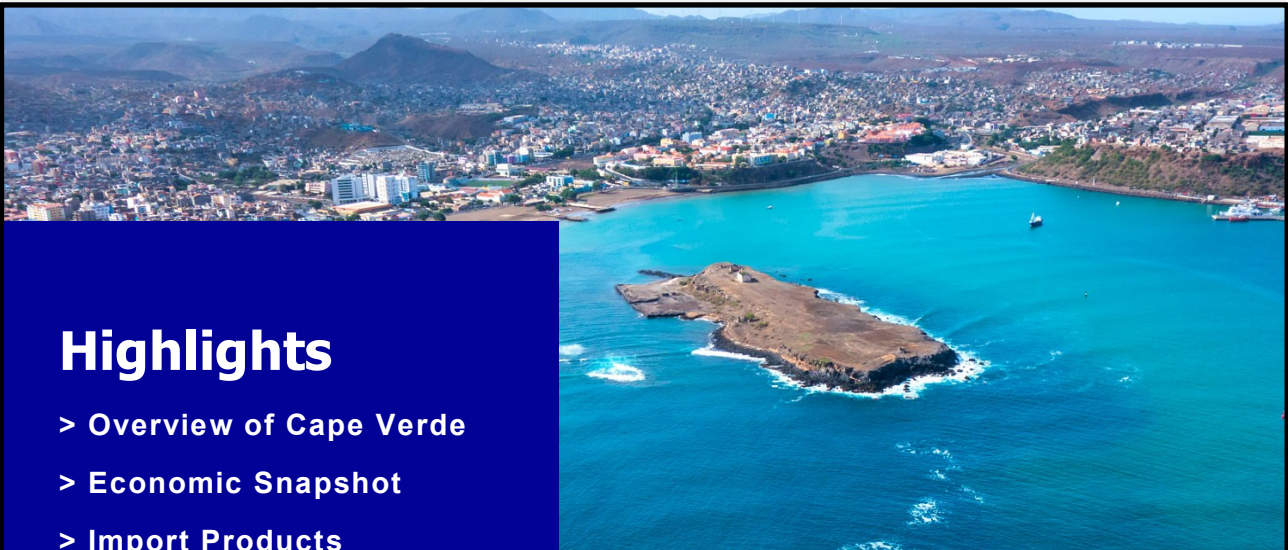




# MASTERING YOUR MARKET UNDER AFCFTA - CAPE VERDE



## Highlights

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- > Economic Snapshot
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## OVERVIEW OF CAPE VERDE

The Republic of Cape Verde, is an archipelago and island country in the central Atlantic Ocean, consisting of ten volcanic islands with a combined land area of about 4,033 square kilometers (Wikipedia). It is a sub-Saharan country located in the West African region, west of Senegal. The sales of Processed fish (43.1%), Non fillet frozen fish (23%), Molluscs (4.93%) and footwear (3.15%) accounts for about 70% of its export revenues. Cape Verde is among the Economy of West African States (ECOWAS) with countries like Nigeria, Burkina Faso, Ivory Coast, The Gambia, among others. It is also part of the African Caribbean and Pacific group of states (ACP) countries and other organizations like the IMF, and UN. Cape Verde is an Island and has a coastline, hence, goods will be shipped into the country through the seaport. The country depends largely on importation for survival, which presents an opportunity for foreign businesses in this African market especially with regards to the AfCFTA.



## ECONOMIC SNAPSHOTS

Cape Verde has a coastline of 965km<sup>2</sup>, hosting 7 ports across the islands but its major ports with container liner service is Porto Grande and Porto Praia. It is a predominantly a Christian nation, Catholics(77%), protestants 4.6%. Portuguese (official) and Creole are the languages spoken in the country. It is a lower-middle income country with a per capita income of about \$3,070 (2020). The GDP was about \$1.7 billion (2020). Inflation and unemployment rate is 0.6% (2020) and 8.5% respectively (World bank), while 46% of the country's population is between 1-24 years of age. The major products produced in Cape Verde include Banana, Sugarcane, Coffee, corn, beans, sweet Potato, fish, food and beverages, shoe and garment.



## ECONOMIC SNAPSHOTS

Foreign company should be looking at producing or exporting the following products to Cape Verde, as its major imports are refined petroleum, delivery trucks, cars, shipping containers, cement, raw iron bars, rice, non fillet frozen fish, poultry meat, concentrated milk (OEC 2020).



