering its growth potential. Among its peer countries, only São Tomé and Príncipe has slightly lower overall productivity as measured by value added per worker (figure O.13). On average, a firm in Cabo Verde requires 2.5 times as many workers to achieve the same output as a firm in its aspirational peer countries, and 1.5 times as many as its structural peers. For a small island economy with limited resources and scant possibility of achieving economies of scale, addressing the factors that drive firm-level productivity is essential for boosting the private sector's role in driving growth and employment.

Larger firms, foreign firms, exporters, and older firms generally exhibit higher productivity than domestic private companies. The majority of these larger companies are located in Santiago, São Vicente, Sal, and Boa Vista, and they account for 60 percent of formal jobs in the tourism sector. The accommodation sector

FIGURE O.13
Benchmarking Labor Productivity with Structural and Aspirational Peers, 2019



Source: Estimates based on data from World Bank 2023a.

has a significant foreign firm presence, with around 20 percent of formal companies having at least 50 percent foreign ownership. Moreover, there are around 40 firms actively engaged in formal exports.¹² On average, an exporting firm employs 16 employees, in contrast to 5 employees in firms serving only the domestic market. In terms of wages, foreign firms pay an average monthly wage of CVEsc 9,583 (US\$103), while a trading company pays CVEsc 14,142 (US\$151) and domestic private companies pay CVEsc 9,091 (US\$97).¹³

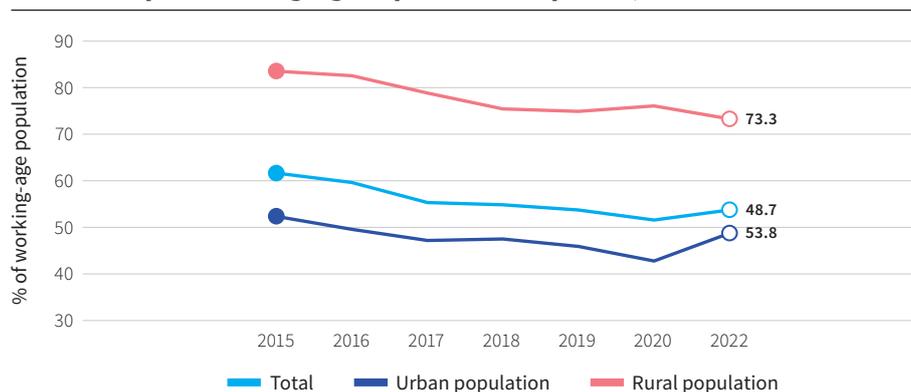
The private sector is also marked by a significant level of informality. In 2022, approximately 53 percent of the working-age population was engaged in informal activities (figure O.14). Most businesses operate informally, with only around 25 percent officially recognized in surveys by the *Instituto Nacional de Estatística* (National Statistics Institute). This group includes approximately 11,000 micro to medium businesses, which also broadly represent the number of tax paying MSMEs. Informality permeates all aspects of business practices, leading to inadequate financial documentation, registration, and planning, which obscures the full picture of MSMEs' performance. For instance, only 35 percent of MSMEs adopt systematic accounting practices—an indicator of formal business operations.¹⁴

Productivity rates can be improved by enhancing firm capabilities and efficiency, reallocating resources to more productive firms, and fostering productive firm entry and exit. The World Bank's 2023 Country Economic Memorandum (CEM) for Cabo Verde extensively covers firm-level productivity and recommends a menu of policies that, if implemented, would enable firms to upgrade their capabilities, allow productive firms to grow, and remove constraints on entry and exit.¹⁵ To accomplish this, the CEM recommends the following:

- Reducing misallocation of input factors through the enforcement of competition policy and removing distortions associated with burdensome product market regulations (see chapter 4).
- Supporting the development of firm capabilities by targeting the most productive firms in adopting technologies, innovating, and enhancing skills (see chapter 3).
- Supporting firm entry and exit through targeted incubation and acceleration of promising young firms, increasing access to finance by addressing collat-

FIGURE O.14

Evolution of the Working-Age Population in Informal Jobs



Source: Based on data from INE Estatísticas do Mercado de Trabalho database.

Note: The working-age population includes people between the ages of 15 and above.

eral constraints, improving financial literacy, and promoting digital financial solutions (see chapter 3).

Cabo Verde's business environment has significant potential for reforms to enable private investment and innovation.

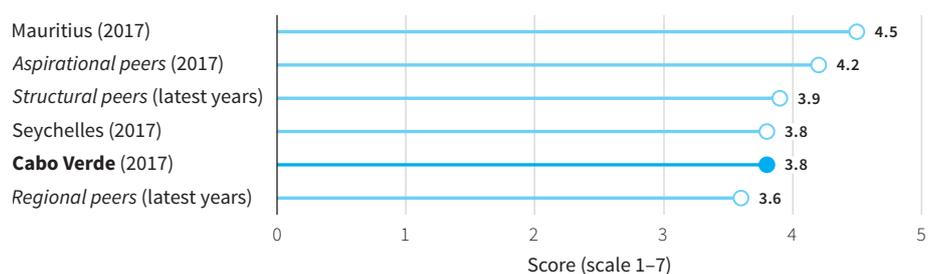
Cabo Verde has made progress in simplifying the business environment. This includes simplifying business licensing procedures, modernizing the commercial registry code, and implementing e-signatures, which reduced business registration time from 15 days to less than a day. A national e-government program has also yielded positive results such as the implementation of a single window for trade.

However, Cabo Verde underperforms against comparator countries with respect to **investment competitiveness**. It lags its structural and aspirational comparators in the World Economic Forum (WEF)'s Global Competitiveness Index (figure O.15). According to the World Bank's Enterprise Surveys and WEF's Global Competitiveness Index, firms in Cabo Verde consistently identify limited access to finance, prevalent informality, high tax rates, inadequate infrastructure (including electricity), and inefficient bureaucracies (including corruption) as major constraints to private sector performance.

Despite recent efforts to enhance access to financial services, **MSMEs in Cabo Verde continue to face significant constraints**.¹⁶ In recent years, several initiatives have been implemented to strengthen the enabling environment for inclusive finance, such as the establishment of support programs like Pró-Garante, Pró-Empresa, and Pró-Capital. Additionally, there have been reforms in the credit registry of the Central Bank, enhancements to the Secured Transaction Regime, and formalization and improved oversight of the microfinance sector. However, despite these efforts, challenges in accessing finance still hinders firm growth and upgrading. The geographic and demographic characteristics of Cabo Verde exacerbate information asymmetry and transaction costs, further impeding access to finance. Meanwhile, digital financial services represent a unique opportunity for MSMEs to overcome structural constraints and better integrate into the wider economy.

According to a customized Firm Capabilities Survey conducted in 2022 by the World Bank in cooperation with INE, access to finance is perceived as the biggest

FIGURE O.15
Performance in the Global Competitiveness Index, Cabo Verde and Comparators



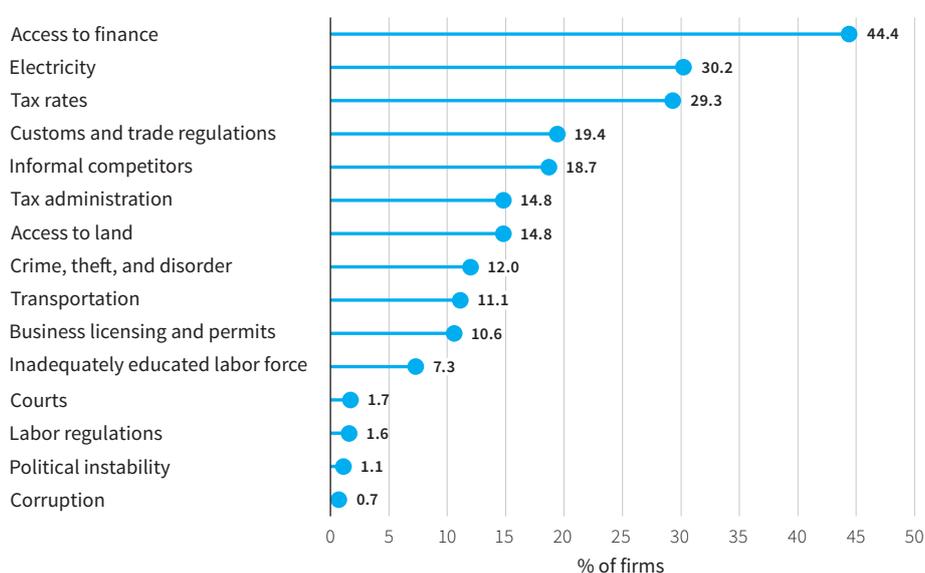
Source: WEF 2017.

obstacle in the business environment, along with electricity and tax rates. The survey found that approximately 44 percent of firms reported access to finance as their biggest obstacle, compared to an average of only 19 percent in Sub-Saharan Africa (figure O.16). Additionally, firms consistently identified access to electricity, tax rates, customs, and informality as major constraints to private sector performance, confirming previous findings from the World Bank's Enterprise Survey and WEF's Global Competitiveness Index. This indicates that although Cabo Verde's business environment has improved in recent years, there are still several areas where competitiveness could be further strengthened. Based on the WEF Index, Cabo Verde's overall score for global competitiveness increased to 50.8 in 2019, a reflection of gains in human capital, particularly in the areas of health, labor markets, and innovation capability. Yet, the country has lost ground in ICT adaptation, product market efficiency, and infrastructure development.

Unreliable interisland transportation, coupled with high energy and digital connectivity costs, also hinder Cabo Verde's competitiveness, limiting its potential for increased linkages with dynamic sectors such as tourism. Although the government has taken steps to improve interisland shipping, the maritime fleet remains inadequate to handle interisland traffic, resulting in insufficient and unreliable services. This inefficiency in maritime transportation has kept the costs high, eroding the competitive advantage of local niche market products including horticulture, dairy, and fisheries across the various islands, and constitutes a key barrier to greater integration of the domestic economy. In addition, with some of the highest electricity prices in Africa, energy affordability represents one of the most significant hurdles for private sector competitiveness. Furthermore, high internet connectivity costs hinder small businesses from integrating into dynamic value chains, consequently delaying their technological adoption and modernization. These issues are discussed in more detail in the transportation, energy, and digital services chapters.

FIGURE O.16

Firms Reporting an Obstacle as Their Most Important, 2023



Source: Adapted from World Bank 2023a.

Notes

1. For this report, Cabo Verde's structural peers are the Comoros, Fiji, The Gambia, São Tomé and Príncipe, and Vanuatu; while its aspirational peers are Grenada, Maldives, Mauritius, Montenegro, and the Seychelles. See appendix A for the selection methodology.
2. World Bank (2023a).
3. World Bank (2013).
4. Ibid.
5. Ibid.
6. Fiscal consolidation will be supported by (1) improving the efficiency of the tax system and broaden the tax base by 16 percent; (2) rationalizing the wage bill to a level below 11 percent of GDP, particularly by investing in digital infrastructure; (3) leveraging new modalities for financing investments in partnership with the private sector; (4) restructuring the SOE sector through public-private partnerships, privatizations, and concessions; and (5) exploring a new debt management model with conversion of part of the foreign debt into natural and climate capital. These elements are outlined in PEDS II and in the 2023 state budget. These policies are supported by a new International Monetary Fund program (US\$63.4 million approved by its Board on June 15, 2022).
7. World Bank (2022a).
8. WFP (2023).
9. See "Notre Dame Global Adaptation Initiative," University of Notre Dame, Notre Dame, IN, <https://gain.nd.edu/our-work/country-index/download-data/>.
10. Based on September 2022 data from INE.
11. Based on World Bank (2022), updated with 2023 data from INE.
12. World Bank (2023b).
13. Ibid.
14. Based on data from INE Estatísticas Empresariais em Cabo Verde database.
15. World Bank (2023a).
16. World Bank (2022b).

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PART I

SECTOR ASSESSMENTS

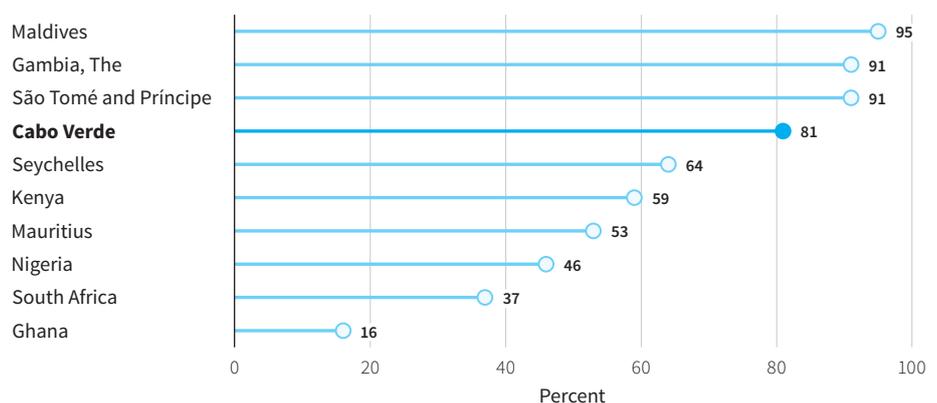
To identify sectors for diversification and value addition with high growth potential, the *Cabo Verde Country Private Sector Diagnostic* uses a mix of quantitative and qualitative criteria. These criteria include (1) results of the revealed comparative advantage (RCA) analysis, along with International Finance Corporation (IFC) Sector and World Bank Services Scans (see appendix A for more details), (2) potential for export growth in goods and services and prospects for productivity growth and job creation potential, (3) potential for mobilizing private capital, (4) alignment with government priorities,¹ and (5) impact on climate. Furthermore, considering that Cabo Verde has been the subject of several recent analytical reports, the selected sectors seeks to fill the identified knowledge gaps. The selection process also considered the scope of ongoing engagement between Cabo Verde, the World Bank, and the International Finance Corporation.

The analysis and filtering exercises revealed that higher-value-added segments of the tourism and blue economy sectors have the highest potential for further growth and diversification. The RCA analysis, which focused on merchandise trade, reveals that Cabo Verde has limited competitive export sectors, characterized by low volumes. The country performs well in fish-related animal products and light manufacturing sectors such as processed food (mainly fish products) and textiles/apparel. In services, an analysis of Cabo Verde's positioning compared to its peers in "global innovator" sectors,² reveals that 81 percent of its service sector exports are concentrated in low-skilled tradable services (such as hospitality, wholesale, and transportation), with relatively little contribution from global innovator services (such as information and communication technologies, professional services, and financial services). Nevertheless, this reliance is lower than in other tourism-dependent island states such as Mauritius and the Seychelles, which have a higher contribution of their service exports from these innovative sectors (see figures PI.1 and PI.2). Growing globally innovative services could present a pathway to increase the productivity of the service sectors in Cabo Verde.

To this end, this report includes an assessment of digital services as a means to diversify into globally innovative services, leveraging Cabo Verde's strengths and

FIGURE PI.1

Contribution of Low-Skilled Tradable Services to Total Services Exports, Cabo Verde and Comparator Countries, 2017

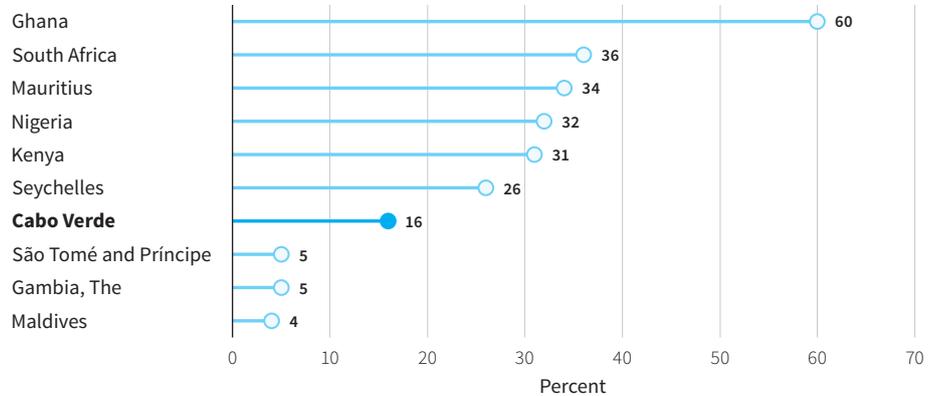


Source: Based on World Trade Organization TISMOS dataset.

Note: Low-skilled tradable services include accommodation, restaurants, wholesale, and transportation services.

FIGURE PI.2

Contribution of Global Innovator Services* to Total Services Exports, Cabo Verde and Comparator Countries, 2017



Source: Based on World Trade Organization TISMOS dataset.

*Global innovator services include professional, information and communication technology, and financial.

efforts to position itself as a digital hub in the region. The selection of digital services is motivated by its potential to unlock global innovator services such as digital solutions for government applications (e-government) and digital financial services. Cabo Verde has demonstrated early signs of aptitude and potential to lead in these areas within its regional market. Moreover, the government's strong commitment to realize the vision of "Cabo Verde Digital" is evident. Substantial investments have been made to foster the digital ecosystem, including initiatives such as the creation of a digital skills platform and a technological park. The national strategy recognizes Cabo Verde's relative advantages in digital infrastructure and literacy. It highlights the digital services sector's role in driving innovation, creating high-quality jobs, and enhancing economywide productivity gains through the adoption and integration of digital solutions.

Notes

1. As articulated in the Cabo Verde *Plano Estratégico de Desenvolvimento Sustentável II* (Sustainable Development Strategic Plan 2022–26).
2. The services sector is not monolithic and covers a wide range of economic activities. Global innovator services (including ICT, finance, and professional services) are relatively notable for their high potential for offshoring and international trade. These sectors are research and development intensive, share linkages with other sectors, and typically employ high-skilled labor. In contrast, low-skill domestic services (including arts, entertainment, and recreation; administrative and support; retail trade; and personal services) employ low-skilled workers. However, they provide limited opportunities for productivity enhancement through international trade and linkages. Meanwhile, low-skill tradable services (including accommodation, transportation, and wholesale trade) are significantly involved in international trade and share linkages with other sectors. These services also employ a large share of low-skilled workers and are integral to many tourism-related activities.

1

TOURISM

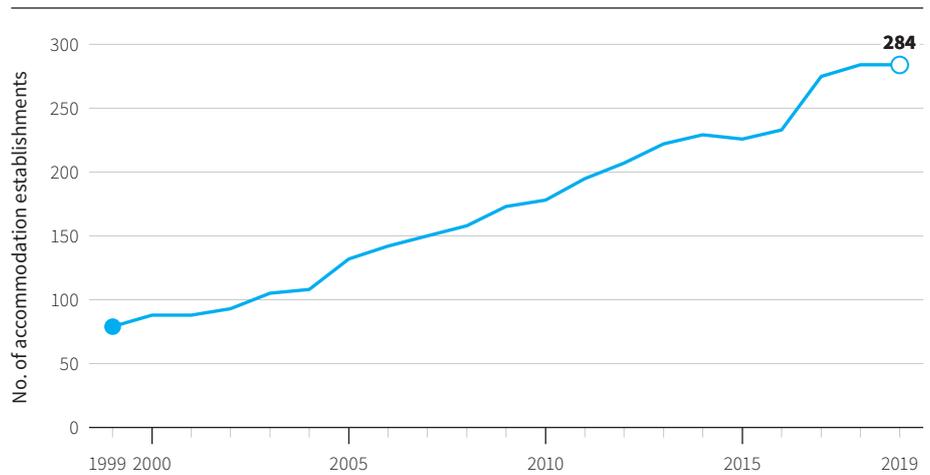
1.1

Introduction

Tourism development in Cabo Verde began in the 1990s, driven by structural reforms and strategic infrastructure investments that sought an initial shift towards private sector growth. Prior to 1991, the country's economy was largely sustained by official development assistance and remittances, with inbound tourism being limited, primarily consisting of around 30,000 annual arrivals from the diaspora visiting friends and relatives. From 1991 to 2008, Cabo Verde embarked on a series of structural reforms with the ambition of attracting sustained foreign direct investment (FDI), capitalizing on the country's tourism potential for the first time.¹ Two islands, Sal and Boa Vista, were prioritized for tourism development, partly because of connectivity challenges and high costs of infrastructure construction and maintenance unique to Cabo Verde's geography. These islands underwent zoning of their land in preparation for sale or private concession, along with strategic infrastructure investments and incentive packages for foreign investors, including tax exemptions.² During this period, several major global brands established large projects, attracting significant FDI inflows. By 1999, the two islands had 20 accommodation establishments, representing around a quarter of the national accommodation supply (figure 1.1).³ Operators adopted an all-inclusive resort model, dependent on charter flights to the two islands, given the limited capacity to invest in additional local infrastructure and services by the government. By 2010, international arrivals had reached just over 300,000, which more than doubled over the next decade, and a 20-fold increase from the mid-1990s (figure 1.2).

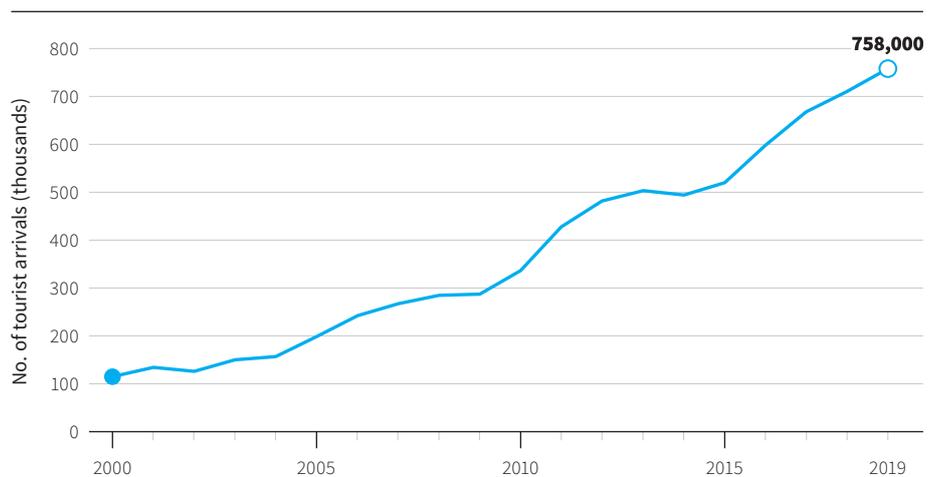
Beyond FDI generation, tourism is a cornerstone of Cabo Verde's economic and social development. Economic analyses have found that the all-inclusive model in Cabo Verde generates broader local economic benefits than generally attributed to this niche. This includes wages for local workers, duties on imports, and value added tax (VAT) payments.⁴ The sector has also generated substantial tourism taxes channeled into local infrastructure and service investments and human capital development via the *Fundo de Sustentabilidade Social para o Tur-*

FIGURE 1.1
Total Accommodation Establishments



Source: Based on data from INE Inventário Anual dos Estabelecimentos Hoteleiros database.

FIGURE 1.2
Total International Tourists



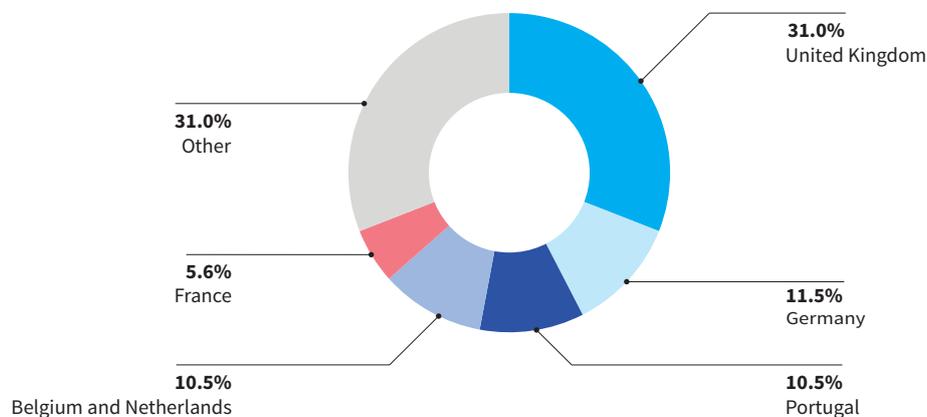
Source: Based on data from INE Inquérito Mensal à Movimentação de Hóspedes database.

ismo (Tourism Fund for Social Sustainability), which disbursed approximately US\$15 million to municipalities between 2017 and 2019.⁵

However, this tourism model is highly vulnerable to external market factors. The industry is dominated by three or four global resort chains, which provide 90 percent of guest accommodations in the country.⁶ One international group alone accounts for around 33 percent of all rooms in Sal and 73 percent in Boa Vista.⁷ The predominance of a few operators and linked charter flights restricts the country's appeal to specific markets, primarily attracting "mid-haul" Western European tourists⁸ seeking "sun-and-sea" experiences, with around 80 percent traveling on all-inclusive tour operator packages (figure 1.3).⁹ Consequently, the country is particularly vulnerable to shocks and shifts in preferences in these markets.

The dominance of large all-inclusive resorts in Cabo Verde has led to the formation of vertical supply chains, creating missed opportunities for local economic

FIGURE 1.3

Key Source Markets for the All-Inclusive Model, 2022

Source: INE 2023a.

linkages. Although tourists constitute up to 20 percent of domestic consumption for certain food items, hotels and resorts import 80 percent of their food and beverage products, often at higher costs. This high dependency on imports, a general characteristic of the country's broader economy, is exacerbated by the risk-averse procurement strategies of the resorts, which prioritize scale, quality, and certification, thereby limiting the development of local supply chains and undermining the viability of smaller hotels.¹⁰ Additionally, the all-inclusive model, which primarily attracts price-sensitive tourists, discourages spending outside the resorts, restricting local economic spillovers. Despite stable tourism trends prepandemic, with an average stay of nine nights and spending of US\$300 per tourist per trip, Cabo Verde lags in daily spending per tourist compared to some of its peers. In 2019, the daily spending per tourist in Cabo Verde was just €41, compared to €91 in the Azores, €124 in Madeira, and €238 in the Canary Islands in 2019.¹¹

The strategic focus on tourism development has inadvertently led to economic and social disparities. Despite a wealth of natural assets across Cabo Verde's ten islands, Sal and Boa Vista attract 78 percent of all tourist visits, resulting in substantial local economic growth but also associated challenges. These islands have experienced high labor migration from other islands, as well as from other West African countries,¹² leading to increased population density and unplanned urban growth, which has not been matched by commensurate local infrastructure or service investments. This mismatch has resulted in subpar living conditions and a cost of living that outstrips tourism-related wage gains.¹³ For instance, between 2012 and 2016, Boa Vista's population density increased by 38 percent compared to an average of five percent across all islands.¹⁴ In 2016, only 35.3 percent of Boa Vista's population had access to the public water network, compared to 64 percent at the national level.¹⁵ Meanwhile, other islands with comparable natural assets but less tourism development have seen even lower levels of investment in infrastructure and service provision.

Cabo Verde's tourism sector also poses risks to natural assets and resource management, notably in energy, water, and waste; and, recognizing these challenges, the public and private sectors are increasingly seeking to enhance sustainability measures. The industry's value proposition hinges on robust coastal and marine

ecosystems that are recognized as global biodiversity hotspots. Yet rapid, opportunistic, and poorly planned coastal development has further restrained resources and exacerbated climate vulnerability, including issues such as sand extraction and related coastal retreat. Between 2004 and 2008, the total land area dedicated for tourism in Cabo Verde saw a threefold increase. The expansion of tourism activity has also raised emissions, noise, and light pollution, adversely impacting the local fauna. In Boa Vista, Sal, and São Vicente, the insufficiency of subterranean water resources, in terms of quantity and quality, to fulfill demand, has resulted in their significant dependency on sea water desalination, in turn increasing energy consumption.¹⁶ Sal has the highest waste generation per capita in Cabo Verde, a figure expected to more than double by 2035, while only having one dumpsite available on the island.¹⁷ Additionally, tourism-related environmental pressures—including illegal fishing, overfishing, unregulated marine tourism, and the capture of wild turtles—have resulted in Cabo Verde being considered as one of the top ten most endangered marine biodiversity hotspots globally. In response, the government is increasingly incorporating environmental and climate resilience into its tourism planning (for example, through provisions for *Zonas de Desenvolvimento de Turismo Integrado* [Integrated Tourism Development Areas]). Effective enforcement of these measures will be key for the sustainability of the sector. Meanwhile, large resorts are actively seeking to expand corporate social responsibility programs aimed at mitigating the environmental impact of their operations.¹⁸ However, addressing and rectifying practices that have been established over the past twenty years will require time.

Despite these challenges and the severe impact of the COVID-19 pandemic, tourism-related services are expected to continue driving the country's trade balance through foreign receipts. In 2022, the accommodation and air travel subsectors rebounded, with hotels surpassing prepandemic performance. The sector recorded over 785,000 international visitors and 3.9 million international overnight stays, exceeding 2019 levels and approaching the government's prepandemic target of one million visitors. The sector is poised for sustained growth in exports and FDI, further solidifying its role as a critical source of private investment opportunities.

1.2

Opportunities: Attracting New Market Segments

Acknowledging the economic importance and vulnerabilities of its tourism model, the Cabo Verde government is committed to fostering a more strategic and sustainable approach to tourism development. The government is engaged not only in exploring ways to enhance the sustainability of the existing tourism services but also in pinpointing and developing untapped resources of complementary products and market segments that can help build sector resilience. To achieve these goals, figure 1.4 shows the government's recently prepared series of plans geared towards these objectives.

Key growth segments and products have been identified and prioritized. Beyond its established sun-and-sea offerings, Cabo Verde boasts a range of assets across its islands with potential for development of new products and markets. The Country's Strategic Tourism Marketing Plan developed in 2021 prioritizes these into three "strategic" products/markets, along with five high priority products/markets for growth (see figures 1.5 and 1.6).

FIGURE 1.4

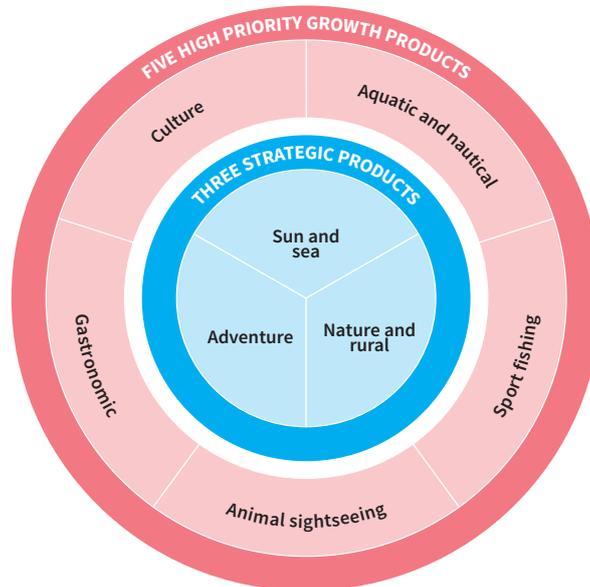
Recent Government Tourism Development Plans



Source: Based on various government documents.

FIGURE 1.5

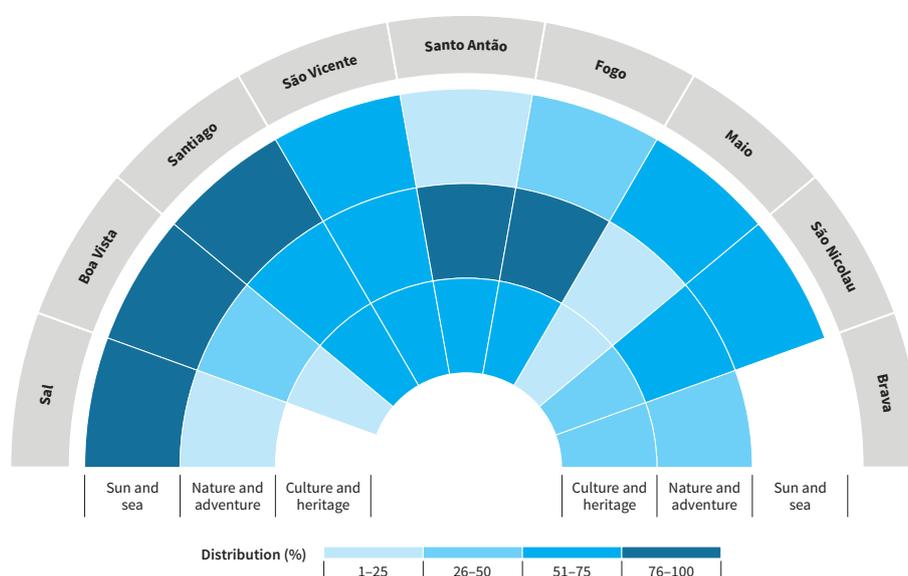
Cabo Verde's Priority Market Segments for Tourism Development, 2021



Source: Adapted from ITCV 2021a.

Despite this strategic identification, detailed analyses and strategies for most of these new segments are still lacking. Although a recent study has analyzed hiking as a growth segment (which integrates elements of nature, rural, and adventure tourism), very few of the prioritized growth markets have been sufficiently analyzed to guide development strategies.¹⁹ The following subsections assess the value-added potential of two such prioritized markets: creative and cultural tourism²⁰ and yachting (as a subset of aquatic/nautical tourism).²¹ It also explores the digital nomad segment, which is noted as an opportunity for Cabo Verde in the Strategic Marketing Plan, and which the government sought to develop during COVID-19.

FIGURE 1.6
Distribution of Key Tourism Assets



Source: Adapted from ITCV 2021a.

Finally, it addresses opportunities for increased sustainability of the existing offer through integration of sustainability and circular economy practices.²²

1.2.1

Creative and Cultural Tourism

The cultural and creative industries can be significant economic drivers, especially in emerging economies, but face challenges in quantification because of sector informality. Before COVID-19, the creative industries were estimated to contribute roughly 3 percent of global GDP²³ and support around 30 million formal and informal jobs through large production chains.²⁴ From 2010 to 2020, global exports of creative goods increased from US\$419 million to US\$524 million, with developing countries exporting more creative goods than developed countries.²⁵ Countries like Ethiopia and Kenya, for instance, saw their creative sectors contributing more than 5 percent of GDP prior to COVID-19.²⁶ These industries also promote labor inclusivity by employing more women and young people, especially in lower-income countries, including through large numbers of informal jobs. For example, in the creative industries of Ghana and Uganda, over 25 percent of the workers are youths.²⁷ Despite their economic potential, these sectors are often chronically underfunded.

Performing arts and live cultural events offer significant opportunities for job creation and revenue generation, especially when integrated with tourism. Before COVID-19, the performing arts were estimated to account for around 1.2 million jobs in Europe alone.²⁸ These live events boost local economies through ancillary spending on hotels, dining, and merchandise. For example, Mali's "Festival sur le Niger" reportedly generated over US\$5 million in local revenue and has created 2,000 jobs each year across various sectors (tourism, crafts, agriculture, and trade).²⁹ Such events provide authentic experiences that are increasingly in demand in the post-COVID-19 travel landscape³⁰ and can serve as prominent promotional tools.

Tourism and the creative sectors were impacted in similar ways by the COVID-19 pandemic, yet demonstrated remarkable innovation in adapting to new circumstances. Travel and gathering restrictions and venue closures severely affected the cultural sector. Although global exports of all goods fell by 7.2 percent in 2020, global exports of creative goods fell by 12.5 percent.³¹ Moreover, high sector informality limited eligibility of creative workers for emergency support measures. However, the sector pivoted swiftly to digital platforms, offering services such as livestreamed concerts and virtual museum tours, serving both cultural and touristic purposes. Unlike sectors reliant on finite assets, the creative industry's adaptability and resourcefulness underscore its potential for economic diversification and resilience against future crises.³²

1.2.1.1

Developing Creative and Cultural Tourism In Cabo Verde

Cabo Verde's rich cultural heritage is a unique asset for economic growth, particularly in creative and cultural tourism. The country's unique Creole culture, a blend of historical influences, is expressed through language, cuisine, and music. Its international visibility is amplified by a large diaspora. Cities like Praia and Cidade Velha in Santiago hold United Nations Educational, Scientific and Cultural Organization designations, recognizing their cultural significance.³³ Mindelo, the capital of São Vicente, is known as the home of Cesaria Evora, Cabo Verde's most famous musical export. Moreover, each island has its own unique cultural specificities, providing a wide variety of potential tourism products. Music festivals and cultural events, such as the Atlantic Music Expo and the Kriol Jazz Festival,³⁴ are key drivers of creative and cultural tourism, bolstering the creative industries and offering alternatives to the all-inclusive model.³⁵ Notably, in contrast to those in many countries, the majority of economic actors in Cabo Verde's creative sectors are men,³⁶ particularly in the music industry.

Cultural assets are underexploited for tourism purposes. Despite the geographical spread of cultural assets across the islands, key cultural products are largely limited to Santiago and São Vicente (see box 1.1). In the 2021 Travel and Tourism Development Index, Cabo Verde scores only 1.9 out of 7 on "cultural resources," an indicator that measures the availability of cultural resources and how they are promoted, developed, and protected. However, this score is one of the highest in the Sub-Saharan Africa region.³⁷ Recent analysis suggests that only 1 percent of in-country tourist spending is on cultural events.³⁸

The government is committed to harnessing the creative and cultural industries for economic diversification, including through tourism. Key strategic documents, including the *Ambição 2030* and the *Plano Estratégico de Desenvolvimento Sustentável* (Strategic Plan for Sustainable Development [PEDS]) II, seek to position culture as a pivotal economic development asset with an emphasis on the need for human capital development. Acknowledging challenges associated with high informality and untapped economic potential of culture, the government, through the *Ministério da Cultura e das Indústrias Criativas* (Ministry of Culture and Creative Industries) and the *Centro Nacional de Arte, Artesanato e Design* (National Center for Art, Craft and Design), is committed to better structuring, formalizing, and professionalizing the cultural and creative indus-

BOX 1.1**Arts, Crafts, and Souvenirs**

The tourism souvenir market in Sal, one of the most visited islands in Cabo Verde, is dominated by imported artisanal products sold by migrants, rather than showcasing genuine local craftsmanship. Tourist satisfaction surveys between 2014 and 2018 revealed a disappointingly low average rating of 2.7 out of 5 for artisanal and souvenir offerings in the country.^a A shift toward authentic, locally made products has the potential to elevate tourist satisfaction, drive higher revenues, and contribute to the preservation of cultural heritage and skills. Initiatives such as *Djunta mo Art* in Sal, *Capvertdesign* and *Artesenato* in Mindelo, and similar concepts in Sal Rei are already making strides in this direction, with a focus on “made in Cabo Verde” products.

There is also an opportunity to develop and improve the commercialization of more upscale craft items, which are preferred by tourists seeking a deeper cultural experience. More refined works can be difficult to find and usually cannot be purchased with a

credit card. The development and upgrading of gallery spaces or more specialized outlets in key tourist areas, equipped with credit card payment technology, would improve the visibility and accessibility of these items.

To boost revenues for artists and artisans will require targeted training in entrepreneurship, financial literacy, business planning, and sales, as well as product development. This training should focus on diversity and scalability, together with improved access to finance. Existing venues and events, such as the *Ministério da Cultura e das Indústrias Criativas* (Ministry of Culture and Creative Industries) “laboratories” (see box 1.2) and the annual *Feira Nacional de Artesanato e Design de Cabo Verde* (National Craft and Design Fair) held in Mindelo, can be leveraged to further build capacities and strengthen the linkages between art, design, and tourism.

a. INE (2019).

tries. The PEDS II aims to formalize and professionalize 50 percent of the cultural and creative industries sector by 2026 (see box 1.2).

Developing the creative and cultural tourism market will require strategic planning and rigorous data monitoring. Cabo Verde lacks a strategic vision for the development of creative and cultural tourism. Coordination between the cultural and tourism sectors, as well as government agencies, remains ad hoc and unpredictable.³⁹ To effectively develop and promote creative and cultural tourism products, it is crucial to enhance strategic planning across both sectors at the national level and align these efforts with island-level tourism master plans. A notable gap exists in data on the economic contribution of cultural and creative industries in Cabo Verde, particularly their linkages with tourism. Visitor sur-

BOX 1.2**Formalizing the Cultural and Creative Sectors**

Cabo Verde has introduced the “artist’s statute” (*Estatuto do artista*) to integrate cultural/creative artists into the taxation and social security systems of the *Instituto Nacional de Previdência Social* (National Institute of Social Security; INPS), helping collect employment and economic contributions data on the creative sector. Complementing the government’s “artisan ID card” (*Cartão do artesão*), which acknowledges skilled artisans, enables their registration with the INPS and connects them to markets through an open national database. To date, the database includes almost 800 artisans.^a Furthering these efforts, the *Ministério da Cultura e das Indústrias Criativas* (Ministry of Culture and Creative

Industries) and the *Centro Nacional de Arte, Artesanato e Design* (National Center for Art, Craft and Design) are establishing “experimental art and design laboratories” in nine municipalities, starting with Santo Antão island, to promote local craftsmanship and provide spaces for production, exhibition, creative exchange, and commercialization, as well serve as venues for training programs, supporting the transformation of the arts into revenue-generating activities.^b In addition, the *Sociedade Cabo Verdiana de Música* (Cabo Verdean Society of Music) is helping artists copyright their works to ensure owners benefit economically and creating a national database of artists and music.

a. According to the *Centro Nacional de Arte, Artesanato e Design* (National Center for Art, Craft and Design).

b. For instance, through training and coaching on business planning, financial literacy, sales, entrepreneurship. The laboratories are also intended to help decentralize the rollout of the formalization efforts by the *Ministério da Cultura e das Indústrias Criativas* (Ministry of Culture and Creative Industries) and the *Centro Nacional de Arte, Artesanato e Design* (National Center for Art, Craft and Design) (for example, *Cartão do artesão*).

veys, for instance, fail to capture detailed information about tourist activities and preferences,⁴⁰ and attendance at cultural events by international guests is poorly documented.⁴¹ This hampers the capacity to secure adequate public funding, leading to chronic underinvestment in a sector that is theoretically a priority for development. In contrast, South Africa's establishment of a "cultural observatory" provides a model for tracking the socioeconomic impact of the arts, heritage, and creative industries, which contributes to shaping policy decisions.⁴²

The development of financing mechanisms, paired with human capital development, is also key for integrating creative actors into the tourism value chain. Skills development programs spanning artistic, technical, and managerial roles are necessary to ensure a reliable supply of qualified workers and enhance the industry's competitive edge. Establishing finance mechanisms tailored to the unique needs of creative professionals that provide alternatives to conventional commercial banks' risk aversion and address collateral constraints, could promote innovation and scalability in cultural tourism product development.

