

# CAPE VERDE

## Islands at the center of the world

One of the world's smallest nations faces a moment of transformation. No longer a sleepy backwater, Cape Verde is now a middle income country and the newest member of the WTO, with great plans to leverage its advantages and location for the 21st century.



## Introduction

# “The Desire to Do More — That Is the Engine of Growth”

Business and political leaders in Cape Verde are thinking strategically; they see their country’s future in terms of its international advantages. The goal is to find the right niche markets.



A land of tradition (from top): a house in Boavista; a fish market; salt flats; a main avenue in Santiago (page 3).

**P**ick up just about any “How to Succeed” book and the first thing you’ll read is about the importance of having a plan. Well, by that yardstick Cape Verde is off to a good start. This tiny African island nation, seemingly lost in the middle of the Atlantic Ocean, has big ambitions and a pretty fair idea of how to fulfill them.

Less than two generations after winning independence from Portugal, and two decades after establishing a multi-party democracy, Cape Verde is often hailed as a beacon in a continent beset by seemingly endless forms of bad government.

“Few places... demonstrate the promise of Africa better than Cape Verde,” US Secretary of State Hillary Clinton said during a landmark visit to the archipelago last year. “Some places have certain aspects that can be comparable. But no place has put it all together, with good governance, transparency, accountability, the rule of law, a democracy that is delivering for its people, lifting them out of poverty, putting them now in a category of middle-income countries in the world.”

Does Cape Verde have problems, amid the waving palms and idyllic beaches? Of course. The country’s per capita gross domestic product (GDP) is just US\$4,000, less than a tenth of the U.S. level. Unemployment, poverty, and inequality are all pretty high. And to make matters worse, there are few natural resources, most land is no good for farming, and some is little better than a desert. So what is there to be optimistic about?

“Cape Verdeans have an open outlook toward the world,” said Prime Minister José Maria Neves. “If the United States does

something, then Cape Verdeans will soon ask why they can’t do it as well. This forces any government to do more and more. The attitude of wanting to do more — that is the engine of growth for Cape Verde.”

Many Cape Verdeans reckon this global outlook is rooted in their history. The islands were uninhabited until 1462, when Portuguese sailors reaching farther and farther down the Atlantic in their tiny caravels stumbled upon them and founded the first settlement. Quickly the archipelago’s position some 600 kilometers off the west coast of Africa dictated a central but inglorious role for Cape Verde in globalization — as a slave entrepôt on the route to the New World.

### Hub, hub, hurrah?

Location has always been a dominant factor for Cape Verde, and it remains so today. But now smart young Cape Verdeans with business degrees, not bullwhips, are in charge. They use words like “good governance,” “leverage,” and “public-private partnership.”

Some people look at the map, remember that the excellent deep-water harbor at Mindelo used to be an important 19th-century coaling station and a center for Atlantic navigation, and suggest that Cape Verde could become a 21st-century freight hub with container vessels transshipping cargo for delivery up and down the West African coast. Maybe, but it’s an idea that has yet to set the shipping world alight.

Others see a 21st-century hub, yes, but for modern offshore financial services. And this is where good governance comes in. Cape Verde won praise from the





Omar Camilo

## Introduction



### Pedro Pires

President, Republic of Cape Verde

### “One Step at a Time”

President Pedro Pires, a historic leader of Cape Verde's fight for independence from Portuguese colonial rule, looks with a certain satisfaction at his country's progress and international recognition. “I don't know if this is exactly what I dreamed of, but it is the result of a lot of hard work.” Pires is pleased that his country has now laid down solid economic, social, and institutional foundations on which to build its future. But, when questioned about popular suggestions that his country could be on the threshold of some kind of “great leap forward,” Pires prefers a more cautious approach. “I think we should move step by step. I guess I'm a gradualist, but going one step at a time is essential if we are always to consolidate what we achieve.” According to a biography distributed by the president's office, one of Pires's earliest political lessons was seeing his fellow citizens being taken, desperate and hungry, to work as contract farm laborers on São Tomé and Príncipe, another Portuguese colony. Today he applauds his country's first university. “We must create national competence to carry the country forward, to progress.”



International Monetary Fund in 2009 for its economic management during the crisis. It has graduated from low to middle income status in U.N. tables and is joining the World Trade Organization. Several years of focused government spending have more than doubled average incomes over the last 20 years, in U.S. dollar terms, while increasing life expectancy.

