

# CAPE VERDE

**T**he small archipelago of Cape Verde is steadily regaining the world trade center status it held until 1854. Only 450km off the African West coast, this country of 10 islands and 430,000 people has an unbeatable geographic position, located between Africa, Europe and the Americas. Though devoid of natural resources, its political stability, well-educated labor force and pleasant climate have turned it into a haven for investors.

The first multiparty elections held in 1991 marked the turning point for all political and economic changes. The newly elected government created a number of incentive packages which have successfully attracted foreign investment. Tourism and manufacturing are booming, attracting investment from as far away as Hong Kong, Italy and Spain. In 1993 Cape Verde's economy was still based on subsistence agriculture and fishing. Today it exports from textiles to electronic components. Macro-economic reforms have been matched by dramatic improvements in education and health. ●



*Hotel Tropic, a four-star hotel at the heart of the capital.*

**This small archipelago in the middle of the Atlantic is a model of development for the IMF and the World Bank.**

## GOVERNMENT INCENTIVES HAVE ATTRACTED FOREIGN INVESTMENT

The economic and fiscal reforms implemented by the Cape Verde government and the wise use of foreign aid are unsurpassed within Africa.

**A**ttracted both by the upward trend of the economy and by social growth indicators, international donors started offering grants in order to support the development of the country. The combined efforts of the IMF, World Bank and Cape Verde's government have resulted in outstanding development indexes. GDP grew 8% in 2000 reaching US\$ 508,3 million. Inflation, having been kept at single digits for 9 years, was reduced -2.4% in 2000. At 84%, the literacy level is one of the highest in the African continent, and life expectancy is 70.4 years.

These achievements are not accidental, but the result of a carefully planned governmental strategy. From January 1999 Cape Verde established a fixed parity between the Cape Verdean Escudo and the Euro. "We have applied the EU convergence criteria regarding public debt, which cannot surpass

60% of GDP, and the National Assembly has established that annual public deficit cannot be higher than 3% of GDP," explains Prime Minister Hon. Antonio Gualberto do Rosario. These strict parameters would seem to be a real challenge for the government, but as Hon. Jose Ulisses Correia e Silva, Minister of Finance, points out "taking into consideration that 80% of trade is done with Europe, and that the origin of foreign investment comes mostly from the EU, it makes perfect sense for Cape Verde to have parity with the European currency. It procures us foreign exchange stability while creating a climate of trust among investors and tourists."

"Our development policy highly values social growth as one of the main ways to warrant social stability. That is why the political climate is so good in Cape Verde," explains Prime Minister do Rosario. In fact education and health absorbed 26% of the

budget, whereas only 2% was spent on defense, one of the lowest percentages in Africa. This attention to social matters has created an unparalleled social environment which, paired with a legislation highly favorable to investments, has made foreign investors flock to Cape Verde. "The idea is to create the basic conditions for private investment to come into the country, allowing the government to leave the development of the economy to the private sector" says Mr. Luis Pedro Maximiano, General Director of the Treasury.

A number of other reforms implemented by the Ministry of Finance are under way, such as the simplification of custom procedures and the reduction of import duties which, starting in 2001, will be cut by 40%. Other incentives are tax holidays for strategic sectors and considerable lower taxes for foreign companies who decide to establish themselves in the country. "The clear political objective is to promote the necessary conditions for the development of industrial activities in Cape Verde", affirms the Minister of Finance Hon. Correia Silva. ●

## The new Stock Exchange will help privatize the largest companies in the country

All privatized companies have shown significant profits and have helped to reduce unemployment.

For years the government inefficiently controlled and ran the key sectors of the economy. In 1991, with the help of the World Bank, major reforms were implemented. A number of state owned enterprises have started to be successfully privatized and their efficiency has dramatically increased.

A significant success was the privatization of CVC (Construções de Cabo

modernization of the islands' basic infrastructures - roads, ports, airports and even hospitals and schools. Their most ambitious project ever is the construction of a new passenger terminal worth US\$ 4 million at Cabral Airport.

According to the Office of the Vice-Prime Minister for Privatization and Regulatory Capacity Building Process, most privatized companies' recorded losses before

The government is trying to place an increasing number of stock in the hands of the people in the course of the privatization process

Verde) which quadrupled its turnover in only one year, obtaining US\$ 15 million in 1999. The largest construction company in the country, CVC has been involved in the

their sale. However, after purchase, they averaged 80% growth, as well as helping to generate employment. Such is the case of BCA, Caixa Economica, and Electra (National Electricity and Water Co.). A partial sale to Portuguese partners has helped improve performance. By September 2000 the proceedings from the sale of Cape Verdean companies to strategic partners rose to US \$120 million. 26



left: Hon. Jose Ulisses Correia Silve - Minister of Finance  
right: Hon. Antonio Gualberto do Roserio - Prime Minister

enterprises have been selected for privatization. 6 of those will be sold to strategic partners with the remaining 20 made available to the public through the newly established Cape Verde Stock Exchange (CVSE).