1.2.2

Digital Nomadism (Remote Working)

The digital nomad segment has experienced a significant surge since the COVID-19 pandemic because of the rise of remote working, and its continued growth is expected. Digital nomads are mainly independent workers who use technology to work remotely for any given period of time from any location with an internet connection. Although the concept predated COVID-19, the pandemic accelerated its growth. In 2023, an estimated 17.3 million workers in the United States identified themselves as digital nomads, an increase of over 130 percent from 2019.⁴³ The segment is expected to grow further, albeit at a much slower pace.⁴⁴ Approximately 45 countries offer visa programs for remote work, with less than 10 percent of which in Africa. Visa fees range from zero (Belize, Mauritius) to US\$2,000 (Anguilla, Barbados) per individual, with some countries adopting a sliding scale based on length of stay,⁴⁵ and the permitted length of stay ranges from one month to one year.⁴⁶

Global data on the digital nomad profile is scarce, but in the United States, they tend to be young, male, and well-educated. A 2023 study estimates that 56 percent of digital nomads originating from the United States⁴⁷ are male. The majority of digital nomads are millennials (37 percent) and Generation Z (21 percent), with the Generation Z share increasing significantly since 2019 as the group ages into the workforce.⁴⁸ Approximately 20 percent of digital nomads from the United States work in the information technology (IT) sector, followed by creative services (14 percent), and education and training (9 percent). Income levels among digital nomads vary widely, with around 20 percent earning less than US\$25,000 annually, and 42 percent earning over US\$75,000.

As long-stay tourists,⁴⁹ digital nomads contribute to greater and broader local spending than other segments but tend to be price-sensitive. They generate economic activity through local expenditures on accommodation, transportation, and telecommunication services, as well as through indirect taxes such as value added tax when purchasing. Their longer stays and interest in experiencing new locations and cultures often lead to wider spending in more peripheral locations and

BOX 1.3**Barbados “Welcome Stamp”**

In July 2020, Barbados launched its “Welcome Stamp,” a special visa for remote workers lasting up to 12 months. Applicants submit information about their employment and evidence of an annual income of at least US\$50,000 for the duration of their stay in the country. Participants are not subject to income tax in Barbados, as with most such programs. Other noteworthy elements of the program include:

- **Application fee.** Individual applicants pay a US\$2,000 fee upon acceptance, while families are charged US\$3,000, making it one of the most expensive globally.
- **Permitted length of stay.** The program allows digital nomads to stay in country for up to 12 months, with the option to apply for renewal.
- **Tailored promotion.** The program’s promotion focuses on factors identified as key drivers of digital nomad demand: quality of life, high-speed internet, leisure amenities, climate, health care services, and air and road connectivity. The program predominantly targets Barbados’ traditional leisure tourism source markets and makes extensive use of social media to profile in-country digital nomads. It also has a podcast targeting current and potential applicants.
- **Scope of online application portal.** The online application portal provides in-depth information and direct links to resources about complementary leisure tourism activities, coworking spaces, and daily life practicalities, serving as an informational and promotional tool.
- **Transparency.** A Welcome Stamp 24-hour hotline and online chat functionality have been established to provide information and enhance transparency for applicants.
- **Alignment with private sector development objectives.** The program is also promoted by the country’s investment promotion agency, Invest Barbados, which targets digital nomads as potential long-term investors after their temporary stay.

The program reportedly received around 1,000 applications in its first week and welcomed just over 2,000 digital nomads in the first six months.

alternative accommodation types.⁵⁰ However digital nomads are also known for being price sensitive, tending to seek locations with relatively low cost of living.⁵¹

Digital nomadism creates markets for specialized services, contributing to the stimulation of local economies and private sector development in host destinations. This includes the development of new local products and services that cater specifically to this market, such as coworking spaces with high-speed internet and other business infrastructure; nomad job search platforms; coliving spaces and other medium-term accommodation options; cross-border health insurance packages; and specialized tour services for groups of digital nomads. Given their educational backgrounds, skill levels, and technological capacities, digital nomads can also be a source of outside expertise, innovation, inspiration and networking for private operators in their host destinations. In Spain, for instance, the “Live, Work, and Connect in Málaga” program, which offers small groups of digital nomads to work remotely in the city on a shared project, evaluates applicants based on potential synergies with the local business community.

1.2.2.1**Developing Digital Nomadism**

Cabo Verde is well-positioned to effectively leverage the digital nomad segment. Cabo Verde offers many of the conditions sought by digital nomads: its convenient time zone⁵² and potential to offer high quality of life, for instance, through excellent climatic conditions, an abundance of outdoor activities and sports, and access to unspoiled beaches, together with its relatively low cost of living, are particular assets.⁵³ With the fourth highest COVID-19 vaccination rate in Sub-Saharan Africa, Cabo Verde can also be considered one of the safest destinations in the region. Users of NomadList rank Praia 29th and São Vicente 40th out of 85 African destinations on overall attractiveness to digital nomads, with both scoring relatively well on affordability, fun, air quality, food safety, and friendliness to foreigners.⁵⁴

An effective digital nomad program could support strategic digital, private sector, and tourism development goals. In line with the PEDS prioritization of digital development for economic diversification and job creation, the country has invested heavily in digital infrastructure while working to develop the digital economy and skills. Growth of digital nomadism could support these objectives. For example, it could boost local entrepreneurship and build international networks if certain subgroups of digital nomads are targeted, and conditions are put in place to effectively leverage their presence. A strong digital nomad program may also boost the country's reputation as a progressive and innovative destination, which could attract other types of businesses and investors. Finally, this segment's tendency for wider spending would help address challenges associated with highly localized, resort-specific spending. Digital nomads are likely to rent medium-term accommodation such as AirBnBs and vacant second homes rather than hotel rooms. Depending on the scale of the segment's growth, however, this may carry a risk of inflated rental costs in urban centers, worsening displacement of local residents.⁵⁵

Recognizing the potential for diversification, the government launched the Remote Working Program targeted at digital nomads. In December 2020, the *Ministério do Turismo e Transportes* (Ministry of Tourism and Transportation; MTT) and the *Instituto do Turismo de Cabo Verde* (Cabo Verde Tourism Institute), in collaboration with the *Direcção de Emigração e Fronteiras* (Directorate of Foreigners and Borders), launched the "Remote Working Program." This program, targeting citizens from Europe, North America, the community of Portuguese-speaking countries, and the Economic Community of West African States (ECOWAS) who can demonstrate minimum financial means,⁵⁶ aims to diversify tourism supply and demand, mitigate the impacts of COVID-19, and reinvigorate the local economy. Prospective digital nomads can apply online for a temporary residency visa for up to six months.⁵⁷ Successful candidates are required to pay a one-time visa fee of €20 and airport fee of €34, while not being subject to in-country income tax. In comparison, a similar visa type for Mauritius is free, and for the Seychelles, it costs US\$10 (or approximately €9). Building on a benchmark study with Malta, the government of Cabo Verde estimates that an average digital nomad might spend up to US\$63 per day in the country, compared to the average of US\$43 for all tourists. In November 2021, the government announced the development of "digital nomad villages" in Mindelo (São Vicente) and Tarrafal (Santiago), which are designed to provide communities of nomads access to coworking spaces and leisure activities.⁵⁸

However, the Remote Working Program has had limited measurable success. Promotion of the program was limited and by mid-2023 it had attracted only 194 "candidates," 97 of whom submitted applications through the program's website. Of these applicants, 35 were rejected and six applicants dropped out of the process, mainly because of delays in processing.⁵⁹ Individual males made up 60 percent of applications. The top three nationalities of candidates are Nigeria, Portugal, and the United States. No additional data is available on the profile, location, length of stay, or expenditure of arriving digital nomads. Anecdotal evidence suggests a larger digital nomad presence in Cabo Verde than indicated by these figures, given that 30-day tourist visas can be converted in-country to a temporary residency visa, without passing through MTT and *Instituto do Turismo* (Tourism Institute) processes.

The private sector has demonstrated its commitment to the growth of the digital nomad segment by investing in complementary platforms and services, despite challenges and limited public-private dialogue. The government's program stimulated a number of private investments in various areas, despite the lack of public-private dialogue. These investments include the (1) construction and upgrading of coworking and incubation spaces, (2) development of online information portals, and (3) establishment of digital nomad communities, particularly in Sal and São Vicente. There are 12 coworking spaces, each offering different services, primarily in São Vicente and Santiago. However, some of these spaces are nonoperational because of insufficient demand. Operators have faced challenges with high costs and unreliable supply of energy (especially in Mindelo), as well as high transaction costs for importing required IT equipment and furniture (for a discussion of internet connectivity costs, see chapter 4). NomadList ranks Praia and São Vicente "okay" for availability of places from which to work but "bad" for its start-up scene.

The government is committed to refining and relaunching the program. It has set a target of attracting 1,000 digital nomads per year, acknowledging that this will only be possible with some program improvements, including (1) more specific targeting of subsegments and related strategic promotion, (2) faster visa processing times, (3) the addition of an online credit card payment functionality on the application website, and (4) the development of cheaper internet packages and improved high-speed internet coverage. Although the government is not actively promoting the program as it works to resolve some of these challenges, it is committed to its refinement and future active relaunch.

Effectively leveraging digital nomadism in Cabo Verde will require a more strategic approach that prioritizes value generation, as well as improvements to a number of specific supply factors. The program's targets and expected daily spending will likely yield limited economic impact. Without targeted profiling and product development that enables local expenditure, the economic impact of this price-sensitive segment, often referred to as the "kinetic elite," could remain marginal.⁶⁰ Enhancing the program's value involves refining implementation arrangements, enhancing data collection and analysis, and aligning it with broader digital and private sector development objectives. It will also be necessary to address a number of particularly relevant supply factors for increased competitiveness: (1) increasing the frequency, price competitiveness, and reliability of Cabo Verde's air connectivity to enhance its comparative advantage for a demographic that values agility in travel either for business or personal commitments; (2) strengthening domestic connectivity to facilitate greater interisland mobility, thereby enabling the geographical redistribution of potential expenditure by digital nomads (see chapter on transportation and logistics); (3) improving accessibility of internet connectivity (see chapter on competition); and (4) developing health care services and insurance packages for extended stays.

1.2.3

Yachting Tourism

The global yacht industry, valued at US\$9.1 billion in 2022, is forecasted to reach over US\$13.7 billion by 2030, growing at a compound annual growth rate (CAGR) of 5.2 percent.⁶¹ Yachting tourism, involving the use of motor and sailing yachts for leisure and travel, has demonstrated remarkable growth, particular-

ly in yacht charters, which constitute 30–35 percent of the overall global yachting industry.⁶² This market's growth is driven by increased recreational tourism, effective digital marketing, higher social media usage, and the growing number of high-net-worth individuals⁶³ seeking private marine activities, post-COVID.

Yachting tourism can have a significant impact on local economies through expenditure, tax revenues, and job creation. On average, a yacht tourist spends US\$300 to US\$400 per day, or around double that of general leisure travelers.⁶⁴ The industry supports local economies through marina and port operations, fuel and other taxable goods sales, job growth, taxes and levies, and charter or tour operations.

In Cabo Verde, yachting tourism has been steadily growing since 2016 but remains underdeveloped. With only one marina, the country has a limited charter market. The primary activities offered are tours and excursions, mainly concentrated around Marina Mindelo on São Vicente. In 2022, 447 sailing vessels stayed in Cabo Verde for at least 24 hours, of which around 300 crossed the Atlantic Ocean.⁶⁵ These vessels usually stay for three to five days in the country. The increase in yacht arrivals, largely driven by rallies and races (such as the Atlantic Race Cruising Plus⁶⁶ and more recently the Ocean Race) and transiting vessels from Europe to the Caribbean, has been steady, with a CAGR of approximately 15 percent since 2016. Without any significant changes in marketing, infrastructure development, or investment, yacht arrivals in Cabo Verde are expected to continue growing at a CAGR of 15–25 percent over the next five to ten years.⁶⁷

Cabo Verde's untapped potential for additional yachting tourism growth is supported by global demand trends. Its strategic location and allure as a relatively lesser-known destination offer natural advantages, including serving as a convenient stopover for transatlantic passages. According to International Yacht Company data, 2023 saw a shift in global yachting demand toward sustainable tourism and new destinations like Belize, Costa Rica, Indonesia, and the Seychelles, moving away from traditional destinations in the Caribbean and the Mediterranean.⁶⁸ Comparator destinations such as Costa Rica and the Seychelles have seen substantial annual growth at an average of 50–75 percent, primarily because of policy changes and investments.⁶⁹ In Cabo Verde, there is an opportunity to increase yacht arrivals' CAGR to over 60 percent and extend visitors' stay from a few days to two to three weeks, through targeted investments in marketing, policy changes, and infrastructure improvements. In addition, increasing international demand for rallies and race events, such as those recently held in Cabo Verde, presents further growth opportunities.

Targeted policy and governance reforms can unlock growth in yachting tourism in Cabo Verde. Although the country has a strong foundation of nautical tourism legislation, several policy limitations present potential obstacles to growth, including high taxes and duties on foreign boats, inconsistent entry and registration standards, and lax enforcement of policies related to boat movements, seizure of boats, wreckage, wastewater and sewage. Collaborative efforts between sailors, event organizers, and local authorities, including enhanced engagement from the municipalities, are crucial for harnessing the economic potential of maritime events. Cabo Verde's marine education infrastructure is relatively developed, with three educational institutions seeking to meet the demand for skilled

labor, but local businesses highlight the need for enhanced local skill development in yachting and stronger advocacy, including a more robust public-private dialogue for the subsector.⁷⁰ Addressing these areas is key to transforming existing challenges into opportunities for sustainable growth in yachting tourism.

Cabo Verde also has a particular opportunity to grow its luxury yacht charter subsegment, which could benefit from enhanced international marketing and operational partnerships. There are approximately five active luxury yacht charter companies (international and locally owned) in Cabo Verde. Their activity mostly occurs during the high season from November to February, and this number has remained relatively stagnant over the years. However, surveys conducted among a selection of international luxury charter brokers reveal that charter customers largely overlook Cabo Verde primarily as a result of insufficient information about the country's marinas and yacht amenities. Only a few luxury charter brokers familiar with Cabo Verde choose it as a destination, attracted by its natural beauty and the tranquility it offers, alongside a variety of activities. These brokers suggest enhancing Cabo Verde's international marketing efforts, introducing incentives for charter yachts to prolong their stays, and collaborating with local charter companies to offer onshore tours, transportation, and guides. Such measures could encourage yachters to extend their visits.⁷¹

Investments in the development of a comprehensive network of support infrastructure across São Vicente, Sal, and Santiago should be prioritized (box 1.4).

- São Vicente is the most advanced hub for yachting tourism market,⁷² with a well-equipped marina of 144 berths. In 2023, the marina received 1,250 yachts, a growth of over 200 percent over four years. Despite this growth, further expansion and infrastructure upgrades are needed, for increased boat capacity year-round. Enhanced on-shore tours and experiences would create more attractive itineraries for yachting tourists, contributing to increased arrivals and longer vessel stays. Although the experiences of rally organizers and participants in Mindelo are net positive,⁷³ urgent improvements in marina infrastructure are needed to meet the rising infrastructure, utility, and service demands of modern sailors, akin to the standards of top-tier European marinas. In addition, implementation of a breakwater and Travellift is essential to increase repair turn-around time and overall appeal of the marina.
- **On Sal Island:**
 - With two main sites for yacht anchorages, **Santa Maria** has emerged as a paramount “sun and sea” tourist hub, celebrated for its pristine beaches and prestigious hotel brands. Despite its strategic location near an international airport and development of an array of tailored visitor services, Santa Maria's yachting tourism requires marina infrastructure enhancements. Current anchorage facilities, while functional, remain rudimentary. Comprehensive evaluations are needed to ensure sustainable marina development while preserving local livelihoods. In addition, bridging current gaps in services tailored to yacht tourists, such as extended yacht rentals and specialized amenities, will be instrumental in amplifying the area's appeal.
 - **Palmeira** on Sal can efficiently serve as an auxiliary solution to Santa Maria, offering a foundational marina setup. However, its potential for enabling yachting tourism growth is limited because of challenges with commercial

BOX 1.4**Yachting Tourism Market Niches by Island**

Based on current growth rates and environmental conditions, key market segments with the most potential have been identified for São Vicente, Sal, and Santiago:

- **São Vicente.** The local yachting industry in São Vicente should focus on sailing vessels, specifically around improving dwell time for rallies and races, and seasonal transiting vessels, as well as expanding the capacity for sport fishing yachts. This focus is largely because of the trade winds that make Mindelo a favorable location for sailing, combined with Marina Mindelo's recent growth in these vessel types.
- **Sal.** Given Sal's expansive local amenities and hospitality infrastructure, the focus should be on medium size, primarily motor vessels (60–120 feet) for chartering.
- **Santiago.** The yachting industry in Santiago should focus on compact, smaller sailing vessels (40–60 feet) for charter activities, specifically in Tarrafal. However, a carrying capacity analysis must be conducted in Tarrafal to facilitate any growth or development in yachting. In addition, there is potential for the long-term expansion of motor vessel activities in areas such as Porto Lobo, northeast of Praia.

shipping and the need for larger yachts, which are becoming increasingly common, to anchor within the existing ports given the lack of specialized anchoring zones. The port in Palmeira is also not an ideal location for high net-worth yacht customers looking for amenities. Proposals for a dedicated yacht marina necessitate extensive dredging for larger vessel accommodation, making this a longer-term project. Comparatively, Santa Maria presents more substantial long-term economic and tourist satisfaction dividends. In Sal overall, a feasibility study comparing sites across Santa Maria and Palmeira can provide more tangible evidence on the potential for marina development.

- **Santiago's Tarrafal,** with its significant tourism potential, may face competition from other areas. It has an average depth of five meters (or 16 feet) and basic port amenities and primarily caters to interisland boat traffic. Tarrafal boasts a beautiful beach, several hotels of varying quality, diverse visitor accommodations, a scuba diving operation, and a remarkable historical attraction. Introducing a marina, coupled with community awareness initiatives and training, could boost its already promising tourism prospects. However, a crucial step is to assess the destination's carrying capacity to determine the feasibility of accommodating yachts and constructing a functional marina. Alternatively, the city of **Praia** is well-equipped to accommodate luxury yacht fleets. It caters to vessels docking in its waters and those pausing before setting course for the Caribbean. The harbor offers the essential facilities for refueling, repairs, anchoring, and relaxation, as well as proximity to an international airport with connections to major European cities. Capitalizing on Praia's potential will require incentives to foster the growth of its service industry and development of additional tourist amenities catering to a high-net-worth demographic.

1.2.4**Enhancing Sustainability of the Existing Tourism Offer**

Beyond its physical footprint on Cabo Verde's coastal landscapes, the predominance of tourism translates into substantial emissions, resource consumption, and

waste generation, although not commensurate with its economic weight. Prior to COVID-19, the accommodation and catering subsector was responsible (directly and indirectly) for around 7 percent of the country's greenhouse gas emissions, 7 percent of energy use, and 6 percent of water use. When including "transportation services," the tourism sector becomes the primary contributor to greenhouse gas emissions and energy demands.⁷⁴ In 2019, accommodation and catering accounted for around 10 percent of paper and cardboard waste and 6 percent of plastic waste. When considered with transportation, these figures were more significant at around 20 percent and 15 percent, respectively. As the island with the largest population, Santiago generates the most waste, followed by Boa Vista, São Vicente, and Sal.⁷⁵ Although Sal only generates one-third of Santiago's waste volume, it has the highest waste generation per capita.⁷⁶ On Sal and Boa Vista, plastics represent 14 percent and 18 percent of waste generated, respectively, higher than for all other islands apart from Santiago. Tourism's environmental impact decreased from 2019 to 2021 because of the effects of COVID-19 on visitation.⁷⁷ However, with tourism arrivals in 2022 exceeding those of 2019, the sector's environmental contribution is likely returning to prepandemic levels.⁷⁸

The increased focus of tourists on sustainability presents an opportunity for Cabo Verde. In line with increasing concerns over climate change impacts, tourists are increasingly basing their travel decisions on sustainability. In 2023, over three-quarters of tourists expressed a desire to travel more sustainably over the next year, with nearly half willing to pay more for travel options with a sustainable certification.⁷⁹ A 2021 market analysis for three small-island developing state (SIDS) identified a growth opportunity for Cabo Verde in the "eco-engaged" segment from Germany and the United Kingdom,⁸⁰ with nearly half of surveyed eco-engaged tourists indicating they are likely to travel to the country. These tourists make environmentally conscious travel decisions and nearly 80 percent of them seek to minimize their environmental impact in destinations through recycling and reuse measures. Moreover, this segment, especially from the United Kingdom (Cabo Verde's largest source market), is one of the highest spending of three segments identified as key for Cabo Verde.

The government is integrating sustainability concerns into tourism planning and management. The tourism pillar of the PEDS II and island-level tourism master plans recognize the circular economy and sustainability as central to their initiatives. The Tourism Strategic Marketing Plan introduces the "Be Sustainable!" initiative, focusing on aligning the industry to the Sustainable Development Goals and developing a sustainable tourism certification for Cabo Verde.⁸¹ The *Plano Operacional do Turismo* (Tourism Operational Plan) for 2022–26 describes a model of tourism development that is sustainable, inclusive, and resilient. The upcoming "Tourism PACT"⁸² initiative between MTT and the Cooperación Española, will provide awareness raising, technical assistance, and training in sustainability for tourism operators, in particular micro, small, and medium enterprises (MSMEs), on the islands of Sal and Boa Vista. Finally, the *Instituto de Gestão da Qualidade e da Propriedade Intelectual* (Institute of Quality and Intellectual Property Management) is overseeing the adoption of a national Green Sustainable Tourism Certification System for Tourism Destinations, Accommodation Providers and Tour Operators based on the Global Sustainable Tourism Council Standards.⁸³

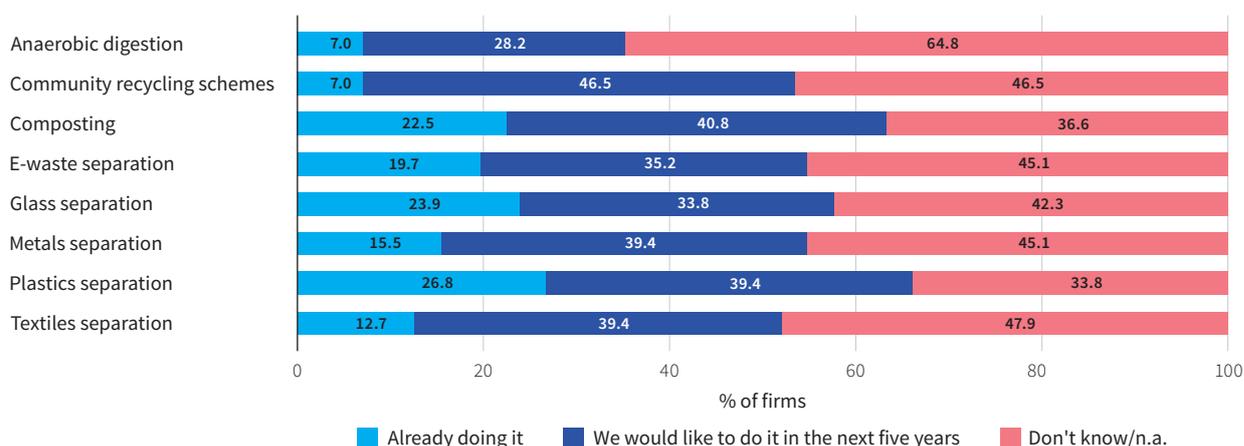
Although tourism firms in Cabo Verde show a growing commitment to sustainability, most initiatives remain in the early stages with limited scale. Around 20 percent of tourism firms have adopted some sustainability and circular economy measures,⁸⁴ usually motivated mainly by their owners' commitment to sustainability and/or operational efficiencies (figure 1.7). There is significant interest in implementing additional measures. Separating plastics and glass are the most common existing efforts, with future interests including composting, community recycling schemes, and waste stream separation. In terms of waste reduction, actions like using refillable toiletries and containers and alternative disposable cutlery are the most common, with future interest in adopting refillable drinks bottles, followed by the installation of large toiletries dispensers. However, these initiatives are fragmented and small in scope, with few operators having formalized their commitment by changing business policies or achieving a form of certification.⁸⁵

The most significant barriers to more widespread adoption of sustainable and/or circular practices in Cabo Verde's tourism sector are access to finance, local sourcing, and island-level waste facilities (figures 1.8 and 1.9). A significant challenge in waste management is the limited interest of tourism firms in using plastic alternatives, largely because of a scarce and low-quality local supply, leaving the only alternative the use of expensive imports. Moreover, insufficient and fragmented collection, separation and treatment facilities, especially on Santiago, Sal, Boa Vista, São Vicente, and Santo Antão, limit the effectiveness of any firm-level efforts. Adoption of costlier circular initiatives are limited mainly by financing challenges, as tourism firms are still recovering from the economic shock of COVID-19, making investment in sustainability initiatives a lower immediate-term priority.

Prioritizing key areas for integration of more sustainable practices in Cabo Verde can be based on existing initiatives, constraints, and private sector interest (table 1.1; table 1.2 shows two investment opportunities that have been identified in waste management and waste reduction: one for Sal specifically and one with potential to benefit all islands). One significant opportunity for investment lies

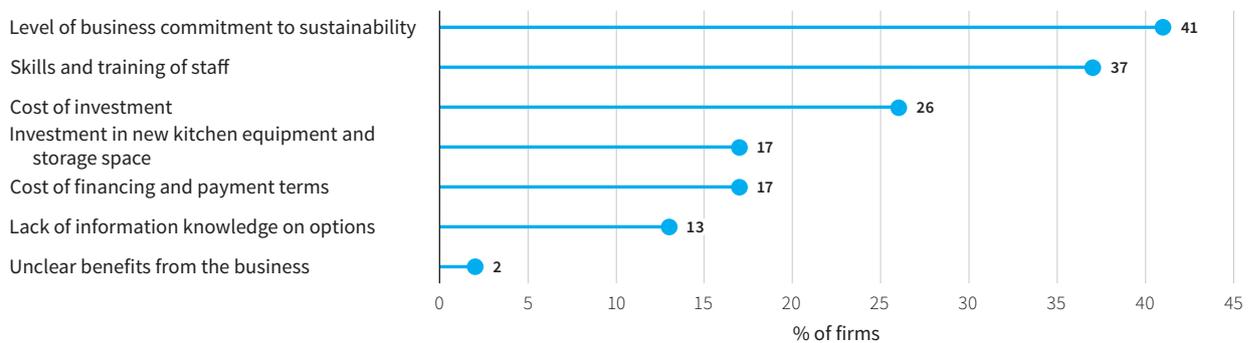
FIGURE 1.7

Private Sector Advancements and Investment Interest in the Circular Economy



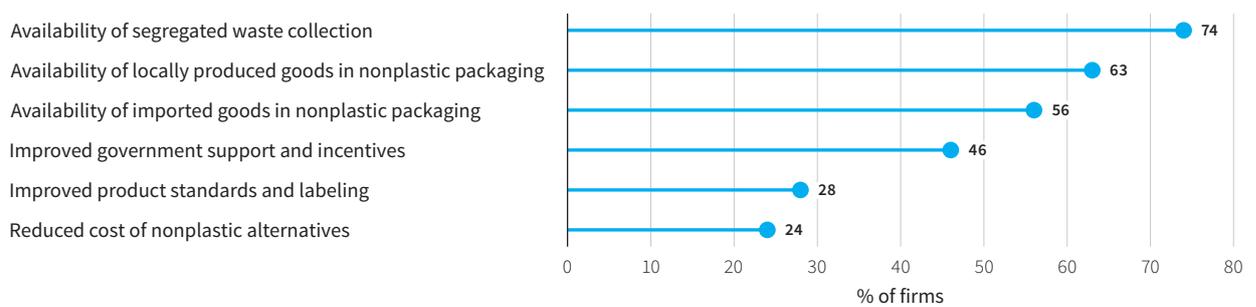
Source: World Bank forthcoming.
Note: n.a. = not applicable.

FIGURE 1.8

Firms' Main Barriers for Adopting Circular Practices

Source: World Bank forthcoming.

FIGURE 1.9

Firms' Main Economic Barriers for Adopting Circular Practices

Source: World Bank forthcoming.

in strengthening community-level, integrated waste collection and management systems, especially in Santiago, Sal, Boa Vista, São Vicente, and Santo Antão. In terms of circularity, identified opportunities include exporting recovered recyclable materials; using compost to support local food production; manufacturing recycled plastics for packaging, building materials, household goods, and gift items; developing local supply of alternatives to plastic; and implementing reverse logistics for reusable containers used for food and beverage products. Integrating more circular economy measures at the firm level requires creating sustainability-focused financing under existing private sector mechanisms; incorporating sustainability into tourism planning tools with enhanced enforcement; and supporting the effective implementation of the Green Sustainable Tourism Certification System. Furthermore, reassessing the technology mix in the market to include more economically viable alternatives, ensuring businesses can actively participate in the circular economy, is crucial. Existing public-private sustainable tourism initiatives such as the Tourism PACT can serve as important drivers of implementation of these efforts.

TABLE 1.1

Key Hospitality Business Circular Economy Opportunities in Cabo Verde

Category	Measure	Market size (US\$)
Solid waste	At-source waste separation	1,020,000
	In-vessel composting	20,500,000
	Biodigesters	200,000
Single-use plastics alternatives	Large water dispensers	1,400,000
	Paper straws	7,000
	Refillable hotel toiletries	200,000

Source: World Bank forthcoming.

TABLE 1.2

Circular Economy Investment Opportunities in Waste Management and Waste Reduction

OPPORTUNITY 1. Integrated waste management in Sal	OPPORTUNITY 2. Single-use plastics alternatives and reverse logistics
<p>Context:</p> <ul style="list-style-type: none"> → Has the highest waste generation per capita in Cabo Verde → There is only one active dumpsite → Lacks processes for sorting, compacting, or covering of waste 	<p>Context:</p> <ul style="list-style-type: none"> → Future ban on certain single-use plastics, such as 0.5-liter water bottles, will impact producers → Production processes will require changing → This regulatory shift opens opportunities for scaling up production of larger 19-liter carboy bottles and investing in reverse logistics and preprocessing for recycling
<p>Objectives:</p> <ul style="list-style-type: none"> → Divert 40 percent of metal, glass, paper, cardboard, and plastics from going to landfill by 2035 → Implement waste separation at the source → Achieve a 25 percent composting rate of organic waste by 2035 → Create an education facility 	<p>Objectives:</p> <ul style="list-style-type: none"> → Replace up to 45 percent of total market demand with alternatives to bottled water under 0.5 liters → Implement a process to ensure that 100 percent of used 19-liter bottles are recycled or processed for recycling by 2035 → Achieve a capture rate of 60 percent in the market for 19-liter water cooler bottles
<p>Outcomes:</p> <ul style="list-style-type: none"> → Creation of new jobs → Improved health and reduction in pollution → Improved tourism competitiveness 	<p>Outcomes:</p> <ul style="list-style-type: none"> → Creation of new jobs → Import substitution → Reduction in plastic pollution (including marine pollution) through diversion of waste away from landfill
<p>Expected revenue streams:</p> <ul style="list-style-type: none"> → Tariffs from hotels and commercial businesses → Revenue from the sale of recovered materials (for example, glass, plastic) → Profits from the sale of compost produced from organic waste 	<p>Expected revenue streams:</p> <ul style="list-style-type: none"> → Export of recycled polyethylene terephthalate, leveraging its current market price → Profit from the resale of 19-liter water bottles

1.3

Recommendations

Analysis of new and high-potential niches indicates significant potential for growth in the three identified new market segments, particularly when combined with improvements in sustainability and circular economy practices within existing offerings. However, when assessing private investment opportunities and potential for growth, it becomes clear that the yachting sector stands out with higher promise. Therefore, the report recommends prioritizing investments in the yachting sector, including its identified niches, and also directing resources towards selected circular economy initiatives.

Cabo Verde has all the essential elements to become a premier **yachting tourism destination**. Its distinctive geographical advantages, commitment to development, and appealing island offerings make it an attractive choice for yacht enthusiasts. Strategic investments, sustainable practices, and proactive measures can enable Cabo Verde to fully realize its potential and solidify its position as a highly sought-after yachting tourism hub in the Atlantic region.

With sustainability already a priority in policy and planning, and given the private sector's general willingness but limited resources, efforts to **enhance the sustainability of existing offer** should focus on enforcing existing provisions and providing firm-level financial and technical assistance for adopting and certifying sustainability practices. Investments in island-level infrastructure and services for solid waste management, along with their shared governance, will be critical on islands with the greatest tourism and waste generation. Enabling local availability of high-quality alternatives to single-use plastics can be a particularly effective waste reduction strategy.

As a nascent segment, the effective development of **creative and cultural tourism** demands an initial emphasis on strategic planning. This planning should be rooted in enhanced coordination between the tourism and cultural sectors and encourage public-private dialogue. Short-term actions should prioritize increasing data availability, including scaling up ongoing formalization initiatives in the cultural sector, to increase awareness of its potential for tourism and value creation. Subsequently, these planning efforts can inform financing and capacity building for the development of creative and cultural tourism products.

In the case of **digital nomad tourism**, which is undergoing reassessment, effective development hinges on clearly defining strategic objectives and targets and refining the program's design. Strengthening the segment's potential value will require closer coordination with the private sector, particularly those operating in the coworking and innovation spaces. Alignment with the country's broader digital development initiatives can also unlock opportunities for attracting high-value digital nomads. The government's commitment to an improved promotional program will be key to the program's success.

Table 1.3 outlines recommended actions for leveraging the three identified market segments and enhancing the sustainability of the tourism offer.

TABLE 1.3
Summary of Tourism Recommendations

Objective	Recommendations	Responsible entity	Time frame*
YACHTING			
Upgrade existing infrastructure to meet growing demand with a focus on São Vicente and Sal.	<ul style="list-style-type: none"> → Implement wastewater and sewage regulations for ports and marinas. → Sal Island: Conduct a comprehensive feasibility study for a new marina on the island, considering environmental, engineering, and market factors. Establish a courtesy float at Santa Maria's existing pier. Expand repair services to reduce the reliance on Mindelo for repairs. → São Vicente Island: Upgrade Marina Mindelo with a breakwater, improved services, and a TravelLift. 	MTT, MM, Enapor	Short-to-medium term
Improve and streamline yachting-related policies.	<ul style="list-style-type: none"> → Define policies for privately-owned foreign vessels under existing regulations and guidelines for boat movement and liability. → Refine regulations to clarify charter vessel operations. → Review and consider extending charter periods. → Develop enforcement protocols for managing wreckage and safety regulation. → Create a centralized online portal for streamlined procedures and payments. 	MTT, MM, IMP	Short term
Build stronger partnerships between the public and private sectors.	<ul style="list-style-type: none"> → Review and document the government's role and responsibilities in the entry, licensing, and registration of charter and private-use vessels. → Establish a council dedicated to recreational navigation to guide local advocacy efforts in marine and yachting tourism. 	MTT, MM, private sector	Short term
Invest in targeted marketing for yachting.	<ul style="list-style-type: none"> → Launch a collaborative boating and yachting campaign. → Invest in the participation—and eventually sponsorship—of key charter and boat shows. 	MTT, MM, ITCV	Medium term
SUSTAINABILITY AND CIRCULARITY IN TOURISM			
Establish enabling infrastructure, services and goods.	<ul style="list-style-type: none"> → Develop integrated waste collection and management systems with the public, private, and third sector in Santiago, Sal, and São Vicente, with Sal as a priority. → Invest in/facilitate strengthening of the local supply (quality and quantity) of alternatives to single use plastics, including wholesale. 	MAA, MTT, local municipalities, private sector	Short/medium term
Provide direct support to firms.	<ul style="list-style-type: none"> → Create tailored financing and technical assistance windows under Pró-Capital, Pró-Garante, and FSST to enable firm-level implementation of sustainability/circularity practices. → Support implementation of the Green Sustainable Tourism Certification System, for example, by establishing the registry, providing financing, and technical assistance to support small businesses in investing to reach the standard. 	MTT, Pró-Capital, Pró-Garante	Short term
Improve policy and planning.	<ul style="list-style-type: none"> → Establish tax incentives/subsidies to incentivize the adoption of practices and facilitate in the importation of technology, equipment, and alternatives not available locally. → Strengthen enforcement of sustainability considerations in tourism planning mechanisms (for example, <i>Zonas de Desenvolvimento de Turismo Integrado</i> [Integrated Tourism Development Areas]). 	MF, MTT	Short term
		MTT, ITCV, MIOTh, IGQPI, municipalities	Medium term
CREATIVE AND CULTURAL TOURISM			
Improve strategic planning and monitoring.	<ul style="list-style-type: none"> → Develop an inter-ministerial national strategy and action plan for developing creative and cultural tourism based on broad consultation and public-private dialogue. 	MTT, MCIC, ITCV, private sector	Short term

(Table continues next page)

TABLE 1.3
Summary of Tourism Recommendations (*continued*)

Objective	Recommendations	Responsible entity	Time frame*
Enhance skills and expertise and narrow the gap in access to finance.	→ Strengthen data availability by (1) supporting ongoing formalization of the creative and cultural sectors, (2) adapting tourism visitor surveys, and (3) using digital technology for event ticketing.		
	→ Establish financing mechanisms for cultural tourism activities, including tailored windows under existing programs (FSST, Pró-Empresa), accompanied by technical capacity building.	MF, MCIC, MTT, FSST, ITCV, commercial banks	Short term
	→ Develop training/coaching programs for managing creative enterprises, event management, and technical professions (sound engineers and lighting technicians).	MF, MCIC, education providers	Short term
DIGITAL NOMAD TOURISM			
Improve strategic planning and monitoring.	→ Redefine the Remote Working program's strategic objectives, target markets, and indicators of success, using market intelligence and in consultation with the private sector, while ensuring alignment with broader digital and entrepreneurship ecosystem objectives.	MTT, ITCV, Cabo Verde Digital, private sector	Short term
Support product development.	→ Explore synergies between the Remote Working program and Cabo Verde Digital for promoting the digital ecosystem.		
Conduct promotion.	→ Finalize improvements to the Remote Working website and connect it directly to private sector platforms and resources for digital nomads in-country (for example, accommodation, coworking resources, health services).	MTT, ITCV, municipalities, private sector	Medium term
	→ Revive the concept of Digital Nomad Villages, in collaboration with the local private sector.		
	→ Develop targeted, multifaceted promotional efforts based on target markets and key demand drivers, including increasing visibility on digital nomad research platforms.	ITCV, private sector	Medium term

Note: Enapor = *Empresa Nacional de Administração dos Portos* (National Company for Port Administration); FSST = *Fundo de Sustentabilidade Social para o Turismo* (Tourism Fund for Social Sustainability); IGQPI = *Instituto de Gestão da Qualidade e da Propriedade Intelectual* (Institute of Quality and Intellectual Property Management); IMP = *Instituto Marítimo Portuário* (Maritime Port Institute); ITCV = *Instituto do Turismo* (Tourism Institute); MAA = *Ministério da Agricultura e Ambiente* (Ministry of Agriculture and Environment); MCIC = *Ministério da Cultura e das Indústrias Criativas* (Ministry of Culture and Creative Industries); MF = *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development); MIOTH = *Ministério das Infraestruturas, Ordenamento do Território e Habitação* (Ministry of Infrastructure, Territorial Planning, and Housing); MM = *Ministério do Mar* (Ministry of the Sea); MTT = *Ministério do Turismo e Transportes* (Ministry of Tourism and Transportation).

*For short term, one to two years. For medium term, three to five years.

Notes

1. Structural reforms included establishment of a multiparty democracy, the pegging of the Cape Verde escudo to the euro, and accession to the World Trade Organization.
2. World Bank (2013). Under the External Investment Law No. 89/IV/93, dividends and profits derived from foreign investments in Cabo Verde are tax free for the first five years. If these profits are reinvested in the same economic activity, the tax exemption applies. After this initial five-year period, dividends and profits are subject to a single tax rate of 10 percent. Under the Tourism Infrastructure Law No. 55/VI/2004, tourism infrastructure projects are 100 percent tax exempt for the first five years. After this period, the tax rate is set at 50 percent.
3. World Bank (2013).
4. Ibid.
5. MF (2022).
6. World Bank Group (2023).
7. Hotels owned exclusively by national entities are more common on the islands of Santiago and Santo Antão.
8. INE (2023). In 2022, the most significant markets were the United Kingdom (31 percent), Germany (11.5 percent), Portugal (10.5 percent), and Belgium and the Netherlands (10.5 percent).
9. World Bank (2022).