Many of the problems that plague so many African countries — corruption, political instability, and institutional insecurity — have been largely resolved. So what better niche market than offshore banking services, both for West Africans looking for a safe haven that is closer than the Caymans and international investors looking for a foothold into Africa?

The government has been investing heavily — heavily, that is, for a country of just 430,000 people — in ports and airports, including a US\$38 million upgrade for the main airport. But the main goal is to promote tourism and inter-island travel and make import-export operations easier. Prime Minister Neves holds a degree in administra-

tion from a top Brazilian business school, and many of the country's movers and shakers speak pragmatically of incremental, grassroots improvements.

### Diaspora, fast-forward

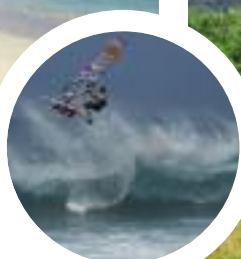
Textbooks describe Cape Verde as a place with few natural resources, but many Cape Verdeans speak of one resource that the textbooks ignore: their hundreds of thousands of fellow countrymen (and women) who live abroad, mostly in the United States. Many of them have levels of education and first-world business and professional experience that can be invaluable to their native land. One such expatriate Cape Verdean has returned to the islands and started a company that he says can help transform the country.

“Cape Verdeans don't know Cape Verde; they know the island where they were born, but very few have traveled beyond that,” said Andy de Andrade, one of the entrepreneurs behind “Cabo Verde Fast Ferry.” It might sound almost unreal to people living in a highly interlinked first-world society, but





Glimpses of Cape Verde (clockwise from top left): Mindelo Harbor on São Vicente Island; tropical produce at São Vicente's Municipal Market; Fogo Island; the center of Praia, the national capital, on Santiago Island; the brand new Poilão dam to help improve water supply; Sal Island, favorite haunt for European sun worshippers.



Andrade thinks that simply providing regular 20-knot ferries between the islands can help change just about everything. A tuna fisherman on one island will be able to sell his excess catch on another, for example. "Then he has more money to educate his children, to feed his family, and he puts more money into the economy, so there's a domino effect where one industry forces another to grow, and people are less dependent on government."

Fast connections between islands will

naturally help the tourist trade, which currently tends to be concentrated in just a few centers. For example, the ferries will carry foreign visitors to more remote islands with potential for eco-tourism.

This is music to the ears of local business baron Gualberto do Rosário, who has major investments in tourism. He has long-range plans to develop international

tourism throughout the archipelago.

"I understand that each island in Cape Verde can develop its own specific market. Some of the islands like Sal, Boavista, and Maio might look alike, but they can quite easily differentiate their product."

In one location he sees a project with a PGA-listed golf course, and reckons he can tempt cruise-liner passengers to stay and play. ■

## Relations

# A Stepping-Stone in the Middle of the Ocean

Cape Verde seeks to play a central role in today's new globalized world, leveraging not just its strategic location but also its unique mix of African and European cultures — that is, its local streetwise know-how, good governance, and rule of law.

For many years, Cape Verde helped to shape relations between the Old World and New. Initially it did so in ways remembered painfully, as a key slaving entrepôt, then later as an important staging post for more honorable transatlantic navigation. Today the islands once again wish to influence hemispheric relations,

in part by leveraging their strategic location but perhaps even more so by emphasizing their emergence as a cultural bridge that blends African, European, and American cultures. In so doing, the country offers itself as a stepping-stone in the middle of the ocean.

U.S. Secretary of State Hillary Clinton made a landmark visit to Cape Verde last August, at the end of a seven-nation swing through Africa. During her visit, Clinton made it quite clear that she was impressed with what she saw. Chatting with reporters about her pre-trip State Department briefings, Clinton recalled that most African nations

had "many more problems than positives. In Cape Verde, there were so many more positives than problems."

The country receives wide praise for the progress it has made since becoming a multi-party democracy in 1991. According to the European Commission, "It has seen economic growth sustained by services (especially tourism) and a marked improvement in standards of governance, both in terms of democracy, human rights, and fundamental freedoms on one hand, and in terms of economic governance on the other." In 2007, the

European Council approved a "special relationship" with the island nation. Closer relations were justified, it said, by the country's cultural heritage, democratic reforms, good governance, and "natural vocation to serve as a bridge between Europe and the African and American continents, and thus as a transit point for goods and people moving between Europe and the latter."