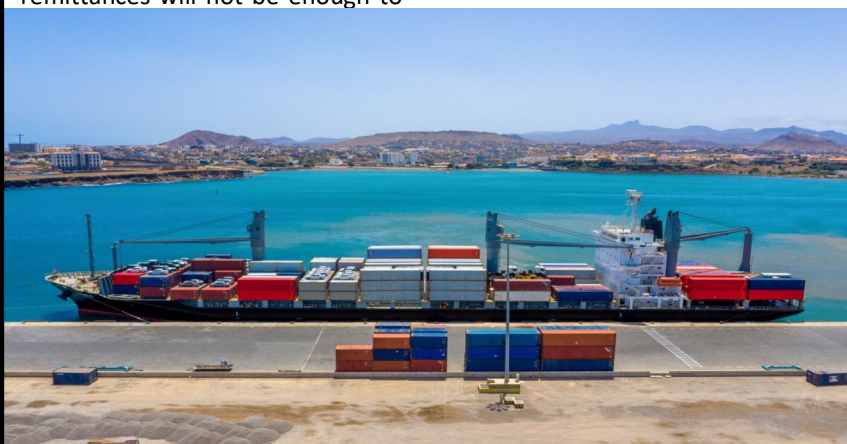
## MARKET CHALLENGES

Cape Verde is a lower-middle income country, this suggests that there would be less disposable income, which is a recurrent decimal for most African countries.

Ease of doing business index (world bank) ranks Cape Verde at 137 out of about 190 countries. It is the 174th economy in the world and 48th in Africa by Nominal GDP

A high trade deficit, with the country's insularity generating a dependence on imports would also pose risks to foreign businesses. Secondary income surplus, such as remittances will not be enough to

offset this deficit. The current account deficit will continue to be financed by grants and concessional loans, and will benefit from the recovery of FDI flows (Coface). Others market challenges include, weak diversification of the economy, with a heavy dependence on tourism, ageing, poor-quality infrastructure, high public debt, exposure to climate change, volcanic eruptions, earthquakes and hurricanes.



## IMPORT PRODUCTS

In 2020, the total import volume of Cape Verde amounts to about \$1.12 billion. Some of the items imported and the amount include the following:

1. Refined Petroleum - \$351M
2. Machine - \$129M
3. Transportation- \$126M
4. Foodstuff - \$90.1M
5. Animal Products- \$85.1M
6. Metal- \$63.1M
7. Veg. Products - \$60.2M
8. Chemical Products \$52.5M
9. Plastic & Rubber - \$36M
10. Stone & Glass - \$24.6M
11. Miscellaneous- \$21.8M
12. Textile - \$21.4M
13. Animal Bi Prod— \$18.3M
14. Paper goods - \$17M
15. Instruments— \$16.9M
16. Wood Products- \$13.5M
17. Head & Footwear \$3.32M
18. Precious Metals- \$1.29M
19. Animal Hides - \$1.04M
20. Arts & Antiques- \$96.9k
21. Weapons \$79K

The total service import volume of Cape Verde in 2017 is about \$323 million and some of the services imported include the following:

1. Other business— \$108M
2. Transport- \$98.6M
3. Travel - \$74.7M
4. Communication \$12.4M
5. Govt. Services - \$11.6M
6. Royalties — \$6.09M
7. Construction— \$5.99M
8. Financial Service- \$5.49M



## MARKET OPPORTUNITIES

Despite the effect of the Covid-19 on the tourism destination country of Cape Verde, the government is focused on growing some sectors for private sector investment and partnership with particular interest in renewable energy. The maritime economy, particularly the port management, bunkering, ship repairs, fishing and other maritime industries offers juicy opportunities especially with regards to the context of the special exclusive economic zones in Sao Vicente. The tourism sector continues to hold massive opportunities for investors just as information and communication sector. Cape Verde also offers business and investment opportunities in the following areas: light industry (fishery products, salt, food), utilities (water and energy), construction,

fisheries, agriculture (coffee, wine, flowers, fruit), service industry (telecommunication and transport), tourism, infrastructure (privatization of airline, airports, port management and shipyards). The Cape Verdean government offers foreign investors the following statutory guarantees: non-discrimination, fair and equal treatment of investors, security and protection of goods and rights, ability to transfer funds in foreign currency in respect of all amounts to which an investor is entitled, free opening of and transfers from foreign currency bank accounts and the ability to recruit foreign personnel.

## MARKET ENTRY

Having a Cape Verdean business partner who can speak both Portuguese and Cape Verdean Creole can be extremely helpful particularly in industries marketed primarily to the local population. For industries targeting foreigners and tourists, a dual English and Portuguese language proficiency would be an added advantage. To get your company registered, it is best to work with a lawyer to enable you understand the country's legal framework and procedures. Individual merchants may establish businesses and conduct com-

mercial activities in their own names. Companies are advised to perform due diligence on business partners or agents. Embassies of export companies located in Praia can assist with contacts to entities that can have reliable information on brokers and potential partners, including the Cape Verde Trade Invest and the chambers of commerce. There are multilevel service marketing companies available to provide support services.