10. Although major resorts and import wholesalers are interested in ramping up their procurement of locally sourced fresh perishable produce, partly because of high import costs, quality issues result in about 30 percent of local production being rejected (World Bank 2022). See chapter 5 for additional assessments of local sourcing constraints.
11. World Bank (2022). The World Bank Resilient Tourism and Blue Economy Development Project (P176981) targets a 15 percent increase in average daily tourist spending in the islands of Santiago, São Vicente, Santo Antão, and Sal by 2027. Visitor surveys implemented in 2023 are collecting baseline data following COVID-19.
12. Carling and Murray (2022). Including Guinea-Bissau, Nigeria, and Senegal. A 2022 survey in Boa Vista found that 60 percent of residents on the island grew up elsewhere in Cabo Verde.
13. Carling and Murray (2022).
14. INE (2017).
15. Mundi Consulting and Quaternaire Portugal (2018).
16. Ibid.
17. World Bank (2023).
18. For instance, in 2023, the country's predominant resort chain and the MTT signed a memorandum of understanding on "tourism for development," with a focus on environmental sustainability.
19. One market segment with growth potential is hiking, which integrates elements of nature, rural, and adventure, has recently been studied in depth (ATTA 2023).
20. This chapter adopts the term "creative and cultural tourism" to refer to tourism centered on consumption of creative and cultural goods such as musical performances, festivals, arts, and crafts.
21. The *Plano Estratégico de Marketing do Turismo de Cabo Verde* (Strategic Marketing Plan for Tourism in Cabo Verde) by the ITCV (2021) highlights "aquatic and nautical" products as a priority for development in Cabo Verde. The report covers only the yachting segment to limit scope but also to build on previous World Bank support to the yachting market, through the Resilient Tourism and Blue Economy Development Project.
22. The analysis and recommendations for new market segments are based on desk research, in-country consultations conducted in May, June, and September 2023, and benchmarking with comparator/aspirational destinations. Analysis and recommendations on sustainability draw from a circular economy assessment conducted during 2023 with PROBLUE funding.
23. EY (2015).
24. Ibid.
25. UNCTAD (2022).
26. S4YE (2020). For example, Kenya and Ethiopia.
27. S4YE (2020). Likely, in part, because of having a larger proportion of youth in the population.
28. EY (2014). Of which approximately 78 percent were creators/performers, 15 percent were technicians, and 7 percent were venue staff/event management.
29. UNDP and UNESCO (2013).
30. NIQ (2021).
31. UNCTAD (2022).
32. S4YE (2020); UNCTAD (2015).
33. Praia and Cidade Velha are designated by the United Nations Educational, Scientific and Cultural Organization as City of Music and a World Heritage Site, respectively.
34. The 2023 Kriol Jazz Festival alone drew around 3,000 people over three days. Before the COVID-19 pandemic, the event was estimated to attract up to 2,000 people per day (see www.krioljazzfestival.com/about.php?ll=en).
35. All-inclusive resorts hire local musicians informally for performances, which usually cater to the international tastes of the clientele rather than focusing on Cabo Verdean music. Music festivals and cultural events, on the other hand, provide avenues to experience more authentic local musical traditions.
36. Out of 35 low- and middle-income countries surveyed, more than half had more women than men working in cultural activities (S4YE 2020).
37. WEF (2022). Cabo Verde ranks 104th out of 117 countries on this indicator. It scores even lower on a similar indicator that assesses natural resources (1.1 out of seven).
38. ITCV (2021).
39. For instance, the Fundo de Sustentabilidade Social para o Turismo (Tourism Fund for Social

- Sustainability) has provided funding for cultural projects, but on an ad hoc basis. The World Bank has been supporting a pilot local public-private dialogue platform in Mindelo that brings together cultural and tourism authorities and private actors for destination planning and management.
40. The World Bank Resilient Tourism and Blue Economy Development Project supports the government in revising its tourism visitor survey to capture more granular and practical data.
 41. Data on the number of automated teller machine transactions in a location during the period of a festival, for instance, has been used as a proxy to measure impact of event attendance (based on interviews with organizers of the Kriol Jazz Festival).
 42. Under the South Africa Department of Sport, Arts, and Culture (see <https://www.southafrican-culturalobservatory.org.za/>).
 43. MBO Partners (2023).
 44. In 2023, 24 million US workers, for instance, stated they plan to become a digital nomad in the next two to three years, although only 7 to 9 percent of those are expected to actually follow through (MBO Partners 2023).
 45. Estonia charges €80 for more than 90 days and €100 for a one-year digital nomad visa.
 46. Choudhury (2022). A number of countries offer similar “freelance” visas for up to 2 to 3 years (for example, Germany).
 47. The market with the most data is used here as a proxy, although the digital nomad market in Cabo Verde is more likely to be primarily European.
 48. MBO Partners (2023).
 49. World Bank (2021).
 50. World Bank (2021); ATTA (2021); World Bank (2022).
 51. MBO Partners (2023).
 52. Cabo Verde’s time zone aligns well with business hours in Europe and parts of the United States, the largest outbound market.
 53. MBO Partners (2018); World Bank Tourism for Development (2021).
 54. Based on September 25, 2023 data from NomadList. NomadList collects real time data on factors of interest to digital nomads, such as cost of living, climate, remote worker community’s strength, safety, and so on, for thousands of cities to guide digital nomads in selecting their destinations. Praia and São Vicente are the only two Cabo Verdean destinations listed.
 55. For example, see Askew (2023).
 56. Applicants must show proof of a minimum average bank balance over the previous six months of €1,500 for an individual and €2,700 for a family.
 57. www.remoteworkingcaboverde.com.
 58. These plans did not include the development of new infrastructure or coworking spaces. Despite this, government initiatives to stimulate such communities seem to have been limited, yet Mindelo and Tarrafal indeed emerged as the locations with the greatest concentrations of coworking spaces.
 59. The government’s goal was to process visa applications within 15 days, which proved impossible.
 60. Wang and others (2020).
 61. Torres (2023).
 62. Research and Markets (2023).
 63. Wealth X (2022).
 64. Trove (2023).
 65. Ibid.
 66. Originally launched in response to the ever-growing popularity of the Atlantic Race Cruising, this route via Cabo Verde has established itself as a standalone rally with its own unique identity, it is regarded as a more relaxed and sociable journey to the Caribbean.
 67. Trove (2023).
 68. IYC (2023).
 69. Trove (2023). Preparation of this assessment included a benchmarking of key yachting destinations: the Canary Islands, Grenada and Croatia.
 70. Trove (2023).
 71. Ibid.
 72. Construction of the São Vicente Cruise Terminal, which will be completed by 2026, is expected

to strengthen Cabo Verde's position as a cruise destination and São Vicente's position as the principal nautical tourism destination in the country.

73. Perceptions were gathered through a survey of rally organizers and participants in 2023.
74. Transportation services represent around 25 percent of greenhouse gas emissions, 27 percent of energy use, and five percent of water use.
75. World Bank (forthcoming).
76. World Bank (2023).
77. With manufacturing and construction becoming more prominent in terms of emissions and resource use, and public administration becoming a more prominent generator of waste.
78. World Bank (forthcoming).
79. Booking.com (2023).
80. The Swedish source market is also included. The three SIDS studied were Cabo Verde, The Gambia, and São Tomé and Príncipe.
81. ITCV (2021).
82. Integrated Project for Economic, Social, and Environmental Sustainability of Tourism on the Islands of Sal and Boa Vista.
83. With support from the World Bank, Global Environment Facility, and United Nations Development Programme.
84. World Bank (forthcoming). An online survey of 71 tourism firms was conducted to assess their current and planned sustainability practices. The majority of these firms were located in Sal (19 percent), Santo Antão (17 percent) and São Vicente (11 percent). However, the findings should not be considered as representative of Cabo Verde. Just under 20 percent of the firms surveyed indicated engaging in one or more sustainability and circularity pillars.
85. World Bank (forthcoming). Beyond waste-related measures, tourism firms are keen to explore sources of renewable energy, particularly solar photovoltaic and solar thermal, largely because of current high energy costs. However, the high upfront investment and limited access to finance are key barriers (see chapter 6). Firms also expressed interest in adopting water efficiency and reuse practices. Despite this interest, the relatively consistent supply from desalination facilities has made water conservation a lesser priority for most firms, even though it incurs high financial and environmental costs.

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2

BLUE ECONOMY

2.1

Introduction

As is the case for most small island developing states (SIDS), the fisheries sector in Cabo Verde plays an outsized role in the social fabric and economy for several reasons. First, fresh fish is the most important source of micronutrients and second most important source of animal protein after poultry, making up over 10 percent of the animal protein consumed¹ at a rate of 10.3 kilograms per year.² Second, when accounting for informality across value chains, it is estimated that fisheries contributed 3.4 percent to gross domestic product in 2019, a slight increase from the previous four years which averaged 2.5 percent.³ Third, fishing is a source of income and traditional livelihood for both men and women. Full-time marine fisheries comprise about 5.2 percent of the labor force, representing around 6,283 individuals.⁴ Women play critical and varied roles in the fisheries sector, from subsistence fishing to processing and trading, mainly related to small-scale fishing. Recent estimates suggest that fisheries sales across all islands and communities are managed by approximately 3,500 women, with most of this activity located in Praia on the island of Santiago and Mindelo on the island of São Vicente.⁵

The ocean not only holds economic and social significance but also plays a vital role in climate change mitigation and adaptation. The country is already experiencing the impacts of climate change, including persistent droughts that further strain the already limited freshwater resources. Moreover, coastal erosion poses a threat to the beaches and infrastructure that are crucial for the tourism industry. As a result, the rich marine biodiversity in Cabo Verde could be at risk of elimination or displacement because of the effects of climate change. It is widely recognized that climate change will impact sea surface temperature, salinity, and oxygen levels across the tropical Atlantic Ocean, causing changes to the availability of fish stocks and the productivity of certain aquaculture species, with implications for the long-term prospects of the sector. Climate impacts will likely cause fish populations to move to higher latitudes or deeper waters, potentially thwarting the prospects for fisheries and aquaculture in Cabo Verde. Climate change will also likely result in more severe and frequent extreme weather

events, putting fishing and aquaculture equipment and infrastructure at greater risk. Although the European Union (EU) has supported scientific research in this area, the possible impacts have not been accounted for in fisheries management, creating uncertainty and adding to investment risk.⁶

The government has prioritized the implementation of sustainable fisheries and aquaculture practices, recognizing their importance for achieving sustainable and inclusive growth. All recent country policies and strategies highlight key sectors such as fisheries and aquaculture, the marine and coastal environment, maritime transportation, and ports as opportunities to reduce regional inequality, promote sustainable growth, and protect marine resources. Cabo Verde has made significant efforts to enhance institutions and implement policies supporting the fisheries and aquaculture sector. However, challenges remain, particularly in the traditional fisheries sector, which lacks the necessary dynamism to meet the government's ambitious economic growth targets.

2.2

Current Landscape of Cabo Verde's Fisheries Sector

Fisheries and fish processing play a crucial role in Cabo Verde's economy, serving as the country's most important nonservice economic sector and dominating its export basket.⁷ In 2021, processed and unprocessed fish products accounted for a significant portion of the country's total merchandise exports, comprising 72 percent and valuing US\$61 million.⁸ The past decade saw a notable increase in prepared fish exports, rising from 44 percent of merchandise exports during 2010–12 to over 60 percent by the decade's end. Over the past 5 years, processed fish has witnessed incredible growth.⁹ Cabo Verde's exports of fish products are highly concentrated in frozen or prepared fish, with three specific products contributing over 60 percent of the total merchandise export value. The country is heavily dependent on a small number of firms for exporting processed fish, mainly to Italy, Spain, and the United States.

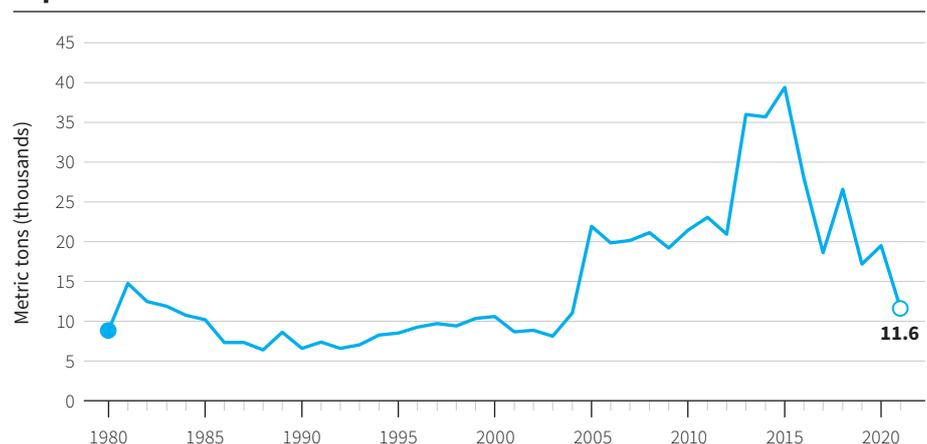
Cabo Verde's fishing sector comprises three distinct fleet types: artisanal, semi-industrial, and foreign-operated industrial. The artisanal fleet includes 1,574 vessels and 4,736 fishers across over 103 landing sites on all of the inhabited islands. These fleets feature small open-deck wooden vessels, ranging from 3.5 to 8 meters (m) in length, powered by outboard engines, and in some cases, oars and sails. The artisanal sector is significant for livelihoods and fish landings, representing 82 percent of fishing jobs and, as of 2011, accounted for half of overall catches.¹⁰ However, the expansion of tuna fishing by semi-industrial and industrial fleets has lowered the proportion of seafood output by the artisanal fleet without affecting the overall amount.¹¹ The domestic semi-industrial fleet, consisting of around 119 fishing vessels and 1,035 vessel owners and crew, operates from 13 different fishing ports.¹² These vessels average 11 m in length, with some estimated to be inactive or undergoing repair. Four locally owned vessels are greater than 20 m long and categorized as industrial scale according to the government's classification system. These two domestic fleets are complemented by various foreign-owned and operated vessels fishing under formal agreements in Cabo Verde's exclusive economic zone (EEZ).¹³ The artisanal and semi-in-

dustrial fleets target multiple species along the coast and in archipelagic waters, while the industrial fleet target several species of tuna throughout Cabo Verde's expansive EEZ.

Since 2015, there has been a decline in total catches influenced by a combination of factors. In 2015, the catch totaled approximately 39,393 tons, with tuna accounting for around 76 percent of this volume. However, by 2021, according to data from the Food and Agriculture Organization of the United Nations, the catch significantly decreased to only 11,623 tons. Despite an increase in artisanal and semi-industrial fleet capacities—with artisanal licenses increasing from 467 in 2016 to 1,082 in 2020, partly because of the elimination of license fees by the government in response to the economic hardship caused by the COVID-19 pandemic¹⁴—artisanal landings decreased by 5.7 percent in 2020, accounting for 3,594.7 tons, or 18 percent of the total catch. Conversely, landings of semi-industrial and industrial vessels increased in 2020, reaching 5,327.45 tons, or an increase of 2.9 percent and 12.9 percent, respectively, compared to 2019. Nonetheless overall catches were down again in 2021 (see figure 2.1). The increases in fishing capacity in the artisanal sector suggest possible overfishing of demersal species in nearshore waters. Similarly, excessive fishing efforts among industrial tuna fleets across the Atlantic Ocean could be impacting tuna catchability in Cabo Verde's waters. This trend is concerning given the sector's large contribution to employment across the archipelago. These declines could partly be attributed to the lockdowns and social distancing during the pandemic, affecting fishing and processing activities.¹⁵ Finally, climate change could also be compounding this trend by affecting the biology of targeted fish populations.

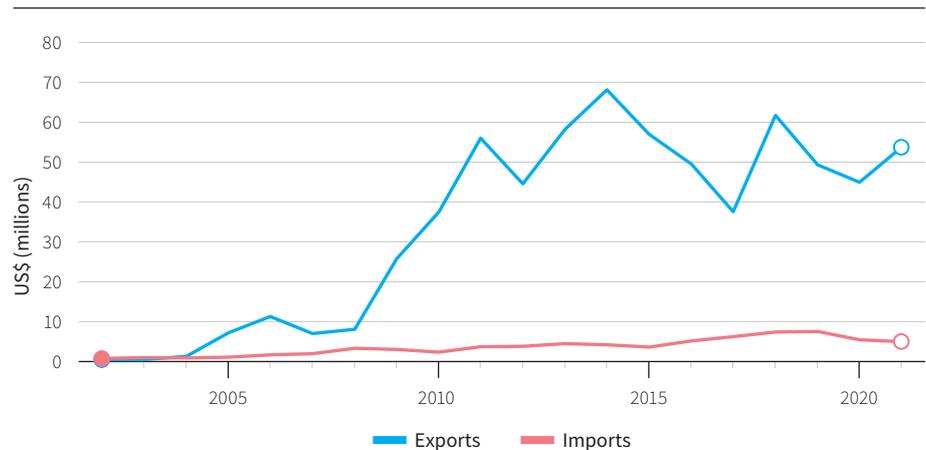
The value of seafood exports did not decline as drastically as overall catches, suggesting that exports are derived mainly from semi-industrial and industrial fleets and respond primarily to the growing demand for small and large pelagic species like mackerel and tuna (see figure 2.2). In 2019, the value of the top-10 exported seafood products was US\$35.3 million. Import volumes have consistently been very low, but typically consist of high-value processed products. In 2019, imports valued at US\$5 million mainly comprised frozen shrimp and fish fillets. These imports cater to the needs of all-inclusive hotels and wealthier

FIGURE 2.1
Capture Fisheries Production



Source: Based on data from World Bank Open Data database.

FIGURE 2.2
Value of Trade in Fish and Fish Products



Source: Adapted from FAO 2020a.

consumers who are unable to procure these fish species locally.¹⁶ This scenario presents a potential market opportunity for local seafood producers and traders.

The volume and value of fish exported from Cabo Verde consistently surpass the catch from its waters. This is because the local processing and canning plant, Frescomar, can only operate efficiently at capacity by sourcing not only from the domestic semi-industrial fleet and foreign vessels, but also from vessels fishing outside Cabo Verde's waters. Spain is the main export market for Frescomar,¹⁷ and exports to the EU are allowed only under a temporary exemption from rules on preferential origin, which require fish to originate from the Cabo Verdean EEZ. Because of concerns that EU origin rules might not be met by foreign suppliers to Frescomar, the government requested to have fish processed in Cabo Verde be recognized as local origin, even if caught outside of local waters. The expected expiration of the exemption and uncertainty of its extension, poses a threat to the principal export market for Cabo Verde's key export product.¹⁸

Domestic demand for seafood is significant, particularly in major urban areas. In Praia, where nearly 20 percent of the population lives, seafood prices are reported to be much higher than in other communities. Traditional and informal value chains, once landed, often see fish change hands multiple times before reaching local direct-to-consumer fish markets. As demand seems to exceed supply, there is little incentive for fishers or traders to invest in refrigeration because they can sell their catch immediately. The fishing port in Praia and the fish market in Mindelo lack operational refrigerated storage, suggesting inadequate sanitary conditions that fall short of food safety standards. More robust cold chain and storage facilities would minimize product loss, maintain quality, aggregate, and consistently meet food safety and quality standards required by tourism and international markets.

The tourism sector remains an untapped market opportunity for fisheries and aquaculture. Although most consumers obtain seafood from domestic fisheries, all-inclusive hotels typically adopt a highly risk-averse approach to food sourcing to avoid issues like food poisoning and inconsistent supply. This cautious approach is reflected in the fact that in 2019, Cabo Verde imported nearly

US\$1.5 million worth of frozen shrimp/prawns, US\$1.6 million worth of frozen fish fillets, and nearly US\$3 million in other types of smoked and dried fish and shellfish.¹⁹ Increasing the level of participation of local fish production (caught or farmed) for the tourism market will require a cross-sectoral strategy that includes improving the handling, storage, aggregation, processing, and transportation of fish. Innovative approaches might also help fishers overcome constraints in the supply chains. One potential approach is a virtual fresh-fish auction marketplace where traders bid online for the catch even before it arrives at the designated landing facility, similar to Docapesca's model in Portugal. With further due diligence, such a platform could be combined with incentives for proper product handling and certification in pre-assigned offloading points.²⁰

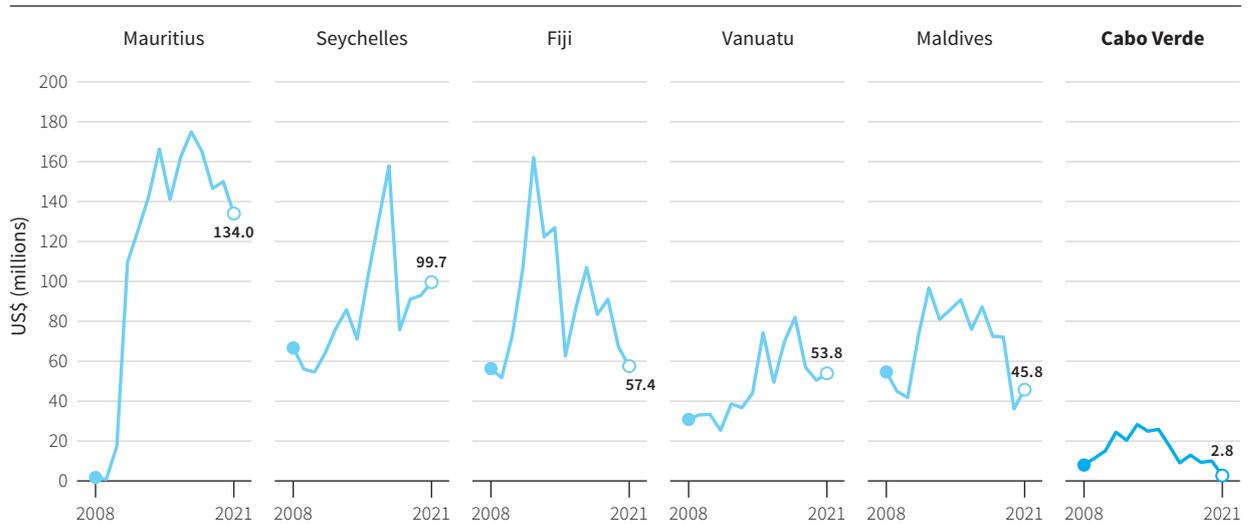
Cabo Verde's distance from large markets, logistical barriers, and absence of economies of scale place it at a competitive disadvantage in the global seafood market. Despite its vast EEZ and proximity to abundant tuna stocks, Cabo Verde faces challenges producing and exporting significant volumes of seafood when compared to larger countries with more extensive fish habitats. The number of high-value nearshore species, like lobster, octopus, and grouper, are limited not only because of their inherently small population size but also because of overfishing. Although there are abundant populations of valuable pelagic species such as yellowfin tuna, suitable for higher-value fresh and frozen markets, the market potential is hindered by the inability of many fishers and traders to maintain quality during transit from landing sites to airports and ultimately to final markets. There is scientific evidence of potentially valuable deep-water stocks of lobster, finfish, and shrimp, but the current fleet lacks the equipment and expertise for sustainable and selective catching.

Despite limited investments, Cabo Verde is making efforts to compete in the global market, particularly in high-volume commodities like canned tuna. Inspired by the success of Maldives, Cabo Verde is collaborating with the private sector and nongovernmental organizations to enable smaller, eco-friendly tuna fleets reach markets with high environmental standards. Investing in the demanding process required for a fishery to achieve third-party environmental certification, such as by the Marine Stewardship Council, could offer market benefits beyond greater socioeconomic stability within the fisheries sector. This effort can elevate the profile of the fisheries sector in Cabo Verde in the international seafood industry, as well as secure access to new, environmentally conscious markets, such as those in the United Kingdom and northern Europe.²¹ A similar approach is being carried out by *Sociedade Ultramarina de Conservas*, a locally-owned seafood canning company operating on São Nicolau since 1935. With its nearly 90-year reputation, the company is successfully targeting the significant Cabo Verdean diaspora in the United States by promoting its distinctive and well-recognized brand.

Similar to other tropical archipelagic countries, Cabo Verde is located near the heart of tuna fishing grounds, making it an attractive location to invest in landing, processing, and canning of tuna. Major tuna companies, such as Thai Union in the Seychelles, Princess Group in Mauritius, and Tri-Marine in the Solomon Islands, have made significant investments in large and modern facilities in key SIDS. Although on a relatively smaller scale, the Ubago Group has followed this model in Cabo Verde (see figure 2.3) by purchasing and expanding the Frescomar processing plant in Mindelo, São Vicente. Building on the growth of its tuna

FIGURE 2.3

Total Tuna Value, Cabo Verde and SIDSs Peers



Source: Based on data from Food and Agriculture Organization of the United Nations FishStatJ datasets, <https://www.fao.org/fishery/en/statistics/software/fishstatj>.
 Note: SIDSs = small-island developing states. The graph is intended to provide a sense of the different scales of tuna processing across SIDSs rather than accurately compare total fish production over time.

canning business, Ubago has diversified its investments into other related activities, which includes producing fishmeal and fish oil, overseeing the fish landing complexes in Mindelo and Sal as part of their concession management, and operating the Atunlo refrigeration and processing facility.

The implementation of Cabo Verde's enabling legal framework for sustainable fisheries management faces some challenges.²² In recent years, Cabo Verde has made significant progress by updating the fisheries legislation in 2022 and introducing a new law to regulate aquaculture in 2021. These efforts are supported by various decrees that address a range of issues from fishery inspections and vessel monitoring systems to licensing fees and the structure of fisher organizations.²³ However, like other small archipelagic nations, Cabo Verde faces challenges in effectively utilizing its public resources to gather and analyze data, monitor fish stock, assess fleet sizes, and enforce fishery regulations. The difficulties in monitoring, controlling, and surveilling domestic and foreign fleets are leading to potentially unregulated fishing activities and in the loss of public revenue.

The persistent informality within Cabo Verde's fisheries sector presents challenges to management, the delivery of effective public services, access to finance, and revenue generation. Despite the Fifth General Fisheries Census of 2021 indicating a moderate level of compliance with regulations for vessels and fishermen registration and licensing, it is unclear how this translates into formal practices in the artisanal and semi-industrial fishing sectors. Interviews with stakeholders revealed that semi-industrial vessels often choose informal practices, such as unregulated landing and selling of fish, to avoid taxation. This informality hinders effective fisheries management and leads to negative outcomes, including the overfishing of key commercially important nearshore species, primarily by artisanal and semi-industrial fleets.²⁴ Consequently, this leads to diminished fish stocks, higher prices, and lower levels of food security among poorer citizens. The persistent overexploitation of fish stocks not only reduces the incomes of ar-

tisanal fishers and others engaged in the value chain, who are often among the most vulnerable, but also undermines the long-term economic viability of the fisheries sector, which elevates investment risks and diminishes export potential.²⁵ Moreover, overfished stocks may become more difficult to replenish, particularly in the face of climate change.²⁶

The open-access regime and informality of the sizable artisanal fishing sector not only play important social protection and food security roles, but also present challenges for private investment. In an open access and poorly regulated fisheries sector, the most common investment is in additional fishing capacity. Although this may lead to short-term returns, it accelerates the depletion of the sector's resources, which not only has long-term negative consequences for the entire sector but also risks trapping many artisanal fishers in poverty.

2.3

Aquaculture: An Emerging and Untapped Subsector Awaiting Exploration

Despite the significant domestic and international demand for seafood, there are only two aquaculture facilities in Cabo Verde. The first is a locally owned, land-based shrimp farm on São Vicente. Operational but struggling to reach full capacity, this farm faces challenges due to high costs, use of advanced technology, and a closed-cycle bluefin tuna farm that is not yet in production. In 2023, it produced forty tons of shrimp, managing to break even by selling to local restaurants and markets in São Vicente, Boa Vista, and occasionally in Praia. The farm has the potential to double its output but is hampered by the lack of reliable refrigerated transportation and storage facilities. Despite interest from Spanish buyers, the firm has yet to meet EU sanitation standards to export, and considers the fees for EU-certified refrigeration facility at the Mindelo port too expensive. The second facility, focused on Atlantic bluefin tuna, is still in its early stages of development. It breeds in captivity one of the most valued products in the international sashimi market. The facility is testing its capabilities by raising amberjack (also known as longfin yellowtail or kamachi) to juvenile size. Overcoming the technological challenges related to reproduction and survival of juveniles will pave the way for more efficiently growing bluefin to market size in offshore pens, leveraging existing technology and methods. These facilities emerged from private sector initiatives, driven by risk-tolerant entrepreneurs, with limited investment promotion efforts from the government.

The many prospects for aquaculture expansion in Cabo offer a clear agenda for the government to improve programs aimed at stimulating local entrepreneurship and attracting foreign investments through zoning, grants, and technical assistance. A recent analysis has shown that Cabo Verde's offshore areas hold significant potential for aquaculture,²⁷ with 45 square kilometers (km) highly suitable and 1,637 square km suitable for aquaculture. Boa Vista, Maio, São Vicente, Santo Antão, Sal, and Santiago islands hold potential for private investment in offshore farms. In contrast, onshore potential is more limited, with only 1 square km of highly suitable area and 32 square km rated as suitable for aquaculture development, especially in Boa Vista, Maio, Sal, and São Vicente.

Decree-Law No. 15/2021 provides a comprehensive legal framework for aquaculture sector in Cabo Verde. It defines activities and terms related to the sector and sets out guidelines for licensing, registration requirements, environmental standards, and health and safety regulations. While initial steps towards implementing this decree have been taken, development of the aquaculture sector has been driven by enterprising individuals who have benefited from development aid and foreign investments. The *Instituto do Mar* (Maritime Institute; Imar) is actively seeking to establish a dedicated unit for applied aquaculture research. This unit aims to provide technical assistance to aquaculture operators. However, its progress is largely dependent on development assistance.

The Canary Islands, located north of Cabo Verde, experienced similar challenges and limited growth following the 2008 financial crisis. In response, in 2018, the Spanish autonomous region's government introduced the Regional Aquaculture Development Plan. This plan establishes zones, streamlines regulatory procedures, and specifies approved species and farming methods. It is a dynamic management instrument that enables the introduction of new species and modifications to already approved procedures. In addition, research centers are testing the viability of farming new species of fish and algae.

To facilitate the private sector's ability to make informed decisions in Cabo Verde's aquaculture industry, there is a pressing need for increased applied research. This research would focus on generating valuable information that will guide investment choices in aquaculture under the current and future oceanic conditions, especially in the face of climate change. There is ambiguity regarding the most appropriate practices for aquaculture in Cabo Verde. Different types of aquaculture species vary significantly in terms of input costs, which depend on factors such as the species being produced and the size and intensity of the operations. For example, algae and mollusks offer more market potential than finfish, primarily because they do not require feeding, thus reducing input costs and minimizing the risk of pollution. Furthermore, there is a lack of research on the viability of farming native or introduced species in Cabo Verde, as well as the ecological risks of introducing potentially invasive species. Similarly, given that climate change is likely to alter oceanic conditions, there is a need for information on how these changes might impact the viability of different aquaculture species. This information is crucial as changing conditions could render some areas within Cabo Verde more suitable for certain species while making others less favorable.

Investment in aquaculture in Cabo Verde faces significant barriers related to limitations in human capital and the production of specialized equipment and inputs. The country lacks a dedicated training program for aquaculture technicians, despite the recent establishment of the *Escola do Mar* (School of the Sea; Emar), which is focused on building a skilled maritime workforce. Consequently, the private sector has shouldered all associated costs and has had to rely on foreign expertise, supplementing it with on-the-job training for local staff. Similarly, there is a shortage of providers who can supply essential specialized equipment such as modern fish pens or formulated feeds for specific species. High import tariffs further exacerbate the financial barriers faced by potential pioneering investors in aquaculture.

The fisheries and aquaculture sectors in Cabo Verde are significantly hampered by inadequacies in the transportation and logistics sector. There is a limited and

uneven distribution of reception facilities, landing sites, and cooling facilities across the islands. For example, Santiago, which is home to 35 percent of Cabo Verdean fishers, has only three ice machines, while Fogo, with nearly 10 percent of fishers, has none. Similarly, Santiago has one landing facility, while Fogo has none. This lack of infrastructure contributes to high postcapture losses and hampers the efficiency of the sectors. Since 2015, only one company that meets the EU's sanitary standards has been operating a tuna processing and marketing facility at Porto Grande in Mindelo, São Vicente. The facility processes, freezes, and stores tuna loins and offers refrigerated storage services to other producers targeting the EU when available.²⁸ Interisland maritime transportation also impedes the growth of this market. The perishable nature of seafood, whether farmed or wild-caught, requires reliable cold chains and transportation to access high-value markets such as supermarkets in Praia, hotels on Sal, or importers in Europe. This condition necessitates investment and innovation in logistics to enable enterprises reach larger markets, moving beyond local value chains. See the transportation and logistics section in chapter 3 for more information.

Anecdotal evidence suggests that private operators face barriers in securing financial support for their businesses. Commercial banks are reluctant to invest in the sector, resulting in a lack of formal credit options. Furthermore, government programs such as Pró-Garante, which provides credit and credit guarantees to businesses, are slow in processing applications, making it difficult for these businesses to access the financing they need. As a result, businesses like the shrimp farm and family-owned seafood trading company, Fresk d'Gustinh, have had to rely on financing from international development agencies to establish and expand their operations.

2.4

Opportunities

The following are some of the investment opportunities in Cabo Verde's fisheries and aquaculture sector.

2.4.1

Capture Fisheries

One of the main opportunities to enable private investment in capture fisheries in Cabo Verde is to increase the productivity of the semi-industrial fleet. This can be achieved by allowing some vessels to explore potentially underexploited deep-water fish and crustacean species, while still maintaining access control. However, exploiting unassessed stocks can result in overfishing. Therefore, efforts to support the semi-industrial fleet in catching and selling deep-water demersal fish and crustaceans must be done cautiously, with careful oversight. Nonetheless, deep-water stocks could represent an important opportunity to diversify fishing activities and revenue.

Cabo Verde's uniquely managed deep-sea pink lobster (*Palinurus charlestoni*) fishery could serve as a model for managing other fishery resources. Unlike other poorly regulated fisheries, the deep-sea lobster fishery in Cabo Verde is capped at three semi-industrial vessels, with a total allowable catch (TAC) of 36 tons per

year, equally divided among these three vessels. In addition, only selective traps are permitted as fishing gear. Although this quota-based management approach can be highly effective in preventing overexploitation and promoting more efficient and safer fishing methods, it requires robust scientific backing to set accurate TACs and thorough reporting of landings. Recent trends indicate that pink lobster seems to be overexploited in areas where fishing is concentrated, while underexploitation might be occurring in more remote fishing grounds. This is evident as vessels consistently fail to reach their individual quotas, according to the fisheries managers. A comprehensive analysis and updated stock assessment that accounts for subpopulations across the archipelago are urgently needed to accurately determine the level of overfishing and consider the potential for expanding the fishery by allocating TACs by island to reach new high-value markets (including hotels on Sal).

A similar precautionary approach should be applied to other new deep-water species. This approach would involve strict limits on fishing capacity, conservatively set TACs, individual vessel quotas, and permissible gear types. Given the oceanography of Cabo Verde, it is likely that deep-water stocks are not equally distributed across the archipelago and, thus, TACs by subregion may be useful to avoid localized depletions. Because this represents an evolution in fisheries management, expansion to new species should be phased. As a first step, stock assessments should be conducted along with integrated research projects, such as the one carried out by the coastal fisheries initiative on the soldier shrimp (*Plesionika edwardsii*) fishery. For example, one vessel owner based on Sal is already targeting this stock. Although there is little risk of overfishing with this level of fishing, the management framework outlined earlier should be established for this fishery, including regular monitoring as more vessel owners join. This approach should also be applied to test various gear types, fishing techniques, value chains, and market acceptance for other species.²⁹

The second opportunity in the fisheries sector is to fill the supply gap in domestic value chains through modern processing and marketing of seafood. Traditional seafood supply chains, characterized by minimal processing, limited storage/refrigeration facilities and related costs, high informality, and poor logistics, often result in insufficient quantities, inconsistent quality, and unreliable supplies.³⁰ The tourism industry and other large domestic and international buyers require consistent quality and volume, as well as adherence to strict food safety standards. Adopting capital and knowledge-intensive approaches in logistics, storage, processing, packaging, and distribution of seafood can open higher-value markets in the tourism sector, leading to new business opportunities and job creation in the value chain. Emerging suppliers such as Fresk d’Gustinh are driving this transformation in local supply chains, benefiting their suppliers and customers (see box 2.1).

Through strong commercial partnerships with fishers, buyers and processors can drive more effective, selective, and sustainable fishing practices for higher-value catches. This can be achieved by combining stronger regulations and enforcement measures to ensure the long-term sustainability and resilience of capture fisheries, with market-based incentives for sustainable fishing. Buyers who prioritize better quality can encourage improvements in environmental and social standards, rewarding fishers with better prices and more reliable purchasing ar-

BOX 2.1**A Success Story of Women's Entrepreneurship in Cabo Verde's Blue Economy**

In 2017, two sisters took over their mother's informal fish trading business in São Nicolau to help her overcome debt. One sister studied business, and the other, mechanical engineering, with plans to work abroad and send money home. By 2018, they had established a family-run seafood trading and processing company, called Fresk d'Gustin, proudly displaying their mother's face as the company logo. That year, they started selling seafood to hotels on Sal on a trial basis. By 2019, they became the sole domestic supplier of seafood to the Hilton hotel and secured several additional hotel clients. When the COVID-19 pandemic hit, 80 percent of Fresk d'Gustin's sales were to the tourism sector. This market collapsed during the pandemic, forcing the sisters to innovate. They experimented with new product lines to maximize yield from every fish purchased and minimize dependence on any single species. They complemented high-value fillets and steaks with more affordable fish balls, nuggets, and burgers, targeting local retail markets.

More recently, the company received a US\$300,000 grant from the West African Trade and Investment Hub of the United States Agency for International Development. This grant supports an US\$800,000 expansion of their processing facility in Praia to complement operations in Tarrafal de São Nicolau. Fresk d'Gustin has 36 employees and aspires to expand its workforce to 69, with at least half being women. The company now owns and operates three semi-industrial fishing vessels in São Nicolau that help guarantee a steady supply of raw materials. Despite initial challenges, they have reestablished relationships with several hotels on Sal. As a result, part of the fish goes directly from São Nicolau to the hotels on Sal, while the rest is processed and sold through retailers in Praia. Although they see significant growth potential in the domestic market, they are also exploring export opportunities and further diversify their product line. However, they face challenges in accessing credit from commercial banks and through Pró-Capital.

rangements. To support these market-driven approaches, transparency and traceability are essential. Information must flow seamlessly from the fishing vessel to market segments requiring specific standards. Establishing greater formality and organizational capacity in the fishing sector is crucial for enabling traceability and promoting sustainable practices.

The third opportunity is to build a unique brand for Cabo Verde as a country with a socially and environmentally friendly fishing sector to differentiate its seafood from products originating from large industrial fleets. The *Sociedade Ultramarina de Conservas* (Overseas Canning Society), operational for decades, is already well-known among the country's diaspora and is targeting the expatriate community in the United States. The government could further support these efforts by sponsoring industry participation in international seafood expositions in North America and Europe. It could also invest in preliminary assessments of its tuna and small-pelagic fisheries under the Marine Stewardship Council standard and/or the Fair-Trade standard for socially responsible products. These preliminary assessments would identify specific actions that the public and private sectors must take to meet this standard. These certifications, widely recognized and valued by consumers in Northern Europe and certain North America retailers, could enhance market appeal. Although certification is an end goal, the process invariably provides valuable information to government officials and the industry itself on steps needed to improve fishery sustainability. Progress in these fishery improvement efforts could also attract investment, as sustainable fisheries are more likely to generate more stable and long-term returns.

2.4.2**Aquaculture**

At a global level, aquaculture has established itself as an important component for generating aquatic foods (seafood), positively impacting livelihoods and nutrition. It produces half of the world's seafood and is forecast to grow a further

15 percent by 2030, through enhanced productivity, modernization, intensification, and wider geographic adoption.³¹ Policies that streamline licensing and concessions for marine areas, clarify zoning implications for aquaculture, promote best environmental practices, and adopt a risk-based approach to biosecurity can support the expansion of sustainable aquaculture.

Cabo Verde is endowed with favorable conditions for sustainable marine aquaculture, yet more needs to be done to reduce risks, stimulate entrepreneurship, and attract private investment. Careful planning and zoning should follow the identified areas suitable for marine and coastal aquaculture, where physical conditions are favorable and conflicts with other users, such as fishermen or tourism, are minimized. Such planning could also lead to the clustering of start-ups through infrastructure and other public investments in locations where multiple businesses could benefit, generating efficiencies and economies of scale around logistics, refrigeration, and other private services.

Locally produced formulated feeds—a critical input to fish and shrimp farms—could be a potential business opportunity and help in the expansion of the sector. Formulated feeds represent a significant operational cost and challenge for existing and future aquaculture operators. Given that Frescomar produces some amount of fishmeal and fish oil—two key and costly ingredients in formulated fish feed—could facilitate the establishment of fish feed enterprises in Cabo Verde that the government could grow with the sector. This approach would be more economical for local fish growers than importing formulated feeds, which tend to be very expensive.

Native species such as amberjack (*Seriola sp.*) could represent a significant aquaculture opportunity in Cabo Verde because of its high value and successful reproduction by Nortuna. Amberjack farms are becoming more common in other parts of the tropics, and the technology is becoming more reliable. Another promising native species is the commonly farmed gilt-head seabream (*Sparus aurata*). There may be other finfish or high-value invertebrates that would make good farmed species in Cabo Verde, but numerous technical questions remain regarding the suitability of the conditions, potential growth rates, and biosecurity. Other countries have invested in publicly funded aquaculture research centers, experimental farms, and even public hatcheries that supply juveniles to private grow-out farms to facilitate the sector growth. However, public investment in juvenile production is not practicable in Cabo Verde given the country's small size and fiscal constraints. A public-private partnership with Nortuna or another amberjack farm investor, who could sell juveniles to other grow-out farms, might be worth further analysis.