The European Union (EU) has allocated €1 million to economic development and is cooperating with Cape Verde in its efforts to combat drug trafficking and illegal immigration. ■

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Av. Belfiore Capelin de Silva 1000 - 2º Andar  
Tel. +351 210000000 Fax +351 210000000

## The Millenium Challenge Account (MCA): Aid that hits the spot



Foreign assistance can work wonders when it's carefully targeted and wisely spent. In 2005, Cape Verde was selected as one of 19 developing countries to share a US\$6.9 billion pool of aid entrusted by the U.S. Congress to a new agency called the Millennium Challenge Corporation, or MCC. As the name suggests, the goal was to steer aid to poor countries that were committed to good governance, economic freedom, and investment in their citizens.

Cape Verde was awarded US\$110 million for a five-year parcel of projects to capture and conserve rainwater, upgrade agriculture, build the local roads and bridges that farming families need to access markets, schools and hospitals, help reform government bureaucracy, and strengthen microfinance institutions.

"The MCA has been a factor for transformation, for profound changes; it has introduced strict control and transparency into public affairs," said a senior member of the Cape Verde government, which is now asking Washington for a program extension.



## Interview



## Q&amp;A

Peninsula Press talks with José Maria Neves,  
Prime Minister of Cape Verde



## “The center of the world, where anything can happen”

José Maria Neves, 49, has been prime minister of Cape Verde since February 2001. Neves grew up and attended grade school on Santiago, Cape Verde's biggest island. He later won a scholarship to Brazil's prestigious Getúlio Vargas Foundation business school, earning a bachelor's degree in public administration.

### **This report coincides with the start of your 10th year in office. How has the country changed?**

I think the greatest gain is that Cape Verdeans have become very determined to see their nation grow and modernize. At the same time, what used to be an extremely fragile country, economically speaking, can now be called a viable country – one with a promising future.

### **And where is it heading?**

We want to build a country that is an international services center in a varied range of sectors, for example tourism, air and sea transportation, fishing and information tech-

nologies, while exploiting the riches and the potential of our seas; I think that we will have a very strong maritime economy. The starting point for all this is modernizing our infrastructure: water, sewage, telecommunications, electricity, ports, airports, and highways. This will allow us to unify the national market and leverage our vocation as a country that bridges the gap between various continents. It will also allow Cape Verde to become a business platform for the African West Coast region.

We also have to invest heavily in people, to develop our human capital and strengthen the business sector, because private companies are the engine of the economy; they build competitiveness.

### **You spoke with both U.S. President Barack Obama and Brazilian President Luiz Inácio Lula da Silva about the importance of private investment. What are the possibilities?**

Foreign direct investment (FDI) is essential, not just because of the resources but also because of the know-how and economic

dynamism that these investments create in a country like Cape Verde. The crisis reduced investment, particularly in tourism real estate, but it's bouncing back — the worst is over. We boosted public investment considerably to prepare the country for the moment when the crisis was over, and now foreign investment is starting to reappear. I think 2010 will be very positive, both in terms of FDI and economic growth.

### **What would you like your legacy to be?**

First, a country that's more modern in every sense. Second, a country where there is democracy and freedom, where all people of talent contribute to overall development no matter what (political) party they are in. Building a modern country means having a government that works; it means freedom of speech; it means people with water and electricity.

### **And your message for our readers?**

Come and visit Cape Verde! Enjoy the feeling of being at the center of the world, where anything can happen. ■

## Opinion

# Cape Verde: how they view it

Cape Verdeans are actively debating how best to develop their country and position it for success in the 21st century. There's a great feeling that it's in their hands now — no sitting around waiting for foreign aid — and certainly no lack of creative ideas. In this roundup, a selection of public and private leaders discuss advantages, challenges, plans, and policies.



**Fátima Veiga**  
Ambassador  
of Cape Verde to the U.S.

**“An important role in the development of relations with the United States”**

Call it a secret weapon. For Cape Verdeans, their “diaspora” — comprised principally of fellow countrymen living in the United States — can prove essential to promoting the islands’ development. Nobody knows how many Cape Verdeans are in the United States; some say 100,000, others put it higher. While that figure constitutes well under 1 percent of the total foreign-born U.S. population, it equals almost a quarter of Cape Verde’s populace. Fátima Veiga, Cape Verde’s ambassador in Washington, says they are well integrated: “They can continue to play an important role not only in the development of Cape Verde, but also in the development of relations between the two countries.” Cape Verdeans living abroad not only send money home, they also represent a pool of educated citizens that the country wants to entice back to help with national development.

