CAPE VERDE

A hotspot for Chinese investment

Government passes baton to the private sector to ensure sustainable growth

Over the last decade, Africa has grown exponentially within a global context. As home to six of the world’s 10 fastest growing economies, the continent is slated to grow by another 6 percent this year, thanks to what the World Economic Forum sums up as “improved macroeconomic and political stability, an ongoing resource boom and a growing consumer base.”

Investment is flooding in, especially from China, and the resource-rich continent is looking forward to more. As leaders gather to attend the World Economic Forum on Africa in Addis Ababa, Ethiopia in May this year, they will discuss how best to shape the immense change taking place throughout Africa now.

In Cape Verde, the transformation has been dynamic. The country has been identified as one of the few African countries that may meet the Millennium Development Goals (MDGs) by 2015. Four of the eight goals – achieving universal primary education, promoting gender equality, reducing child mortality and improving maternal health – were attained by the end of 2010, and there is plenty of political will to keep the country moving forward, with growth this year projected to reach around 10 percent.

For this beautiful group of islands situated 500 kilometers from west coast of Africa, the most pressing priority is infrastructural projects. Tourism, the main driver of the economy, has seen a steady flow of arrivals despite the global crisis, yet is under-developed, offering huge potential for expansion.

Situated close to major north to south sea routes, Cape Verde provides an important sea and air refueling site in the North Atlantic, as well as an effective communications station. Sea and air transportation, ICT, financial services, fishing logistics and creative industries have therefore been identified as sustainable economic solutions for the mid-term. It also offers an under-exploited fisheries sector.

José Maria Pereira Neves, prime minister of Cape Verde, says: “First and foremost, we must face the challenge of human capital development to be able to respond to the dynamics of the transformation of the national economy. We’ve been betting on investment in other areas as well. “We are promoting investment in professional training at all levels and in all areas that may result in growth dynamics in the country’s economy. Since we intend to become an international services center in the fields already mentioned, we have to develop skills and know-how, starting from university education to the lowest levels of professional training. Ultimately, the most important step will be carrying out capacity-building projects.”

The prime minister is keen to showcase Cape Verde’s many competitive advantages to China and has been making important strides in attracting investment from the Asian powerhouse.

“China could use Cape Verde as a base for many things. It could provide logistical support for their Atlantic fishing fleet, help develop the fisheries sector, carry out ship repairs, or provide a technological platform to develop an information society. We’ve been directing our partnership with China towards areas strategic for our development,” says Neves.

The relationship between the two countries is strong, with cooperation agreements already in existence for infrastructure, health, education and sporting projects. Negotiations are currently under way with Chinese companies for ship repairs and logistics support for the fisheries. All of this will impact on port activities and employment.

With a small population dispersed across more than 700 square mile, (1,885 square kilometers) chain of islands, Cape Verde is expanding its electricity network to support a rapidly expanding tourism industry. The country plans to cover 50 percent of its fuel needs with renewables by the year 2020 and developing 28 megawatt onshore wind farms on four of its islands. This is the first large-scale wind project in Africa and the first renewable energy Public-Private Partnership (PPP) in sub-Saharan Africa. “We expect major investments from China to come in the energy sector,” the prime minister says.

Meanwhile, Chinese exports to Cape Verde continue to rise—in 2008, they amounted to US$19,000 but had grown to US$8.6 million in 2009. “Forecasts predict this trend will continue in the coming years, confirming the importance of China as a commercial partner,” Neves says.

Cape Verde’s reputation as a tourism destination has grown substantially in recent years, with 475,294 people visiting the island last year. Despite a contraction in the building of hotels and resorts during 2009/10, the sector continues to motor the economy.

As well as fueling growth in tourism and trade opportunities, the substantial infrastructure projects planned in air and sea transport will also have far-reaching implications for integration and social cohesion in the scattered population. Prime Minister Neves says: “We have enormous potential as far as air and sea transport goes, thanks to our geostategic location which is complemented by modern port and airport infrastructure.”

“Right now, we are providing a sound regulatory system and legal framework, and institutional support in the area in air and sea transportation. Modern infrastructure and well trained staff that will allow us to manage this sector offer the highest standards of quality. All the conditions have been set to make the most of the existing potential in Cape Verde.”

Prime Minister of Cape Verde
José Maria Pereira Neves

Upgrading Infrastructure
Cape Verde is capitalizing on its strategic location to become a logistical hub.

Always With You
Air transport will play a decisive role in the archipelago’s modernization.

Bank On Financial Services
The financial sector is embracing international partners.