"The government is trying to place an increasing number of stock in the hands of the people in the course of the privatization process," points out Mr. Ulisses Marcal, Chairman of the CVSE. "The idea is to start operations with three firms: Cabo Verde Telecom, Banco Comercial do Atlantico and Caixa Economica, and eventually with Treasury bonds. We believe that, in market terms, they will form the critical mass needed to start operations". The CVSE will start running in February 2001 and will hold sessions twice a week. Mr. Marcal specifies that in this first phase "the real challenge is to obtain market price stability, avoiding a volatility that could prove detrimental in an emerging market". ●

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The national airport and aviation authority (ASA) has a vital role to play as Cape Verde becomes a magnet for tourism and investment. Contact at [dgeral@asa.cv](mailto:dgeral@asa.cv)



CVC - Success due to stability and hard work



SCT presents itself as one of the leading companies in the country's industrial sector. Contact at [www.sct.cv](http://www.sct.cv)

## From subsistence to world trade

Primary products have given way to a new production structure based on textiles, shoes and electronic components.

**P**ROMEX, the Center for Promotion of Tourism, Investments and Exports, is in charge of the international image of Cape Verde. Indeed, PROMEX recently obtained the International Gold Award for quality in New York, beating 88 other countries. "The prize was awarded to us by businessmen, investors and tourists who visited Cape Verde and who reported about the quality of our service. This award confirms that we offer an outstanding service," proudly announces Mr. Pedro

Barro, President of PROMEX. Evidence of PROMEX's success is that from 1994 to 1999 foreign investments skyrocketed from US\$ 43 million to US\$ 260 million. The estimated figure for 2000 is US\$ 900 million.

Traditional dependence on agriculture and fishing has given way to a new production structure. "Today the main products exported are not primary products any more, but textiles, shoes and even electronic components," explains Mr. Barro.

From 1994 to 1999 exports increased 500%, reaching US\$ 9 million.

An example of this new trend is STC, a cigarette import and production company in Cape Verde. In 1997 STC held 30% of the market, while in 2000 it held nearly 90%. "Our objective for the year 2003 is to obtain a market share of 95% which we plan to accomplish through the reduction of smuggling," says Mr. Jorge Benchimol Duarte, STC's Managing Director. Sales reached 130 million in 1999 and a 14% increase is expected in 2000. In 1998 the company obtained an agreement license from Phillip Morris to import and distribute Marlboro, and is looking to export its own brands by 2002. ●

## Treasure Islands



Pristine beaches, dramatic black volcanoes, rolling green hills, vibrant cultural traditions and water sports and adventure at every turn... all this and more make Cape Verde a prime candidate for tourism development. At PROMEX, Cape Verde's Centre for Tourism Investment and Export Promotion, we know that our country's political and social stability coupled with its uniquely strategic location are what international investors value most. That is why in our aim to further develop the islands' economic potential, we work hand-in-hand with investors to identify the best opportunities in areas involving both tourism and exports. The government of Cape Verde has set forth a range of attractive incentives, including:

No export taxes ● Duty-free imports of raw materials, equipment and construction materials ● Competitive salaries and a plentiful labour force ● Modern infrastructure ● Attractive operating costs ● Tax holidays on dividends and profits.

*Opportunities in Cape Verde are just waiting to be discovered... Let PROMEX help you find the way*



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## Tourism and infrastructures, the next challenge

Unspoilt beaches, breath-taking scenery and the kindness of its inhabitants have turned Cape Verde into an unexplored paradise.

**T**raditionally not a tourist destination, the volcanic islands of Cape Verde are now attracting increasing numbers of tourists. 130,000 tourists visited Cape Verde in 2000, a 100% increase on the previous year. Spain, Portugal and Italy have already shown interest in investing in this promising sector.

Spanish investors have announced a US\$ 150 million investment in the next 15 years, but the Portuguese have already made headway with the construction of the Hotel Tropic, a four star hotel with European standards overlooking the Atlantic Ocean. Situated in the capital city of Praia, this CV escudos 365 million Tropic caters for tourists and businessmen alike and has established itself as the leading hotel in the country. Its seawater swimming pool is its trademark.

The Minister of Tourism and Transport,

Hon. Maria Helena Semedo, is delighted with the way tourism is developing. However, as she put it "our ambition is to have infrastructures matching with the kind of tourists we want here". Furthermore "we need to have an air transport sector that responds to the needs of this new century. It has to be fast, comfortable, with relative frequency and with links with the whole world. We also need to develop sea transportation to complement it".

For the past six years ENAPOR (National Ports Administration Enterprise) has made substantial efforts to strengthen the ports' infrastructures. New ports have been built in the islands of Boavista, Maio, Fogo and Brava, meaning that all of the nine inhabited islands now have their own port. Mr. Manuel Vicente A. Silva, General Director of ENAPOR wants to turn Porto Grande, a recently upgraded deep-water port

in the Sao Vicente Island into the transshipment center for West Africa. However, Mr. Silva argues that the promotion of Cape Verde as a major transshipment center can only be achieved on a partnership basis since "the country's economic structure does not support the extraordinary investments needed to stand competition".

The National Airports Enterprise (ASA) is equally improving connections among the islands and the rest of the world. The airport in Praia, for instance, is being improved to accommodate intercontinental flights. The new international airport at Sao Vicente now boasts a beacons runway for night flights, and the island of Boavista, hailed as the next major tourist hot spot will also have its own international airport, bringing to four the number of international airports in the country. All these improvements in infrastructure together with the archipelago's strategic position and excellent political and economic relations with Europe, Africa and the Americas will soon reestablish Cape Verde as an important trade hub of West Africa. ●

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