### **“A financial gateway to the region”**

Cape Verde is thinking big, but it’s also thinking smart. Finance Minister Cristina Duarte sees a niche for her country as an international financial springboard into Africa.

“We have all the conditions to be a regional financial center: credible and efficient institutions, political stability, and a macroeconomic framework that’s well established even after such a severe international crisis.”

But Duarte doesn’t plan to compete with the big global money centers. “We want to leverage our geographic position, market stability, and institutional framework and say to the world, ‘We can be a financial gateway to the region.’”



**Cristina Duarte**  
Minister of Finance

### **Government for the people**

Cape Verde is a young democracy. Unlike many other African nations, however, it has a forward-looking government sector that ranks relatively low for corruption and is grappling to bring economic development.

**Manuel Inocêncio Sousa**  
Minister of Infrastructure,  
Transport, and Telecommunications

**“We have never had a political crisis ... here, there is democratic rule of law”**

Even for investors used to braving emerging markets, Africa often suggests an additional degree of risk. But there’s no way that vision — whether right or wrong — should be extended to Cape Verde. “This country has nothing to do with the problems that normally frighten investors away from Africa,” said Sousa. “Anybody who knows our country knows that the worries people often have about the African continent in general are in no way applicable to Cape Verde. Ever since we became independent in 1975, we have never had a political crisis ... here, there is democratic rule of law.”



**José Maria Veiga**  
Minister of Environment,  
Rural Development,  
and Marine Resources

**“There are so many sustainable things we can dream of that could completely change our destiny”**

José Maria Veiga eats, sleeps, and dreams water. It is, after all, the root of many of his problems. Strange, perhaps, that a nation of islands in the middle of the ocean should worry about a shortage of water, but the situation in Cape Verde is critical. The government is investing in building dams to store the short, sharp torrential rains that sometimes fall on the islands. One ambitious idea is to pump water uphill on Fogo, an island that





**Franklim Spencer**

President, Cape Verde Port Management Company, ENAPOR

**“Audited and approved by the American Coast Guard and by U.S. maritime authorities”**

These days, the whole world is concerned about shipping security. For Franklim Spencer, the man who runs Cape Verde’s ports, that could be a major selling point.

“We have been audited and approved by the American Coast Guard and by U.S. maritime authorities. ... We have the best security system in the region,” Spencer says. And it could improve even more still. He has container scanners on order and in a couple of years will take delivery of a purpose-built 52-meter rapid patrol vessel.

## Seeking business niches

In a country that imports just about everything, the potential for economic growth should be great. But business leaders must decide carefully what can and can’t be done and seek to leverage local advantages.

is little more than a giant volcano sticking out of the ocean. But 55,000 people live there. “It rains a lot there, but the water just runs into the sea. We could use renewable energy sources — wind, the sun, even the energy of the volcano — to pump the water back up from the coast to where people live, for irrigation,” says Veiga. “There are so many sustainable things we can dream of that could completely change our destiny.”



**Mário Paixão Lopes**

President, Aeroportos e Segurança Aérea (ASA)

**“Cape Verde has the strategy of constructing a hub, to be a platform for air transportation between the continents”**

For some 180 million years, apparently, nobody set eyes on Cape Verde’s beautiful islands. After they were discovered by Portuguese sailors, the islands served for centuries as a vital staging post for sailing ships. But today, transatlantic jetliners pass far overhead and flights into and out of Cape Verde are essentially geared to the islands’ tourist trade. Mário Lopes is one of several Cape Verdeans who look at the map and see not isolation but a wonderful strategic location roughly three and a half hours

from Europe and Brazil, close enough from the United States, and right beside Africa. “The Cape Verde government has the strategy of constructing a hub, to be a platform for air transportation between the continents,” he said. “Look at the advantages we have: our geographic position; economic, political, and social stability; and good dialogue with other nations.” ASA, the airport administration company headed by Lopes, has invested heavily in security and infrastructure upgrading.



**Jorge Lopes**

Manager, Operational Nucleus of Information Society

**“Electronic government is an essential instrument for offering quality services”**

Forget Silicon Valley, think Silicon Islands. Cape Verde has built an electronic government project so advanced it has been studied by Harvard University and the World Bank. The aim is to do everything online — pay your taxes,

plus check your driver’s license or even your child’s attendance at school. And all with a single password. According to Lopes, “Electronic government is an essential instrument for offering quality services.”



