

# Cape Verde – one country, ten destinations and three continents



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This is the geographic environment of Cape Verde, a small but extraordinary African country, consisting of ten islands that lie in the Atlantic Ocean and are surrounded by three continents: Africa, America and Europe, thus benefiting from an extremely privileged geographical position. Cape Verde is just four hours flight from Europe, four hours flight from South America, six hours flight from Central and North America and just a one hour flight from the West African coast.

It is a prominent country in Africa, having a growth course of 5.4% and 5.6% in 2010 and 2011 respectively, looking ahead to 2012 for a growth of 6.4%. This economic growth is the result of the sustained implementation of appropriate economic policies (in the fields of taxation, labour laws and monetary policy and exchange rate) and that meant that in 2008 Cape Verde was elevated to a middle income country, a decision of the United Nations. From the point of view of “medium human development” and considering the regional context (West Africa) and Southern Africa (South Africa, Nigeria and Angola), Cape Verde is extremely well positioned, occupying top positions in this field.

Therefore, investors who decide to invest in Cape Verde will find a country extremely well structured and socially and politically stable. On the other hand Cape Verde is well integrated internationally. Cape Verde is part of the CPLP (Community of Portuguese Speaking Countries), ECOWAS – Economic Community of West African States and of Macaronesia, the WTO – World Trade Organization, benefits from AGOA – African Growth and Opportunity Act, and is in an advanced process of formalizing a special partnership agreement with the European Union, among other initiatives.

This excellent network of international integration, associated with its privileged geographical location, turns Cape Verde into a powerful investment platform or base of support for a safe approach to West Africa.

Structurally the country is served by four international airports, two deepwater ports and a modern road network, largely funded by the Millennium Challenge Account, a North American program to support the development. The communications operates efficiently, safely and continuously, served with fibre optic cables, one of them framed in the project WACS (West African Cable System) to connect the countries of Southern and Western Africa, and Western Europe.

In turn, the financial system is quite dynamic, robust and credible, comprising of eight commercial banks, twelve international financial institutions (that only perform operations with non-residents), two insurers and twelve ancillary banking institutions. The sector is supervised by the Central Bank of Cape Verde. The courts operate independently and processes are usually swiftly completed, in line with international standards of reference.

The legal system of Cape Verde is based on international best practices, notably Directives issued by the European Union and the Portuguese legislation. The tax system in Cape Verde is characterized by being simple, stable and easy to apply. It has international competitive advantages as, for instance, the tax exemption on dividends

distributed to shareholders of a company. In turn, the working regime presents itself as very flexible, and may permit, for example, hiring workers for a fixed term with relative ease.

In the context of the region in which it operates, and even in comparison with the region's major economies of East and Southern Africa – South Africa, Nigeria and Angola – Cape Verde came in the forefront among the countries placed in the class “medium human development”, ranking in 118<sup>th</sup> place (182 countries observed). The population has a good level of education, the literacy rate is high and the seniors study at the best universities of the United States, Brazil, Canada, Germany, Portugal, Spain, China, among others, which facilitate the “business” in the country. Per capita GDP is approximately \$3,500, far above the African average.

All these structural conditions provide the potential investor to invest in Cape Verde as an investment market but also as a platform for access to the vast and promising African continent, especially the ECOWAS market. It has approximately 230 million consumers, divided among 15 countries, with free trade and access to different markets. In addition to Cape

Verde are other ECOWAS countries such as Benin, Nigeria, Senegal, Sierra Leone and Togo.

Besides the market of ECOWAS, Cape Verde can also serve as an investment platform for access to the market of the CPLP, which are part Portugal, Angola, Brazil, Guinea-Bissau, Mozambique, Sao Tome and Principe and East Timor, extending substantially the range of available options.

Deserving of equal prominence is the area known as Macaronesia, which is an area for political consultation and cooperation for development between Azores, the Canaries, Cape Verde and Madeira, which together forms a partnership under the EU's outermost regions.

Access to these markets through the use of Cape Verde as a gateway is further facilitated by the newly created International Business Centre, which comprises the International Industrial, International Trade Centre and International Centre for Service Delivery. It is a mechanism to promote international trade with Cape Verde as a starting point. Its structure consists of a set of geographically defined areas in which licensed operators can develop economic activities and under which tax benefits are allocated, non-tax benefits and special customs procedures when their activities are carried out with non-residents. For example, reductions in the tax rate on income in the order of 85% to 90%.

On the other hand, a legal mechanism has been recently established to promote the projects of internationalization of companies based in Cape Verde, independently of the nationality of the partners/promoters. Thus, the Cape Verdean companies who wish to develop investment projects to internationalize have now a relevant set of fiscal and financial incentives.

Another important advantage of Cape Verde lies in the reduced exchange rate risk as a result of the agreement of fixed exchange rate against the euro.

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For all these reasons, we believe that Cape Verde is on the road to success and will certainly play an important role in Africa's future, especially if it is seen as a safe and efficient platform to channel investments in Africa.

Raposo Bernardo, a firm with an international outlook advising for several years on some of the largest operations at Cape Verde and the West African Coast, is naturally available to provide all the necessary support to the implementation of an investment project in this market. ■

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