

LEGAL ALERT

CAPE VERDE: WEST AFRICA'S ATLANTIC HARBOUR OF OPPORTUNITIES

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I. Context and Opportunities

Interesting opportunities await the foreign investor in Cape Verde. Located in the Atlantic off the coast of Africa, the country is set on becoming the “Atlantic Gateway to Africa” and is making it happen through foreign investment policies that provide strong and competitive incentives.

Ranked as the 2nd best African country for economic opportunity¹, the areas that attracted more foreign investment in the past year were tourism, industry, health, and trading². Despite the impact of the COVID-19 pandemic on global economy, these islands reached 1.4 billion dollars in approved foreign investment in 2020 and the IMF has recently confirmed its trust in the ability of the country to repay the loan granted to it to face the pandemic.

Government is now looking to diversify its GDP sources, both through the development of new sectors and geographically, with investment in less developed islands being favoured.

Consequently, new private equity investments on ocean economy, industry, services, residential tourism, health, tech, agrobusiness, desalination, renewable energy and infrastructures are welcomed and embraced.

¹ Source: [The Ibrahim Index of African Governance \(IIAG\)](#).

² Source: [Declarations of Cabo Verde TradeInvest's President, José Almada Dias, at the conference organized by AICEP Portugal Global on 17 March 2021](#).

The energy sector is set for an important shift in the next few years, as Government takes the first steps to privatise ELECTRA, the state-owned energy and water company, and is simultaneously planning to open the energy market to other providers³.

ELECTRA's production and distribution branches will be split into two companies. The Government plans to sell through a public tender up to 75% of the shares of each company to a private strategic partner and the remaining 25% to Cape-Verdean workers, emigrants and minority shareholders.

Additionally, the privatisation process of several other state-owned companies, halted last April due to Covid-19, is set to restart with the following companies⁴:

- ASA – Aeroportos e Segurança Aérea, S.A. (airport management);
- CABNAVE – Estaleiros Navais de Cabo Verde, S.A. (naval shipyards management);
- CV Handling – Cabo Verde Handling, S.A. (handling);
- ENAPOR – Empresa Nacional de Administração de Portos, S.A. (responsible for the management of nine ports);
- IFH – Imobiliária, Fundiária e Habitat, S.A. (social housing);
- SGZ – Sociedade de Gestão da Zona Industrial de Lazareto, S.A. (Industrial Zone of Lazareto concessionaire);
- AEB – Água e Energia da Boavista, S.A. (water and energy production and distribution in Boavista);
- CCV – Correios de Cabo Verde, S.A. (post service);
- Cabo Verde Telecom, S.A. (telecom company);
- NOSI – Núcleo Operacional para a Sociedade de Informação, EPE (digital public governance solutions);
- AgroQuibala – Sociedade Cabo-verdiana Agro-Industrial de Quibala (agriculture);
- Atlantic Tuna – Sociedade Cabo-verdiana e Angolana de Pesca, S.A. (industrial fishing exports and commercialization);

³ Source: Decree-Law no. 52/2021, of 21 June 2021.

⁴ Source: Resolution no. 87/2017, of 03 August 2017.

- EMPROFAC – Empresa Nacional de Produtos Farmacêuticos, S.A. (pharmaceuticals);
- Sociedade Cabo-verdiana de Sabões, S.A. (cleaning products production);
- SONERF – Sociedade Nacional de Engenharia Rural e Florestas, EPE (hydraulic and infrastructure works);
- BVC – Bolsa de Valores de Cabo Verde, S.A. (stock exchange);
- A PROMOTORA – Sociedade de Capital de Risco, S.A. (venture capital investments in tech);
- EHTCV – Escola de Hotelaria e Turismo de Cabo Verde, EPE (hospitality and tourism school);
- SDTIBM – Sociedade de Desenvolvimento Turístico das Ilhas de Boavista e Maio, S.A. (tourism development in Boa Vista and Maio); and
- TACV – the country’s airline (recently added by the Government to the privatisation list in 2021).

Political stability and a collaborative attitude towards foreign investment make this country stand out in the emerging markets and investors looking to diversify their portfolio are granted several benefits. A new International Business Centre is already operating, and new “Tech Valleys” are planned for the islands of Santiago and São Vicente. Additionally, duty-free areas are being established, such as the recently founded Special Economic Zone in São Vicente, which includes a cruise ship port currently under construction.