**Gualberto do Rosário**

President, GDP-SGPS

**“Cape Verde must become a country that also invests abroad”**

Cape Verde depends heavily on foreign investment, but that dynamic could change one day. “The time will come when Cape Verde must become a country that also invests abroad,” predicts Gualberto Rosário, who in addition to being a former prime minister is head of one of the country’s leading business groups. His firm’s investments lie in air transportation, in-flight catering, and various tourism developments — not to mention tourism projects in Brazil, a couple of banks, a joint venture with Libya, and more. “We think 2010 might be a bit difficult, because Cape Verde is still impacted by the crisis in other countries, for example Italy, Portugal, and the United Kingdom. But as they recover, tourism will grow again.”

## Spotlight on Cape Verde

# Every island tells a story ...

Ten islands and quite a few rocks. Add them all together and they're only slightly larger than New York's Long Island, counting all four counties. But while some 7.7 million people live on Long Island, Cape Verde is home to less than half a million. Who are they? Mainly the descendents of Portuguese sailors, settlers, slave owners, and slaves themselves. They're spread throughout the archipelago, but the islands are up to 200 kilometers apart, so many local people know just their own. Check out Cape Verde on a map and it's easy to see that the islands form two groups; four in the south called the Sotavento or leeward islands (Brava, Fogo, Maio, and Santiago), plus six farther north called the Barlavento (windward) group: Boa Vista, Sal, Santo Antão, Santa Luzia, São Vicente, and São Nicolau — fine old Portuguese names from the days of sail.

### 1. SANTO ANTÃO

Mountainous, rugged, spectacular, breathtaking ... tourists rave about the beauty, but the island is more for hikers than beach loungers. There is some local agricultural production, including traditional rum.



Santiago

### 10. BRAVA

The smallest inhabited island in Cape Verde, Brava used to be a thriving whaling center, with ships from Europe and America dropping by. Interestingly, this led to an early Cape Verdean diaspora to the United States, as people hitched rides west on returning whalers, many settling in New England. Another claim to fame is as the birthplace of Eugénio Tavares (1867-1930), the country's most famous poet. Perhaps the key factor about Brava, apart from frequent earthquakes, is its intimidating neighbor: Brava lies just 10 kilometers downwind of Fogo, which is rather close for a major, active volcano.



### 9. FOGO

A one-word tourist guide: "volcano." Also "big" and "periodically active." Last eruption: 1995. Nevertheless, more than 50,000 people live on Fogo; there is good farming land and the island produces sought-after cheese, coffee, and wine. Rain can be torrential but it runs off, leaving the land parched, so one Cape Verde politician has a plan to irrigate the fertile slopes with dams and pipelines, powered by alternative energy (see page 8).



### 2. SÃO VICENTE

With some 80,000 inhabitants, who live mainly in and around Mindelo, Cape Verde's best port, São Vicente is the country's second-most populous island. When the archipelago was a hub for Atlantic shipping, it was largely centered on Mindelo. There is some manufacturing — clothing, footwear, and canned fish for export — and the government is promoting an industrial zone at Lazareto. The island is good for sports, principally windsurfing, cycling, hiking, horseback riding, and golf, and popular culture. Cape Verde's best-known singer Césaria Evora is from here.







### 3. SANTA LUZIA

This small island is tucked between São Vicente and São Nicolau. People used to live here more than 200 years ago, but they ruined the soil. The population is now officially zero, although rumor has it that a lone shepherd still roams the island with his flock of sheep.



### 4. SÃO NICOLAU

This small, somewhat economically depressed island is beautiful and as yet without major tourism development. Great for bird watching and deep-sea fishing — the blue marlin is a favorite target. And of course hiking and cycling.



### 6. BOAVISTA

The third largest island, but home to just 6,000 people — the land is poor, usually consisting of desert, and the population was declining before modern tourism worked its miracle. Now there are several developments capped by a 750-room international hotel, and even more planned. The largest city is Sal Rei — literally ‘Salt King’ — harking back to the island’s glory days as a salt producer. Boavista is known for marine turtles and traditional music.



### 7. MAIO

Quite a poor island with large salt flats, but with some remaining forest, and good traditional farm produce, in particular cheese. The island has spectacular beaches and rugged desert scenery, so there’s potential for eco-tourism. The government has set up an agency to promote sustainable tourism, and projects are starting to appear.