Imar is well-positioned to generate and disseminate technical information through applied research, helping to reduce the unknowns during the start-up phase of any given farm, thereby reducing costs and risk. Imar has the mandate and facilities to conduct applied research that could identify and address technical and broadly applicable knowledge gaps such as identifying the best species to grow in local conditions and determining which, if any, commercially important local species could be successfully reproduced in captivity and cultivated. Research should also target the potential viability of no-feed aquaculture for seaweed and mollusks, given that the start-up and operating costs of these species are gener-

ally significantly lower and could be started with small loan amounts in the local market. Having Imar model future environmental conditions with climate change could also generate critical information for aquaculture investors and entrepreneurs. More targeted studies could be carried out in partnership with private firms seeking to establish farms, including feed formulations growth and survival studies for specific species.

The recently established Emar could be tapped to develop a skilled workforce for aquaculture, through practical education and training to support a competitive and sustainable aquaculture industry. Skills and know-how for upstream and downstream jobs could also be developed. Priority educational needs could be identified in close collaboration with existing and new enterprises seeking to establish themselves in Cabo Verde. Internships and on-the-job training programs could also be developed.

2.5

Recommendations

Table 2.1 outlines the recommended actions, categorized into four policy buckets. These actions aim to address constraints and capitalize on potential opportunities in the fisheries and aquaculture sectors. The proposed policy options are designed to create a more favorable environment for sustainable growth in these sectors by providing potential investors a clear and transparent framework regarding regulations and incentives, as well insights into the long-term sustainability of the marine natural capital and ecosystems that these sectors rely on.

The objective is to instill greater confidence in the sustained availability and health of fish stocks and enhance the potential to generate higher value in capture fisheries while reducing risks for entrepreneurs in aquaculture. The policy options are divided into their implementation timelines: short-term and medium-term priorities. Short-term priorities represent more urgent and fundamental reforms that should be prioritized within the next two to three years. In contrast, medium-term priorities are strategies that can be implemented over the next five years.

TABLE 2.1

Policy Recommendations to Foster Sustainable Investments in Fisheries and Aquaculture

Objective	Recommendations	Responsible entity	Time frame*
More and better science, analysis, and technical know-how for sustainable fisheries and aquaculture decision-making by public and private actors.	→ Conduct regular stock assessments and use the data in fisheries management.	MM	Short term
	→ Conduct and publicize research demonstrating the various types of aquacultures best suited for Cabo Verde's current and future oceanic conditions under climate change.	MM	Short term
	→ Identify potential new deep-water fisheries, leveraging insights from the soldier shrimp initiative. Establish exploratory fisheries with strict capacity limits and effort controls to prevent overfishing.	Imar	Medium term
	→ Conduct detailed modelling at practical temporal and spatial scales to understand the likely impacts of climate change on specific fisheries and areas throughout Cabo Verde's exclusive economic zone.	Imar, research institutions	Medium term
Better governance and management of fisheries, including enforcement.	→ Invest in improved fisheries management beginning by establishing and enforcing of total allowable catches and other management tools, using precautionary approach based on historical data until stock assessments can be completed.	MM	Short term
	→ Strengthen or establish vessel monitoring and catch reporting systems for domestic semi-industrial and foreign-owned industrial vessels.	MM	Short term
	→ Cap and prevent further investment in the fishing capacity of semi-industrial and artisanal fleets by freezing the issuance of new fishing and vessel licenses. For the semi-industrial fleet, consider introducing individual vessel quotas.	MM	Short term
	→ Enhance the organizational structure and build capacity in the artisanal and semi-industrial sectors to operate more effectively as commercial/for-profit entities, identifying market opportunities and developing more robust business plans. In the artisanal sector, also strengthen their participation in co-management of fisheries.	MM	Short term
	→ Advance the formalization process and link it to access to finance, insurance, and social protection programs, especially for artisanal fishers.	MM, INPS	Medium term
	→ Develop stock rebuilding plans appropriately tailored to local conditions in the artisanal sector (for example, time-area closures).	MM, Imar	Medium term
	→ Consider formalizing the zoning of aquaculture areas and explore the potential of clustering public infrastructure and other incentives to attract investment.	MM, MIOTH	Short term
A more concerted effort to attract investment in aquaculture.	→ Explore how the Imar can leverage a public-private partnership to establish hatcheries, thereby reducing start-up costs for new aquaculture enterprises.	Imar	Medium term
	→ Introduce aquaculture-related courses at local universities and as part of the practical education program at Emar.	Emar	Medium term
	→ Improve the availability of financial services, such as credit and insurance products, targeting fisheries and aquaculture sectors, with a strict condition of formal operation and regulatory compliance.	MF, Pró-Empresa, Pró-Garante	Short term
Crosscutting initiatives.	→ Explore market opportunities for existing and potential exports from Cabo Verde. Investigate the requirements for achieving international certification or seals of approval, such as the Marine Stewardship Council or Fair Trade, for country-of-origin branding.	Imar	Medium term

Note: Emar = *Escola do Mar* (School of the Sea); Imar = *Instituto do Mar* (Maritime Institute); INPS = *Instituto Nacional de Previdência Social* (National Institute of Social Security); MF = *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development); MIOTH = *Ministério das Infraestruturas, Ordenamento do Território e Habitação* (Ministry of Infrastructure, Territorial Planning, and Housing); MM = *Ministério do Mar* (Ministry of the Sea).

*For short term, one to two years. For medium term, three to five years.

Notes

1. GNR (n.d.).
2. Our World in Data (2023).
3. Based on data from the INE.
4. FAO (2020b).
5. Ibid.
6. The EU's Community Research and Development Information Service has funded extensive climate change research including on the effects of intensive fishing and coastal development activities to the marine ecosystems of the Tropical and South Atlantic regions (CORDIS 2019).
7. OECD (2022).
8. FAO (2020a).
9. OEC (n.d.).
10. MEM (2022); Imar (2021).
11. MEM (2022).
12. Ibid.
13. MEP (2023).
14. Aquino (2023).
15. Globefish (2020a).
16. Globefish (2020b).
17. Frescomar generates the vast majority of the island's exports and employs approximately 1,300 people (845 women), making it one of the country's largest employers.
18. European Commission (2021).
19. GlobeFish (2020b).
20. World Bank Group (2019).
21. See <https://www.msc.org/en-us/for-business/fisheries/why-get-certified>.
22. MEP (2023).
23. See FAOLEX Database at <https://www.fao.org/faolex/country-profiles/general-profile/see-more/en/>.
24. Ibid; Fortes and Haraldsson (2019).
25. Ibid.
26. World Bank (2019).
27. World Bank (2023).
28. Atlántico (2015).
29. World Bank (2022).
30. World Bank Group (2023).
31. FAO (2022b).

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3

DIGITAL SERVICES

3.1

Introduction

Cabo Verde is making significant progress in its digital transformation journey and fares well compared to its peers in West Africa. The digitalization of the economy is gaining momentum as more domestic firms adopt digital solutions, driven by a small but growing number of technology savvy public officials, professionals, and entrepreneurs. In the public sector, ambitious initiatives and planned investments are improving governance and public service delivery. In the private sector, the upgrading and adoption of new digital technologies and innovations help create new jobs and income sources, driving economic diversification. For a comprehensive analysis of potential digital dividends in the country, see the World Bank's 2022 *Cabo Verde Economic Update*, which focused on digital dividends.

Although difficult to measure precisely, the digital services sector in Cabo Verde is growing—albeit below its full potential. The country continues to rise in key international indices—ranking first in western Africa and fourth in Sub-Saharan Africa in the 2023 World Intellectual Property Organization Global Innovation Index.¹ However, it remains far from the global frontier, ranking 91st compared to Mauritius, the top ranked African country at 57th place. The information and communication technology (ICT) sector contributes around 4 percent to gross domestic product and only around 2 to 3 percent of formal jobs in Cabo Verde. This estimation is challenging considering the prevalence of short-term, informal, and gig-type jobs common to the sector (see chapter 1). ICT service exports ticked upward in 2022, reaching just over US\$10 million, capping a three-year rise.² Nonetheless, export values had been shrinking before the pandemic, and their proportion of total services exports decreased in 2022—highlighting a relative underperformance and indicating untapped potential for growth.

In 2023, Cabo Verde's start-up ecosystem ranked third best among West African countries and continues to grow.³ This progress is evidenced by the government's commitment to develop the digital ecosystem through initiatives such as Cabo Verde Digital (CVD). Recently established under Pró-Empresa, the government's main business support service, CVD is dedicated to orchestrating targeted interventions

across Cabo Verde’s start-up development spectrum. CVD propels innovative enterprises to grow by focusing on community development, training, and acceleration. One of its key initiatives, the “*Bolsa CVD*,”⁴ serves as a pre-incubation program for technology-based projects. To date, it has worked with over 140 founders and 80 start-ups, investing CVEsc 125 million and providing over 300 hours of masterclasses. Another significant effort is the “Go Global” program,⁵ which focuses on market development. This program helps start-ups establish connections in international markets, building their capacities, and participating in international technology events. CVD’s support encompasses start-ups from different sectors, including financial technology (fintech), software as a service, e-commerce, ticketing, entertainment, and delivery. These start-ups are at different stages of their lifecycle, ranging from market entry, development, scaling, and problem-solving. The support provided by CVD has been continuous since 2013.

Yet, the country faces challenges because of its small and fragmented market, which hinders entrepreneurs and young firms from scaling up. There are only 38 Cabo Verdean start-ups listed on StartupBlink and even fewer—just 23—on Crunchbase, two respected international platforms providing information on technology companies and connecting entrepreneurs to global investors. For comparison, Belize, with just 80 percent of Cabo Verde’s population, has 148 technology companies listed on Crunchbase—signaling Cabo Verde’s young firms are only beginning to emerge in the global technology ecosystem.

Most digital service players in Cabo Verde are based on the islands of Santiago and São Vicente, with many engaged in activities related to public services. According to the latest government data, 54 percent of these companies are located on Santiago and 28 percent in São Vicente.⁶ These businesses target opportunities across multiple sectors, with notable success within electronic governance and administration (e-government), financial technology (fintech), and tourism-related services. Although the number of firms classified as ICT companies has increased markedly since 2018, they still represent a small fraction of the total economy. Most of these companies are small teams, with women making up less than 1 percent of ICT company leaders and just 2.56 percent of the total employed population in ICT companies (table 3.1).

Cabo Verde is well-positioned to leverage and further develop comparative and competitive advantages in the regional digital services market. To start, over two-

TABLE 3.1
ICT Companies, People Employed, and Total Revenues, 2021

	ICT service sector	National total	Share of ICT sector in national total (%)
Number of active companies	154	11,404	1.35
<i>Women-led companies</i>	22	4,052	0.54
Number of people employed	1,991	72,940	2.72
<i>Women</i>	776	30,269	2.56
Revenue (US\$, thousands)	93,035	2,394,850	3.88

Source: Based on data from INE 2023.

Note: ICT = information and communication technology.

thirds of the population are internet users, more than double the average across Africa and trailing only Mauritius (figure 3.1). In early 2023, the number of active cellular mobile connections essentially matched the total population.⁷ Meanwhile, data from top social media platforms indicate that there were 264,000 social media users ages 18 and above in Cabo Verde at the start of 2023, representing 64.5 percent of the total population in this age group. These findings suggest a significant and growing market of digitally literate consumers for digital services. For its part, the government has established a number of programs and initiatives to support digital entrepreneurs and youth, in an effort to nurture the nascent technology innovation and entrepreneurship ecosystem.⁸ However, there remains a need to attract more women entrepreneurs into the market and integrate them into government institutions focused on the digital economy.

3.2

Drivers of Growth

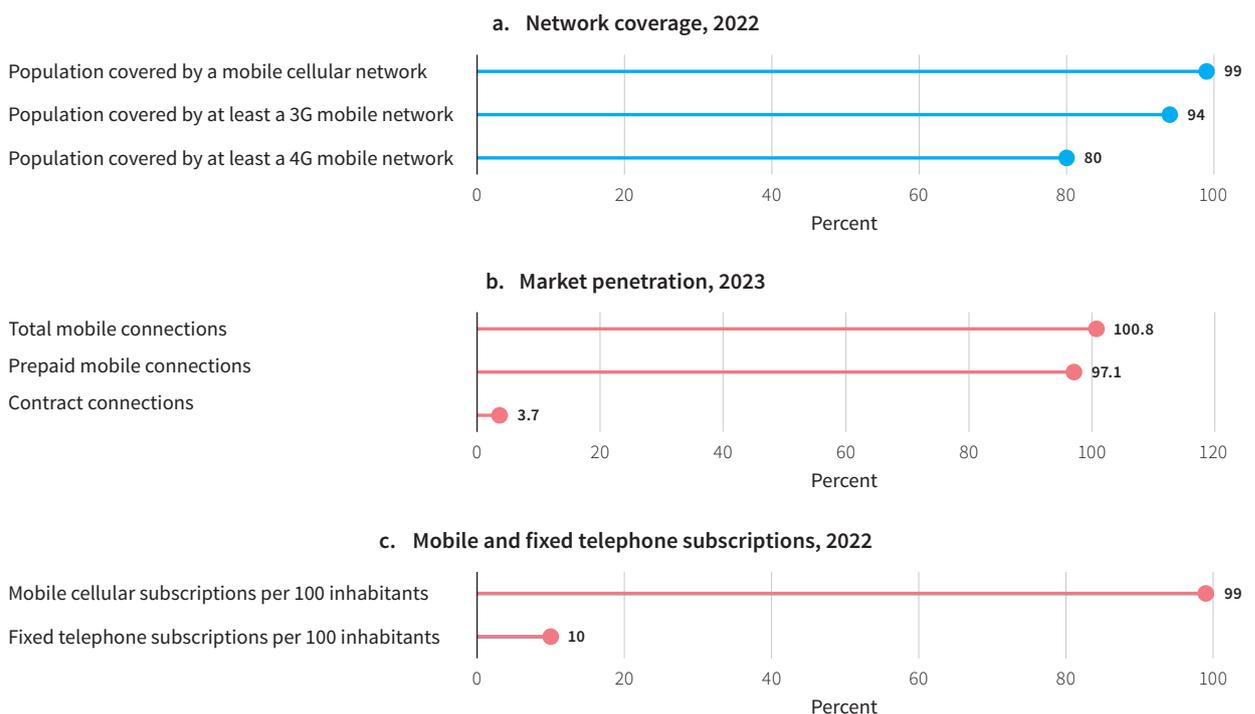
3.2.1

Cabo Verde's Government Is Championing the Development of Digital Infrastructure and Services in the Country

As an archipelagic nation, the government is keenly aware of the importance of digital connectivity. This is evident in the government's *Plano Estratégico de Desenvolvimento Sustentavel* (Strategic Plan for Sustainable Development) for 2022–26, along with the dedicated Cabo Verde Digital Strategy: Agenda for 2019–21. Prioritization of digital infrastructure development by the government

FIGURE 3.1

Cabo Verde Digital Infrastructure and Access in Cabo Verde



Source: Based on 2022 data from International Telecommunication Union Digital Development Dashboard; GSMA.
 Note: 3G = third generation; 4G = fourth generation; ICT = information and communication technology.

predates the pandemic, with digital services envisioned as a key source of new income, job creation, and economic diversification.

The government of Cabo Verde has established strong institutions in the digital sector, each responsible for key elements in its development. The recently established *Ministério da Economia Digital* (Ministry of Digital Economy; MED), under the *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development), is tasked with delivering the digital transformation of the public sector and growing the digital economy. Other institutions play critical roles in the structure of the market. The MED sets the policy direction for digital transformation and supports the development of the digital economy. Its agenda is supported by regulations implemented by the *Agência de Regulação Multisectorial da Economia* (Multisectoral Economy Regulatory Agency; ARME). ARME has implemented several reforms in the sector, including key actions to foster competition and reduce connectivity prices. Furthermore, well-established and successful public institutions such as the *Núcleo Operacional para a Sociedade de Informação* (National Agency for the Information Society; NOSi), *Sociedade Interbancária e Sistemas de Pagamentos* (Interbank Society and Payment Systems; SISP), and CV Telecom have been critical to the sector's development (see box 3.1). However, their dominant presence has overshadowed the private sector, highlighting areas where reform may be necessary for optimal future growth of the digital sector. For a more detailed discussion on this issue, see chapter 4.

3.2.2

Laying the Foundations for Digital Services Growth: The Role of Digital Infrastructure

Public investment in digital infrastructure has provided a foundation for Cabo Verde's digital economy. The country sits at the intersection of five international fiber-optic submarine cables, connecting Cabo Verde with Europe, South America, and the African mainland—the most recent of which came online in 2021.⁹ National interisland and inraisland rings have been established, providing improved connectivity within the country. A new eight-hectare technology park, *Parque Tecnológico Arquipélago Digital de Cabo Verde*, has also been built in Praia. This park integrates an existing data center and plans for a second on the campus, along with a disaster recovery site and cybersecurity center to be established in São Vicente. In August 2023, the government announced it had agreed to a US\$15.3 million loan from the African Development Bank to begin the second phase of construction and improvements at the park and data center, including a planned PPP to integrate renewable energy on-site.¹⁰

Recognizing the limitations of its small domestic market, the government aspires to position Cabo Verde as the technology hub of the Economic Community of West African States (ECOWAS) region. Despite facing strong competition from larger markets in the region with similar ambitions, the opening of the Cabo Verde technology park (TechPark) and adjacent free-zone is seen as a pivotal step in attracting more talent and firms to the country. This move is part of a broader strategy to develop a world-class technology ecosystem through the agglomeration of talent in this envisioned technology cluster. The government is offering attractive fiscal incentives for firms to relocate to the technology park, with many local players already expressing interest.

BOX 3.1

A Snapshot of Key Public Entities in Digital Services

NOSi

Cabo Verde's *Núcleo Operacional para a Sociedade de Informação* (National Agency for the Information Society; NOSi) is a key player in the nation's digital transformation journey. Pioneering e-government development and spearheading numerous initiatives to propel the digital agenda in the country,^a its mandate covers the (1) development and maintenance of information and communication technology infrastructure, including data centers and network infrastructure; (2) implementation and management of e-government services to digitize government administrative processes, improving service delivery and efficiency; (3) capacity building and training to enhance digital literacy and skills; (4) incubation and acceleration programs for technology startups, supporting innovation, entrepreneurship, and collaboration; and (5) promotion of digital inclusion.

With more than 20 years of experience, NOSi has become the dominant player in e-government solutions, aspiring to expand in the regional market. However, its outsized role in the domestic market raises concerns whether NOSi is crowding out the private sector. Indeed, it often receives e-government contracts directly, bypassing the market, which has helped build its considerable expertise and capacity. Leveraging these capabilities, NOSi has secured multiple contracts to implement digital solutions in other markets in recent years.

NOSi is a magnet for the nation's tech talent, boasting a workforce of over 200 skilled technicians, and has also helped create a pool of entrepreneurs that then go on to start their own private businesses. It has a highly competitive internship program, from which it recruits top talent. However, a significant number of NOSi staff then leverage the prestige of the institution to seize job and education opportunities abroad, contributing to a perceived brain drain.

SISP

The *Sociedade Interbancária e Sistemas de Pagamentos* (Infor-

mation Society and Postal Services Regulator; SISP) is pivotal in regulating digital payments and banking interoperability. SISP is tasked with (1) developing and implementing the regulatory framework for the financial technology (fintech) sector, including in the areas of competition and consumer protection; (2) licensing private fintech operators; (3) ensuring compliance with technical, legal, and operational requirements to ensure fair competition; (4) promoting transparency and accountability in the sector; and (5) protecting consumer rights, including fair pricing, quality of service, and data protection.

SISP is a public limited company, whose governance model raises concern over impartiality and conflict of interest. It is partially owned by the *Banco de Cabo Verde* (Central Bank of Cabo Verde; BCV), with the BCV holding 40 percent of its shares. The remaining shares are split among the private banks Caixa Económica de Cabo Verde, Banco Comercial do Atlântico (BCA), Estado de Cabo Verde, Banco Cabo Verdiano de Negócios, Banco Interatlântico, and CV Telecom.^b These banks represent five of the seven commercial banks operating in Cabo Verde. Notably, BCA and Caixa Económica de Cabo Verde control around two-thirds market share. In March 2023, legislation was passed allowing digital banks and online financial services under the supervision of the BCV.^c

CV Telecom

Cabo Verde's telecommunication market is open to all interested vendors, but the state-owned CV Telecom plays a dominant role in the market. Liberalization of the market saw the entry of Unitel T+. It has been credited for helping expand mobile network coverage and the consumer base. However, the prevailing duopoly has hindered the rapid deployment of LTE/4G services. In 2022, CV Telecom signed a 20-year concession to continue to solely manage the public infrastructure network, meaning any broadband and mobile provider—whether Unitel T+ or a new entrant—must request access and pay for the use of CV Telecom's network, creating an uneven playing field for investors.

Note: 4G = fourth generation; LTE = Long-Term Evolution.

a. World Bank Group 2022.

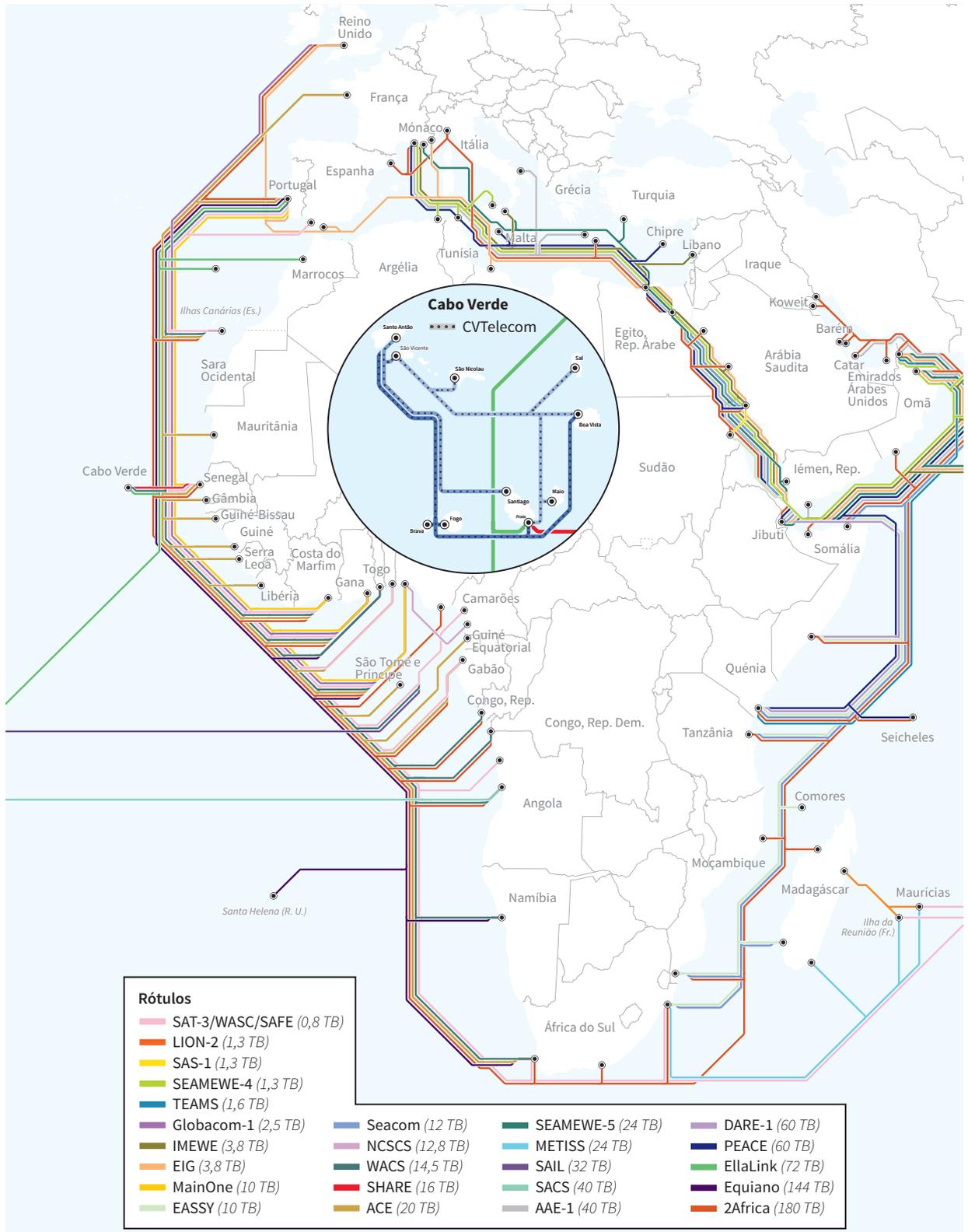
b. <https://www.sisp.cv/about.aspx>.

c. U.S. Department of State 2023.

Cabo Verde's connections to multiple submarine cables position it as a significant player in the regional market, while helping meet increasing demand for reliable, high-speed, low-latency broadband connectivity (map 3.1). The EllaLink¹¹ cable, for example, which links Brazil and Portugal via Cabo Verde, has significantly reduced redundancy in internet connectivity—a critical challenge stemming from the nation's previous reliance on the West Africa Cable System. This cable has added 40 gigabits per second (Gbps) of capacity to Cabo Verde's digital infrastructure, marking a significant milestone in the nation's quest for robust and reliable internet access. Looking forward, several future projects are under discussion. These include (1) the "Amílcar Cabral" network,¹² a bold endeavor aiming to connect subregional capitals such as Banjul, Bissau, Conakry, Dakar, Freetown, Nouakchott, and Monrovia; and (2) a connection to the Pakistan and East Africa Connecting Europe fiber-optic cable,¹³ through Mozambique and South Africa.

MAP 3.1

African Submarine Cables, 2023



Source: Adapted from Telegeography Submarine Cable Map and <https://manypossibilities.net/african-undersea-cables/>.
 Note: AAE = Asia África Europe; ACE = Africa Coast to Europe; DARE = Djibouti Africa Regional Express; EASSY = Eastern Africa Submarine System; EIG = Europe India Gateway; IMEWE = India-Middle East-Western Europe; LION = Lower Indian Ocean Network; METISS = Meltingpot Indianoceanic Submarine System; NCSCS = Nigeria Cameroon Submarine Cable System; PEACE = Pakistan and East Africa Connecting Europe; SACS = South Atlantic Cable System; SAIL = South Atlantic Inter Link; SAS = Saudi Arabia-Sudan; SAT = South Atlantic; WASC = West Africa Submarine Cable; SAFE = South Africa Far East; SEAMEWE = South East Asia-Middle East-Western Europe; SHARE = Senegal Horn of Africa Regional Express; TB = terabyte; TEAMS = The East African Marine System; WACS = West Africa Cable System.

Landing multiple submarine cables has also helped to lower prices and position the market for future growth. The recent implementation of pro-competition access policies by ARME helped drive down wholesale internet service prices in Cabo Verde. Furthermore, the government's adoption of an ECOWAS decree, which sets fair and competitive conditions for accessing landing stations, has helped reduce wholesale prices to just an eighth of their previous levels before these policy interventions. Over the next three years (2024–27), international internet bandwidth in Cabo Verde is projected to increase by 43 percent annually, which is expected to result in a sixfold increase in capacity, reaching 132 Gbps by 2027.¹⁴ A recent economic modeling exercise¹⁵ suggests that such an increase in bandwidth could lead to a drop in the price of fixed and mobile internet by 3 and 6 percentage points, respectively, beyond the historical downward trends. This improvement in affordability would not only benefit existing users but also has the potential to support the connectivity of 4,000 new mobile internet users and 150 new fixed broadband subscribers, beyond the current trend in connectivity uptake. However, connecting these new users would require a capital expenditure of US\$3.2 million in middle and last-mile broadband infrastructure, based on estimates from the International Finance Corporation.

3.3

Challenges to Growth: The Need for Continued Government Support to Strengthen Market Competitiveness

Although the government has made significant progress in recent years, continued improvements in coverage, network performance, and accessibility will further improve the competitiveness of Cabo Verdean market players. In the 2023 Network Readiness Index, Cabo Verde ranks fourth among African nations, but only 16th among lower-middle-income countries, and scores very low in several key categories.¹⁶ This signals a significant need for advancements in access to and meaningful use of technology in the market, specifically in the areas of:

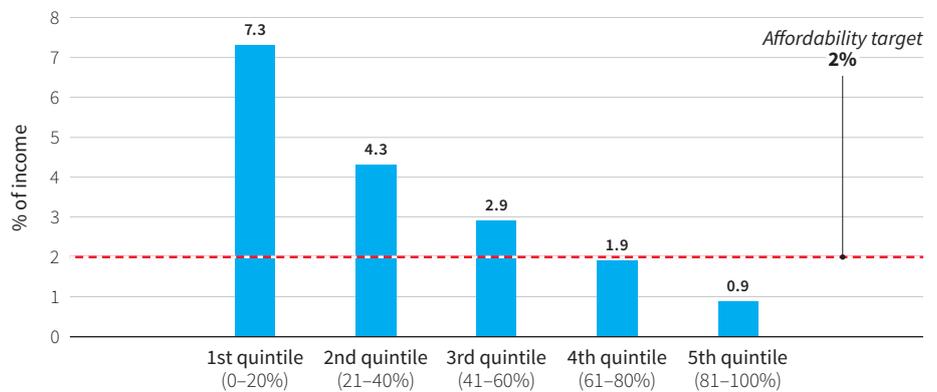
- **Affordability of data and devices.** With targeted actions focusing on low-income groups, women, and rural populations.
- **Network performance.** With adequate regulatory measures required to monitor and secure quality of service and user experience.
- **Nationwide infrastructure.** With investment needed to deliver fourth-generation (4G) equivalent coverage (which is the minimum threshold for meaningful connectivity), in addition to other performance metrics.

3.3.1

Affordability

Lack of competition in the market remains a concern, as it keeps data prices out of reach for many Cabo Verdeans. Although Cabo Verde achieved the globally recognized affordability target at the aggregate national level in 2022,¹⁷ an assessment of affordability by income quintile reveals a different story. About 60 percent of the population cannot afford mobile broadband access to 1 gigabyte of data at a cost equivalent to 2 percent or less of their monthly per capita income (figure 3.2). These consumers must spend between 3–7 percent of

FIGURE 3.2

Affordability of 1 Gigabyte of Data by Income Quintiles in Cabo Verde, 2022

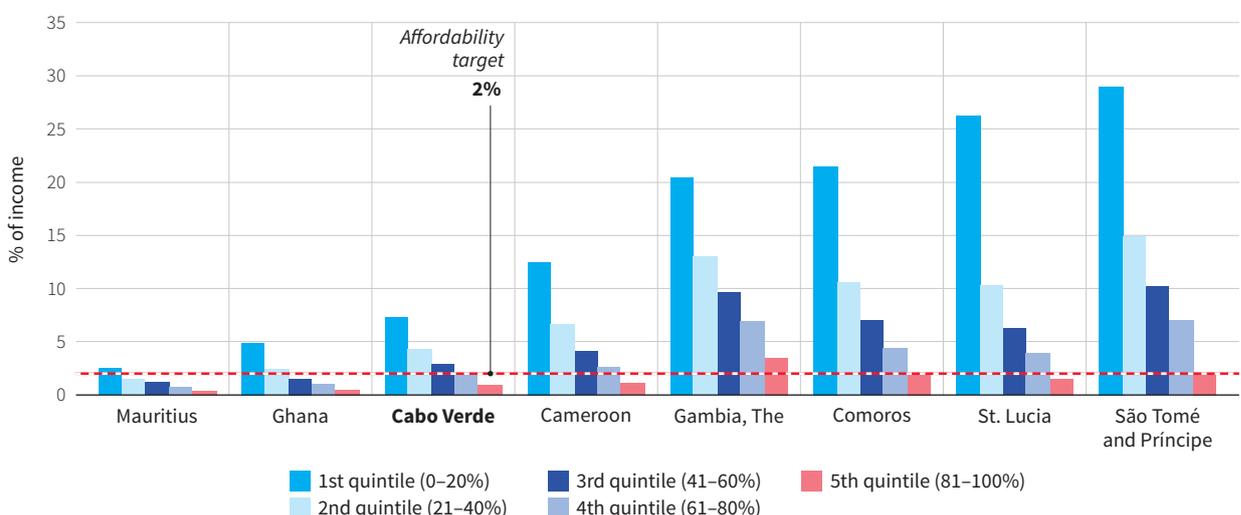
Source: GDIP forthcoming.

their monthly income to access the internet—a rate lower than most countries in the region (figure 3.3), but still far from ideal. Consequently, in addition to the 30 percent of the population with no internet access, a significant percentage of internet users¹⁸ only have sporadic internet access because of the cost of data, quality of connectivity, and availability of internet-enabled devices. Those most affected tend to be poorer, rural population groups, and especially women. Therefore, expanding the potential customer base is a critical challenge in a market already limited by its size.

3.3.2**Network Performance**

Internet users in Cabo Verde face low-quality broadband connectivity when accessing 4G services—because of a combination of factors including limited connection availability, high costs, and network unreliability.¹⁹ Such issues are a

FIGURE 3.3

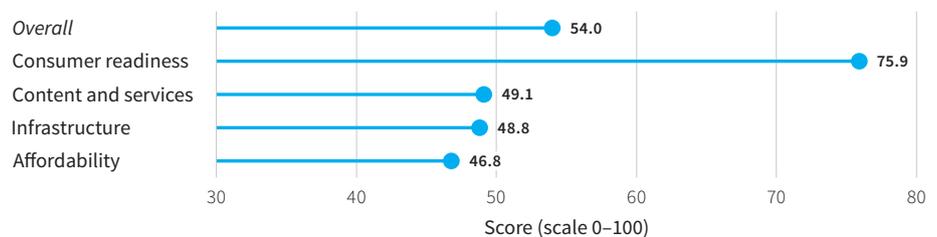
Affordability of 1 Gigabyte of Data by Income Quintiles, Cabo Verde and Peer Countries, 2022

Source: GDIP forthcoming.

concern for consumers and businesses, as they significantly impact productivity, reliability, and the provision of digital services. In the GSMA (Global System for Mobile communications Association) Mobile Connectivity Index, which assesses digital sector performance across 170 countries, Cabo Verde was evaluated against four key enablers of digital connectivity: infrastructure, affordability, consumer readiness, and content and services (figure 3.4). Despite indicating relatively high consumer readiness, Cabo Verde is far from the global frontier in the other three metrics, lagging behind peers, such as Fiji and Mauritius (figure 3.5).

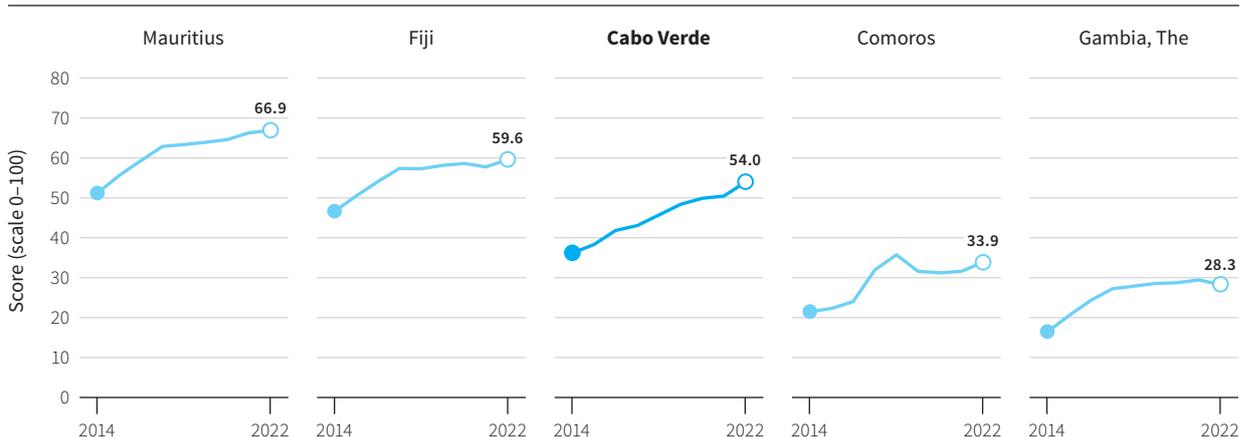
The limitations in international bandwidth and comparatively low download speeds further compound these issues. Mobile broadband in Cabo Verde offers a download speed of 13.3 megabits per second (Mbps) at a cost equivalent to 3.16 percent of the gross national income (GNI) per capita, while fixed broadband provides a speed of 16.3 Mbps for 2.59 percent of GNI per capita. These figures indicate that Cabo Verdeans are receiving comparatively low value for their money, especially for mobile internet services. For example, higher mobile broadband download speeds are available at considerably lower prices in Bhutan (35 Mbps for 1.13 percent of GNI per capita), Mauritius (30 Mbps for 0.72 percent of GNI per capita), St. Lucia (27 Mbps for 2.82 percent of GNI per capita) and Senegal (20 Mbps for 3.06 percent of GNI per capita). Such issues impact not only everyday internet users in Cabo Verde, but also merit significant attention from policy makers. As the government seeks to establish Cabo Verde

FIGURE 3.4
Cabo Verde Mobile Connectivity Index, 2022



Source: Based on data from GSMA Mobile Connectivity Index database.

FIGURE 3.5
Mobile Connectivity Index, Cabo Verde and Peer Countries, 2022



Source: Based data from GSMA Mobile Connectivity Index database.

as a digital hub and attract international firms and entrepreneurs, including digital nomads, addressing these issues will be crucial.

3.3.3

Coverage

Improving internet penetration in Cabo Verde extends beyond affordability and performance. The country faces a particularly low 4G market penetration (figure 3.6), a challenge that is even more pronounced in rural areas. Although coverage can be structurally challenging for an archipelago nation, other island countries have managed to overcome similar obstacles. For example, Mauritius and the Seychelles have already launched fifth-generation (5G) networks. In Cabo Verde, CV Telecom has expressed its interest in piloting 5G coverage on its main tourist islands, but progress has been delayed because of issues in selecting equipment providers and negotiating spectrum concessions.

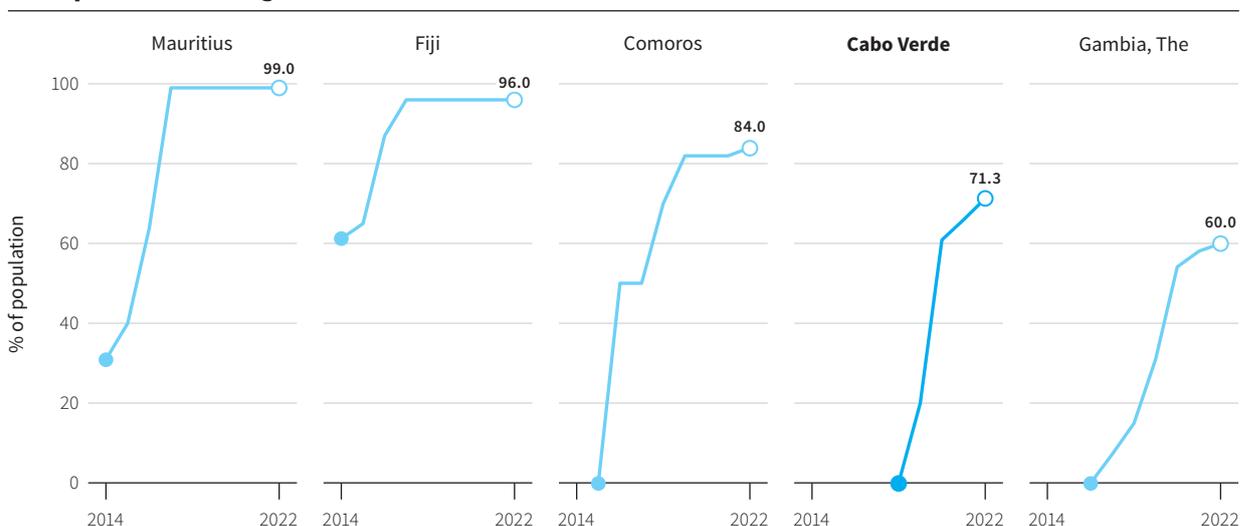
3.3.4

Digital Literacy and Skills

Cabo Verde has made notable progress in developing its technology community in recent years also, yet it still lacks a large pool of digital talent. Around 70 percent of its population possesses basic digital literacy skills, trailing behind Fiji (81 percent) and Mauritius (79 percent). The government aims to create more digital and technology-related job opportunities for the country's high number of unemployed youths. However, the educational system is not yet fully aligned with the needs and the realities of the market. Although efforts are effectively improving the visibility of Cabo Verde, a judicious reallocation of government investments is needed to strike a balance between fostering the innovation ecosystem, supporting high-potential start-ups, incentivizing investment, and equipping the workforce with the required skills for evolving market demands.

FIGURE 3.6

4G Population Coverage, Cabo Verde and Peer Countries, 2022



Source: Based on data from GSMA Mobile Connectivity Index database.
Note: 4G = fourth generation.

3.4

Opportunities for the Private Sector in the Digital Services Market

Despite its challenges, the domestic and regional markets are ripe for entrepreneurs and prospective investors to grow their businesses in the digital services market. To investors, Cabo Verde offers open and inclusive society, a vibrant culture, economic and political stability, and a strategic location at the nexus of Africa's digital connection to the world. Across the region, the country is gaining a reputation as a center of excellence for e-government services, and as a home base for digital nomads and entrepreneurs. The government aims to attract more international firms to the islands with Cabo Verde's natural beauty, sunny skies, and cultural vibrancy. Many local start-ups aim to go "born global" or at least target regional markets, centering their business plans on exploiting opportunities beyond its borders. Better connections to the international investor community in this space, increasingly facilitated by the government, will help bridge early-stage financing gaps as the ecosystem becomes more commercially and regionally competitive.

