



COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN CABO VERDE

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

Executive Summary

March 2024



About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets and developing economies. We work in more than 100 countries, using our capital, mobilization capacity, expertise, and influence to create jobs and raise living standards, especially for the poor and vulnerable.

In fiscal year 2023, IFC committed a record US\$43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to improve people's lives as economies grapple with the impacts of global compounding crises. For more information, visit www.ifc.org.

© International Finance Corporation 2024. All rights reserved.
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC does not guarantee the accuracy, reliability or completeness of the content included in this work, or for the conclusions or judgments described herein, and accepts no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The findings, interpretations, views, and conclusions expressed herein are those of the authors and do not necessarily reflect the views of the Executive Directors of the International Finance Corporation or of the International Bank for Reconstruction and Development (the World Bank) or the governments they represent.

Photo: Cover, © Igor Tichonow/Adobe Stock.

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 recommenda-

tions 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 re-

search 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.	→ 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.	→ 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.	→ 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.	→ Establish and enforce total allowable catches and other management tools.	MM	Short term
	Weak monitoring and data collection of catches and fishing practices on domestic and foreign vessels.	→ Establish or strengthen existing vessel monitoring and catch reporting systems for domestic semiindustrial and foreign/industrial vessels.	MM	Short term
A more concerted effort to attract investment in aquaculture.	Lack of information on viable opportunities in aquaculture for investors.	→ Consider formalizing the zones for aquaculture activities and explore the potential of clustering related public infrastructure and other incentives to attract investment.	MM, MIOHT	Short term
Improve access to markets and finance for private sector.	Lack of capital available to local fishers for investing in improved fishing practices.	→ 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, Pró-Empresa, Pró-Garante	Short term
3. DIGITAL SERVICES				
Open market for e-gov services.	Dominant presence of NOSI in the market.	→ 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.	→ 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
		→ Remove costly licensing and entry barriers that prevent private players from entering further segments of the fintech market.	MF	Short term
	Legal framework for digital financial services is not aligned with global and regional standards.	→ 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; ⁹ (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 ⁹ 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.	→ 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
		→ 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.	UASE, AdC, ARME	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.	<i>Electricity and telecommunications</i> → 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.	ARME, AdC	Short term

(Table continues next page)

TABLE ES.1

Priority Reform Recommendations (continued)

High-level objectives	Constraints	Recommendations	Responsible entity	Time frame*
Implementing competition regulatory framework and strengthening institutional capacity.	Price controls deter new entrants and impact investment prospects in key sectors. The competition authority is still not fully operational, and laws provide exemptions favoring certain market players.	<i>Air transportation</i>	AAC, AdC	Short term
		→ 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.	UASE, AAC, AdC	Short term
		→ 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	Medium term
		→ 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).	→ 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.	MM, ARME	Short term
		→ 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
		→ Define a strategy that promotes private participation in the management of maritime cargo services.	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.	→ Introduce climate change adaptation criteria for port investments.	Enapor, Cabnave, MM	Medium term
		→ Establish institutional mechanisms that promote an integrated approach within the transportation sector and encourage private participation.	MF, UASE	Short 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).	→ Launch the PPP for port operations.	ENAPOR, Cabnave, MM	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.	→ Strengthen the regulatory capacities of the government to effectively oversee the newly concessioned airport system.	MTT, UASE, AAC	Short term
		→ Define an integrated logistics framework and strategy with clear roles and responsibilities to guide investment decisions and policy reforms.	MTT, MM, MAA, MIOTH	Short term
6. ENERGY				
Increase electricity generated from renewable sources through private investments and reduce distribution losses.	Slow progress in the restructuring process.	→ 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.	→ 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.	→ Create the business environment and regulatory framework to attract investments in battery energy storage systems.	MICE, ARME	Short term
	Post-unbundling financial capacity and creditworthiness of the transmission and system operator.	→ Develop an aggregation platform and a single risk mitigation initiative for renewable energy projects.	MICE	Short term

Note: AAC = Agência de Aviação Civil (Civil Aviation Authority); AdC = Autoridade da Concorrência (Competition Authority); ARME = Agência de Regulação Multisectorial da Economia (Multisectoral Economy Regulation Agency); Cabnavé = Estaleiros Navais de Cabo Verde; Enapor = Empresa Nacional de Portos; FSST = Fundo de Sustentabilidade Social para o Turismo (Tourism Fund for Social Sustainability); G-20 = Group of Twenty; Imar = Instituto do Mar; IMP = 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 = Ministro 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).

References

- ALG (Advanced Logistics Group). 2023. “Study on Improving Transport for Tourism in Cabo Verde.” Progress report. ALG, Madrid.
- BCV (Banco de Cabo Verde). 2023. “IDE por País de Origem e Sector (2000–2020).” Praia: BCV.
- IFC (International Finance Corporation). 2023. “The Impact of Submarine Cables on the Price of Internet, and the Role of Competition and Regulation.” IFC, Washington, D.C.
- MF (Ministério das Finanças e do Fomento Empresarial). 2022. “Ação de Controlo ao Fundo de Sustentabilidade Social Para o Turismo.” Praia: MF.
- MICE (Ministério da Indústria, Comércio e Energia). 2018. “Procedimento de Licenciamento Centrais Elétricas.” Portal de Energia. Last modified April 8, 2019. <https://www.portalenergia.cv/setoreletrico>.
- WEF (World Economic Forum). 2022. *Global Gender Gap Report 2022*. Geneva: WEF.
- World Bank. 2019. “Cabo Verde Public Expenditure Review: Revisiting the Efficiency of Public Spending to Reduce Debt and Improve Education and Health Outcomes.” World Bank, Washington, D.C.
- World Bank Group. 2023. “Sailing Rough Seas: Accelerating Growth and Fostering Resilience to Climate Change in Cabo Verde.” Country Economic Memorandum. World Bank Group, Washington, D.C.



IFC

2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433 U.S.A.

Contacts

Zineb Benkirane
zbenkirane@ifc.org

Christina Navarrete Moreno
cnavarretemoreno@worldbank.org

ifc.org