### 8. SANTIAGO

The largest and most populous of the 10 islands, with roughly a quarter of Cape Verde’s total land area and half of the total population. Some 120,000 people, roughly half the island’s population, live in Praia (the name means ‘Beach’), which is the country’s capital. Just a few miles along the coast is Cidade Velha, or ‘Old City.’ This used to be the capital until people there got fed up with constant pirate attacks. Today Cidade Velha is a World Heritage Site. The UNESCO citation notes it was “the first European colonial town to be built in the tropics, and marks a decisive step in European expansion at the end of the 15th century towards Africa and the Atlantic area.”





# Prepare for success

In our research for this special supplement, we identified six areas that appear to be key for economic development — in addition, of course, to continued attention to good governance, education, health, and the reduction of inequality.

## 1 BUILD IT AND THEY WILL COME ... AND GO

When your country is split between 10 islands, and your future is tied to foreign visitors of various kinds, then ports and airports take on a whole new importance. For Cape Verde, infrastructure is the name of the game. The government is investing heavily in ports and airports, both to help Cape Verdeans get around their country and to help tourists arrive and depart easily.

“Until 2005 we had just one international airport, on Sal Island, so tourists concentrated there,” said Manuel Inocêncio Sousa. “We wanted to get all the islands involved in developing tourism, so we drew up an airport expansion plan.”

The government also wants to improve inter-island travel by introducing faster ferries, thus offering an economical alternative to flying; the islands lie anywhere from less than 50 kilometers to more than 200 kilometers apart.



Finally, investments will upgrade the country's ports for cruise liners and cargo vessels. Finance Minister Duarte reckons some US\$400 million will be invested over the next three years, after which the government will privatize port management. If they opted for privatization just now, she argues, only second-rate bidders would come forward: “We don't want that. We want to pick from the best and most credible operators.”

## 2 ENERGY: KICK OUT THE BARRELS

In 20th-century terms, Cape Verde is an energy-poor country with few solutions. It has no coal, oil, or gas, so it imports some 2,000 barrels of oil a day in petroleum products, adding a further burden to the balance of payments. But shift gear into a 21st-century mind-set, and suddenly things don't look so bad.

Renewables are the answer. Thanks to Cape Verde's location in the Atlantic, wind is rarely in short supply on the islands. As a result, the government has signed a €65 million deal with InfraCo, an infrastructure development company funded mainly by the World Bank and European governments, to build four wind farms coming on stream in 2011. The planned 28 megawatts (MW) should supply roughly a quarter of the archipelago's power requirements.

“We aim to keep reducing our dependence on petroleum, and we set a target of 2011 to have around 25 percent penetration of renewables, then reach 50 percent by 2020,” Abraão Lopes, Cape Verde's director-general of industry and energy, told reporters after signing the InfraCo deal.

Every 1 MW of generating capacity installed in a site with steady winds could save the country around €400,000 a year in imported petroleum derivatives, Lopes said.

Sunshine is also plentiful in Cape Verde, a fact that thousands of European tourists







celebrate every year. Thus, the country has contracted 7.5 MW of solar capacity to be installed in two farms.

However, Cape Verde's alternative energy bonanza doesn't stop there. Only 10 percent of the island's land is good for regular farming, but much of what remains is surprisingly hospitable for jatropha, a hardy scrubland bush that is a 21st-century favorite for producing biodiesel. In fact, the jatropha from Cape Verde has become so resilient over the centuries that today it is regarded as a prime strain.

And while some people object to petroleum being mentioned as a 21st-century energy source, it may well figure in Cape Verde's plans for the future, even though it doesn't have any now — or, to put it better, doesn't have any yet. Some people think it's worth taking a look beneath the waves, and Cape Verde has discussed exploration with Brazil's Petrobras, a world leader in deep and ultra-deep oil exploration and production.



## FARMING: EVERYTHING TO GROW FOR

At just 4,000 square kilometers, Cape Verde is pretty small already. Much of the land is semi-arid, and only 10 percent is good for farming. Throw in frequent droughts that reduce fields to hardscrabble, and it's not exactly a recipe for success. Indeed, more than 40 percent of Cape Verdeans live off the land, but they generate just 6 percent of the country's GDP.