The Cabo Verdean diaspora has immense potential as a source of venture capital and investors, extending their contribution far beyond the traditional remittances that have long been vital to the country's economy. This diaspora, scattered across the globe, forms a substantial and diverse network of people who have gained knowledge, skills, and capital in various sectors. Leveraging this resource can significantly benefit Cabo Verde's economic development and technological growth. The diaspora's experience abroad can provide a global perspective on emerging trends, innovative technologies, and potential markets, enabling informed investment decisions that align with the country's economic goals. The launch of the First Cabo Verdean Diaspora Investor Guide²⁰ is a positive step in this direction. The financial capacity of the diaspora can play a pivotal role in stimulating Cabo Verde's entrepreneurial ecosystem. Beyond remittances, these individuals and groups can provide venture capital, angel investments, and mentorship to local start-ups and emerging entrepreneurs. Their readiness to invest in Cabo Verdean businesses can unlock funding opportunities essential for technology innovation, job creation, and economic diversification. By nurturing a culture of investment and collaboration, the Cabo Verdean diaspora can foster a thriving start-up environment, attracting talent, fostering innovation, and accelerating economic growth.

Transformative shifts in governance, regulation, and support mechanisms are essential to unlock growth in the digital services sector and create opportunities for private investment. Critical challenges on the demand and the supply sides include revisiting the role of critical institutions such as NOSi and SISP, promoting competition in the fintech sector by addressing regulatory barriers, investing in human capital, continuing to improve and support affordable access to meaningful connectivity,²¹ and refocusing government support for start-ups, particularly in creating equitable opportunities for women-owned and women-led businesses.²²

However, expectations must be realistic. The economy cannot solely rely on a small number of young entrepreneurs for transformation. Many start-ups will fail, but the success and scaling of a handful, and more firms adopt digital tech-

nologies in the coming years, could significantly transform the market. Cabo Verde is already an established player in e-government services, with NOSi leading the public sector and an increasing number of small firms providing similar or ancillary services. Digital financial services are nascent but could rapidly grow if the government opens up the sector by implementing more pro-business reforms. The tourism sector is also ripe for the adoption of more digital solutions to improve services. Beyond tourism, opportunities exist across various sectors where technology adoption could boost productivity. The following subsection highlights emerging market opportunities where more private investment can drive transformative advancements and sustainable growth.

3.4.1

Digital Financial Services

The financial services landscape is primed for entrepreneurial disruption, particularly through fintech innovations. In an archipelago nation like Cabo Verde, access to financial services is crucial for economic growth. Digital solutions can make these services more accessible, cost-effective, and use-friendly. Four out of five adult Cabo Verdeans have bank accounts,²³ and the nine commercial banks operating in the country are slowly introducing an increasing number of digital financial services (DFSs), backed by SISP. According to the regulator's 2022 annual report, financial transactions jumped by 19 percent, exceeding prepandemic levels.²⁴ The majority of these transactions came from point-of-sale terminals (60 percent) and automated teller machines (36 percent). The continued increase of credit and debit card users highlights a market shift towards cashless transactions. Moreover, the small percentage of digital internet banking and mobile phone-based transactions indicates significant room for growth in payment solutions.

Numerous Cabo Verdean start-ups and young entrepreneurs are developing or have already launched fintech products and platforms, many targeting the remittances sector. These ventures have often been supported by the Cabo Verde Digital program. Some products are already active in the market (box 3.2), while others are in fundraising and product testing stages. Many are focused on digital payments and digital wallets, aiming to facilitate faster, cheaper, and more secure person-to-person and cross-border transactions. Lowering remittance costs for senders and recipients and integrating financial services into user-friendly platforms have significant appeal within Cabo Verde and across the region.

Beyond remittances and payment transactions, integrated fintech solutions offer opportunities across various sectors. Commercial banks can employ these tools to

BOX 3.2

Digital Wallets

A significant opportunity in Cabo Verde is the development of digital wallets. The country boasts two competitive mobile wallet solutions: Makeba and EcoBank Pay. Makeba primarily facilitates peer-to-peer transactions, while EcoBank Pay offers a more extensive ecosystem within the EcoBank Group. Both platforms are available on iOS and Android devices and operate as closed-loop solutions. Investing in the expansion and enhancement of these digital wallets could capitalize on the growing demand for convenient and secure digital payment solutions.

improve credit-scoring and risk-pricing analysis, leading to better client understanding and potentially broader access to finance. Similar to trends in more developed markets, fintech integration and tools can be tailored to specific needs in areas such as insurance, e-commerce, and retail. Greater uptake of digital platforms, applications, and services will also help increase financial inclusion for underserved populations. As consumer behavior continues to evolve, the private sector has a crucial role in shaping a fintech ecosystem that empowers individuals and businesses.

3.4.1.1

Development Constraints

Beyond the crosscutting constraints (for example, accessibility and affordability) highlighted in the previous subsection, the following issues must be addressed for the fintech sector in Cabo Verde to flourish:

- **Legal framework and innovation-friendly regulations.** The legal framework for DFS in Cabo Verde has made significant progress but still requires alignment with global and regional standards in several areas such as:
 - *Consumer Protection.* Aligning with global standards to enhance DFS user rights and security, protecting consumers from fraud, ensuring transparent pricing, and establishing mechanisms for dispute resolution.
 - *Cybersecurity.* Strengthening cybersecurity regulations and guidelines to protect customer data and the integrity of financial systems, thereby mitigating the risks associated with cyberattacks and data breaches.
 - *Cross-border remittances.* Aligning with regional standards to reduce remittance costs, enhance transparency in foreign exchange rates, and simplify the regulatory environment for remittance service providers.
 - *Interoperability.* Implementing interoperability standards to facilitate seamless transactions between different DFS providers, to promote competition within the DFS sector, and to widen financial inclusion.
 - *Anti-money laundering and combatting the financing of terrorism.* Ensuring compliance with global regulations aimed at fighting money laundering and terrorism financing to prevent financial crimes and maintain international financial integrity.
 - *Licensing.* Creating regulatory sandboxes that allow entrepreneurs to test products without first paying standard commercial fees.
- **Human capital in the commercial financial sector.** Success in the fintech sector often hinges on acquisition by mainstream financial institutions. Therefore, these institutions need the internal expertise to understand the value of fintech solutions and how they could be integrated into their operations, whether developed in-house or to acquire from the market.
- **Technology adoption and data analytics.** Many financial institutions still rely heavily on manual data collection and review. The slow adoption of digital analytics systems and tools leads to an absence of comprehensive, disaggregated data on individual borrowers, hampering the development of credit-scoring and risk-pricing tools that could improve banks' efficiency, decision-making, and ability to expand into underserved market segments.

3.4.2

E-Government Services

Cabo Verde's reputation as a center of excellence for e-government solutions provides the opportunity to make these services central to its aim of becoming a digital hub in the region. Digitalization of public services is very much in its infancy across the region. Yet, comparatively, Cabo Verde is near the technological frontier of innovation and has more experience in adhering to international best practices for regulatory frameworks in areas such as interoperability. Cabo Verde was named a "GovTech Leader" by the World Bank in 2022, topping the GovTech Maturity Index for Sub-Saharan Africa.²⁵ NOSi and SISP, in particular, have technical skills and experience that surpass their regional comparators. Both institutions are seeking to expand their roles in the regional market, including exploring opportunities to spin off certain functions.

The government's modernization agenda also provides enticing opportunities for entrepreneurship. It has announced plans to digitize 60 percent of public services by 2026 and 80 percent by 2030. Given the relatively small size of Cabo Verde's market, the government often emerges as the primary potential client. Fueled by the imperatives of enhanced public service delivery and administrative efficiency, government contracts can act as a launching pad for indigenous innovation. Policy makers have expressed a willingness to create more space for private firms to provide digital solutions. NOSi has launched IGRPWeb, an open-source platform envisioned as a comprehensive portal for public service across governance domain. The initiative is designed to empower private developers to design new e-governance applications. Local entrepreneurs, equipped with unique insights and experience in the market, are well-positioned to meet the evolving needs of government agencies.

3.4.2.1

Development Constraints

To create a more dynamic market for e-government solutions developed by the private sector, the following constraints should be addressed:

- **Dominant presence of NOSi in the market.** The remarkable success of NOSi is linked to Cabo Verde's digital services journey. For the private sector to grow, NOSi needs to transition its role as an incubator and software developer to a catalyst and enabler of a vibrant digital services ecosystem.
- **Delays in the government's modernization agenda.** Although the government has announced ambitious strategies, implementation challenges remain because of limited capacity of some institutions and unclear mandates that cause confusion and delays.
- **Procurement requirements and restrictions.** Data privacy and security are essential to developing any e-government solution. Young entrepreneurs and start-ups may lack the necessary experience, hardware, software, or certifications to meet government requirements and to access data. Furthermore, local start-ups may simply lack the sufficient staff to take on larger projects. For local startups bidding on regional contracts, the lack of a wider reputation and track record of success can also disadvantage local start-ups bidding on regional contracts.

3.4.3

Digital Services for Businesses: How to Unlock Upgraded Digital Solutions in the Tourism Industry and the Wider Private Sector

Building on the success of its e-government segment, Cabo Verde has untapped potential for local digital service providers to cater to the technological needs of the wider economy. Industries such as fish processing, textiles, footwear, pharmaceuticals, and renewable energies can benefit, in terms of competitiveness, from adopting advanced technologies and digitalization. The country's digital ecosystem is well-positioned to serve the emerging needs of businesses given its proven track record in developing solutions for the government. This expansion will not only improve the international offerings of Cabo Verde's digital services but also stimulate economywide productivity gains from adopting upgraded technologies by firms. As highlighted in previous research by the World Bank Group (2023), the adoption of upgraded technologies in Cabo Verde presents a substantial opportunity for enhancing competitiveness and overall economic growth.

In particular, Cabo Verde's strong tourism industry provides a fertile ground for the development and deployment of digital solutions and services. There is a significant opportunity to better integrate Cabo Verde's rich culture and creative industries into the tourism offerings. Numerous entrepreneurs and start-ups are exploring opportunities to improve productivity in the sector, as well as services to elevate visitor experiences. There is significant potential in areas such as digital booking platforms, social media marketing, and real-time communication channels that connect travelers with local services, accommodations, and attractions (see chapter 1). Furthermore, by conceptualizing and developing technology-driven solutions, entrepreneurs can enhance the traveler's journey through platforms and applications that feature personalized itineraries, interactive maps, virtual tours, and immersive cultural experiences.

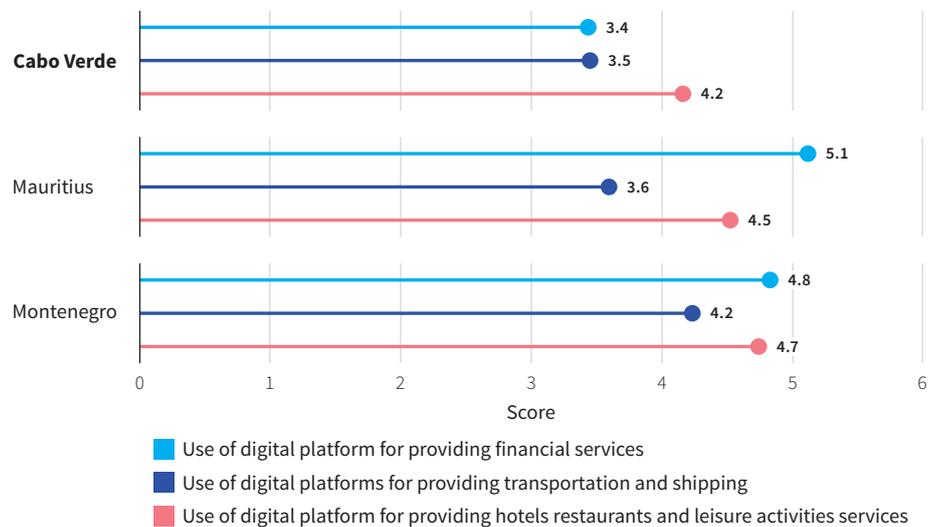
3.4.3.1

Development Constraints

The lack of competition in key input markets results in reduced affordability and accessibility of digital services.²⁶ This situation adversely affects tourism businesses, hindering their adoption of technology, limiting market access, and reducing the viability of smaller operators. In comparison to benchmark countries, tourism firms in Cabo Verde have lower usage of digital platforms (figure 3.7), with limited online availability of vacation rentals (figure 3.8). Similarly, 40 percent of tourism businesses do not offer their products on third-party platforms, while 30 percent do not offer online bookings on their own websites.²⁷ Limited digitalization increases transaction costs and reduces online accommodation service offerings, hindering local producers from entering the tourism value chain.²⁸ The low level of digitalization, including end-to-end digital transactions, presence in digital platforms, and acceptance of digital payments, prevents access to new markets and segments. The absence of digital tools for critical back-end functions like customer relationship management, inventory, finance, and accounting results in missed productivity and growth opportunities for these firms. High-value markets, which often prefer direct access, bookings, and personalized communication before and after trip, remain largely untapped.

FIGURE 3.7

Use of Digital Platforms in Tourism, Cabo Verde and Comparators



Source: WEF 2021.

Note: Scores range from 1 to 7 (best).

FIGURE 3.8

Short-Term Rental Online Listings, Cabo Verde and Comparators



Source: WEF 2021.

To encourage greater adoption and integration of digital services in the tourism sector, the following constraints must be addressed:

- **Lack of internationally recognized certification.** Multinational actors operating in the country's tourism sector must adhere to international standards. For some start-ups, meeting these certification requirements or other contractual eligibility criteria may limit opportunities.
- **Inability to scale rapidly.** As major destinations, Cabo Verde's tourism hubs attract large numbers of visitors. Scaling and maintaining digital services, particularly in terms of reliability and quality, can be a major challenge. Overcoming constraints such as limited financial resources, restricted access to funding, or difficulty in finding necessary talent in the local labor market can be daunting.
- **Risk averse micro, small, and medium enterprise (MSMEs).** For smaller businesses reliant on the tourism industry, the decision to adopt new technology or hire a digital service provider can be a fraught with difficulty. Some may be hesitant to adopt new technologies because of fears of disruption, uncertainty, or perception that digital transformation is too complex. Furthermore, many MSMEs operate on thin margins and limited savings, meaning a single bad investment could pose serious financial risk.

3.5

Recommendations

For Cabo Verde's economy to undergo transformation and technological disruption, forward-thinking strategies and a willingness to adapt government institutions and policies are essential. This includes creating new opportunities in the private sector. Continued progress in building the foundations of the digital economy is crucial—investing in infrastructure and tools to expand access, improve network performance, reduce costs, and promote digital literacy. Table 3.2 outlines actions the government can take to unlock growth and private investment in digital services.

TABLE 3.2

Policy Recommendations for Digital Services

Objective	Recommendations	Responsible entity	Time frame*
Revise and expand NOSi's role.	→ Transform NOSi's from an incubator and developer to a forward-looking role as market accelerator and supporter of a robust digital services ecosystem with many opportunities for private participation. This will require new standards and protocols for procuring e-government services. Implementing a fiscally sustainable organizational model in line with international best practices for digital government agencies is vital.	MED	Short term
Review SISP's role and remove conflicting responsibilities.	→ A thorough evaluation of SISP's governance is essential to reduce conflicts of interest and encourage innovation and competition within the financial services sector. To start, separate its regulatory and market roles and remove costly licensing and entry barriers that prevent private players from entering further segments of the fintech market. An urgent consideration is to assess the potential spinoff of its commercial operations into a new company (possibly still a state-owned enterprise).	MF in coordination with the BCV and other relevant Ministries	Short term
Improve the legal framework for digital financial services.	→ Aligning legal frameworks with regional and international standards and best practices to position the country as a leader in digital finance. This includes: <ol style="list-style-type: none"> 1. Aligning consumer protection regulations with global standards and the principles outlined in the G-20 High-Level Principles for Digital Financial Inclusion.^b 2. Creating cybersecurity regulations and guidelines for digital financial service providers. 3. Harmonizing cross-border remittance regulations with regional standards, in line with the African Union's efforts to promote remittance corridors. 4. Aligning interoperability frameworks to regional and international standards. 5. Updating legal frameworks to comply with the Financial Action Task Force's recommendations^a and regional guidelines to combat financial crimes and maintain international financial integrity. 	MF	Short term
Expand affordable and meaningful connectivity.	→ Fast-track the establishment of the Universal Service and Access Fund and explore the opportunity to leverage funds to support: <ol style="list-style-type: none"> 1. Infrastructure development for last-mile access, especially in rural and remote areas; 2. Innovative local service solutions, including content creation; and 	MF, MED in collaboration with ARME	Short term

(Table continues next page)

TABLE 3.2

Policy Recommendations for Digital Services (continued)

Objective	Recommendations	Responsible entity	Time frame*	
Elevate the technology park's appeal.	3. Digital skills programs designed with special attention to local and women-led MSMEs and marginalized population groups, offering support for business planning, financial banking tools, and entrepreneurial capacity building.			
	→ Address challenges to attract multinational corporations such as facilitating cost-effective renewable energy supply on site, certifying buildings to internationally recognized green standards, and establishing a distinct value proposition vis-à-vis the Dakar Tech Park. As the CV TechPark becomes operational and establishes itself as a center for innovation, efforts to become a regional hub should aim at attracting companies willing to hire and retain local talent at competitive salaries in Cabo Verde. More broadly, the government must also mainstream policies to boost resilience of digital infrastructure.	MED	Medium term	
	Rebalance and update government programs supporting start-ups and private players.	→ Programs such as Pró-Empresa can consider extending their focus to digital start-ups in the growth stage. Outdated rules and regulations should also be updated to align with the realities of the digital economy, such as removing the requirement for a university degree to access financing.	MED	Medium term
	Promote and increase opportunities for technology and digital services adoption across sectors, especially in tourism.	→ Implement a program designed to encourage MSMEs in the tourism sector to adopt digital services, including accommodations, restaurants, and tours. This program should incentivize investments in fundamental digital solutions like websites, social media, and integrated payment platforms. This could include innovation awards (for example, best digital solutions, best website, most effective payment platform, among others) and tax credits.	MTT in collaboration with MF	Medium term
Evaluate programs for ways to better integrate women entrepreneurs.	→ Ensure equitable opportunities for women-owned and -led technology companies. This includes equal access to finance, investments, and credit options. Targeted interventions as well dedicated funds and programs should be considered to better support women entrepreneurs across the sector.	MED	Medium term	

Note: BCV = Banco de Cabo Verde (Bank of Cabo Verde); G-20 = Group of Twenty; MED = *Ministério da Economia Digital* (Ministry of Digital Economy); MF = *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development); MSME = micro, small, and medium enterprise; MTT = *Ministério do Turismo e Transportes* (Ministry of Tourism and Transportation); NOSi = *Núcleo Operacional Para a Sociedade de Informação* (Operational Nucleus for the Information Society); SISP = *Sociedade Interbancária e Sistemas de Pagamentos* (Interbank Society and Payment Systems).

a. FATF 2023.

b. GPF 2016.

*For short term, one to two years. For medium term, three to five years.

Notes

1. WIPO (2023).
2. Based on data from World Development Indicators database.
3. StartupBlink (n.d.); <https://www.crunchbase.com/>.
4. <https://www.digital.cv/bolsa>.
5. <https://www.digital.cv/goglobal>.
6. INE (2023).
7. Kemp (2023).
8. See Cabo Verde Digital's website at <https://www.digital.cv/>.
9. EllaLink connects Brazil to Portugal and Spain, with landing points in Cabo Verde, the Canary Islands, and Mauritania. The Senegal Horn of Africa Regional Express Cable connects Cabo Verde to Senegal. The West Africa Cable System connects South Africa to the United Kingdom,

with landing points in 15 countries. Lastly, Atlantis-2 connects Europe to South America, with landing points in Argentina, Brazil, Cabo Verde, Portugal, Senegal, and Spain. For more information about these fiber-optic submarine cables, see Submarine Networks' website at <https://www.submarinenetworks.com/>.

10. Swinhoe (2023).
11. Qiu (2021).
12. World Bank Group (2022).
13. <http://www.peacecable.net/>.
14. See "Submarine Cable Map 2023," Telegeography, Washington, D.C., <https://submarine-cable-map-2023.telegeography.com>.
15. IFC (2023).
16. Portulans Institute (2023).
17. GDIP (forthcoming).
18. According to the International Telecommunication Union (ITU), an internet user is anyone who has used the internet at least once in the past three months. This outdated definition is under review for updates to better align with the new universal meaningful connectivity targets adopted by the ITU and the United Nations Tech Envoy in the context of the Global Digital Compact.
19. World Bank Group (2022); World Bank (2022).
20. Inforpress (2023).
21. Meaningful connectivity refers to having 4G-like speeds, owning a smartphone, using the internet daily, and having unrestricted access at a consistent location such as home, work, or a place of study. For more on meaningful connectivity, see the Global Digital Inclusion Partnership's dedicated page at <https://globaldigitalinclusion.org/our-work/meaningful-connectivity/>.
22. Singh and Bishnu (2021); Ongena and Popov (2015).
23. World Bank (2022).
24. SISP (2023).
25. See the GovTech Maturity Index Data Dashboard at <https://www.worldbank.org/en/data/interactive/2022/10/21/govtech-maturity-index-gtmi-data-dashboard>.
26. See chapter 4.
27. THR (2021).
28. Based on data collected from interviews and stakeholder requests in Cabo Verde, tourism operators in Sal served by the concessionaire, *Águas de Ponta Preta*, report that their operating costs are lower, approximately half, compared to those served by Electra (15 percent versus 30 to 50 percent).

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PART II

ENABLING SECTORS AND CROSSCUTTING THEMES

4

COMPETITION AND REGULATORY ENVIRONMENT

4.1

Introduction

This chapter focuses on **improving Cabo Verde’s competition landscape to attract more and productive private investment**. It highlights key avenues for promoting private entry and enhancing competition, while also assessing the business and competition environment in Cabo Verde. The assessment includes potential sources of distortions that can hinder private operation, covering three specific channels of government intervention in the economy—as a market player, regulator, enforcer. The section concludes with specific policy recommendations to enhance market functionality and ensure a more enabling business and pro-competition regulatory environment.

4.2

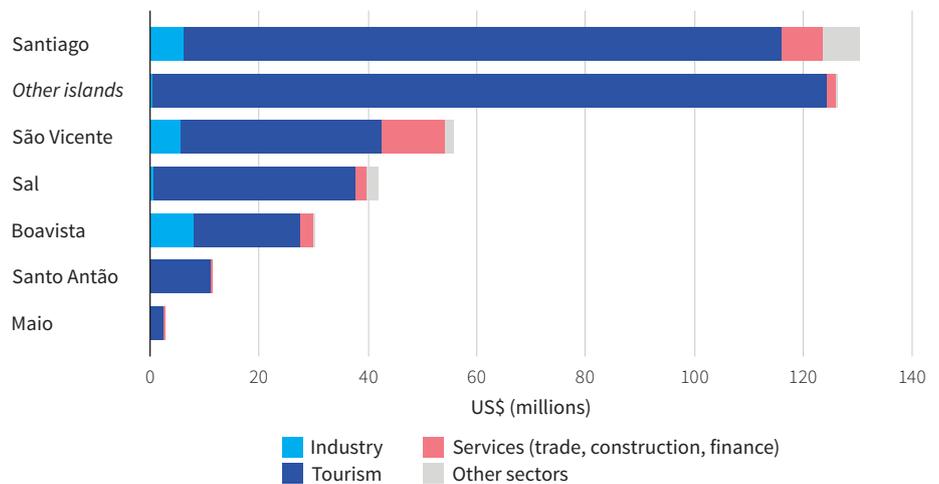
Competition Landscape

Improving competition will be critical for **enhancing international competitiveness and unleashing the potential of the private sector to promote more diversified and inclusive growth**. Businesses in Cabo Verde struggle with lower productivity and higher operational costs, hindering their ability to compete globally. Prices of key services, such as maritime freight, internet, and energy, are above regional peers, impacting their ability to offer competitively priced services internationally. Furthermore, energy and internet prices in Cabo Verde are among the highest in Sub-Saharan Africa, with businesses paying the highest electricity costs in the region¹ and mobile tariffs ranking in the top 30 percent in the region.

Despite government efforts toward economic diversification, **investments and economic activity remain highly concentrated in tourism on just three islands (figure 4.1)**. To encourage the growth of other high-potential sectors in Cabo Verde, it is crucial to open markets for private firms and foster stronger competition. This approach would help remove potential distortions that prevent the development of these sectors.

The government of Cabo Verde has made important progress in developing a competition policy framework through the implementation of the Competi-

FIGURE 4.1

FDI Net Flows Moving Average by Economic Activity and Island, 2019–22

Source: Calculations based on official data from BCV.

Note: FDI = foreign direct investment.

*Includes trade, construction, and finance.

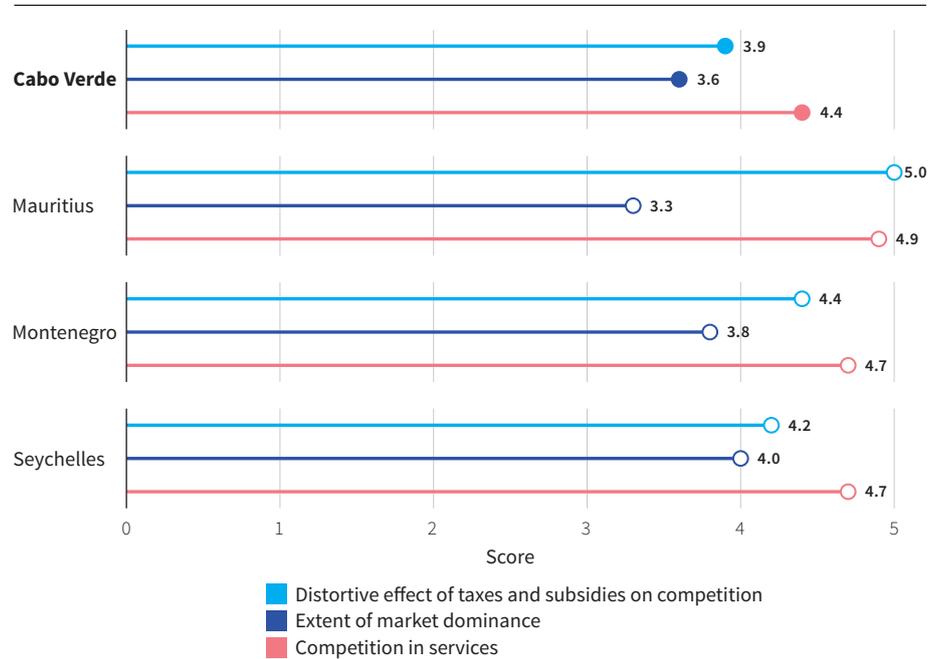
tion Act Decree-Law No. 53/2003 and the creation of the competition agency. This law is pivotal in promoting and safeguarding competition, recognizing that well-functioning markets are key to attracting private investment, protecting consumers from abuse of market power, and ensuring a level playing field. The newly formed competition agency is tasked with being a specialized and independent body responsible for protecting and monitoring markets, investigating, and sanctioning potential anticompetitive practices.

Despite these advancements, the competition environment in Cabo Verde is constrained by structural challenges because of its geography and small market size, making it more vulnerable to potential distortions that could deter private investment. As a small-island developing state, Cabo Verde faces low competition because of its geographic positioning. Similarly, the country's small market size implies a reduced customer base and might limit the potential economies of scale, potentially leading to higher production costs and reduced competition in certain industries. Consequently, Cabo Verde's markets tend to be highly concentrated with few providers, increasing the risk of anticompetitive behavior or market abuse by incumbents. Therefore, it is critical for the government to closely monitor markets and take steps to improve and protect competition, especially in sectors where multiple players can operate under market-based incentives and eliminate rules that unfairly benefit certain operators.

Evidence suggests that competition issues in Cabo Verde are deterring private entry, investment, and growth. Businesses in the country perceive a relatively weak competition environment in sectors such as professional services, retail, and network services; distortive effects of taxes and subsidies; and extent of market dominance (see figures 4.2 and 4.3). In addition, unfair competition and vested interests are among the main business risks in Cabo Verde.² Similarly, the arrival of private foreign investment has progressively declined over the last decade, dropping from an annual growth rate of over 40 percent to less than 10 percent.³

FIGURE 4.2

Global Competitiveness Index: Domestic Competition, Cabo Verde and Peer Countries, 2019

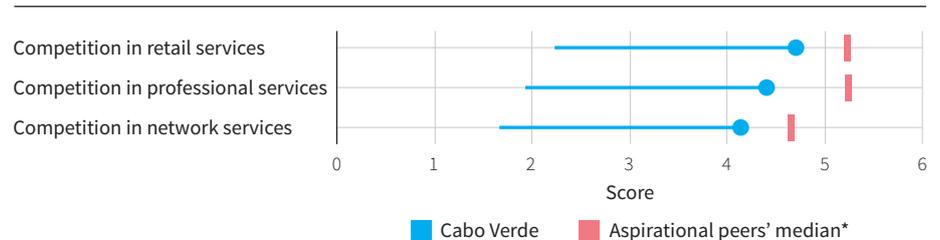


Source: WEF 2019.

Note: The index uses a scale ranging from 1 to 7 (best score).

FIGURE 4.3

Global Competitiveness Index: Competition in Services Breakdown, 2019



Source: WEF 2019.

Note: The index uses a scale ranging from 1 to 7 (best score).

*Because of data constraints, only Mauritius, Montenegro, and the Seychelles were included as aspirational peers. No data for structural peers exist.

4.3

Opportunities for Private Investment

Government roles as market player, regulator, and enforcer shape the business environment and determine market incentives for attracting private participation and investment. In Cabo Verde, the potential to attract private investment and competition in key sectors with high-growth potential such as financial technology (fintech), digital services, and tourism might be hindered by market distortions. These distortions stem from a combination of (1) the state's presence as a market player in sectors that could otherwise be open to private enterprises, (2) restrictive regulations that make it difficult for new firms to enter and operate, and (3) weak enforcement of competition and sectoral regulations aimed to discipline incumbents and protect smaller players. The following subsection ex-

plores these three critical areas to identify where Cabo Verde can unlock opportunities for private investment (table 4.1).

4.3.1

The State as a Market Player

Despite recent reforms, the state in Cabo Verde continues to have a prominent role in the market, with some rules creating an imbalance in the playing field. The government has pursued an ambitious privatization agenda, as outlined in the Privatization Law 1/2006, to create more space for private investment in sectors formerly dominated by the state through various instruments such as public-private partnership (PPPs), concessions, and divestiture measures.⁴ Some examples include the entry of Vinci Airports to manage seven of Cabo Verde's airports under a 40-year concession aimed at boosting the tourism sector in 2022,⁵ the 20-year concession granting interisland maritime cargo and passenger transportation including passenger and cargo services in 2019,⁶ and the concession for electric charging stations and solar power plants to *Águas de Ponta Preta*. However, firms with direct or indirect state participation of 10 percent or more—referred to as businesses of the state (BOSs)—continue to play a prominent role in the economy.⁷ As of 2019, the state had stakes in 33 firms, fully owning 20, holding majority in five, and having minority and mixed ownership with the private sector in eight (figure 4.4). In total, the revenues from BOSs amounted to 18 percent of the gross domestic product (figure 4.5), and they employed over 3,100 workers, representing 3.5 percent of the formal employment.⁸

BOSs in Cabo Verde are active in key sectors crucial for growth and business operations, many of which are competitive sectors that could be viable for private participation. BOSs provide essential services for businesses, including electricity production (*Empresa de Electricidade e Água* [Electricity and Water Company; Electra]), banking services (*Caixa Económica de Cabo Verde*), digital payment systems (*Sociedade Interbancária e Sistemas de Pagamentos* [Interbank

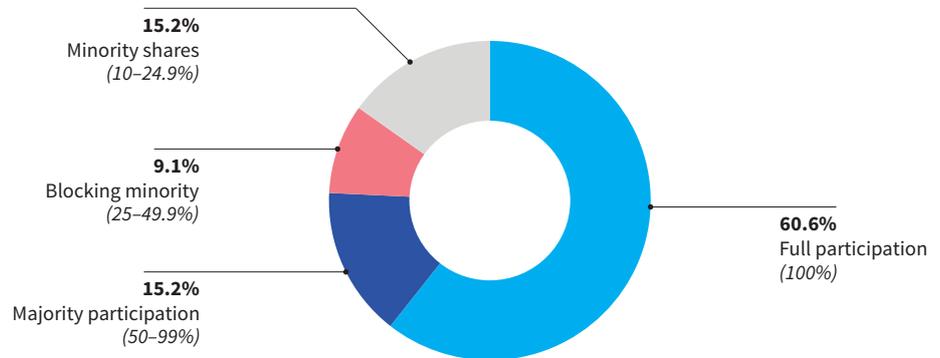
TABLE 4.1

Three Key Pillars to Enable Markets for Private Investment

MINIMIZING DISTORTIVE GOVERNMENT INTERVENTIONS		ENFORCING AND IMPROVING ANTITRUST REGULATIONS
PILLAR 1. Businesses of the state and competitive neutrality	PILLAR 2. Economywide and sectoral regulation	PILLAR 3. Market institutions and competition enforcement
Streamline the state's footprint and involvement in the markets.	Reform regulations that can reinforce market dominance or limit the number of providers such as restrictions on the number of firms, bans on private investment, and lack of access to essential facilities.	Foster capacity building, clear mandates, and independence of regulatory bodies and the competition authority.
Ensure competitive neutrality: assess the equality of conditions for state-owned enterprises and private counterparts.	Eliminate government interventions that lead to collusive outcomes, such as price controls.	Strengthen the antitrust and institutional framework to prevent and combat anticompetitive conducts (abuse of dominance, cartels).
Reform government interventions that bias competition and provide unfair advantages, including frameworks that distort the level playing field or grant excessive discretion.		Prevent mergers that could result in reduced competition.

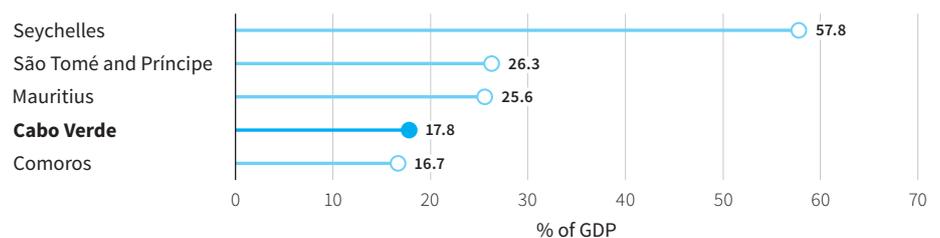
Source: Adapted from Kitzmüller and Licetti 2012.

FIGURE 4.4

Businesses of the State, by Level of State Participation, 2019

Source: Calculations based on data from World Bank Businesses of the State database.

FIGURE 4.5

Domestic Revenues of Businesses of the State in GDP, Cabo Verde and Comparator Countries, 2019

Source: Calculations based on data from World Bank Businesses of the State database.

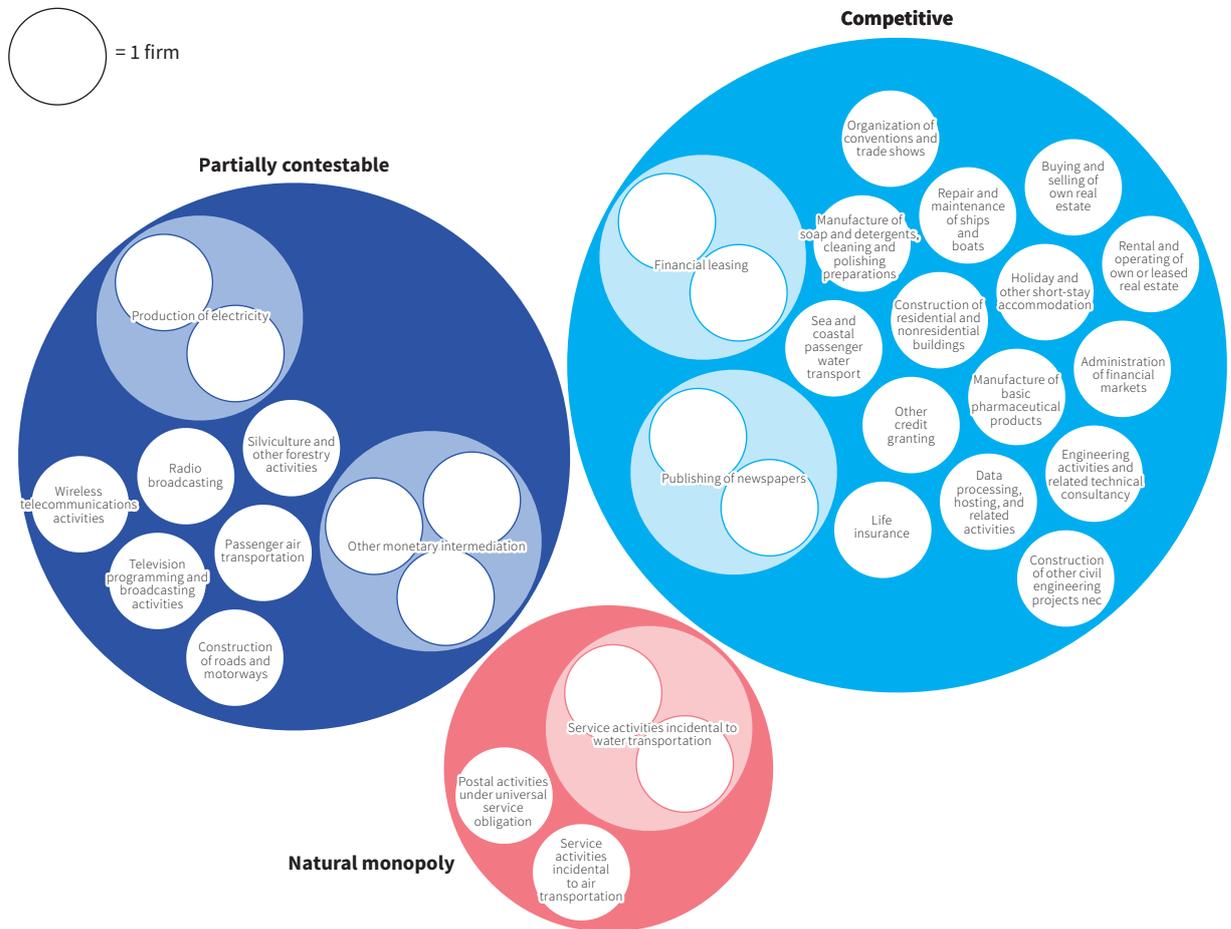
Note: GDP = gross domestic product. Comparator countries correspond to selected regional (structural and aspirational) peers covered in the database for which at least two thirds of the firms report financial information on revenues to ensure proper comparison.

Society and Payment Systems; SISP]), mobile telecommunication services (Cabo Verde Telecom [CV Telecom]), and logistics services as the port operator (*Empresa Nacional de Administração dos Portos* [National Company for Port Administration; Enapor]).

According to the proposed sector taxonomy by Dall’Olio and others (2022), markets are classified into competitive, partially contestable, and natural monopolies based on their economic characteristics, presence of market failures (for example, externalities), and the economic rationale for state ownership. Although state participation in certain sectors can be justified because of market failures and the small market size in Cabo Verde, it is notable that more than half of the firms owned by the state operate in competitive sectors. These sectors include manufacturing cleaning products, construction of residential and nonresidential buildings, data processing and hosting, and real estate—all areas that could be viable for the private sector (figure 4.6). These firms make up 15 percent of the revenue and 13 percent of the employment among BOS firms (figure 4.7).

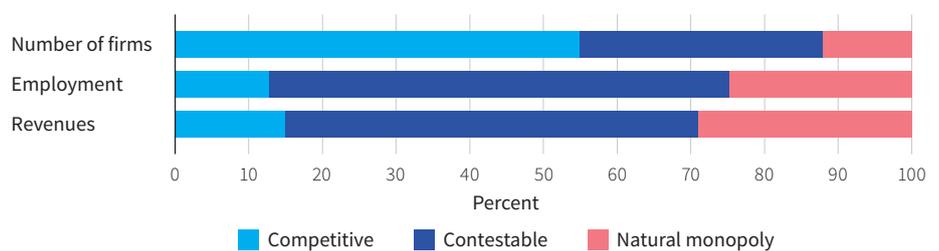
BOSs are active in monopoly and contestable sectors with strong vertical structures potentially crowding out private participation. These firms often operate in network sectors such as electricity, water, ports, and telecommunications, as

FIGURE 4.6
Number of Firms with State Participation, by Sector Type, 2019



Source: Based on World Bank Businesses of the State database and Dall'Olio and others 2022.

FIGURE 4.7
Businesses of the State, by Sector Type, 2019



Source: Based on World Bank Businesses of the State database and Dall'Olio and others 2022.

Note: nec = not elsewhere classified. Competitive sectors refer to sectors characterized by small entry barriers and sectors that can be served by the private sector. Contestable sectors are characterized by moderate entry barriers, public goods, or externalities. Natural monopoly sectors are those that exhibit high entry barriers, economies of scale, or subadditivity cost structures.

vertically integrated entities, managing infrastructure, production, and retail services. Although vertical integration can lead to certain efficiencies, it also poses important risks of displacing the private sector. For example, Electra, the state-owned electricity and water company, monopolizes energy production, transportation, and distribution across most Cabo Verde. The government is adopting a

power sector reform plan to unbundle Electra's operations and privatize its production and distribution assets.⁹ Enapor, a wholly state-owned entity, controls port infrastructure, providing services such as warehousing and handling services, storage, distribution, and managing maritime and port infrastructure. In the telecommunications sector, the state-owned company CV Telecom operates the public infrastructure network and also engages in retail services, which could potentially disadvantage competing providers by leveraging its market power.¹⁰ The government is proposing to merge CV Telecom with CV Móvel and CV Multimedia into a single operator for fixed and mobile telecommunications services, internet, and on-demand television services.¹¹

Although state participation does not necessarily lead to market distortions, it does carry important risks of deterring private entry, investment, and disrupting the competitive playing field. These risks can be minimized by ensuring equal treatment of private sector and state-owned firms and implementing measures such as separating commercial and noncommercial functions, enforcing competition and regulation, and reducing financial support to state operators (see box 4.1). Implementing these measures could lead to improved financial performance and service delivery, while also alleviating the fiscal burden caused by state-owned enterprises (SOEs).