There are also opportunities in both international and domestic transportation. This area is a current concern and there is a need for new solutions for the aviation and maritime systems.

Despite the impact of Covid-19, the tourism sector seems as strong as ever, with projects being launched from international hotel groups such as Hilton, Sheraton, Marriot and Radisson. Less known islands, such as Maio, are now attracting hotel investment projects in the EUR 500 million range, as investors become aware of their untapped potential.

Foreign investment projects are submitted to a centralised agency, Cape Verde TradeInvest, which coordinates all necessary licensing procedures and negotiations with public entities. The legal framework is dependable and aims to speed up and facilitate the implementation stage.

Additionally, public procurement laws are solid and inspired in Portuguese regulations and therefore, indirectly, in European legislation.

Cape Verde fosters good trade relationships with many countries, namely the USA, EU members and China, and is a member of several international agreements, such as the ECOWAS (Economic Community of West African States) and the PALOP (Portuguese-speaking African countries).

II. Favourable landscape

Despite not being a large-scale market, Cape Verde has already several successful stories to tell. In its short life as a modern democracy (having held its first free elections in 1991), Cape Verde has been able to attract large investors to implement projects in the country with exciting revenues.

The paradigmatic example of this is Cabeólica: the country's first Independent Power Project and the main project finance of renewable energy in all the Economic Community of West African States (ECOWAS) region, which currently provides *circa* 25% of the power consumed in the country. This project began in 2011 and is composed of four wind farms, with wind power having a relative weight in the consumption of power in Cape Verde second only to that of Denmark. Cabeólica has been steadily evolving, bringing solid income to those involved and bolstering interest in the sector.

The ultimate proof of Cabeólica's success has been its ability to push through the financing by development finance institutions, multilateral organisations and export credit agencies and attract regular commercial investors. This project created a kind of market precedent for future projects in the region, representing the first successful test to the bankability of project and finance documents in the Cape Verdean jurisdiction.

Another promising project is the upcoming production of tuna by Nortuna AS, a leading company from Norway which has already signed a memorandum of understanding with the Government to develop and expand tuna production in the Cape Verde region, taking advantage of the rich maritime resources available along its coastline and its vast exclusive economic zone.

The key success factors offered by Cape Verde's investment landscape include the increasing sophistication of the market (marked by an ever-growing concern with the bankability of the projects' documents). Although investment in Africa is commonly associated with heavy bureaucracy, politically charged enterprises and burdensome foreign exchange regulations, Cape Verde offers favourable conditions in all three areas, being ranked by the World Bank⁵ as the best country for investment in Lusophone Africa.

The legal framework applicable to foreign investment is simple and transparent and the regulatory landscape is favourable to investors. In addition to its close connection to Europe (mainly through its tight relationship with Portugal), efforts are being undertaken towards the adoption of more robust legislation, bringing Cape Verde even closer to state-of-the-art market standards.

Cape Verde is known for its flexibility in the repatriation of funds (especially when compared to most African jurisdictions), supported by a light framework applicable to foreign exchange matters, allied to the fact of the local currency being pegged to the Euro.

As for the potential political charge of projects undertaken in Cape Verde, the country was ranked 41st worldwide and third in African countries (only behind the Seychelles and Botswana) in the Corruption Perceptions Index of 2020⁶.

Cape Verde is committed to the pursuit of sustainable growth and is aiming towards a commonly called "blue economy". In this context, some benefits are granted to projects deemed to be of national interest. Thus, taking advantage of such benefits and of the recently created special economic zones is an efficient road to take for investors interested in benefitting from country's development, as well as in contributing to it.

In sum, its geographical location, natural resources, still unexplored potential, sophisticated legal conditions, and stable political climate grant investors in Cape Verde a favourable environment for their investment.

⁵ Source: [Rankings \(doingbusiness.org\)](https://www.doingbusiness.org).

⁶ [The Corruption Perception Index](https://www.transparency.org/en/cpi) "ranks 180 countries and territories by their perceived levels of public sector corruption" and is held by Transparency International.

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