"I think that with investments we can get that up to 10 or 15 percent of GDP," said José Maria Veiga, the minister responsible for agriculture. His room for maneuver is severely circumscribed by lack of water, but Veiga noted that drip irrigation systems have expanded from 50 hectares in 2000 to 350 hectares today.

The country has been working with the Millennium Challenge Corporation (see page

6) to build basic hydraulic infrastructure and save water, but much remains to be done.

Boosting the quantity and quality of the country's farming output would have multiple benefits. First and foremost, it would increase rural incomes, thus helping to reduce inequality. It would also have an important impact on the trade balance, given that Cape Verde imports an estimated 80 to 90 percent of all that it consumes. But the ultimate goal for long-sighted planners is an agricultural sector that integrates with tourism; currently, foreign tourists — both short-term visitors and those who buy vacation homes on the islands — tend to consume mostly imports.

"Tourism in the past three or four years has been a growth engine for the economy, but we have not succeeded in linking this with other sectors," said Finance Minister Duarte, recalling the case of an excellent mango farmer on Fogo Island who lacked the infrastructure to get his produce to the best markets. She said that building this kind of basic linkage was more important in the short term than investing in mega-projects.

Cape Verde has been sending owners of small farms to study Brazilian experience in farming, fish farming, and adding value to farm products.





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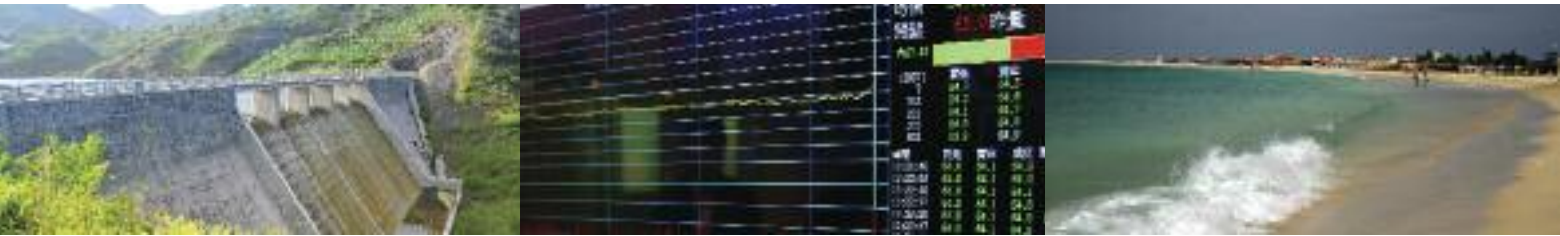
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Cidade da Praia, Ilha de Santiago - Cabo Verde:

Indicativo do País/Country Code (238)

Tel: 260 36 01

Fax: 261 55 60

Informação/Information: caixa@caixa.cv



## 4

### SUN, SEA, AND ... FINANCIAL SERVICES?

Looking for niche markets for a small island nation with great beaches, reliable institutions, and a huge market just over the horizon? Could Cape Verde evolve into a platform for international financial services and a gateway to Africa?

"We have a strong financial system, and that's a good start," said Finance Minister Duarte, herself a former Citibank vice president.

Right now Cape Verde's banks are fairly small and have concentrated more on local mortgage and consumer finance, missing out on the larger corporate deals. Tourism developments on the islands have been financed by banks in the United Kingdom, Ireland, Spain, and other European countries.

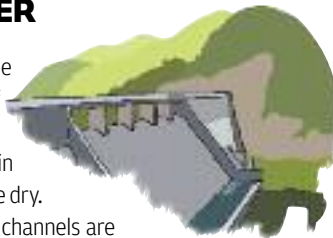
The first requirement is for local banks to build up their balance sheets to handle bigger local projects. Next, officials could target the asset management market in other Portuguese-speaking African nations, such as Angola, Mozambique, and maybe São Tomé and Príncipe.

## 6

### EVERYTHING STARTS WITH WATER

If the Romans had occupied Cape Verde, the country might now have a wonderful system of aqueducts. But history took a different course ... Rains fall mainly from August through October in Cape Verde, with the rest of the year being quite dry.

Thus dams, storage systems, and distribution channels are needed throughout the country. Given that Cape Verde is split into 10 islands, the process of building this infrastructure is difficult, as each island needs its own system. The country is receiving international help in this regard, in particular from the United States.