BOX 4.1

Opportunities to Level the Playing Field Between Private and State-Owned Firms in Cabo Verde Based on Competitive Neutrality Principles

- 1. Separation of commercial and noncommercial activities.** The Public Sector Law 104/2016,^a which applies to any enterprise with state shares, does not require a systematic separation between commercial and noncommercial activities, potentially distorting the prices of key services.^b Although this law mandates comprehensive reporting on costs, revenues, and financial performance to the oversight entity (*Unidade de Acompanhamento do Setor Empresarial [UASE]*), standard costing methodologies are not consistently being followed.^c Furthermore, firms with state ownership often have dual mandates, including commercial functions and public service obligations, yet there is no clear accounting separation for their costs and revenues. This lack of distinction allows for the possibility of cross-subsidization of commercial activities with funds intended for noncommercial activities (for example, transfers), distorting cost structures and pricing mechanisms, thus hindering private sector entry and growth. This also applies for public-private partnerships and concessions. For instance, the Cabo Verde Interilhas concession for maritime transportation, which operates on a cross-subsidy basis, using revenues from dense routes to sustain nonprofitable (social) routes.^d
- 2. Requirement of commercial rates of return and risk-taking behavior of SOEs.** The government has recently adopted a methodology for assessing the health of SOEs alongside a platform for monitoring key performance indicators.^e Yet further opportunities remain to benchmark SOE performance

against private sector comparators when those are available. Public Sector Law 104/2016 does not systematically require SOEs to achieve commercial rates of return or a positive net present value on their investments. This leads to riskier behavior and the potential for operating at a loss for longer periods compared to private peers. As of 2017, insolvent SOEs cost the government close to 2 percent of gross domestic product (GDP) per year in the 2017–19 budget.^f Performance-based management contracts between the government and SOE boards, although containing revenue and cost targets aligned with government sectoral policy, do not always align with market realities.^g As of 2022, most SOEs were at high or very high risks of insolvency and profitability.^h Finally, the lack of penalties for failing to deliver key services or departing from the management contracts (although their financial compensation is linked to the degree of service delivery at the end of each year) exacerbates this issue.ⁱ

- 3. Financial support and market distortion.** Despite the competition law prohibiting state aid that causes market distortions, SOEs in Cabo Verde occasionally receive public funds through capitalizations and on-lending operations.^j Although not benefiting from preferential interest rates, a large share of SOE debt is state-guaranteed. The government provides loans to cover operational costs (for example, salaries at the state airline Transportes Aéreos Cabo Verde),^k extends repayment periods for state-guaranteed loans and contracted with state-owned banks,^l or grants debt forbearance.^m As of 2017, explicit

(Box continues next page)

BOX 4.1

Opportunities to Level the Playing Field Between Private and State-Owned Firms in Cabo Verde Based on Competitive Neutrality Principles *(continued)*

guaranteesⁿ for SOE commercial loans equaled 7.4 percent of GDP, up from 6.3 percent in 2016.^o The accumulated debt of the three largest SOEs reached 32 percent of GDP in 2017 primarily linked to loans contracted by Electra, the *Imobiliária, Fundiária e Habitat* (Real Estate and Housing Fund), and the *Transportes Aéreos de Cabo Verde* (national carrier). This support puts important pressures on the public budget, and creates an unlevel playing field, particularly as private firms may not receive similar subsidies or financial aid, even when operating in the same market. Nonetheless, UASE is improving the disclosure of financial information to improve transparency and monitoring on debt and performance of SOEs.

- 4. Enforcement of market rules.** Although most SOEs are subject to similar rules as private firms under the commercial code,^p competition law,^q corporate tax, and procurement law, enforcement seems rather limited. SOEs, unless created by leg-

islative act,^r are generally incorporated according to the same procedures as private enterprises and overseen by the *Agência de Regulação Multissetorial da Economia* (Multisectoral Economy Regulatory Agency). According to the Public Sector Law 104/2016 and the Corporate Tax Code 82/2015,^s SOEs are subject to profit, income, and sales tax in the same manner as private enterprises, with no particular tax exemptions.^t However, a complex system of corporate income tax expenditures applies to various sectors in which SOEs are present (for example, finance, construction), and extensive value-added tax exemptions apply to particular regulated goods, including energy, water, fuel, and communication.^u Despite reforms and the role of the UASE, further opportunities exist to strengthen the enforcement of market rules to boost private entry and prevent market power abuse by state incumbents.

Source: World Bank Global Markets, Competition and Technology Unit analysis based on regulatory framework.

- a. Decree Law No. 104/VIII/2016 establishes the principles and rules applicable to the public sector ("Public Sector Law No. 104/2016").
- b. Key reforms include the consolidation of business registration, expansion of services covered under the *Empresa no Dia*, and time caps for certain procedures (World Bank Group 2020).
- c. The annual financial statements of SOEs are published in the UASE website and an integrated report is prepared for the status of the financial situation of the state-owned firms by UASE under the *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development).
- d. World Bank Group 2022.
- e. The platform State-Owned Enterprises Business Intelligence and Data Analytics manager is publicly available at <https://www.mf.gov.cv/soemanager/index.html>.
- f. World Bank 2017.
- g. Public Sector Law No. 104/2016 article 57.
- h. UASE 2022.
- i. For instance, in 2015, Electra signed a performance agreement with the government, setting operational and financial targets. However, Electra has not been able to meet these commercial targets, and the government has not enforced penalties for this noncompliance (World Bank Group 2018).
- j. World Bank 2019: 14 and 52. Decree Law No. 53/2003 article 11, revising Decree Law No. 2/99, which governs competition law, establishes that "Aid granted to enterprises must not significantly restrict or affect market competition." However, without an effective subsidy design and control framework, the enforcement of this provision is unclear. The draft reform to the competition law broadly maintains this provision, with minimal extension or elaboration.
- k. Government financing is primarily through credit guarantees, governed by Decree 42/2018. Article 2 of this decree stipulates that guarantees are provided to support the economy and adhere to principles of equality and competitiveness. Article 4 states that guarantee ceilings and limits are set by parliament in the state budget, with the current limit at CVEsc 11,500 billion (US\$101,500), divided between US\$70,800 for SOEs and US\$30,700 for the private sector. In 2022, for instance, the state airline *Transportes Aéreos de Cabo Verde* (TACV) (renationalized in 2021), received a government guarantee for a loan of €1.5 million to cover emergency needs, including payment of salaries.
- l. In February 2023, the government authorized one-year extension for the repayment of two loans contracted by TACV with state guarantees from *Caixa Económica de Cabo Verde*, another state-owned entity (Inforpress 2023).
- m. According to TACV's 2020 annual financial statement, the national flag carrier was exempted from repaying a debt and loan with *Caixa Económica de Cabo Verde*, another state-owned entity.
- n. Government guarantees for loans, credit and financial operations are regulated by Decree No. 07/2018.
- o. World Bank 2018: Annex 4.
- p. Decree Law No. 47/VII/2009 articles 10 and 44; Public Sector Law No. 104/2016.
- q. Public Sector Law No. 104/2016 article 11. See also Competition Law No. 53/2003 article 1.1, which extends the application of the competition law to all economic activities including in the public sector.
- r. Public Sector Law No. 104/2016 article 5.
- s. Decree Law No. 82/VIII/2015 New Corporate Tax Code.
- t. See Public Sector Law No. 104/2016 article 10 (4); Corporate Tax Code articles 2 and 4.
- u. World Bank 2019.

4.3.2

The State as a Regulator

4.3.2.1

Several Market Rules Limit Private Entry and Foreign Participation

Although Cabo Verde has effectively implemented a series of reforms to foster competition by enabling private entry and market expansion, some existing market regulations still hinder the ability of private investors to enter and provide essential services at more competitive prices. The government strategy has effectively

simplified the procedures for business registration, as evidenced by the reforms in the Commercial Registry Code (2020),¹² the program “company in a day” (2008), the development of the one-stop shop *Casa do Cidadão* (2007), and the implementation of e-signature, which have reduced business registration time from 15 days to less than one. Additionally, the government is implementing a strong digitalization program for managing custom procedures in a single window. Although further enhancements, such as implementation of electronic payments as well as improving service continuity, are still needed, exporters and importers have benefited from this digital single window for processing their requests in a more efficient manner.¹³ Furthermore, to stimulate business activity, Cabo Verde has eliminated double taxation¹⁴ and waived tax installment payments for taxpayers who either reported losses or began their business activity in the previous year.^{15 and 16}

Nonetheless, burdensome and discretionary procedures for obtaining and renewing operating licenses, as well as some restrictions on foreign participation, hinder the entry of new firms in Cabo Verde. There is some opportunity for improvement in some islands by streamlining and aligning the requirements between *Casa do Cidadão*, municipalities, and licensing agencies.¹⁷ Although the requirements for operating licenses are specified in the law and information is available online, there is no predictability about the timeline and expected response from authorities.¹⁸ For instance, maritime cargo operators can submit their interest and business plans to the *Ministério do Mar* (Ministry of the Sea), but there is no standardized protocol or timeline for obtaining a final decision. Furthermore, the lack of a risk-based licensing system imposes a high burden on low-risk sectors such as tourism, which face the same protocols and requirements as high-risk activities.¹⁹ The tourism sector, in particular, faces challenges because of the multiplicity of agencies involved, complexity of processes, and limited awareness, making entry more complicated. Although no economic activity is entirely closed to private investment, there are caps on foreign and private ownership in some sectors,²⁰ including a 49 percent limit on foreign participation in fisheries and a requirement of at least 25 percent Cabo Verdean ownership in interisland maritime transportation.²¹

4.3.2.2

Some Regulations Increase the Operating Costs for Private Competitors

4.3.2.2.1

Price Controls

In Cabo Verde, government pricing control in several sectors that could benefit from competition is hindering market incentives for private participation and better service delivery. For example, prices for domestic shipping services have remained unchanged since 2006.²² The state concessionaire (*Cabo Verde Interilhas* [CVI]), is bound by a national tariff ceiling, whereas the two nonconcessionaire operators are free to set their prices competitively.²³ As a result, CVI, without competitive market pressure, has little incentive to enhance service quality, expand routes, or increase revenues, as it operates with fixed prices and receives state compensation in case of a deficit. Similarly, domestic air transportation prices are set by the *Agência de Aviação Civil* (Civil Aviation Authority; AAC) and are determined per route and market segment, regardless of direction (inbound or outbound) or season.²⁴ The tariffs are segmented into four categories and include conditions for fundamentally indirect routes (11 routes) are also included, offering reduced prices for passengers requiring interisland connections

(with layover up to five days), averaging 40 percent cheaper than direct routes.²⁵ However, these price caps and tariff-setting restrictions have adverse effects on private operators. They constrain the viability and profitability of their investments and limit incentives to open new routes or increase flight frequency, triggering significant losses and market exit.²⁶

4.3.2.2.2

Regulations on Infrastructure Sharing

Private investors in Cabo Verde face limitations to accessing key infrastructure, predominantly controlled by state-owned incumbents, limiting entry into competitive market segments. The two main competition issues with infrastructure sharing include, firstly, state-owned incumbents managing core infrastructure assets while also providing access to private operators with whom they compete in retail services. Secondly, the rules mandate private competitors to negotiate on a case-by-case basis, which is a problem given the imbalances in bargaining power between state incumbents and private competitors. Ensuring proper competition safeguards is essential for balancing the bargaining power between private operators and state incumbents.

In the energy sector, the interconnection rules hinder private producers from connecting to the grid, which could lower prices and promote a more diversified energy mix in Cabo Verde. Further investments in renewable energy sources could potentially reduce electricity costs and diversify Cabo Verde's energy mix (see chapter 6). However, this requires improving conditions for private producers.²⁷ Although the law requires electricity transportation concessionaries to grant access to their networks, private producers must negotiate annual contracts with Electra, which controls grid access.²⁸ Establishing clear rules on access could foster entry of private investors and provide better conditions to negotiate these contracts under a level playing field. This will be essential to increase energy independence, investments in renewable sources, and reduce exposure to petroleum prices and associated fiscal costs.

For telecommunication services, private investors face the lack of guarantees to access essential infrastructure to compete under a level playing field. In 2019, the *Agência de Regulação Multisectorial da Economia* (Multisectoral Economy Regulatory Agency; ARME) enacted a critical regulation allowing private operators access to essential infrastructure to reduce the costs of capital, reduce barriers to entry, and increase competition. Yet, this was suspended in 2020 and remains so as of 2023, leaving private investors without guarantees for accessing essential infrastructure controlled by state-owned operators.²⁹ Private operators filed a lawsuit against the state operator to obtain access, but it has not been resolved.

Similarly, in the financial sector, the state controls essential infrastructure. The SISF, majority owned by the state,³⁰ operates as a de facto monopoly, managing several financial market infrastructures including card switch systems, automated clearing house services, check clearing chambers, and the Swift service bureau. To foster the development of fintech services in Cabo Verde, it is crucial to establish rules that allow private entry and competition in some of these segments.

Improving private access to essential infrastructure can cut Cabo Verde's high electricity and internet costs, thereby enhancing competitiveness and technological adoption. High energy and internet prices are identified as two main obsta-

cles by firms in Cabo Verde, affecting operational costs of relevant sectors including hotels and accommodation services and hinder adoption of technology by businesses.³¹ As of January 2023, electricity prices in Cabo Verde were among the highest in Africa, adversely impacting the operational costs of relevant sectors in Cabo Verde, including hotels and accommodation services. Additionally, the cost of internet services in the country is among the most expensive in the region, coupled with lower broadband speeds vis-à-vis comparator peers.

4.3.2.3

Some Measures Create an Uneven Playing Field for Domestic and Foreign Firms

Limited competitive neutrality in public tenders limits the ability of private operators to compete based on merits. Although the procurement law establishes the requisites and conditions for competitive tenders between private and public providers, recent contract allocations highlight potential opportunities to enhance market competition through competitive tenders and bids. This would attract a broader range of stakeholders and grant the rights to the most suitable provider, considering factors in terms of capacity, investment plans, and service delivery. The government has also implemented a digital portal to improve transparency and foster participation of market players in public procurement processes.³² However, in some cases, under article 39 of the Public Procurement Law, SOEs can benefit from single-source contract allocation when they hold legal exclusivity rights to provide certain goods or services,³³ as seen in recent contracts for communication technology services to state institutions.

Competition in international air transportation and connectivity remains constrained by burdensome requirements for foreign air carriers, despite several bilateral open sky agreements. Cabo Verde has bilateral air service agreements with the United States, a horizontal agreement with the European Union (EU), and 60 bilateral agreements with countries across Africa, Europe, and the Americas.³⁴ and ³⁵ Further liberalization and implementation of regional agreements, such as the Single African Air Transport Market, which aims to establish a unified air transportation market, could promote aviation liberalization and foster economic integration across Africa, but implementation by some states is pending.³⁶ The requirements for foreign carriers might discourage private operators from connecting with neighboring countries, potentially leading to less frequent flights, higher fares, and reduced intra-regional passengers and cargo capacity,³⁷ thus increasing travel times and costs for travelers. Similarly, requirements such as displaying a Cabo Verdean registration mark on aircrafts operating in the country³⁸ limit the ability of foreign carriers to service international routes and maximize interconnectivity with other routes (for example, European connections require an EU registration). This also impacts the crew mobility, which could otherwise help reduce costs and enable coverage of longer routes in Cabo Verde.³⁹

4.3.2.4

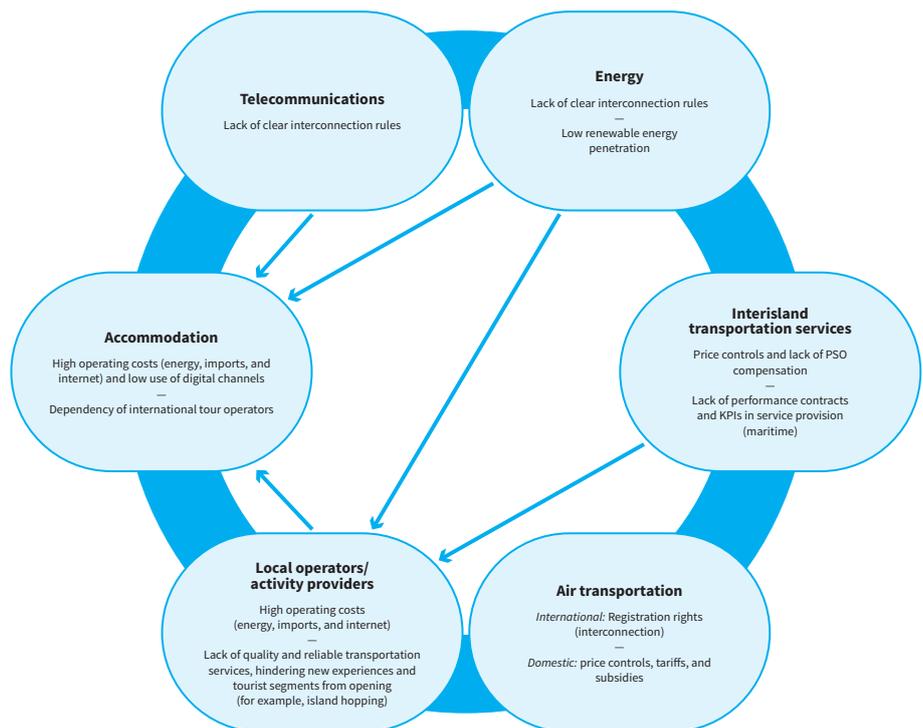
Competitive Dynamics and Their Impact on Cabo Verde's Tourism Development

Competition-related challenges within key enabling sectors of Cabo Verde present a substantial challenge to offering more competitive tourism services and fos-

tering diversification in the country. This case study illustrates how market distortions and restrictions in key sectors can hinder the potential for tourism in Cabo Verde. Although there are no specific constraints for entry and operation in accommodation or ground tour operator services, existing challenges in key enabling sectors present challenges to Cabo Verde’s efforts to expand beyond its all-inclusive model and traditional source markets. Figure 4.8 summarizes the main issues related to tourism-related services.

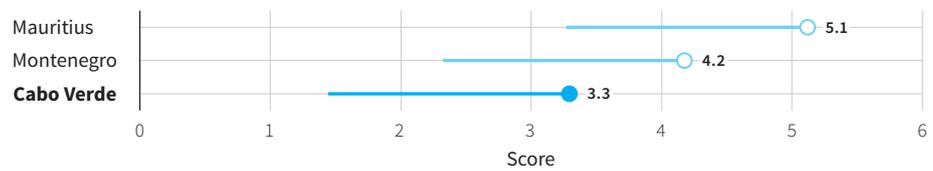
Restrictive regulations in air and maritime transportation decrease Cabo Verde’s potential to diversify its tourism offerings (figures 4.9 and 4.10). The country’s international connectivity, primarily focused on Sal, Boa Vista, and Santiago, with limited domestic interisland connectivity, is diminishing its appeal for tourists interested in self-planned visits or emerging market trends such as island-hopping and excursions. Some binding constraints for further international connectivity include requirements for domestic registration marks on airplanes, which hinder foreign airlines from optimizing interconnectivity and reduce costs. In the domestic market, price controls discourage the entry of operators, even on potentially profitable routes where private competition is viable. These regulatory challenges collectively create slower and more expensive transportation services compared to those in similar countries, acting as a bottleneck for the independent movement of tourists, which is critical for self-planned and domestic tourism and for expanding the industry to islands outside Sal and Boa Vista.⁴⁰ The unreliability of the maritime cargo transportation system also affects the supply of perish-

FIGURE 4.8
The Impact of Key Competition Issues in Cabo Verde on the Tourism Sector and Its Enablers



Source: Authors.
 Note: KPI = key performance indicator; PSO = public service obligation.

FIGURE 4.9

Efficiency of Air Transportation Services, Cabo Verde and Comparators, 2021

Source: WEF 2021.
Note: Scores range from 1 to 7 (best).

FIGURE 4.10

Efficiency of Maritime Services, Cabo Verde and Comparators, 2021

Source: WEF 2021.
Note: Scores range from 1 to 7 (best).

able from other islands. However, there are opportunities to enhance interisland connectivity with the introduction of Decree Law No. 5/2023, which allows for concessions to be granted to one or several airlines for operating domestic scheduled air transportation on specific routes, sets of routes, or all national routes.

Cabo Verde's small market size and constrained air transportation access have contributed to a low presence of international airlines, a gap filled by charter airlines and international tour operators (ITOs). The limited international connectivity to only four islands—Sal, Boa Vista, São Vicente, and Santiago—and low interisland connectivity have resulted in limited diversification in tourism offerings and related demand. The development of accommodations has been focused on Sal and Boa Vista, representing around 75 percent of all available rooms, and heavily relies on ITOs, charter flights, and all-inclusive packages. The primary market comprises medium-haul Western European tourists, most of whom visit only one of the two islands.

This market structure risks market foreclosure because of high concentration and vertical integration. For instance, one ITO controls about 47 percent of the market in Cabo Verde, rising to 52 percent in Sal and 83 percent in Boa Vista.⁴¹ ITOs offer seat-only and package options on their airlines, as well packages that include flights through third-party regular and charter airlines, likely increasing their overall share of tourists. They also offer accommodation services through various hotels, with affiliated and independent hotels in Cabo Verde generating 98 and 80 percent of their business from ITOs, respectively.⁴² Although vertical integration could lead to efficiencies and potentially lower prices for customers, it also poses the risk of market domination by a few key players, significantly gaining control over a segment of the tourism market. This dominance could potentially hamper the ability of other firms, particularly independent accommodation providers or other ITOs, to access key inputs (like airplane seats) from an alternative provider because of a lack of sufficient alternatives.

4.3.3

The State as Market Referee

Strengthening the competition regulatory framework and building institutional capacity are crucial for deterring and penalizing anticompetitive behaviors. The Competition Law 53/2003, covering public and private economic activities, has been an important advancement, though a few regulatory gaps persist. The law allows the government to exempt certain sectors or anticompetitive practices from the law and enact special legislation with potential anticompetitive effects. The law also exempts merger notifications that can prevent concentration and abuse of market power (ex-ante) in credit, para-banking, and insurance.⁴³ Additionally, although the competition law prevents state aid impacting competition, this does not apply to state-approved programs.⁴⁴ Other limitations include the absence of a leniency program, low sanctions and resolution for market dominance, and relatively low fines that fail to act as a deterrent against anticompetitive behavior.⁴⁵ Finally, the law's approach to market dominance, based on individual or collective market share thresholds, does not align with international best practices and may not be adequate for Cabo Verde's small and prone-to-concentration economy.⁴⁶ Some of these areas were incorporated in the draft reform in 2020, but it has not been approved.⁴⁷

In addition, the *Autoridade da Concorrência* (Competition Authority; AdC) has yet to become fully operational, partly due to its recent establishment and challenging ramp-up of its access to human and budgetary resources. Created as a separate entity in 2022 by absorbing functions from the *Direcção Geral da Indústria* (General Directorate of Trade) under the *Ministério da Indústria, Comércio e Energia* (Ministry of Trade, Industry, and Energy), the AdC was intended to foster market surveillance. Although Law No. 21/2022 established a 120-day transition period, as of August 2023, the agency has only established its managerial board, with its budget and business plan still pending approval from the *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development; MF). Consequently, the AdC has been unable to start full operations or secure the human, technical, and capital resources needed for effective surveillance of markets.⁴⁸ The AdC faces recruitment and training challenges, the establishment of operational prerequisites, and the formulation of internal policies. Moreover, budget constraints further hinder critical operations including competition advocacy strategies, updating the competition regulatory framework, and initiating investigations and sanctions. The AdC's ability to fulfill its mandate and address complaints, particularly in sectors like pharmaceuticals and tourism, relies on international support, with its future effectiveness remaining uncertain.

Furthermore, the institutional structure and limited coordination between agencies in Cabo Verde lead to overlapping responsibilities and weakened enforcement at the sector level. Separate regulatory agencies in charge of designing and enforcing technical and economic regulation in key sectors: ARME supervises digital services, energy, and water; the *Instituto Marítimo Portuário* (Maritime Port Institute; IMP) oversees fishing, port operations, and maritime transportation; and the AAC determines the rules in the aviation sector. Nonetheless, this lack of coordination among regulatory agencies with competition and regulatory mandates translate into overlapping functions that undermine effective enforcement of established rules. In maritime transportation, although the *Ministério do*

Mar (Ministry of the Sea; MM) approves the potential entry of maritime freight providers, the management of interisland maritime concessions involves the PPP oversight unit (*Unidade de Acompanhamento do Setor Empresarial* [UASE], under the MF), the MM, and the IMP. In the tourism sector, private entities highlight the overlapping roles of multiple government agencies, having to navigate procedures requiring multiple public agencies, including the *Ministério do Turismo e Transportes* (Ministry of Tourism and Transportation; MTT), *Instituto do Turismo* (Tourism Institute), *Câmara de Turismo* (Tourism Chamber), and the municipalities, creates confusion and delays.⁴⁹

4.4

Recommendations

Cabo Verde has significant opportunities to attract more and productive investments by enabling entry of the private sector, enhancing the regulatory environment for equitable competition, and strengthening institutional capacities for effective enforcement. Key policy recommendations to remove the most binding constraints facing private investors include:

- **Rationalizing state participation in competitive sectors.** Reducing the state's role as a market player in sectors viable for private enterprises is crucial. This requires unbundling services that are vertically integrated and opening market segments for private participation through PPPs and divestiture measures. Implementing the subsidiarity principle, where the state focuses on areas with unmet demands that private firms cannot fulfill, can help prioritize areas where state ownership is deemed necessary vis-à-vis areas suitable for private firm. For instance, sectors like electricity production or data services could be competitive areas for private operators, whereas functions that are deemed inviable for private provision could remain under government ownership.
- **Reforming the regulatory framework.** It is crucial to revise the regulatory framework to foster a more balanced playing field between state operators and private competitors—new entrants and incumbents—by enhancing competitive neutrality, which includes separating commercial and noncommercial functions, requiring market-based returns, and providing competition guarantees for infrastructure sharing in the telecommunications, energy, and financial services sectors. Moreover, the framework should aim to limit the use of price controls in sectors where competitive service provision is feasible, while exploring alternative mechanisms, such as demand subsidies, to cover public service obligations. This could involve subsidies targeted at social routes or vulnerable populations.
- **Enhancing institutional capacity.** Strengthening the capability of the AdC and sector regulators is essential to regulate incumbents and ensure investors can operate under a level playing field in Cabo Verde. This requires better coordination among sector regulators and a clear separation of functions and mandates. Key reforms should target the competition law framework to remove limitations and exemptions, ensure the AdC has adequate human and economic resources and operates independently, and establish coordination mechanisms to avoid overlapping mandates among sector regulators, the AdC, and ministries.

Table 4.2 outlines actions the government can take for promoting private entry and enhancing competition.

TABLE 4.2

Policy Recommendations for Competition and Regulatory Environment

Objective	Recommendations	Responsible entity	Time frame*
Rationalize state participation as a market player in competitive sectors viable for private enterprises.	Enhancing competitive neutrality: → Level the playing field between public and private operators. – Clearly delineate what constitutes commercial and noncommercial (public service obligations) activities for state-owned firms. – Implement distinct accounting mechanisms or structural separation to clearly identify costs and revenues associated with commercial and noncommercial activities, thereby preventing cross subsidization of activities. – Establish a market-based benchmark rate of return and net present value for the investments of state-owned firms, building on the improved disclosure and monitoring of financial information implemented by UASE.	MF, UASE	Short term
	→ Develop methodologies to evaluate impact of new or existing SOEs. – Conduct subsidiarity analyses to assess the economic rationale of new or existing SOEs. – Evaluate SOEs operating in competitive sectors and explore opportunities to attract private investment through public-private partnerships, partial, or full divestiture.	UASE, AdC	Short term
	→ Develop a comprehensive inventory of state-aid granted to public and private operators across sectors and incorporate principles of competitive neutrality to address and mitigate any preferential support that disproportionately benefit specific market players.	UASE, AdC, ARME	Medium term
Reform the regulatory framework to foster a more balanced playing field between state-operators and private competitors—new entrants and incumbents.	→ Promoting access in network and other industries: – <i>Electricity and telecommunications.</i> Review interconnection rules and implement competition safeguards during sector unbundling to ensure balanced bargaining power and access to essential facilities such as fiber network and electricity grid, once unbundling is complete.	ARME, AdC	Short term
	– <i>Air transportation.</i> Assess and modify requirements and restrictions affecting foreign operators.	AAC, AdC	Short term
	– <i>Tourism (accommodation and ground tour operators).</i> Establish a licensing system based on risk assessment.	AIA	Medium term
	→ Limiting price controls to avoid market distortions and attract investment: – Review the effects of price controls in air and maritime transportation, particularly for passenger and cargo services, and consider liberalizing domestic fares, while exploring alternatives to compensate for social routes.	UASE, AAC, AdC	Short term
	– Reconsider the need for price controls in key enabling sectors and explore alternatives that provide companies with greater flexibility to adapt their offerings based on actual demand and operating costs.	UASE, AAC, AdC	Short term
	– Explore options that reduce price distortions while maintaining public service obligations, such as demand subsidies and compensation for social routes that do not deter viable competition.	UASE, AAC, AdC	Medium term
Enhance institutional capacity to prevent and penalize anticompetitive behaviors.	→ Establishing an effective institutional framework for competition enforcement and advocacy: – Reform the competition law framework to remove existing limitations and exemptions.	MF, AdC	Medium term
	– Ensure the <i>Autoridade da Concorrência</i> (Competition Authority) has adequate human and economic resources and maintain its operational independence.	MF, AdC, ARME	Short term

(Table continues next page)

TABLE 4.2

Policy Recommendations for Competition and Regulatory Environment (continued)

Objective	Recommendations	Responsible entity	Time frame*
	– Establish coordination mechanisms to avoid overlapping mandates among sectoral regulators.	MF, AdC	Short term

Note: AAC= *Agência de Aviação Civil* (Civil Aviation Authority); AdC = *Autoridade da Concorrência* (Competition Authority); AIA = *Avaliação de Impacte Ambiental* (Environmental Impact Assessment); ARME = *Agência de Regulação Multisectorial da Economia* (Multisectoral Economy Regulatory Agency); MF = *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance and Business Development); SOE = state-owned enterprises; UASE = *Unidade de Acompanhamento do Setor Empresarial*.
*For short term, one to two years. For medium term, three to five years.

Notes

1. On average, businesses pay over US\$0.3 dollars per 100 kilowatt-hours in Cabo Verde.
2. Based on information from Economist Intelligence Unit Operational Risk tracker as of 2023.
3. BCV (2023).
4. Resolution No. 104/2022 defines Cabo Verde's strategy for privatization and opening new markets for private sector participation. The World Bank has supported this approach through its Systematic Country Diagnostic and Country Partnership Framework 2020–25 for Cabo Verde.
5. Recently, the *Agência de Aviação Civil* (Civil Aviation Agency) established the minimum quality standards, weekly frequencies, service schedules, transportation capacity, and other prerequisites for operating certain routes under concession. This was formalized through Decree Law No. 5/2023, which recognizes internal air transportation as a public service and imposes corresponding duties on the interisland air connection. It will be crucial for these concessions to foster further investments in expanding the capacity of airports and runways to accommodate larger airplanes.
6. However, in an effort to foster the concession, the *Instituto Marítimo Portuário* (Port Maritime Institute) has halted the issuance of new operating licenses.
7. According to Dall'Olio and others (2022), BOSs are defined as companies in which the state has a participation of 10 percent or more, whether directly or indirectly. These firms are characterized by their ability to (1) generate profits or other financial gains for their owners, (2) function as legally recognized entities separate from their owners with limited liability, and (3) be established with the purpose of engaging in market production. BOSs differs from state-owned enterprises as the former provides a more comprehensive view of state intervention channels beyond majority or full ownership.
8. Cabo Verde's BOS revenues are relatively lower compared to its regional structural and aspirational peers except Comoros.
9. The privatization program is expected to improve Electra's efficiency and reduce its commercial and technical losses, aiming to help in cost recovery. Ongoing investments aim to diversify the energy generation mix, reducing reliance on imported oil and fuel to reduce generation costs. The restructuring and privatization of Electra have been approved by Decree No. 52/2021, which includes unbundling Electra into three separate public shareholding companies: a transmission and system operator and single buyer, a distribution company, and a power generation company.
10. World Bank Group (2018).
11. Kassouwi (2022).
12. Key reforms include the consolidation of business registration, expansion of services covered under the *Empresa no Dia*, and time caps for certain procedures (World Bank Group 2020).
13. The Sydonia system enables communication in the import-export process workflow through the electronic submission of customs declarations and supporting documents, reduction for on-site visits, and facilitation of documentary compliance (World Bank Group 2020).
14. Cabo Verde has successfully concluded agreements to eliminate double taxation and combat tax evasion with Angola, Equatorial Guinea, Guinea-Bissau, Luxembourg, Macau, Mauritius, Portugal, Senegal, and Spain. Additionally, negotiations with Morocco, Singapore, and the United Arab Emirates have been completed. Furthermore, a multilateral agreement on the elimination of double taxation with the Economic Community of West African States member countries has also been concluded. See MF (2023).
15. U.S. Department of State (2023).

16. The overall tax burden has also seen a reduction, particularly corporate income tax rate. The total tax rate decreased from 54.4 percent of profit in 2007 to 37.5 percent in 2020, as measured by the Doing Business report (World Bank Group 2021).
17. World Bank Group (2020).
18. Some limitations include, for instance, the absence of the rule “silence is consent.”
19. The government is considering options to have a diversified approach to lessen the barriers and burdens on low-risk activities.
20. According to Decree Law No. 49/VII/2009 of December 30, 2009, which outlines the general regime for entering economic activities, stipulates that no such activities are closed to private investment.
21. U.S. Department of State (2023).
22. Cargo tariffs for the concessionaire are regulated by Ordinance No. 19/2006, which amended the price tables for tariffs on cargo handled by coastal shipping vessels. As of 2023, these prices have not been adjusted for inflation or increases in input costs (for example, fuel). In 2023, the government introduced a proposal for tariff adjustments through Normative No. 01/2023. However, this proposal was put on hold following the issuance of extract of Decree No. 02/2023 as the government decided to revise the impact of price increases caused by the new methodology for determining base tariffs for cargo.
23. World Bank Group (2023).
24. In 2019, through Decree No. 54/2019, the AAC updated the price caps established in 2016 for domestic routes in Cabo Verde to control prices by service providers, protect consumers from price abuse or discrimination, and ensure the provision of services as a universal public service.
25. ALG (2023).
26. According to a Binter tariffs study presented to the AAC in January 2018 reviewing the potential impact of tariffs and new price caps for passenger services.
27. Defined by Decision No. 50/CA/2021 of the ARME.
28. Article 46 of Decree No. 14/2006 establishes that electricity transportation concessionaires must grant access to their respective networks to any licensed production operator, including self-generators and independent electricity producers, as well as any qualifying consumer. Access is granted upon payment of applicable fees or tariffs and compliance with established technical specifications by ARME. Tariffs for interconnection are regulated by Decision No. 50/CA/2021 of the ARME.
29. Deliberation No. 31/CA/2019 initially granted access and set conditions for infrastructure sharing infrastructure among mobile operators. However, this was suspended in April 2020 by Deliberation No. 012/CA/2020, and, as of 2023, no new rules have been established, resulting in important entry barriers for private operators.
30. SISP is owned by *Banco de Cabo Verde* (40 percent), CVTelecom (10 percent), *Ministério das Finanças e do Fomento Empresarial* (Ministry of Finance) (10 percent), and four other banks (10 percent each).
31. World Bank Group (2023).
32. eCOMPRAS (2022).
33. Law No. 88/VIII/2015.
34. ALG (2023).
35. In 2018, Cabo Verde, along with 22 other African countries, signed the Single African Air Transport Market (SAATM), which allows aircraft to fly freely between the 23 African Union (AU) member states that have agreed to the initiative.
36. The SAATM, adopted by the AU in 2015, aims to expedite the implementation of the 1999 Yamoussoukro Decision (YD), which facilitates market access, traffic rights, ownership, and full air travel liberalization among AU member states. Despite its progress, full implementation remains pending, with many African states only partially adopting the YD. Cabo Verde not only signed the memorandum of implementation but also enacted eight specific measures for the SAATM and was chosen for the SAATM implementation pilot project. However, other countries’ effective implementation of the SAATM is still pending.
37. Koigi (2019).
38. In 2015, the AAC enacted Regulation No. CV-CAR-4 (see <https://www.aac.cv/documento/opendoc/100.pdf>). Additionally, Decree No. 1/2001 article 63 establishes that an aircraft registered in another state can acquire Cabo Verdean registration marks by cancelling their previous registration.

39. International operators in Europe require their aircraft to have international certification and European registration for connecting stops within the continent. Once certified, these companies can enter agreements facilitating crew movement to cover distances, potentially opening new routes. Crew rotation is required for flights exceeding 12–13 hours or distances above 4,500 km. However, the high costs and complexity associated with crew rotation hinder the potential of new private entrants in Cabo Verde’s aviation sector (ALG 2023).
40. Identified by the World Bank Investment Barometer Study (World Bank Group 2021).
41. ASA (2023).
42. World Bank Group (2019).
43. As per Law No. 53/2003 article 7.2.
44. As per Law No. 53/2003 article 11.
45. Law No. 53/2003 article 37. Most modern competition authorities base fines on the defendant’s annual turnover to better calibrate the fine as well effectively deter anticompetitive conduct. For example, in Europe, violators can face fines up to 10 percent of their ultimate corporate parent’s worldwide turnover.
46. See Law No. 53/2003 article 3. Market dominance is presumed under certain conditions: an individual market share of 30 percent or more, a collective market share of over 50 percent held by three or fewer firms, or a combined market share greater than 65 percent among five or fewer firms.
47. See, for example, articles 68, 76, and 77 of the draft competition law. Leniency programs allows companies involved in a cartel to receive full or partial immunity from fines if they provide information about the cartel’s activities. For a detailed discussion on leniency programs, see ICN (2014).
48. After the formation of its management board, the AdC only had 15 days to transfer all ongoing investigations from sectoral agencies, as mandated by law.
49. World Bank Group (2020).

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5

TRANSPORTATION AND LOGISTICS

5.1

Introduction

The inefficiencies in Cabo Verde's transportation and logistics sector are among several factors that deter private investment in the tourism and fisheries sectors and constrain the potential to increase the supply of locally produced perishables to tourism operators. The country's fragmented geography and long distances between production sites and consumers make air and maritime transportation infrastructure, along with logistics services, crucial for local economic development (map 5.1). The majority of the supply originates from Santiago, Santo Antão, and Fogo (which account for 83 percent of the country's agricultural area), while the primary demand comes from São Vicente, Santiago, Sal, and Boa Vista. In 2018, the main hotels in Sal and Boa Vista consumed approximately 11,000 tons of perishable goods,¹ with a projected increase of 19 percent by 2024. Cabo Verde's agricultural output coincides well with in-demand produce, presenting a great opportunity for local sourcing.² As discussed in the previous chapters, the tourism and blue economy sectors have potential for diversification and growth. However, this is contingent upon reliable transportation and logistics infrastructure and services: reliable interisland maritime infrastructure and routes, robust port facilities to accommodate the growing cruise tourism subsegment, and diverse airline routes for efficient freight distribution and access to islands. The challenges in this sector, stemming from inadequacies in maritime and air transportation services, lackluster productivity of port operations, and substandard logistics services,³ will be explored in greater detail in the following sections.