## IMPORT DOCUMENTATIONS

Import operations need to be accredited through the issuance of a commercial operator certificate. It is also necessary to have an import license, depending on the categories and the goods. Both the commercial operator certificate and the import license are issued by the Chamber of Commerce. Import requirements and documentation include the bill of lading, commercial invoice, and certificate of origin when required by the importer. Depending on the product, the exporter may be required

to present health or phytosanitary certificates. There are registered agents who can help navigate the procedures and required documents. Goods subject to legal restrictions include medicines, fuel, and weapons, among others. These goods are under non-automatic licensing and require prior authorization of relevant authorities. The body responsible for standardization in Cabo Verde is the Institute of Quality and Intellectual property (Institute de Gestao da Qualidade Eda Propriedade Intelectual. La-

beling requirements are enforced by the Independent Health Regulatory Agency (ERIS) that establishes the labeling/marketing requirements for the pharmaceutical, cosmetic, and food sectors. There are special formalities to comply with to import food products. Food and pharmaceutical products imported into Cape Verde must abide by international norms.

## SELLING FACTORS

Advertising in both Portuguese and Cape Verdean Creole is recommended. For sales targeting tourists and foreigners, English should also be used. Operators seeking to break through in the national market should consider hiring a local marketing company. Services, infrastructure, and business conditions vary greatly from island to island. Advertising in Cabo Verde is done mainly through the radio, Facebook and other social media,

newspapers, television, and billboards. Due to extensive cell phone coverage, SMS is also commonly used. There is an annual trade fair, the Cabo Verde International Fair, which is a good opportunity to disseminate information about goods and services. The market determines most prices, but the multi-sectoral regulator regulates prices of essential goods such as water, electricity, telecommunications, petroleum products, and basic foodstuffs. The VAT is 15

percent, except for tourism-related activities and services, which are taxed at 10 percent. There are exemptions for some basic products. Cape Verde has two chambers of commerce and one chamber of tourism. There are also entrepreneur associations for youth and women. These associations accept the participation of foreign firms and normally advocate on behalf of private sector concerns with the government and can

## PAYMENT & EXCHANGE

Article 9 of Cape Verde's External Investment Code grants foreign investors the right to transfer abroad, in a freely convertible currency and at the exchange rate prevailing in Cape Verde on the date the request is made, all amounts resulting from foreign investment operations duly registered, namely the following: Dividends and profits resulting from foreign investment operations, Capital derived from alienation, liquidation, or extinction of enterprises, any

amount earned as a result of contracts that constitute foreign investment, Sums referring to amortization and interest rates resulting from financial operations that constitute foreign investment.

Income derived from the exercise of management functions performed as a foreign investor.

## BUSINESS CULTURE

A handshake is common for formal situations and initial introductions for men greeting men. For Women greeting Women, sharing a kiss on each cheek. Sometimes it is just a single kiss on the cheek. In certain situation a handshake may be appropriate. It's best to follow the lead of the person you are meeting. Greetings between Men & Women, a handshake is common for formal situations and most initial introductions. Meetings rarely start on time although as a foreigner it is good idea to show up on time; especially for initial meetings. Small talk will most always precede any actual business discussions and may take greater precedence over the actual business. Bargaining is not entirely

common. Many people have an adverse reaction to conflict and may go along with what you want, even if they have no desire to honor what they have said. Make sure you are dealing with reputable organizations and individuals. Despite good governance marks compared to the rest of Africa, corruption remains an issue; less institutional than at the whim of individuals.





## IN CONCLUSION

Cape Verde is a small country with lower-middle income country, this suggests that there would be less disposable income. Doing business in Cape Verde Island is relatively fair compared to some other African countries. The index is at 137 out of about 190 countries. It is the 174th economy in the world and 48th in Africa. Having a Cape Verdean business partner who can speak both Portuguese and Cape Verdean Creole can be extremely helpful particularly in industries marketed primarily to the local

population. For industries targeting foreigners and tourists, a dual English and Portuguese language proficiency would be an added advantage.

For sales, targeting tourists and foreigners, English should also be used. Operators seeking to break through in the national market should consider hiring a local marketing company. Services, infrastructure, and business conditions vary greatly from island to island.

Cape Verde's External Investment Code grants foreign investors the right to transfer abroad, in a freely convertible currency and at the exchange rate prevailing in Cape Verde on the date the request is made. As an investor targeting the island country, repatriation of funds will not be an issue.

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