## 5

### TOURISM: SAY NO TO THE MASS MARKET

Nothing like a good crisis to concentrate the mind. Cape Verde's tourism industry, built mainly on visitors from Portugal, the United Kingdom, Italy, and Germany, took a buffeting in the crisis. Demand for hotel rooms dropped slightly, but the vacation homes market was knocked sideways as foreign investment into the sector fell by a third.

And that's the great market of the future, according to Olavo Correia, president of the association of Cabo Verde Real Estate Tourism Promoters.

Correia thinks the country's current 10,000-bed infrastructure could grow to around 30,000, boosting tourism from 300,000 visitors per year to roughly 1 million. "That's the level when we can start talking about a real tourism industry," he says.

But, Correia argues, the islands must choose carefully and not just go for the mass market. "Residential tourism is fundamental. I think it's around 70 percent, meaning that it creates seven out of every 10 beds.

The crisis left a slew of suspended vacation-home projects. Going forward, Correia envisions the market being much tighter and more competitive, with less financial leverage.



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## WHAT'S IN IT FOR THEM?



**Emanuel Miranda**  
CEO, Caixa Economica Bank

### TRADITIONAL BANK SEES GREAT POTENTIAL IN SMALL FUTURE

If you want to think big, think small. That's the strategy of Emanuel Miranda, the economist who runs Cape Verde's second-biggest bank, Caixa Economica. It's the country's oldest financial institution. Originally a government bank created in 1928, it was later privatized but with substantial

state ownership and is now back under indirect state control but with slightly over 27 percent of its shares owned by Geocapital, a Macau-based holding company. Miranda is expanding and modernizing Caixa operations. However, the great excitement lies in a new state-controlled bank in which Caixa will be one of five shareholders. Dubbed Novo Banco — New Bank — it will target the 50 percent of Cape Verde's people and economy currently outside the traditional banking sector.

"We see from examples of emerging economies like Brazil and Bangladesh and some African countries that this sector is very important for the expansion of financial institutions; traditional banks here aren't prepared to deal with this segment, but the potential is enormous," says Miranda.



**Andrés Espinosa**  
President, Frescomar

### SPANISH COMPANY FISHING FOR PROGRESS; LANDING JOBS

As an archipelago in the middle of the ocean, Cape Verde should have a great fishing industry, but there's a widespread feeling that its potential has yet to be fully realized. This situation may now be changing with an agreement signed in 2008 between the government and

a Spanish fish-processing company called Frescomar, which employs some 480 people on the island of São Vicente and is contributing substantially to the local economy. Under the deal, Frescomar invested in a new cold store, new machinery, and other upgrades to boost its production of canned mackerel, melva, and tuna. For its part, the government pledged infrastructure investments.

"The Cape Verde fishing industry can become one of the pillars of the country's economic development," said Frescomar President Andrés Espinosa, "but this will happen only with public investment in installations and private investment to modernize the fishing boats, equipping them with more technology. We're laying the groundwork to make this happen."



**USA Office**  
1050 Connecticut Avenue,  
NW, 10th floor,  
Suite 1000 Washington,  
DC 20036 - USA  
[www.peninsula-press.com](http://www.peninsula-press.com)

**Spain Office**  
Paseo de la Castellana,  
95, 15 Planta 28046  
Madrid - Spain  
Tel +34 91 418 50 32  
[info@peninsula-press.com](mailto:info@peninsula-press.com)

Editor-in-Chief **Stella Klauhs**  
Production Director **Rafael Muñoz**  
Project Director **Greg Kunstler**  
Project Coordinator **Marie Lucas**  
Writer **Brian Nicholson**  
Creative Director **Marta Conceição**

Illustrator **Henrique Monteiro**  
Photography **Omar Camilo**,  
**Eneias Rodrigues, MCA, iStockphoto, SXC**,  
We thank the "Pestana Tropic Hotel"  
in Praia for their hospitality.

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For more than a quarter of a century, ASA (Empresa Nacional de Aeroportos e Segurança Aérea S.A.), the national airports and air safety company, has provided the best possible service to the air transportation industry, both on the ground and in the skies over Cape Verde. We are committed to developing a public-service business model, supporting progress in civil aviation and ensure the highest standards of air-traffic management are implemented across the nation's growing network of domestic and international airports. Our dedication to our passengers' safety and comfort and to maximizing efficiency in all our operations, including freight and cargo terminals and the Sal Oceanic Flight Information Region (FIR), is contributing to Cape Verde's vision of becoming a vital transportation hub connecting four continents.