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NO CENTRO DAS GRANDES ROTAS DE NAVEGAÇÃO
A localização estratégica de Cabo Verde tornou, desde há muitos anos, o arquipélago num importante nó logístico para passageiros e carga, movimentados através do Oceano Atlântico.

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AT THE CROSSROADS OF MAJOR SHIPPING ROUTES
Cape Verde’s central position has made the archipelago an important crossroads for passenger and cargo vessels crossing the Atlantic.

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FOR José Maria Veiga, the former minister of Infrastructure and Maritime Economy, time has run out on the need for an airport expansion. "Unfortunately, these projected investments, which are crucial for sustainability and social cohesion, not least because of the nation’s disjointed, archipelago structure, and the number of Cape Verdeans living abroad, estimated by the International Migration Organization to be 700,000 — more than half of the population currently residing on the islands. As a result of this significant human resources means the government priority is to build an economy that relies on more than tourism."

"As more ports are constructed, vessels will be better able to move between the islands, allowing goods and people to move freely about the country. Airports play a similar role," he says. "We should keep in mind that we are a country that wants to transform the islands into an international center for services, and we will use our air and maritime transport potential to its full advantage."

Cape Verde boasts 10 airports, four of which are international, at the capital Praia, Sal, Boa Vista and São Vincente, that has helped boost tourism, and while the focus is on a diversified economy, the tourism figures have been climbing.

"Despite the crisis, we’ve experienced large increases in tourist arrivals," Veiga says. "Boa Vista, in particular, has taken a step forward. It will be necessary to attract more infrastructural development, and our hotel supply is limited."

"We give urgent attention to water and sanitation. We have received funding from the Millennium Challenge Corporation (MCC) for the first phase of such developments. I am pleased to say we were the first country to be eligible for a second round of funding from the MCC, due to the excellent management and results."

"We have also had a strong evolution of partnerships for development from China. Whether through loans, grants, or direct investment, China has supported the modernization of institutions and infrastructures in Cape Verde."

For Mario Paixão Lopes, chairman of Airports and Air Navigation Company S.A. (ASA), air transport, being both fast and safe, will play a decisive role in modernization and communication strategies.

The country’s air-entry points have contributed enormously to expand the tourism product. Visitors can sample diving, hill-walking, fishing and a variety of other activities."

"This is a very important issue for the government and ASA, as a 100 percent public company, plays a key role in modernizing the air network," he says. "Airports have also facilitated access to Cape Verde through different ports and is critical for economic growth and has helped to stimulate investment in those islands where there is an international airport, bringing competitiveness to that destination."

"Boa Vista is an excellent case in point. Since the international airport opened there in 2007, investments in hotels, resorts and real estate have flourished. Air traffic is growing at a rate of 30 percent a year, and it is due to become one of the hottest destinations in the year, with an average of 30 charters a week from around the world."

"Air transport has contributed to the introduction of new dynamics in all sectors of the economy," Lopes says.

The organization has also played a strategic part in Cape Verde’s global economic dynamic, through bilateral agreements.

"Early last year, ASA signed an agreement to adapt Cape Verde’s regulations to the EU legal framework. The agreement builds on previous bilateral agreements for ASA and negotiations are already under way."

"We also have an open skies agreement with the US under which airlines from both countries can fly with unlimited frequency, and there is one with other countries within the Western African region. Cape Verde is building these factors to boost accessibility and competitiveness that will allow policies to be successful."

"To build the hub and achieve our objective of transforming Cape Verde into a platform for air services, it is necessary to create a good logistical base, as well as providing quality services that can develop the cargo and passenger segments to its fullest potential."" The chief points out some of the advantages that set Cape Verde apart from other countries in the region.

"We enjoy a consolidated democracy with peaceful transfer of power, cultural homogeneity, economic stability, a risk of political, ethnic and religious conflicts that are close to zero. Cape Verde is safe. All investors can come here without problems, and that is an important factor in our competitiveness," he says.

"Clearly the world is in crisis and this is affecting air travel. We are in a world of uncertainty and are seeing investments retracted especially those from Europe, yet we have the strongest trade and tourism exchanges there. Within this scenario, we are doing our bit and preparing for the good times."

"Airport traffic is growing solidly. For example, we have a good image of Cape Verde, the country has prestige and credibility abroad," Lopes says. "ASA is a barometer of Cape Verde, we are monitoring the potential of this market and how the country is facing the crisis period."