5.2

Maritime Transportation

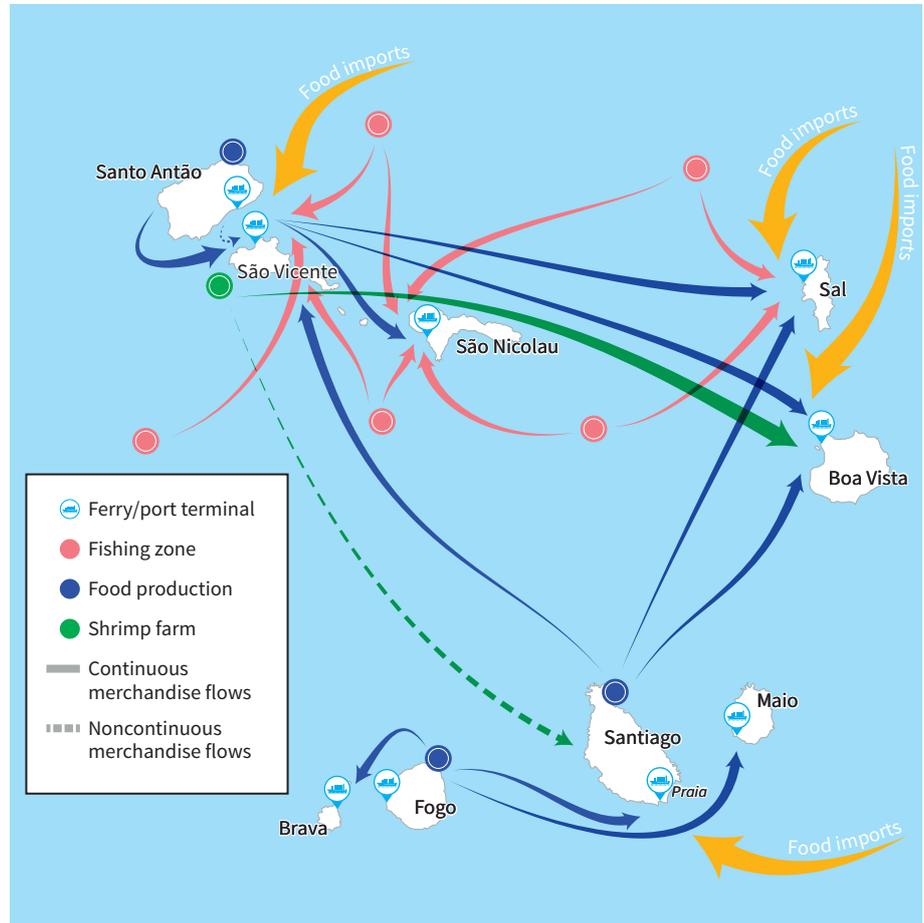
5.2.1

International Maritime Transportation

Cabo Verde is well-connected to the European container feeder market, with services offered by several shipping lines. Nonetheless, its low Liner Shipping Connectivity Index⁴ score of 4.22 suggests a concentration of operators (figure 5.1).⁵

MAP 5.1

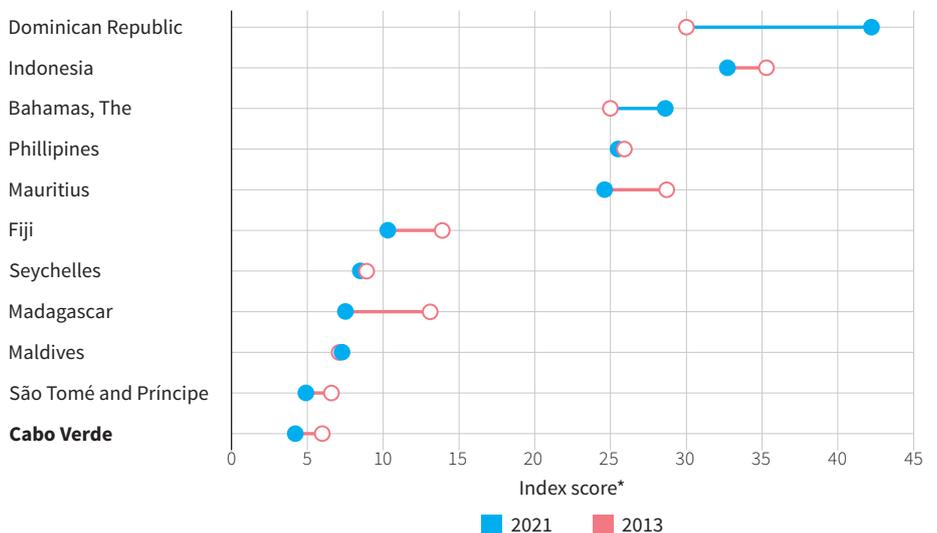
Logistics Flows of Perishable Seafood, Fish, and Agriculture Products, 2023



Source: Authors.
 Note: The thickness of the flow lines is linked to the quantity of goods transported.

FIGURE 5.1

Liner Shipping Connectivity Index, Cabo Verde and Comparator Countries



Source: Based on data from United Nations Conference on Trade and Development Liner Shipping Connectivity Index.
 *The country with the highest average index in 2006 is set as the standard, with a value of 100.

The primary linkages are with Portugal (Leixoes and Lisbon), along with stops at major regional transshipment hubs. Larger liners en route to South America bypass Cabo Verde because of insufficient cargo demand and limitations in port use. The shipping lines also serve Sal and Boa Vista, delivering imported products to all-inclusive resorts on these islands. In addition, five active international container shipping companies provide regular services to Cabo Verde,⁶ transporting about 12–15 container ships every month to Porto Grande and Porto de Praia to ensure a steady supply of imported goods.

Improvements have been made in cargo clearance, but some processes still need optimization. Customs clearance is typically processed electronically using the Sydonia World system, with cargo categorized as green, blue, yellow, or red. According to customs brokerage officers, green and blue categorized cargoes often clear within two days, which aligns with international best practices and is considered an ideal time frame. However, documentation issues or cargo scanning and verification processes (yellow or red categories) can lead to significant delays as the ports do not have enough personnel and equipment to scan cargoes in a timely manner, and customs brokers sometimes struggle to contact agencies when necessary. The average time from the arrival of goods to scanning is around 4 days, 16 hours, and 30 minutes,⁷ with a minimum time recorded at two days, 16 hours, and 33 minutes.⁸ Modernizing port cargo handling equipment and fully implementing the *janela única de comércio externo* (single windows for international trade)⁹ could streamline and shorten import procedures through digitalization, which is critical for perishable products.

5.2.2

Interisland Maritime Transportation

Table 5.1 summarizes key constraints of interisland maritime transportation in Cabo Verde.

Cabotage and cargo transportation, particularly in Sal and Boa Vista, have experienced an increase in demand.¹⁰ Interisland cargo and shipping services are managed by both the CV Interilhas and two other nonconcession operators for large-scale cargo.¹¹ Since the concession was granted in 2018, the number of cabotage passengers has grown substantially by 40 percent, from 932,775 in 2018 to 1,302,798 in 2022 (figure 5.2).¹² As of 2022, national cargo transportation by tonnage has not yet rebounded to prepandemic levels, reaching only 93 percent of cargo flow in 2019 (figure 5.3). However, cargo transported through cabotage has surged by 21 percent, accounting for 49 percent of total transported cargo, a notable increase from the 38 percent share in 2019. The cargo transported by Ro-Ro vessels has nearly doubled, underlining the significance of this concessional service in competition with other providers in the cargo sector. On the touristic islands of Sal and Boa Vista, cabotage cargo transportation has gained prominence. In Sal, cabotage constituted 47 percent of the total transported cargo in 2022, up from 37 percent in 2019. Conversely, in Boa Vista, cabotage has taken the lead as the principal mode of maritime cargo transportation, contributing 69 percent of the total transported cargo.¹³

Although cabotage has experienced a resurgence in recent years, the national maritime transportation sector, including the concessionaire, faces several key chal-

TABLE 5.1

Main Interisland Maritime Transportation Constraints

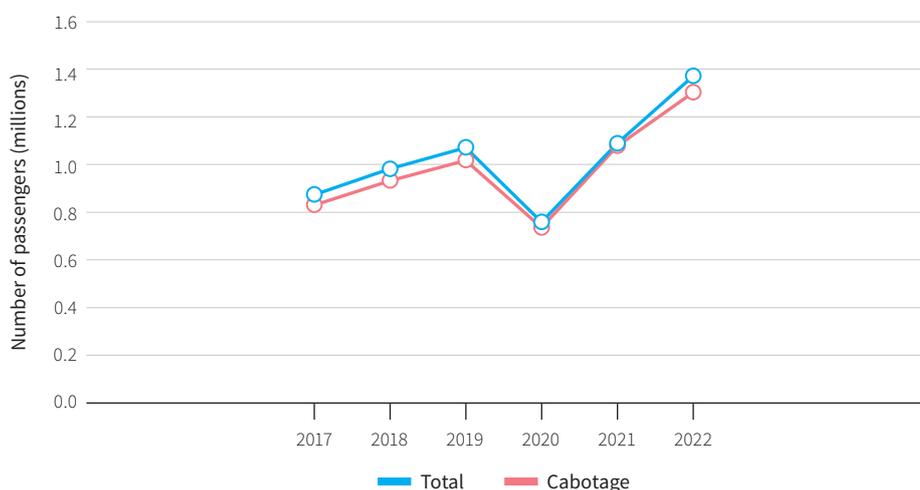
LOW AND UNRELIABLE MARITIME CONNECTIVITY BETWEEN ISLANDS	
<ul style="list-style-type: none"> → Most routes typically operate with two weekly services (São Vicente-São Nicolau-Sal-Boa Vista-Santiago), three weekly services (Fogo-Santiago and Maio-Santiago), and biweekly service (direct São Vicente-Santiago and São Nicolau-Santiago). → Cancellations or significant delays are common because of weather, vessel conditions, and availability. → Schedules change every six weeks, often without visible and widespread notification to vendors and tourists. 	<ul style="list-style-type: none"> → The digital platform for ticket purchases and schedule checks is inefficient and not user-friendly. → To address these issues, the renegotiated contract between Cabo Verde Interilhas and the government includes performance indicators, requirements for improvement plans if these indicators are not met, and penalties for failing to comply to these stipulations.
INSUFFICIENT NATIONAL FLEET	
<ul style="list-style-type: none"> → The existing ships, such as MV Praia D’Aguada (1999), a general cargo ship with no Ro-Ro capability,^a and Ro-Pax catamarans MV Liberdadi (2012) and MV Kriola (2010), are not ideal for their intended use, leading to escalated costs because of significant 	<ul style="list-style-type: none"> fuel consumption and maintenance costs.^b → Frequent vessel breakdowns occur without backup options available.^c
IMPERFECT SUBSIDY MECHANISM	
<ul style="list-style-type: none"> → The concession previously operated on an ex-post mechanism, subsidizing all costs after revenues have been subtracted, which provided limited motivation for revenue enhancement or cost management. This arrangement also led to subsidy disbursement delays, challenging the government’s ability to make timely payments. 	<ul style="list-style-type: none"> → The renegotiated contract establishes an upper limit for subsidies, advanced compensatory indemnity payments in four installments and includes conditions for renegotiation to maintain financial balance.
OUTDATED TARIFF-SETTING SCHEME	
<ul style="list-style-type: none"> → The methodology for determining tariffs lacks a formula that incorporates factors such as inflation and fuel prices, necessitating annual adjustments. 	<ul style="list-style-type: none"> → Recent price adjustments include different prices for foreigners (80 percent increase) and nationals (20 percent increase), with a 17 percent in general cargo and a 20 percent in refrigerated goods and live animals.

Note: Ro-Pax = roll on, roll off passenger; Ro-Ro = roll on, roll off.

- a. The ship was only deployed to Maio because the port was not yet equipped with a ramp. However, with the inauguration of the upgraded port, it might become obsolete.
- b. World Bank Group 2023. Their revenue potential is constrained because of factors like deck height restrictions and consumer preferences impacting capacity. To realize their service objectives more effectively, opting for slower yet reliable vessels—akin to the recently deployed MV Dona Tututa—would be more suitable than relying on fast yet unreliable ships.
- c. In 2021 and 2022, CV Interilhas has reported multiple cancellations because of ship repairs, including three simultaneous ships in January 2021, Navio Interilhas in July 2022, and another three during Easter 2023 (CV Interilhas 2022; Santos 2023).

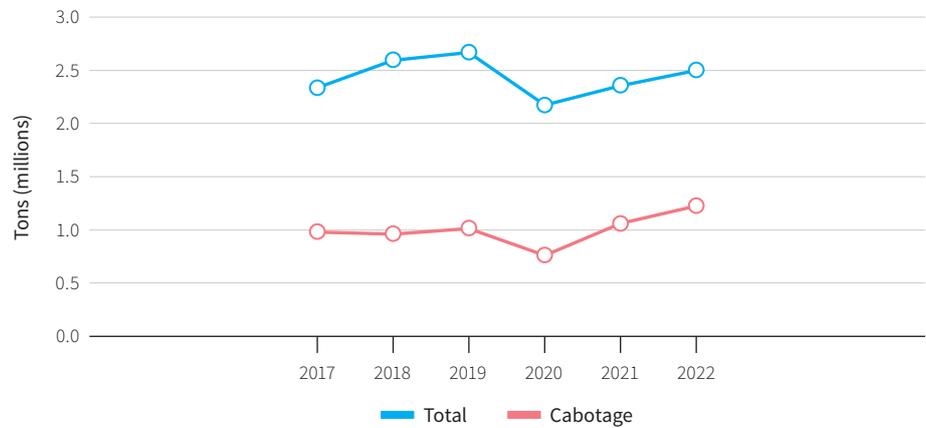
FIGURE 5.2

Maritime Passengers Transported In Cabo Verdean Ports



Source: Based on data from Enapor Statistics Dashboard.

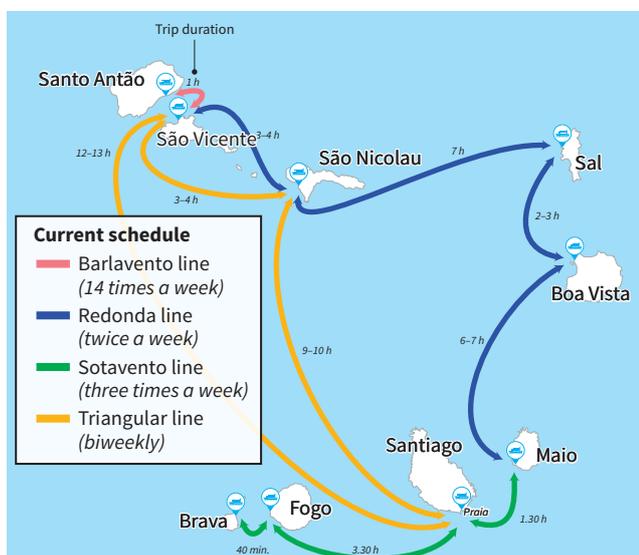
FIGURE 5.3
Maritime Cargo Transported in Cabo Verdean Ports



Source: Based on data from Enapor Statistics Dashboard.

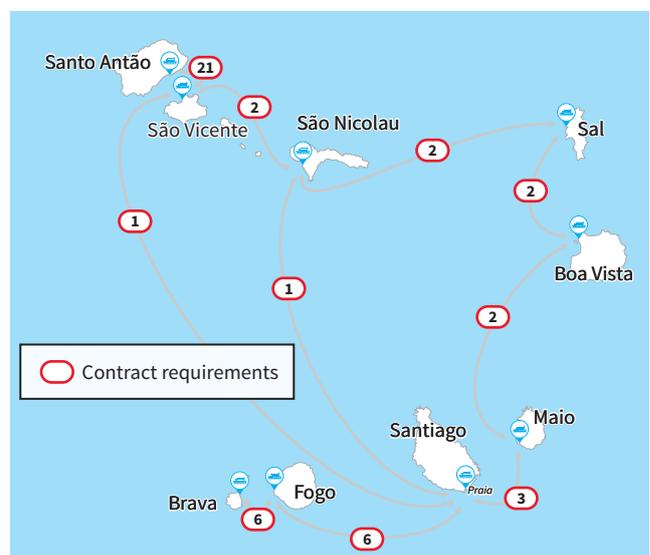
lenges. First, the sector struggles with unreliable interisland maritime connectivity. Many routes operate with limited frequency, such as biweekly services between São Vicente and Santiago, and three weekly services between Fogo and Santiago, and Maio (maps 5.2 and 5.3). However, cancellations and significant delays are common because of adverse weather, vessel maintenance, and availability issues. Furthermore, over 50 percent of the concessionaire’s port arrivals experienced delays ranging from three to six hours on all routes except São Vicente to Santo Antão in the first quarter of 2023.¹⁴ Schedules change every six weeks, often without sufficient notice to vendors and tourists. The digital platform for ticket purchases, schedule checks, and accessing further information is subpar, further exacerbating connectivity issues. To address these concerns, the government has renegotiated the contract with CV Interilhas, incorporating performance indicators, adjust-

MAP 5.2
Weekly Services Offered by CVI, 2023



Source: Adapted from ALG 2023.
Note: CVI = Cabo Verde Interilhas; h = hour.

MAP 5.3
Concession Contract Requirements, 2023



Source: Adapted from ALG 2023.

ments to schedule requirements, mandates for improvement plans if these indicators are not met, and penalties for noncompliance.

Another complicating factor is the insufficient capacity of the national fleet to provide optimal services. CV Interilhas operates four roll-on/roll-off passenger (Ro-Pax) vessels¹⁵ and two conventional passenger/cargo vessels,¹⁶ deviating from the concession contract's stipulation for five Ro-Pax vessels as part of their Roll-on/Roll-off (Ro-Ro) strategy. The current fleet is not optimized for the intended services, resulting in increased operational costs. For example, the MV Praia D'Aguada, built in 1999, is a general cargo ship without Ro-Ro capabilities. The MV Liberdade (built in 2012) and MV Kriola (built in 2010) are Ro-Pax catamarans that incur high fuel consumption and maintenance costs. Frequent breakdowns of vessels occur without backup options available.

The subsidy mechanism in place is deficient, and the tariff-setting scheme is outdated. Previously, subsidies were granted on an ex-post basis, subsidizing all costs after revenue deduction. This approach provided limited motivation for revenue enhancement and cost management, leading to delays in subsidy disbursement to the concessionaire and challenges for the government in making timely payments. The renegotiated contract establishes an upper limit for subsidies, and stipulates that compensatory indemnities are to be paid in four installments. It also includes conditions for renegotiation to maintain financial balance. Additionally, the methodology for determining tariffs was outdated, lacking a formula that incorporates factors such as inflation and fuel prices, thereby necessitating annual adjustments. Recent price adjustments have been introduced, with different rates for foreigners (80 percent increase) and nationals (20 percent increase). These adjustments apply to various categories, including general cargo, refrigerated goods, and live animals, aiming to align tariffs more closely with operational costs and economic realities. To address these challenges, the government has formed an interinstitutional group composed of experts from *Ministério do Mar* (Ministry of the Sea), *Unidade de Acompanhamento do Setor Empresarial do Estado* (Unit for State Business Sector Monitoring), *Ministério do Turismo e Transportes* (Ministry of Tourism and Transportation; MTT), the *Ministério das Infraestruturas, Ordenamento do Território e Habitação* (Ministry of Infrastructure, Territorial Planning, and Housing), and *Agência de Regulação Multisectorial da Economia* (Multisectoral Economy Regulatory Agency) to restructure the tariff system.

5.2.3

Port and Shipyard Infrastructure and Services

Cabo Verde's port infrastructure requires improvement to enhance the cost-effectiveness of maritime logistics. The tourism industry relies heavily on efficient port facilities for effective freight distribution and access to island destinations. Enapor, the state-owned enterprise (SOE) responsible for public port assets since 1982, initiated a port upgrade program in 2010, which included the establishment of dedicated facilities for handling Ro-Ro vessels.¹⁷ As a result, the nine primary ports under Enapor's administration collectively experienced increased activity,¹⁸ with a recorded movement of 1.37 million passengers (56 percent increase from 2017) and 84,954 twenty-foot equivalent unit (TEUs)¹⁹ (12 percent increase from 2017).²⁰

In addition to the required modernization, Cabo Verde's ports are vulnerable to climate change, particularly rises in sea levels. For example, in Sal, 33 percent of the coastal built-up area is exposed to coastal flooding, and this figure could rise to more than 38 percent by 2050.²¹ Despite Enapor providing services such as pilotage, tugging, mooring, towage, bunkering, and cargo handling, port performance remains deficient. Shipping lines depend on vessels equipped with their own cranes to visit the ports in Cabo Verde. However, Porto Grande and—especially Porto da Praia—have sufficient throughput to allow the installation of mechanized cargo handling cranes at the berths. By reducing dwelling times and installing equipment in Porto Grande, its capacity could easily triple. Similarly, upgrading services in Porto da Praia could almost triple the TEU per berth meter (from 252 to 600–750 TEUs).²²

Furthermore, the tariffs applied by Enapor are relatively high compared to those of regional peers,²³ and they are not linked to service-level agreements. Ports in Cabo Verde do not provide a berthing window system that provides vessels the certainty that a berth will be available upon arrival. The suboptimal operational performance, coupled with the fact that Enapor needs to maintain a port system for a relatively small population, leads to high transportation costs for users. Delays in port operations could also contribute to an increase in postharvest losses, especially for perishable products.

Estaleiros Navais de Cabo Verde (Cabnave), the main shipyard in Cabo Verde, plays a crucial role in emergency ship repairs but faces financial challenges and requires substantial improvements. Established four decades ago, Cabnave primarily offers emergency repair services for medium-size vessels, being one of the few industrial activities in the country. The company is predominantly state-owned, with the state holding 98.9 percent of its social capital, while private ownership accounts for 1.11 percent. According to Cabnave's Annual Report for 2022,²⁴ the company managed to reduce its financial losses by 80 percent, decreasing from €55,300 to €10,700, owing to an 8 percent increase in revenues.²⁵ However, it continues to grapple with low solvency, with outstanding debts amounting to €700,000. Additionally, Cabnave needs to modernize its facilities and equipment, including rebuilding its technical capacity to dry dock larger vessels, and optimizing its human resources through training and the recruitment of new employees.

5.2.4

Market Potential and Opportunities for Private Investment

In the maritime sector, four opportunities for private investment have been identified, aligning with the government's priorities to address pressing needs in inter-island maritime transportation and streamline logistics processes for passengers.

1. **Acquisition of new and modernized vessels.** The government is evaluating the purchase of four vessels, with two scheduled for deployment in 2024. These new vessels will not only lower maintenance expenses but also enhance the transportation conditions for perishable products in cold storage. They will also minimize disruptions to schedules caused by vessel breakdowns and align with the requirements of modern port infrastructure.
2. **Port expansion and modernization.** The government recognizes the pressing need for investment and has ambitious plans to expand and modern-

ize ports, allocating approximately €125 million for these initiatives in the coming years. These include:

- The newly inaugurated Porto Inglês (Maio) in 2022.²⁶
- Ongoing development of the cruise terminal at Porto Grande (São Vicente).
- A €39 million expansion of Porto Novo (Santo Antão).²⁷
- The establishment of a shipyard and marina in São Martinho (Santiago) for use by small fishers and the tourism sector.²⁸
- Completed studies and secured funding for the rehabilitation of the coastal quays at the Ports of Praia and Mindelo, along with their respective land reorganizations.
- Expansion of the commercial quay in Tarrafal (São Nicolau).
- Ongoing expansion and modernization of the Port of Palmeira (Sal), currently in its third phase.
- Construction of a nationwide network of maritime terminals to ensure quality and comfort for interisland travel.
- Digitalization of ports.

3. **Public-private partnerships (PPPs) for port operations.** The government has launched a plan to privatize port operations to optimize performance. The PPP design is ongoing, with expectations of going to market in 2024.

4. **Modernization and PPPs for Cabnave.** To modernize Cabnave and position Cabo Verde as a hub for ship repair and maintenance in West Africa and for vessels transiting through or nearby the country, the government estimates initial investments between €10 to €25 million, which may be funded through preapproved resources. The World Bank is financing feasibility studies and an operational plan to assess the required investments. The government's long-term plan is to explore the possibility of a PPP to operate the shipyard after these investments are made.²⁹ For these objectives to materialize, it is essential for the government to finalize Cabnave's modernization process and explore potential PPPs. Conducting comprehensive market analysis and further technical studies will be critical in confirming the feasibility of transforming Cabo Verde into a ship repair and maintenance hub. These studies would also define Cabnave's specific role in this endeavor.

However, the government must ensure that privatizing maritime companies and/or entering into PPP arrangements does not result in additional debt from SOEs being offloaded onto the state to make transactions viable. These companies have historically accumulated significant debt to cover financial losses or fund investments. Enapor and Cabnave, in particular, have experienced a series of unsuccessful privatization attempts, often disrupted by social and political factors, leading to canceled tender processes or even the reversal of successful bids (as observed in port operations). To attract private investors and address social implications of privatization, the government needs to assess the underlying causes and strategize around these failures. Learning from the successful airport concession (see the section on air transportation in this chapter) can guide the government's strategy for Enapor's upcoming privatization. Initiating this concession is a significant opportunity for private participation in Cabo Verde, supported by favorable economic, institutional, and legal conditions.

5.3

Air Transportation

International air connectivity in Cabo Verde is well-developed but dominated by a few players. Between 2013 and 2019, the country experienced a substantial increase in seat capacity, with a compound annual growth rate of 9.2 percent, resulting in 2.77 million seats.³⁰ This positioned Cabo Verde as the fifth-largest seat capacity provider in West Africa. However, the impact of COVID-19 led to Cabo Verde recovering only 71 percent of its 2019 capacity by 2022. The country mainly relies on two foreign airlines, TAP Air Portugal and TUI Airways, which collectively hold a 74 percent share of the market. TAP operates a hub-and-spoke model through its primary hub in Lisbon, while TUI offers regular flights, tour operation, and charters.³¹

Domestic interisland air connectivity presents challenges for diversifying Cabo Verde's tourism offerings beyond the two main islands. Domestic interisland air transportation is served by a sole operator, a majority-owned Angolan company in which the government of Cabo Verde holds a 30 percent stake.³² Seat capacity on the islands has remained relatively stable between 500,000–600,000 seats. Despite tourism recovering to prepandemic levels in 2022, domestic air supply did not follow suit, with a decline in seat offerings of over 60 percent in 2021 and 37 percent in 2022.³³ Challenges include infrequent cross-island routes, particularly outside the summer season, except for the São Vicente and Sal route. Among the six routes originating from Praia, only three of them offer multiple daily flights on certain days, São Vicente, Sal, and São Felipe. In contrast, Maio, São Nicolau, and Boa Vista are less accessible with flights operating only a few days a week. Furthermore, the operator's limited fleet—two ATR aircrafts³⁴—cannot meet the prepandemic frequency of 93 weekly flights.³⁵ The provision of domestic air transportation services by a single supplier, coupled with stringent price cap regulations, discourages the entry of other airline companies, as described in chapter 4, makes it unlikely that service levels will return to prepandemic standards. Additionally, the operator frequently experience delays and cancellations, impacting numerous flights (up to 18 flights on the same day) and causing rescheduling delays (up to 12 hours later than their initial schedule).

Cabo Verde's airports require rehabilitation to accommodate future demand. The country has seven airports, four of which are international: Praia (Santiago), Sal Rei (Boa Vista), Espargos (Sal), and Mindelo (São Vicente),³⁶ previously managed by the state-owned company *Aeroportos e Segurança Aérea de Cabo Verde* (Airports and Air Safety). Maio, Fogo, and São Nicolau have domestic 3C aerodromes, while Brava and Santo Antão lack airport infrastructure. Among these, Sal Airport, which handles 43 percent of national passengers, is the only facility capable of receiving international wide-body aircraft and operates with an instrument landing system.³⁷ The shorter runways at Praia, Boa Vista, and São Vicente can limit aircraft range, necessitating refueling stops in Sal or operating triangular routes.³⁸ The runways at Fogo, São Nicolau, and Maio are too short (less than 1,500 meters) for larger aircraft, restricting international flights to destinations within Africa. Furthermore, Cabo Verde Handling, a public company, holds a monopoly on airport handling services, with various airlines reporting relatively high prices for these services.³⁹

To enhance the quality of infrastructure at Cabo Verde's seven airports and reduce greenhouse gas emissions, the government has granted a 40-year concession to Vinci Airports, which represents an opportunity for investments.⁴⁰ Under this agreement, Vinci will invest €96 million between 2022 and 2027 through Cabo Verde Airports, a special purpose vehicle created for the concession.⁴¹ These investments aim to rehabilitate the airports, expand the runway at Boa Vista Airport, improve the terminals, and minimize environmental impacts. In return, Vinci will provide a fixed total sum of €80 million and a percentage of revenues to the government of Cabo Verde. Additionally, provisions are in place for new investments totaling €619 million, contingent on triggers related to traffic growth, to be made during the 40-year concession period. The International Finance Corporation (IFC) provided a sustainability-linked finance package of €20 million to Cabo Verde Airports, supporting capital expenditures. This concession introduces innovation through the inclusion two sustainability indicators: a progressive target for reducing carbon dioxide emissions and the attainment of Airport Carbon Accreditation certification, aimed at mitigating the aviation sector's impact on the environment. Furthermore, airport investments must also consider the increased risk of flooding because of climate change and natural disasters. It has been estimated that airports concentrating more than 11 percent of the passengers are located in areas exposed to at least a 50-year return period flood. The Vinci Airports concession has created positive momentum among international private investors upon which can be built for further privatization processes.

5.4

Logistics for Perishable Products: Institutions and Ancillary Services

Although the main challenges in increasing the supply of locally produced perishables are related to upstream factors like low productivity and the lack of product certification, there are also deficiencies in cold-storage capacity. In addition to the unreliable maritime transportation discussed earlier, vessels are not equipped with large cold storage chambers. Domestic interisland shipping faces complexities, including concerns with customer service, scheduling, and vessel conditions. Interviews have revealed instances where ship owners turn off electricity to refrigerated containers to save on fuel costs. Regarding port facilities, only Porto Grande (São Vicente) is equipped with a refrigerated warehouse.⁴² However, the absence of cold storage facilities is particularly challenging for producers and traders on the islands not focused on tourism, making it problematic to ship their goods to other islands without risking loss and spoilage. This situation often deters producers and traders from participating in the supply chains of tourism-driven islands. As a result, local products find limited integration within the tourism value chain.

A significant factor influencing the competitiveness of Cabo Verde's perishable products sector, including agriculture and fisheries, is the inefficiency of the logistics industry, which faces critical challenges. Although the most populated islands are Santiago, São Vicente Sal, and Boa Vista, agricultural farms are predominantly located in the north of Santiago, Santo Antão, and Fogo.⁴³ This geographical distribution poses challenges in achieving economies of scale and calls for a

BOX 5.1

Postharvest Centers in Cabo Verde

The *Ministério da Agricultura e Ambiente* (Ministry of Agriculture and Environment; MAE) faces hurdles in expanding its network of postharvest centers, which aim to address logistical problems of perishable foods. Main issues include a lack of operational and maintenance resources, and low user demand.

To address these logistical issues, the government has developed five packaging and distribution centers for agriculture and livestock products on the main producing islands under the purview of the MAE.

1. **Postharvest center in Santo Antão.** Constructed in 2010 and operational since 2013, this center aims to provide postharvest quality control, inspection, and certification services to facilitate market access for national agricultural products. Despite its potential, the center is underutilized, having processed only 681 tons of products. Constraints include its remote location 3 kilometers from Porto Novo, away from the port and major roads, high usage costs and fees, and transportation difficulties to major consumption centers across islands.
2. **Postharvest centers in Fogo and Maio.** Built in 2013 and 2016, respectively, these centers are inactive because of resource constraints faced by the MAE. They are used infrequently for

storage purposes. The center in Fogo was initially managed by a local company, Fogo Fresh, but activities have since been discontinued.

3. **Postharvest center in Santiago.** Inaugurated in 2017 with about US\$2 million support from Chinese cooperation. However, there is no report of the center being fully utilized.
4. **New postharvest center in Santo Antão.** Enapor and the MAE have entered into an agreement to construct a new center in the port area at a cost of €900,000, expected to complete within 12 months. Another postharvest center is being built in Tarrafal de Monte Trigo, one of the most productive valleys on the island.

The lackluster experience of these facilities highlights the ongoing challenges associated with coordinating rural extension services for perishables. To address these issues, the government should consider the potential role of the private sector in integrating logistics platforms with producers and the transportation network. A separate technical assistance study focusing on the supply of perishables to the tourism sector is underway to delve deeper into these issues.

robust logistics infrastructure for efficient and timely movement of agricultural produce. Approximately 90 percent of the country's fresh fruits and vegetables distribution is controlled by independent intermediaries, often referred to as “*rabidantes*.” They are responsible for sourcing products from various suppliers, consolidating these goods for resale, and assuming postharvest risks until delivery to end consumers. Because of fragmented demand for fresh fruits and vegetables, these intermediaries usually operate on a small scale, often without formal contractual agreements. Consequently, the prices for fresh fruits and vegetables buyers on smaller islands can be up to three times higher than the farmgate prices, owing to intermediary margins, transportation expenses, and postharvest losses at different stages of the supply chain. This contributes to lower quality in domestically produced goods. For example, all-inclusive resorts, although sourcing a small percentage of their products locally, report rejecting approximately 30 percent of these because of quality issues. This situation results in a significant reliance on imports to meet the sector demands, with only an estimated 5 to 10 percent of food requirements being sourced locally.⁴⁴

The absence of a unified vision for Cabo Verde's logistics sector poses an additional challenge. Each ministry formulates its sectoral strategies and plans independently, with limited coordination or integration with other initiatives and the needs of the private sector (see table 5.2 for an overview of the multiple actors constituting the institutional framework for transportation in Cabo Verde). For example, the *Ministério do Mar* (Ministry of the Sea), recently introduced the Cabo Verde Maritime Platform, which aims to enhance port infrastructure, elevate the performance of the fisheries sector, and expand ship repair services. Similarly, the MTT has its investment plans for improving roads and airports. However, these sector-specific plans have not taken into consideration a multi-

TABLE 5.2

Institutional Framework of the Transportation Sector in Cabo Verde

Scope	Responsible entity
MARITIME TRANSPORTATION	
Strategy and economic regulation	→ <i>Ministério do Mar</i> (Ministry of the Sea)
Technical regulation	→ <i>Instituto Marítimo Portuário</i> (Maritime Port Institute)
Interisland maritime transportation Providers	→ <i>Cabo Verde Interilhas</i> and other private companies
Port infrastructure and operations	→ Enapor
Shipyard services	→ Cabnave and Onave (small boats)
AIR TRANSPORTATION	
Strategy and supervision	→ <i>Ministério do Turismo e Transportes</i> (Ministry of Tourism and Transportation)
Economical, technical regulation, and accident investigation	→ <i>Agência de Aviação Civil</i> (Civil Aviation Agency)
Air navigation provider	→ <i>Aeroportos e Segurança Aérea de Cabo Verde</i> (Airports and Air Safety)
Airport and air transportation operations	→ <i>Grupo Vinci/Aeroportos de Cabo Verde</i> (airport) → Bestfly and international airlines (air transportation operations)
ROAD TRANSPORTATION	
Strategy for the road infrastructure sector	→ <i>Ministério das Infraestruturas, Ordenamento do Território e Habitação</i> (Ministry of Infrastructures, Territorial Planning, and Housing)
Road investments and maintenance	→ <i>Estradas de Cabo Verde</i> (Road Agency)
Public transportation	→ <i>Direção Geral dos Transportes e Rodoviários</i> (General Directorate of Transportation and Roads) (regulator) → Taxis, bus, and tourism companies (private providers)
CROSSCUTTING	
Transportation subsidies and project funding	→ <i>Ministério das Finanças e do Fomento Empresarial</i> (Ministry of Finance and Business Development)
Ancillary logistics facilities for agricultural products, and imported products inspections	→ <i>Ministério da Agricultura e Ambiente</i> (Ministry of Agriculture and Environment)
Customs process, and import/exports facilitation	→ <i>Direção Geral das Alfândegas</i> (General Directorate of Customs)
Infrastructure project finance, public-private partnerships, and state-owned enterprises	→ <i>Unidade de Acompanhamento do Setor Empresarial</i> (State-Owned Enterprise Monitoring Unit)

modal approach to ensure the timely delivery of perishable products from production islands to hotels in Sal and Boa Vista. This fragmented approach poses a significant obstacle to the development of an efficient and unified logistics system. To address this issue, public institutions have taken a step toward remedying the situation by convening a Task Force,⁴⁵ following the outcomes and recommendations from a comprehensive transportation and tourism study funded by the Spanish government. This initiative marks a promising step toward fostering a more integrated and strategic logistics development in Cabo Verde.

5.5

Recommendations

Table 5.3 outlines several recommendations for transportation and logistics.

TABLE 5.3

Policy Recommendations for Transportation and Logistics

Objective	Recommendation	Stakeholders	Time frame*
INTERISLAND MARITIME TRANSPORTATION			
Improve performance and reliability of maritime cargo services.	<ul style="list-style-type: none"> → Liberalize cargo services and pricing by targeting regulation on routes under a public service obligation scheme to maintain connections in areas where the private sector does not operate. → Implement an appropriate tariff adjustment mechanism for passenger and cargo segments that allows for adequate cost recovery in regulated segments or routes. → Develop a strategy that promotes diversification and competition in the private sector management of maritime cargo services. 	MM and ARME	Short term
Increase resilience of maritime port infrastructure and services.	<ul style="list-style-type: none"> → Introduce climate change adaptation criteria in port investment decisions.^a → Launch the public-private partnership initiative for port operations. → Compete the necessary diagnostics and feasibility studies to determine the future direction of Cabnave. → Conduct market studies to assess the feasibility of transforming Cabo Verde into a ship repair and maintenance hub. 	Enapor, Cabnave, and MM	Medium term
AIR TRANSPORTATION			
Strengthen mechanisms to oversee the public-private partnership contract.	<ul style="list-style-type: none"> → Strengthen the government's regulatory capacity in relation to the new airport system concession. → Explore opportunities to open the market for other potential air cargo handling operators and assess whether Cabo Verde Handling should undergo privatization or remain as a public entity. 	MTT, UASE, AAC	Short term
		MTT, UASE, AAC	Medium term
LOGISTICS FOR PERISHABLE PRODUCTS			
Unlock market potential for perishable foods by developing an integrated logistics strategy.	<ul style="list-style-type: none"> → Establish institutional mechanisms to promote an integrated approach in the transportation sector and encourage private participation. → Create an integrated logistics framework and strategy, clearly outlining roles and responsibilities to guide investment decisions and policy reforms effectively. 	MTT, MM, MAA, MIOTH	Short term

Note: AAC = Agência de Aviação Civil (Civil Aviation Agency); ARME = Agência de Regulação Multisectorial da Economia (Multisectoral Economy Regulatory Agency); Cabnave = Estaleiros Navais de Cabo Verde (Cabo Verde Naval Shipyards); Enapor = Empresa Nacional de Administração dos Portos (National Company for Port Administration); MAA = Ministério da Agricultura e Ambiente (Ministry of Agriculture and Environment); MF = Ministério das Finanças e do Fomento Empresarial (Ministry of Finance and Business Development); MIOTH = Ministério das Infraestruturas, Ordenamento do Território e Habitação (Ministry of Infrastructure, Territorial Planning, and Housing); MM = Ministério do Mar (Ministry of the Sea); MTT = Ministério do Turismo e Transportes (Ministry of Tourism and Transportation); UASE = Unidade de Acompanhamento do Setor Empresarial do Estado (Unit for State Business Sector Monitoring).

a. Although the rise in sea levels in Cabo Verde might seem modest at the national level, the coastal areas, where the ports are located, are expected to be the most affected.

*For short term, one to two years. For medium term, three to five years.

Notes

1. World Bank Group (2019a). Including 2,675 tons of fresh vegetables, 2,964 tons of fruits, 920 tons of fish, and 253 tons of seafood.
2. World Bank Group (2019a). Products like fresh vegetables, fruits, fish, seafood and dairy products (high potential product niches) and tomatoes, papaya, mango, carrots, bell peppers, bananas, and watermelon (in which the current output coincides particularly with some of the high-ranked demand produce) hold significant potential for sale to the tourism sector. These items match the high-demand produce within the sector. For example, fresh vegetable consumption in tourism represents about 3.7 percent of the total estimated national production of horticulture, roots, and tubers; 18.7 percent of fruit culture production; 26 percent of meat

- consumption; and 17 percent of total egg production. To effectively distribute potential frozen fish products from Santiago to Sal and Boa Vista, a reliable interisland maritime transportation system is required.
3. For an in-depth quality analysis of the 1,113 km of the road network and transportation services on touristic islands, see World Bank Group (2023).
 4. Notteboom, Pallis, and Rodrigue (2022). The Liner Shipping Connectivity Index is designed to assess how well integrated a country is within global liner shipping networks based on the status of their maritime transportation sector. This index, which can be computed for countries and individual ports, serves as an indicator of the ease of access to global trade via maritime routes. A higher index value indicates greater ease in accessing a global maritime freight transportation system with high capacity and frequency, facilitating effective participation in international trade.
 5. United Nations Conference on Trade and Development Liner Shipping Connectivity Index.
 6. World Bank Group (2023).
 7. According to a World Customs Organization (2017) study, the average time for the whole customs process at Praia port is around six days. The World Development Indicators database indicates that the lead time to import—the value for 50 percent of shipments from port discharge to arrival at the consignee—is four days in Indonesia and Tanzania, two days in the Philippines, and seven days in Senegal. In contrast, aspirational peers such as Australia and Singapore have lead times of one and two days, respectively.
 8. WCO (2017).
 9. The implementation of a single window will streamline operations for foreign trade stakeholders by offering a unified platform to fulfill regulatory obligations in import, export, and transportation of goods. It will facilitate document submission and provide access to standardized information, serving as a valuable resource for trade laws, regulations, rate-setting decrees, and tables.
 10. In March 2022, the *Ministério do Mar* (Ministry of the Sea; MM) authorized two private companies, Nofserry and Polaris (accounting for 58 percent market share), to provide passenger transportation between São Vicente and Santo Antão (ALG 2023). The renegotiated contract restricts other interisland maritime operators aside from those already providing services (INCV 2023).
 11. The majority of cabotage cargo is carried by two domestic shipping firms that operate independently of the concession. One uses an international container liner service connecting to Portugal, it can also carry domestic cargo under hybrid cabotage. The other operates a RoRo vessel equipped with container capacity on its upper deck, exclusively within Cabo Verde. CV Interilhas offered 53 percent of the capacity in 2022 and is the only one offering regular routes between most islands. See World Bank Group. (2023); ALG (2023).
 12. As a result of the impact of COVID-19, passenger numbers dwindled to 735,981, but this setback was swiftly reversed in 2021. See Enapor Dashboard at http://www.enapor.cv/en_US/page/estatisticas.
 13. On Sal, Ro-Ro transportation accounts for 17.7 percent of total cargo movement, while on Boa Vista, it constitutes a more substantial 31.5 percent. See Enapor Dashboard at http://www.enapor.cv/en_US/page/estatisticas.
 14. Based on ALG (2023) using 2023 data from CV Interilhas.
 15. These vessels are built for transporting freight vehicles along with passenger accommodation.
 16. Cabo Verde Interilhas maintains a leasing agreement with the state-owned company Fast Ferry Cabo Verde for the use of three vessels. The charter costs for these vessels are deducted from the annual subsidy. Fast Ferry Cabo Verde remains as a leasing entity, yet it does not operate any routes independently.
 17. The ports of Palmeira, Sal Rei, Porto Novo, Vale de Cavaleiros, and Praia have undergone major expansions.
 18. Furna (Brava), Palmeira (Sal), Porto Grande (São Vicente), Porto Inglês (Maio), Porto Novo (Santo Antão), Praia (Santiago), Sal-Rei (Boa Vista), Tarrafal (São Nicolau), and Vale Cavaleiros (Fogo).
 19. Distributed into 37 percent regular cargo, 28 percent containerized cargo, 26 percent liquid bulk, and 8 percent solid bulk. Of this 49 percent belongs to cabotage and 51 percent international transportation. See Enapor Dashboard at http://www.enapor.cv/en_US/page/estatisticas.
 20. Praia (56 percent TEU, 12 percent pax); Porto Grande (28 percent TEU, 36 percent pax); Porto Novo (30 percent pax); Sal-Rei (5 percent TEU; 4 percent pax); Palmeira (9 percent TEU; 4 percent pax); Porto Inglês (4 percent pax), Tarrafal (4 percent TEU) and Vale Cavaleiros (5 percent pax; 2 percent TEU); Furna (1 percent pax). See Enapor Dashboard at http://www.enapor.cv/en_US/page/estatisticas.

21. World Bank Group (2023).
22. Ibid.
23. Ibid. Cargo tariffs for a 20-foot container: Cabo Verde (US\$215), Senegal (US\$150), Guinea (US\$155), Sierra Leone (US\$215), and Côte d'Ivoire (US\$130).
24. Cabnave (2023).
25. In 2022, Cabnave performed repairs on 60 national and foreign (China and Spain) ships. The national market contributed with 56.4 percent of the total revenues (Cabnave 2023).
26. European Commission (2022). The port aims to improve connectivity with Santiago and other islands, and is part of a strategic African corridor, with the potential to facilitate passenger and cargo transportation along the strategic Praia-Dakar-Abidjan corridor. The total cost of the rehabilitation was €42 million, which was co-financed by the EU (€17 million), African Development Bank (€17.8 million), and the Cabo Verdean government (€7.2 million). It also included smaller works in Sal's port and measures to strengthen municipal services in Maio.
27. The project aims to create port infrastructure capable of accommodating two ships simultaneously, using Ro/Ro ramps, and a 200-meter-long cruise ship. The project is seeking enhanced expansion solutions, protection of the inner part of the port from waves, and improvements in the maneuvering basin's conditions.
28. The World Bank Group is financing the advanced studies.
29. In 2017, the Cabo Verde government cancelled an international tender to privatize the operations of Cabnave. The tender was previously awarded to the Portuguese firm Grupo ETE.
30. ALG (2023).
31. Ibid. The lower international connectivity in Praia and São Vicente results in approximately 40 percent of passengers needing to make a connecting flight at another airport to reach their destination, while in Sal and Boa Vista, this percentage is only between 10 to 15 percent.
32. Prior to COVID-19, TICV (Transportes Interilhas de Cabo Verde), jointly owned by a foreign carrier (Binter Canarias) and the government (70 percent and 30 percent ownership, respectively), was the only domestic air service provider. In June 2021, a new foreign company (Best-fly) replaced Binter Canarias as the majority shareholder of TICV.
33. ALG (2023).
34. Ibid. The third one is grounded because of certification problems.
35. Although it is feasible to run 70 to 75 weekly flights are feasible with two aircraft, frequent operational issues, aircraft malfunctions, or unexpected incidents, necessitate having a backup to ensure uninterrupted service.
36. ALG (2023). Sal has the largest airport in Cabo Verde, handling 1.19 million passengers (43 percent of total) in 2019, with 85 percent on international flights. Praia and Boa Vista have the second busiest airports, accounting for 23 and 21 percent of total passengers, respectively. São Vicente handled 253,077 passengers (9 percent).
37. Amílcar Cabral, Sal's airport, has a 3,000-meter runway, and it is classified as 4E by the International Civil Aviation Organization, and can accommodate aircraft with a "reference field length" of 1,800 meters and above, as well as aircraft with wingspans up to 65 meters.
38. TUI Airways continues to operate with Boeing 767 aircraft at airports with short runways such as Praia, Boa Vista, and São Vicente, although these limitations can occasionally affect the aircraft's range.
39. ALG (2023). In 2019, the government had plans to privatize the company to align with the airlines' interests, but this plan was suspended because of the COVID 19 pandemic in 2020.
40. The contract was signed in July 2022, and the concession started on July 24, 2023, once both parties concluded their contractual requirements. The Aeroportos e Segurança Aérea de Cabo Verde (Airports and Air Safety) will continue to provide air navigation services as specified in the contract.
41. ANA Aeroportos de Portugal is another shareholder, with 30 percent share of the company.
42. Porto Grande, with a total area of 1 hectare, has refrigerated warehouses equipped to accommodate, freeze, and preserve up to 6,000 tons of fish and perishables. The port handles cargo transshipment, cargo loading and unloading, containerization logistics processes, and the re-exportation of fish and seafood. For more on Cabo Verde's ports, see Enapor's website at http://www.enapor.cv/en_US/page/portos.
43. World Bank Group (2019). The three islands account for 52, 16, and 15 percent of the country's total agricultural area, respectively.
44. World Bank Group (2019).
45. MTT, MM, and the Direção Geral dos Transportes Rodoviários (General Directorate of Road Transport).

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6

ENERGY

6.1

Introduction

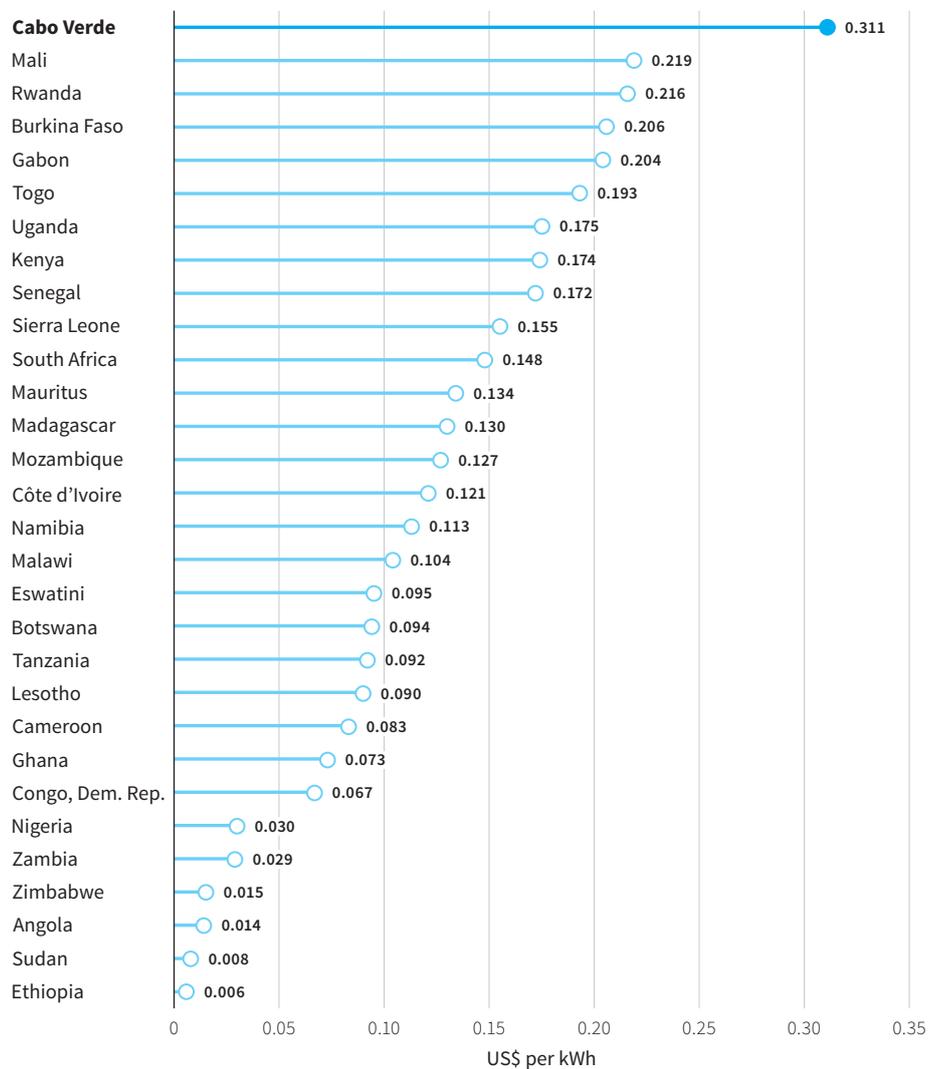
Cabo Verde has achieved excellent progress in providing electricity access to its population, boasting a 95 percent access rate. However, the country faces one of the highest electricity tariffs in Africa, with an average residential tariff of US\$0.345 per kilowatt-hour (kWh) in 2022 (figure 6.1). With no inherent fossil fuel reserves, Cabo Verde imports all the petroleum products it consumes, making it vulnerable to price fluctuations and dependent on energy imports. The government aims to lessen this dependence by increasing the use of renewable energy and electrifying various end uses, thereby improving the country's energy security.

Relative to its structural peers,¹ Cabo Verde performs adequately, having the highest electricity access rate but facing challenges with reliability and high costs (table 6.1). When compared with its aspirational peers, Cabo Verde performs well in terms of the share of renewable energy in its energy mix. However, there is still significant room for improvement in enhancing reliability, reducing energy losses, and lowering electricity costs for the local population.

The government has an ambitious plan to accelerate its progress to provide affordable, reliable electricity generated mainly through renewable energy technologies. This ambition is exemplified by several initiatives: the *Programa Nacional para a Sustentabilidade Energética* (National Plan for Energy Sustainability; PNSE) of 2017, the Master Plan for the Energy Sector released in 2018, and the updated nationally determined contribution submitted to the United Nations Framework Convention on Climate Change in 2021. In 2022, Cabo Verde produced 17 percent of its electricity from renewable energy resources.² The overarching goal of the Master Plan is to produce 54 percent of electricity using renewable energy technologies by 2030.³ Following the National Plan, the government has identified a robust investment pipeline totaling €476.8 million, including €248.9 million for wind and solar independent power producers across the islands. This investment pipeline also includes battery energy storage and electric mobility.

FIGURE 6.1

Electricity Prices for Businesses, Cabo Verde and African Countries, 2022



Source: Calculations based on data from Global Petrol Data.
Note: kWh = kilowatt-hour.

TABLE 6.1

Benchmarking Cabo Verde's Energy Sector, 2022

	Share of population with access to electricity (%)	SAIDI (hours)	SAIFI (instances per customer)	Losses (%)	Affordability (US\$/kWh)	Share of renewable energy (%)
Cabo Verde	95.0	24.20	48.40	24.20	0.345	17.0
Fiji	92.1	2.11	3.23	8.11	0.150	60.0
São Tomé and Príncipe	78.5	-	-	32.00	0.110	6.5
Comoros	87.0	-	-	48.00	0.380	0.0
Mauritius	99.1	3.39	1.81	6.73	0.130	24.0
Seychelles	100.0	-	-	-	0.220	13.0
Maldives	100.0	2.28	2.50	-	0.170	6.0

Source: Based on data from GlobalPetrolPrices.com.

Note: kWh = kilowatt-hours; SAIDI = System Average Interruption Duration Index; SAIFI = System Average Interruption Frequency Index. SAIDI and SAIFI are metrics used to assess the reliability of an electrical distribution system. SAIDI is a measure of the average duration of power interruptions in the electricity supply that a customer experiences over a one-year period. SAIFI is a measure of the average number of interruptions that a customer experiences over a one-year period.

6.2

Ongoing Restructuring of Electra

The primary obstacle to energy sector efficiency in Cabo Verde has been the state-owned and vertically integrated utility company, Electra. Electra is crucial for both electricity and water supply subsectors in Cabo Verde, handling generation, transmission, and distribution within the electricity system. In 2022, Electra managed 124.6 megawatts (MW) of generation capacity, 83.2 percent of which was derived from fossil fuels, generating 468.9 gigawatt-hours of electricity. However, Electra experienced high commercial losses, amounting to 24.4 percent of the generated electricity in 2022, when considering technical and nontechnical losses. Most losses were on the island of Santiago, accounting for 78 percent of the total. Despite the network infrastructure being generally in good condition, most of losses were nontechnical, stemming from poor bill recovery rates and high levels of unauthorized connections. The electricity tariffs are structured to allow cost recovery for an efficient utility, with a capped cost recovery. Because of the high level of losses, Electra's costs exceed this cap.

In 2016, the government committed to unbundling Electra, a move that will play a significant role in the viability of attracting private investment in the energy sector. The plan involves splitting Electra's water and electricity components into separate entities and further unbundling the electrical utility into independent generation, transmission, and distribution companies. The World Bank is supporting this reform through the Renewable Energy and Increasing Utility Performance Project. The legal framework for the unbundling, laid out in Decree Law No. 34/2022, initially set the completion date for January 1, 2023, but this has been officially delayed until June 1, 2024. This unbundling will create a state-owned, single-buyer transmission operator and power dispatch center, operating as an independent system operator to ensure nondiscriminatory system access for generation. The decree law permits the privatization of up to 75 percent of shares in the distribution and thermal generation entities. The process of privatizing the distribution and thermal generation segments is expected to be launched by March 2024.

The unbundling and restructuring of Cabo Verde's electricity sector aim to remove key bottlenecks in attracting private investors into the nation's energy markets, making it critical to complete Electra's restructuring as scheduled. The envisioned independent system operator, resulting from this process, is expected to be financially more stable, thus acting as a reliable counterparty for power purchase agreements with private owners of generation assets. In consultations with stakeholders, the oftaker risk from Electra was identified as a major concern for private investors in Cabo Verde's electricity sector. Additionally, the risk of curtailment from renewable energy plants was also highlighted as a significant risk. To address these risks, the government is restructuring Electra to unlock additional investment opportunities, particularly in renewable energy, to help reduce the emissions associated with the sector and enhance its attractiveness to private investors.

6.3

Opportunities for Private Investment

6.3.1

Renewable Energy

Cabo Verde has significant potential for renewable energy in terms of utility-scale projects and smaller, distributed solar projects. The Renewable Energy Plan has identified 650 MW of priority projects across several “renewable energy development zones.”⁴ These projects include 21 solar photovoltaic projects with a total capacity of 315 MW, 29 wind energy projects totaling 238 MW, 70 MW of pumped hydroelectric storage potential, and other renewable energy resources such as municipal solid waste to energy, geothermal, and wave energy.

Cabo Verde has already attracted private investment in utility-scale renewable energy projects, primarily in wind energy. However, a significant challenge for these projects is their relatively small individual capacities, which may not be attractive for international developers or financing institutions, yet are too large for local developers. Aggregating these projects to appeal to international investors is a significant opportunity to increase private investment. The government has recognized this and is working toward an aggregation platform and a single derisking program.

In addition to utility-scale projects, Cabo Verde also has significant potential for distributed solar energy, estimated at 250 MW, of which 8 MW already developed. The World Bank, through the Small-Island Developing States Dock project, has actively supported distributed generation in Cabo Verde. These projects can be deployed on the rooftops of residential, commercial, or industrial consumers to help reduce electricity costs. The *Ministério da Indústria, Comércio e Energia* (Ministry of Industry, Trade and Energy; MICE) is spearheading a program to increase the deployment of these distributed solar systems. MICE has launched an online portal that contains relevant information on renewable energy, energy efficiency, registration of distributed generation systems, and electric mobility.⁵ This platform, which aligns with best practices, offers transparent and accessible information for private investors. It is proposed that the platform be carefully maintained and regularly updated with relevant data and legislation. In addition, grid reinforcement and modernization is needed to ensure full utilization of distributed energy resources.

Although Cabo Verde permits distributed generation and independent production, issues remain in allowing consumers to export excess electricity from solar photovoltaic systems. Independent production, regulated by Decree-Law No. 1/2011 and amended by Decree-Law No. 54/2018, involves exporting electricity generated to the distribution or transmission grid by a duly licensed and authorized entity. The process for allocating independent production capacity is carried out through an annual simplified tendering process. This regular and simplified process helps reduce uncertainty for private investors and increase investment in independent production facilities. The government launched a program to enable low-voltage consumers to export surplus energy. However, commercial, tourism, and industrial consumers struggle to have the same conditions because of long waiting times and issues with smart meter installations. Streamlining and fast-tracking the rollout of smart/bidirectional meters is needed for larger consumers to attract more investment and lower electricity costs.

Regularly updating the fixed tariffs paid to independent generators and micro-producers is a critical element for increasing private investment. According to Decree-Law No. 54/2018, ARME is responsible for determining these tariffs. For 2021, the fixed tariff for exporting electricity was set at CVEsc 8.4 per kWh (approximately US\$0.083 per kWh).⁶ There is also an interest rate subsidy for loans to install renewable energy-based distributed generation systems, available to residential clients and micro and small enterprises. The maximum amount for the loan is capped at CVEsc 3 million, with a 50 percent government subsidy on the interest rate. Regular revision of the fixed tariff and loan conditions is essential to ensure efficiency. As of 2023, the fixed tariff could not be found, and so an update of this fixed tariff is recommended.

6.3.2

Battery Energy Storage Systems

As the proportion of intermittent renewable energy in a country's energy mix increases, the need for greater system flexibility becomes more pronounced. This is particularly true for small, isolated power systems like those in Cabo Verde. One of the most widely used tools to increase system flexibility is through the installation of battery energy storage systems (BESSs). These systems are flexible, capable of acting as generators, providers of flexible load, and alternatives to additional grid infrastructure, and will be essential for Cabo Verde to reach its renewable energy goals.

Although BESSs have significant opportunity to play a pivotal role in Cabo Verde's energy transition, the regulatory environment for private investment for these systems is still emerging, with several critical elements that should be addressed for the environment to mature. These risks include defining the services required from BESSs, establishing a remuneration structure, managing demand risk, setting dispatch rules, and ensuring system performance. A robust and transparent regulatory framework is needed to address these risks, considering the commercial and technical aspects of BESS investment and operation. Key stakeholders in developing this framework include the MICE, ARME, the current offtaker Electra (potentially transitioning to the power dispatch center post-Electra unbundling), and private BESS developers. Recently, a call for expressions of interest from private developers for two BESS projects on São Vicente and Boa Vista was launched, with an 8 MW and 8 megawatt-hours (MWh) capacities for São Vicente and 6 MW and 6 MWh capacities for Boa Vista. It is proposed that these BESSs be developed using a build-own-operate-transfer contract model.

6.3.3

Enabling High-Growth Sectors: Energy in Tourism and Digital Services

High energy costs affect the operational viability of smaller hotels and operators, with a marked demand from tourism sector operators for more cost-efficient energy sources. Energy expenditures account for up to half of the operational costs for hotels, a stark contrast to the 3–10 percent allocation typically seen in developed markets, depending on market conditions.⁷ Many private investors, notably in the tourism sector, have turned to distributed generation to offset their need to purchase electricity from the external grid given the high electricity tar-

iffs. Independent solar photovoltaic developments could significantly reduce costs by displacing more expensive electricity from the existing system. This potential for cost reduction is highlighted by two recent solar photovoltaic projects that achieved generation costs of between €31 and €52 per MWh, in stark contrast to the regulated tariff from ARME, which was €255 per MWh when these projects were developed in 2022.

A significant opportunity for energy investments to spur additional investments in the digital services sector lies with the Cabo Verde Technology Park (CVTP). The CVTP, which is discussed in more detail in chapter 3, hosts a data center that is expected to provide much-needed data storage services and attract foreign investment. However, the data center lacks energy-efficient technologies and does not use renewable energy, minimizing its environmental sustainability. Major international technology companies are increasingly depending on green data centers to reduce their carbon footprint. By not designing the CVTP data center as a green facility, it may miss the opportunity to attract international investors and set a sustainable example in West Africa. Retrofitting the CVTP with energy-efficient technologies and exploring low-carbon electricity options, such as on-site renewable energy developments or corporate power purchase agreements, could help the CVTP reach its intended targets.

The transition to electric vehicles is one final crosscutting area that could catalyze investment across the three key sectors outlined in this report. The government's *Promoção da Mobilidade Elétrica em Cabo Verde* (Promotion of Electric Mobility in Cabo Verde) project aligns with the long-term goal of phasing out internal combustion engine vehicles by 2050. The project aims to provide financial incentives to 600 electric vehicles and 100 residential charging points, and establish a network of public charging stations in collaboration with the private sector. Although the project has attractive incentives for purchasing private electric vehicles, it does not include incentives for electric two or three-wheelers (scooters or motorcycles). Given Cabo Verde's average national income, percentage of car ownership, and small island geography, electric two or three-wheelers could play a crucial role in decarbonizing the transportation sector. These mobility options are generally more affordable and have little impact on the electricity distribution system when charging.

6.4

Recommendations

The reform of Cabo Verde's electric utility, Electra, is a major challenge identified in the energy system and is actively being addressed by the government. The primary recommendation is for the prompt and effective completion of Electra's restructuring. This overhaul is expected to accelerate the shift toward renewable energy, mobilize private capital by providing investors with increased certainty, lower services costs through reduced generation expenses and nontechnical losses, and improve overall service quality. Three actionable policy recommendations have been proposed to create an enabling environment for private investment in the energy sector.

6.4.1 **Planning and Investments in Digital Infrastructure for Smarter Grids**

Digital or smart grid infrastructure will play a significant role in the success of Cabo Verde's energy transition. This infrastructure enables various key objectives, such as increasing renewable energy usage, enhancing grid stability and reliability, reducing energy losses, and improving cybersecurity. The International Energy Association estimates that digitalization in grids could reduce the electricity curtailment generated by renewable energy systems by more than 25 percent by 2030, increasing system efficiency and reducing costs for customers.⁸ This benefit is especially relevant for small, isolated power systems like those in Cabo Verde. Therefore, the recommendation involves identifying and implementing key investments in strengthening and modernizing the grid infrastructure.

The government should develop an integrated energy planning framework that considers various forms of energy generation and the full spectrum of energy demand across sectors, notably tourism and digital infrastructure. The government's master plan for the electricity sector does not consider aspects such as electrification of transportation (which could have a significant effect on electricity demand) and distributed solar systems, and only considers lead-acid battery energy storage systems, omitting the now standard lithium-ion battery systems for utility-scale BESS. To address these gaps, Electra must develop a robust plan for a digitally enhanced electricity grid, guiding their investments in network upgrades and ensuring alignment with the evolving energy landscape. The revision of the master plan should account for increased renewable energy generation (utility-scale and distributed generation levels), incorporate energy storage systems, and align with the government's policies on the electrification of transportation. The current plan, which already calls for significant private investment, should continue to do so in its updated version.

6.4.2 **Aggregation Platforms**

The government should collaborate with international partners to develop an aggregation platform and a single risk mitigation initiative for renewable energy projects. These programs are effective in unlocking private investment in renewable energy projects by overcoming various challenges faced by developers and maximizing the socioeconomic benefit of such projects. The aggregation platform is mainly useful for grouping projects together, thereby lowering transaction costs and attracting larger private investors. By consolidating smaller projects into a single tender for development and securitization, the platform can bridge the gap between the relatively small size of most renewable energy projects in Cabo Verde and the larger investment sizes typically required by major international investors. This approach allows for the creation of standardized, investment-grade, multi-asset portfolios that reduce transaction costs, diversify risk, and draw the interest of institutional investors. Creating "one-stop shops" for services related to project development has proven effective in accelerating investment and deployment of renewables in several markets, a model that could be replicated in Cabo Verde.

Additionally, innovative financing mechanisms such as green bonds or sustainability-linked loans can help unlock private financing for renewable energy in Cabo Verde. An example of this emerging trend is the issuance of Cabo Verde's first green bond by *Aguas de Ponta Preta* in August 2023,⁹ valued at €4.5 million, to develop a 5 MW solar photovoltaic plant on São Vicente. Similar initiatives can help catalyze the development of renewable energy projects across Cabo Verde.

6.4.3

Battery Energy Storage Systems

Improving the enabling environment for energy storage systems (ESSs) is crucial for meeting Cabo Verde's renewable energy objectives. An initiative in this direction is the plan to develop a 20 MW pumped hydroelectric facility in Santiago, which is expected to increase the flexibility of the system and allow for more renewable energy integration. Furthermore, BESSs should be developed across the archipelago. These BESSs can be deployed in front of or behind the meter. Front-of-the-meter installations typically involve utility-scale projects, whereas behind-the-meter deployments are smaller and typically take place at consumers' residences. A key element of BESSs is that they are efficient in providing multiple services simultaneously, thereby increasing their value to the overall energy system.

To facilitate investments in these technologies, it will be necessary to establish a favorable business environment and regulatory frameworks for both installation types. Such regulations can attract investments in ESSs, which are crucial to balance the intermittent nature of renewable energy production. As Electra undergoes the planned unbundling, it is important to ensure that the resulting environment is conducive to investments in ESSs. The development of energy market rules is essential to streamline the provision and remuneration of various services that ESSs can deliver. These services range from short-term balancing and operating reserves, ancillary services for grid stability, deferment of network investments, to long-term energy storage and grid restoration following a blackout. Updating regulations to allow for "value stacking" enables ESSs to maximize revenue generation by bidding for different services, thereby improving the business case for investment.

The regulatory framework for BESSs in Cabo Verde should be comprehensive to maximize its benefits. It should cover a range of considerations, including technical, physical, safety, cybersecurity, environmental, and regulatory compliance (particularly with relevant grid codes), as well as control and communication standards. This framework could be detailed in an energy storage roadmap tailored for the country. In the interim period, while this framework is being developed, BESS projects can still proceed according to the existing needs of the system. For these developments, a "regulation by contract" approach could be used. This approach is particularly useful when the current regulatory framework lacks necessary rules for clear rights and obligations, dispute resolution, and other legal concerns for developers. In such cases, these concerns are covered within the PPP agreements.

Table 6.2 outlines several recommendations for the energy system.

TABLE 6.2

Policy Recommendations for the Energy System

Objective	Recommendations	Stakeholders	Time frame*
Increase renewable energy generation from private sector investors and reduce distribution losses.	→ Complete the ongoing restructuring of Electra as per Decree Law No. 34/2022.	MICE, ARME	Short term
Develop an energy sector master plan and prioritize grid investment.	→ Update the energy sector masterplan and identify priority investments in grid reinforcement and modernization.	MICE, ARME	Short term
Accelerate the provision of affordable, reliable electricity generated mainly by renewable energy technologies.	→ Create a favorable business environment and regulatory framework to facilitate investments in BESSs. → Develop an aggregation platform and a single risk mitigation initiative to support renewable energy projects. → Engage in an integrated and coordinated planning of the energy system, taking into account its evolving landscape.	MICE, ARME	Medium term

Note: ARME = *Agência de Regulação Multisectorial da Economia* (Multisectoral Economy Regulatory Agency); BESSs = battery energy storage systems; MICE = *Ministério da Indústria, Comércio e Energia* (Ministry of Industry, Trade and Energy).

*For short term, one to three years. For medium term, three to five years.

Notes

1. This report includes a benchmarking exercise to better understand the performance of Cabo Verde's energy sector, comparing it with two sets of peer countries: structural and aspirational peers. Structural peers are countries similar in size with comparable geography, economic structure, and developmental levels. For Cabo Verde, these include Comoros, Fiji, and São Tomé and Príncipe. Analyzing these countries' performance helps evaluate Cabo Verde's energy sector. Aspirational peers, on the other hand, are countries whose economic and developmental trajectory are seen as examples for Cabo Verde. Within the scope of this report, the aspirational countries identified were Maldives, Mauritius, and the Seychelles.
2. Electra (2023).
3. See the Plano Diretor do Setor Elétrico (Electrical Sector Master Plan) at <https://www.portalenergia.cv/setoreletrico>.
4. Gesto Energia (2011).
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APPENDICES

APPENDIX A SECTOR SELECTION METHODOLOGY

The process of identifying potentially high-growth sectors for Cabo Verde primarily used two analytical tools—a sector’s revealed comparative advantage (RCA) and the International Finance Corporation (IFC) Sector Scan Tool. However, the final selection of sectors was mainly predicated on applying qualitative screening filters, as outlined in table A.1. These criteria include:

- a. Results of the RCA analysis and IFC Sector Scan.
- b. Potential for export growth (goods and services), productivity growth, and job creation.
- c. Potential for mobilizing private capital.
- d. Alignment with the government’s strategic priorities.
- e. Impact on climate.

Furthermore, given that Cabo Verde has been the focus of several recent analytical reports, the selection of sectors aimed to address and fill the gaps in existing knowledge.

A.1

RCA and Sector Scan Analyses

Cabo Verde’s merchandise export competitive sectors are few and characterized by low volumes. Based on revealed comparative advantage (RCA) analysis, the country performs well in fish-related animal products and light manufactures such as processed food (mainly fish products) and textiles and apparel (figure A.1). However, caution should be exerted when interpreting RCA data for Cabo Verde because of small export volumes and substantial year-to-year variability. This analysis does not consider services trade.

Additionally, an IFC Sector Scan analysis was conducted to assess various sectors/subsectors based on average growth, global demand, complexity, and fitness. This analysis highlighted sectors including travel, food, and beverages, confirming existing country experiences and expert opinions. Conversely, sectors

TABLE A.1

Application of Screening Filters for Sector and Topic Selection

	RCA/fitness	Productivity growth potential	Private capital mobilization	Government priority	Climate adaptation
ENABLING SECTORS					
Transportation (air and maritime) and logistics	n.a.	High	Medium	High	Medium
Energy	n.a.	High	High	High	Medium
CROSSCUTTING THEMES					
Access to finance	n.a.	High	Medium	Medium	Low
Competition/SOE	n.a.	High	High	High	Medium
MAIN SECTORS					
Tourism (creative industries, ecotourism, and digital nomadism)	High	High	High	High	High
Blue economy	High	High	Medium	Medium	High
Agriculture	Low	Medium	Low	Medium	High
Manufacturing	Low	Medium	Medium	Low	Low
Digital services	Medium	High	Medium	High	Medium

Note: n.a. = not applicable; RCA = revealed comparative advantage; SOE = state-owned enterprises. The cells are colored according to the level of priority: a green cell indicates a high priority, an amber cell indicates a medium priority, and a red cell indicates a low priority.

like chemicals and mineral products emerged as surprising focal points, probably driven by outlier data in years with low overall merchandise trade volumes. Taken together with the RCA analysis, this sector scan reinforced the selection of tourism diversification niches as well as fisheries and aquaculture as feature in the CPSD sector assessments for Cabo Verde.

A.2

Sectors Considered but Not Retained

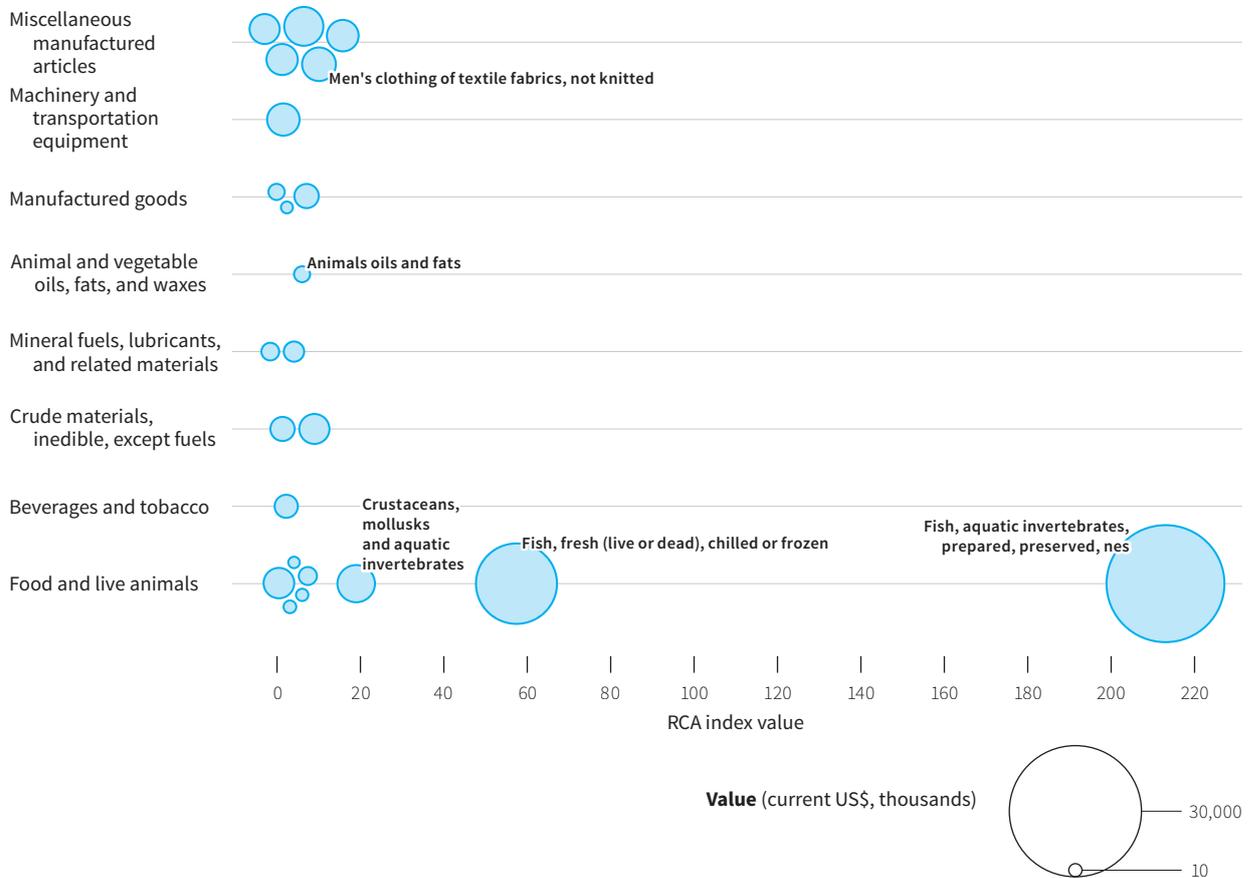
A.2.1

Agriculture

In 2021, the share of agriculture in Cabo Verde's gross domestic product (GDP) was 4.41 percent, growing by 4.8 percent after four years of contraction. However, the sector has been facing a steady decline, falling from 7.7 percent in 2007 to 7.1 percent in 2014, with growth rates consistently below other productive sectors. In 2020, food imports were around US\$100 million (10 percent of total imports), and food exports were also about US\$100 million (roughly 66 percent of merchandise exports).

Land scarcity and competition for land use stifle agricultural potential. Only about 20 percent of the land (around to 79,000 hectares) is arable. Land use is distributed as follows: 12.90 percent arable land, 0.99 percent permanent crop, 6.20 percent permanent meadows and pastures, 22.07 percent forest area, and

FIGURE A.1
Sectors with a Comparative Advantage in Cabo Verde



Source: Based on 2021 merchandise trade data from UNCTADstat database.
Note: nes = not elsewhere specified, RCA = revealed comparative advantage.

57.84 percent other uses. Santiago, the largest island at 991 square kilometers, is the most important region for agriculture, with an arid tropical climate and two seasons. Precipitation is erratic and has been declining since the 1960s, around 225 mm/year, impacting agriculture and water supply. The volcanic, medium to coarse soil is generally shallow and low in organic matter. Production and livestock systems are often fragile, using inadequate or inappropriate techniques that lead to environmental impacts, low productivity, and soil degradation.

Local small and medium enterprises (SMEs) struggle to meet the growing demand from the tourism sector. Around 80 percent of the food and beverages consumed in hotels and resorts are imported, even though tourism accounts for 20 percent of total food consumption. Despite interest from large hotels and import wholesalers in ramping up local sourcing, especially for fresh perishable produce, about 30 percent of local products are rejected because of quality issues. Other products such as wheat flour, fresh processed dairy (yogurts), fresh eggs, and beverages (bottled water and beer), mostly from industrial producers in Santiago and São Vicente islands, have had varied success in supplying the large hotel segment.

The tourism food supply chain in Cabo Verde faces several infrastructure and logistical challenges. Despite hotel managers' expressed interest in increasing local

sourcing, only an estimated 5–10 percent of hotel food demand is sourced locally.¹ Constraints include limited scale, poor landing facilities, substandard sanitary procedures, inadequate handling, and inefficient interisland logistics, are preventing the penetration of local products and services, particularly primary sector fisheries and agriculture; sectors which have a relatively low input to the formal economy and a large proportion of workers (artisanal fishers and fish traders) being poor. The subsequent concentration and specialization in the wholesale trade supplying hotels has had a strong impact on purchasing dynamics, such as avoiding suppliers who are not accredited and the emphasis on quality, certification, and traceability.

Climate smart agriculture (CSA) practices are nascent. The government's proactive policy aims to increase domestic productivity, extend availability of arable land, and invest in water resource mobilization. Another strategy that has been pursued to boost agricultures' potential is the investment in new production processes such as hydroponics for fresh vegetable production. Although specific funding allocated for CSA is lacking,² various agriculture, environmental sustainability, and climate change projects contribute to CSA goals. Accessing international climate finance and ensuring local public and private investment in agriculture are essential next steps.

A.2.2

Manufacturing

The manufacturing sector in Cabo Verde, while relatively small, is growing and dominated by SMEs. It contributes 17.5 percent to the GDP and is an important source of jobs and income, providing 15,000 formal jobs, with 38.5 percent of these positions held by women. Over the past decade, the sector has grown by an average of 5.6 percent, outpacing the overall economy's growth of 2.8 percent.

Key manufacturing industries in Cabo Verde include food and beverages, textiles, garments, footwear, salt mining, and ship repair. The sector is spearheaded by the food and beverage industry, particularly the export-competitive fish processing segment. It accounted for approximately 30 percent of the manufacturing sector's output in 2019, up from 25 percent in 2015, and accounted for 68 percent of total exports. Another growing sector is the textiles and clothing industry, including footwear, accounting for approximately 20 percent of the sector's output in 2019, up from 15 percent in 2015, and contributing 12.5 percent of total exports. This growth has been driven by increasing domestic and external demand, supported by favorable government policies, such as investment incentives and special economic zones.

However, the manufacturing sector in Cabo Verde faces several challenges that limit its growth and development. These include unreliable infrastructure services such as logistics and electricity, which make it difficult for manufacturers to access inputs and services to produce competitively. Inadequate access to finance also restrict manufacturers' ability to invest in new equipment and technology. The government is addressing these challenges including incentive regimes, infrastructure development, and promotion of financial inclusion. Despite these efforts, the manufacturing sector was not selected for a focused assessment in the CPSD because of its less dynamic potential compared to other sectors and the need for selectivity.

Notes

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2. FAO and ICRISAT (2019).

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APPENDIX B PEER SELECTION METHODOLOGY

To select the structural and aspirational comparators for Cabo Verde, the Private Sector Scan tool was used, adhering to the Country Private Sector Diagnostic (CPSD) guidelines.

For the analysis, the period from 2015 to 2021 was used instead of the most recent three years. This approach was adopted to mitigate data distortions that the COVID-19 pandemic may have caused.

The criteria for selecting structural comparators went beyond the standard measures of (1) gross domestic product (GDP) per capita, (2) land area, and (3) population. Additional indicators included (4) foreign direct investment inflows as percentage of GDP, (5) international tourism receipts as a percentage of exports, and (6) the proportion of individuals using the internet in the total population. Each of these six indicators were assigned equal weight in the selection process.

Table B.1 lists the top six countries identified as Cabo Verde's global and regional structural comparators.

For the aspirational comparators, GDP per capita was the main consideration, with a ceiling set at US\$15,565—equivalent to five times Cabo Verde's current figure. The indicators considered to calculate similarity distance were the same as for structural comparators, excluding GDP per capita, and each of the remaining five indicators was assigned equal weighting.

Table B.2 lists the six countries identified as Cabo Verde's aspirational comparators.

Based on the analysis and additional considerations (such as avoiding repetition and maintaining an average income level close to that of Cabo Verde), table B.3 lists the comparator countries for Cabo Verde in the CPSD.

For the sector assessments, the selection of structural and aspirational comparators might differ somewhat from the ones presented in this appendix, depending on sector-specific considerations such as relative economic importance and performance.

TABLE B.1

Cabo Verde's Global and Regional Structural Comparators

Country	Global		Country	Regional	
	Similarity rank	Weighted distance		Similarity rank	Weighted distance
Fiji	1	9.0	São Tomé and Príncipe	1	15.3
São Tomé and Príncipe	2	15.3	Mauritius	2	22.8
Vanuatu	3	16.3	Gambia, The	3	23.3
St. Vincent and the Grenadines	4	17.7	Seychelles	4	26.7
Maldives	5	18.0	Comoros	5	45.0
St. Lucia	6	19.7	Lesotho	6	50.0

TABLE B.2

Cabo Verde's Aspirational Comparators

Country	By Rank		Country	By Value	
	Similarity rank	Global weighted distance		Similarity rank	Global weighted distance
Fiji	1	5.2	Fiji	1	5.2
St. Vincent and the Grenadines	2	11.0	St. Lucia	2	9.8
Belize	3	11.6	Maldives	3	10.8
Montenegro	4	14.8	St. Vincent and the Grenadines	4	11.0
Dominica	5	17.0	Belize	5	11.6
Albania	6	18.6	Grenada	6	13.2

TABLE B.3

Cabo Verde's Structural and Aspirational Comparators

Structural	GDP per capita (US\$)	Aspirational	GDP per capita (US\$)
Fiji	5,689	Mauritius	9,882
São Tomé and Príncipe	1,949	Seychelles	15,282
Vanuatu	2,982	Montenegro	8,025
Gambia, The	788	Maldives	9,225
Comoros	1,367	Grenada	9,911
<i>Mean</i>	2,555	<i>Mean</i>	10,465

Note: GDP = gross domestic product. Cabo Verde's GDP per capita is US\$3,313.



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