José Maria Veiga
Former Minister of Infrastructure and Maritime Economy

Mário Paixão Lopes
Chairman of the Board
ASA

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ALWAYS WITH YOU
AT THE AIRPORTS AND
IN YOUR FLIGHT REGION
CAPE Verde’s financial sector is in good shape, with eight main banks and two insurance companies currently in operation. The Central Bank of Cabo Verde (Banco de Cabo Verde) is responsible for the supervision of the sector, interest rates and price stability. Recent legislation has given the entity more independence, promoting its financial intermediaries role, and the whole sector has been strengthened by improved regulations and monetary policy autonomy.

For Cristina Duarte, minister of Finance, there is still plenty of potential for internal growth. “We have a significant diaspora, so the sector has great potential to grow,” she says. “We need to position Cape Verde as a platform for services, and make more bets on technology.”

“When a country begins to build infrastructure at the pace we are, it needs to be certain of the quality of the spending. It is a simple equation; the expense must drive the growth and the growth will pay the debt. This equation cannot fail. We have developed a monitoring and evaluation strategy that was necessary.”

We have strengthened our supervision arrangements and adopted international standards against money laundering. Cape Verde will only be able to become a financial services if it is financially competitive, and credible.

As Duarte notes, one of the major challenges the economy faces is the role of tourism as the principal driver of economic growth. “This is risky,” she says. “Our external anchor is in Europe, most of the growth. “This is risky,” she says. “Our tourism as the principal driver of economic growth. “We have a significant diaspora, so the sector has great potential to grow,” she says. “We need to position Cape Verde as a platform for services, and make more bets on technology.”

“We have grown a lot,” he says of Caixa. “It has the capacity to provide the financial services that Cape Verdeans are, the diaspora community currently totals between 150,000 and 400,000 in the US — almost the same number as in Cape Verde itself — with significant numbers in Portugal, France, the Netherlands and Luxembourg. The second track of internationalization will be with other banks in the African region; this is already at an advanced stage, starting with Guangzhou and Angola.

We also want to see externalization reached through the financial cluster,” Miranda says. “The government’s strategy is to transform Cape Verde into a hub of services, and that cannot be implemented if the country has no financial institutions with the competencies and skills to accompany and support the regional development strategy. Caixa is prepared to take on that challenge: we want to be ready when the time comes.”

The bank is also keen to develop partnerships with Chinese financial institutions in order to channel investment to Africa.

Financial services: sustainable growth is possible with the right partnerships

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CAFE VERDE

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Expanding all areas

On a mission

As part of its mission to become the country’s leading bank, with a market share of 33 percent, Caixa has developed 14 projects, based on four strategic areas, namely quality, innovation, partnership and leadership. It hopes to have implemented close to 96 percent of these projects by the end of the year.

“We will have a new headquarters ready by the end of May,” Miranda says. “We are also in the process of creating a new corporate image. Caixa, in recent years, has taken a huge step forward in terms of quality — we are in discussions with Bureau Veritas to obtain the ISO 9001 certificate of quality. We have also passed the first phase of ISO 27001, which relates to information systems security, and are due to be certified imminently.”

Miranda is mindful that the country needs technical assistance in general. “We are less dependent than we were 10 or 12 years ago, but we need to make sure Cape Verde produces enough scientific knowledge to support the development programs.”

International expansion is also on the cards, with the chairman keen for Caixa to have a presence in every country where Cape Verdians are. The diaspora community currently totals between 150,000 and 400,000 in the US — almost the same number as in Cape Verde itself — with significant numbers in Portugal, France, the Netherlands and Luxembourg. The second track of internationalization will be with other banks in the African region; this is already at an advanced stage, starting with Guangzhou and Angola.

More Chinese investment will arrive, and when it does, there must be a bank with the capacity to provide its financial needs.

Chinese partnership is a major priority for the rapidly growing Caixa Económica de Cabo Verde (Caixa). Emanuel Miranda, Caixa’s chairman and CEO, reiterates Minister Duarte’s assertion that Cape Verde’s economy depends a lot on the huge diaspora, with its development largely funded from private international institutions.

The time has come, he says, for domestic banking institutions to gradually assume the role of mobilizing financial resources, and Caixa, the only Cape Verdean bank to have a direct relationship with a Chinese bank, is well placed to facilitate this.

“We have grown a lot,” he says of Caixa. “It is among the country’s oldest institutions, created in 1928. We have been through several phases. Since 1993, Caixa was transformed into a universal bank, and is now the second-largest bank in terms of assets and our market share of loans and deposits. Despite the increase of new entities in the country, we have continued to increase market share.”

“When we defined our strategic plan in late 2008, there were five commercial banks. Today, there are eight. The natural evolution should have been to lose market share, but we gained market share! Not only did our activity represent impressive growth, but also, two years ago, we quadrupled the social capital — it was a risky bet but it has allowed us to implement this strategy.”

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