THE WAVERLEY SERIES

CABO VERDE

An Insight of Investment, Trade and Economy

September 2026

For Advisory & Partnership

LORD WAVERLEY

office@lordwaverley.com • www.lordwaverley.com

CABO VERDE — AT A GLANCE

Capital	Praia
Real GDP growth	6.3-6.4% in 2025, driven by record tourism arrivals, stronger private consumption and improved fiscal performance; first-quarter 2026 growth reached 6.4% year-on-year; full-year 2026 projected to moderate to a range of roughly 4.8-5.4% depending on the source
Development status	Upgraded by the World Bank to upper-middle-income status in 2025
Fiscal position	Recorded a surplus of 1.1% of GDP in 2025, the country's first since 2007, supported by a 16.8% year-on-year rise in tax revenues; projected to move back into a deficit of around 1.1% in 2026 amid increased public investment
Public debt	Declined to approximately 100.7-103.7% of GDP in 2025, continuing a downward trajectory; debt service nonetheless absorbs 34.2% of government revenue, rising to 46.3% if state-owned enterprise obligations are included
Foreign exchange reserves	Reached a record of approximately EUR 975-978 million, equivalent to 7.1 months of prospective import cover, up sharply from EUR 729 million a year earlier
Currency	Cabo Verdean escudo, pegged to the euro
Key sectors	Tourism (approximately 40% of GDP and more than a third of employment), renewable energy, and an emerging digital economy
Governing framework	A stable, multi-party parliamentary democracy widely regarded as one of the most consolidated in Africa; national elections are scheduled for 2026

Cabo Verde's economy delivered a genuinely remarkable set of milestones in 2025: GDP growth of 6.3%, the country's first fiscal surplus since 2007, record foreign exchange reserves, and formal World Bank reclassification to upper-middle-income status. Record tourism arrivals and a sharp rise in IFC investment, including a EUR 80 million sustainability-linked loan for airport infrastructure, underline continued strong investor confidence in one of Africa's most stable democracies. The World Bank's own July 2026 Economic Update, however, delivers a clear structural message alongside this good news: continued dependence on tourism, fiscal risks linked to state-owned enterprises, and weak inter-island connectivity all constrain the deeper economic diversification Cabo Verde will need to sustain this momentum.

1. INVESTMENT & FDI

A record year for IFC investment and a continued privatisation programme together signal deepening private-sector confidence, even as the World Bank warns that state-owned enterprise governance remains a fiscal risk.

The IFC achieved record investment levels of approximately $100 million in Cabo Verde in fiscal year 2026, including mobilisation, with its programme focused on key infrastructure and tourism development; in December 2026, IFC committed a EUR 80 million sustainability-linked loan to Cabo Verde Airports SA to support the second phase of airport rehabilitation and expansion. The government has continued a structured privatisation programme, having transferred airport management through a concession in 2022 and sold its stake in a commercial bank in 2024, with a public consultation now underway for port management sub-concessions, a tender launched for airport handling services, and plans to privatise pharmaceutical operator EMPROFAC and electric utility ELECTRA before the 2026 elections. The World Bank's own analysis, however, cautions that the state's multiple roles as policymaker, regulator, owner and financier create conflicting incentives that discourage private investment and concentrate fiscal risks under current institutional arrangements.

- **A genuinely substantial increase in IFC engagement:** the roughly $100 million invested in FY2026, a record level, represents concrete, growing multilateral private-sector-arm confidence in Cabo Verde specifically, concentrated in infrastructure and tourism.
- **A structured, multi-year privatisation pipeline:** the sequence from the 2022 airport concession and 2024 bank-stake sale through to the planned ELECTRA and EMPROFAC privatisations represents a sustained, credible policy commitment rather than an isolated transaction.
- **A direct, sourced governance warning worth weighing carefully:** the World Bank's explicit identification of the state's conflicting roles as owner, regulator and financier of SOEs represents a specific, actionable diagnosis that investors bidding for privatised assets or competing with remaining state enterprises should factor directly into their risk assessment.
- **Continued core World Bank engagement:** the Bank's $283.76 million active portfolio across eight projects, spanning one Development Policy Financing operation and seven Investment Project Financing operations, remains substantial for an economy of Cabo Verde's scale.

2. TRADE & BUSINESS

Record reserves and a rare fiscal surplus underline genuine external strength, even as Middle East conflict spillover threatens to reverse Cabo Verde's current account position in 2026.

International reserves reached a record EUR 975-978 million in late 2025, equivalent to 7.1 months of prospective imports, up sharply from EUR 729 million a year earlier, while the fiscal balance recorded its first surplus since 2007 at 1.1% of GDP, supported by a 16.8% year-on-year rise in tax revenues. The current account surplus narrowed to 3.2% of GDP in 2025 from 3.7%, and is projected to reverse into a deficit of approximately 1.5% of GDP in 2026, reflecting costlier imports amid Middle East conflict-driven energy price pressure.

- **A genuinely strong, verifiable reserve position:** the jump in reserves to a record level, alongside the first fiscal surplus in nearly two decades, together represent real, quantified external and fiscal strength entering 2026.
- **A specific, externally-driven current account reversal risk:** the projected swing from surplus to deficit reflects a clearly identified external shock, Middle East conflict-linked energy costs, rather than a domestic structural deterioration, a distinction relevant to assessing how temporary this reversal may prove.
- **Continued reserve support from FDI and remittances:** projected FDI inflows of 2.7% of GDP in 2026, alongside diaspora remittances, are expected to keep reserves comfortable even as the current account itself moves into deficit.

3. MAJOR ECONOMIC DEVELOPMENTS

A formal upgrade to upper-middle-income status headlines a genuinely strong 2025, even as the World Bank identifies specific structural vulnerabilities that could constrain Cabo Verde's next growth phase.

The World Bank upgraded Cabo Verde to upper-middle-income status in 2025, a genuine formal development milestone, as GDP grew 6.3-6.4% on record tourism arrivals, stronger private consumption and improved fiscal performance; growth is projected to moderate to a range of roughly 4.8-5.4% in 2026 as Middle East conflict spillover and slowing eurozone growth, Cabo Verde's main tourism source market, weigh on momentum. Public debt declined to approximately 100.7-103.7% of GDP in 2025, continuing a downward trajectory, though debt service still absorbs 34.2% of government revenue, rising to 46.3% once state-owned enterprise obligations are included, a structural fiscal vulnerability the World Bank flags directly despite the improving headline trend. The Bank's July 2026 Economic Update specifically warns that continued tourism dependence, SOE-linked fiscal risk, and weak inter-island connectivity together constrain private-sector growth and broader economic diversification. Cabo Verde remains a stable, multi-party parliamentary democracy widely regarded as one of the most consolidated in Africa, with national elections scheduled for 2026.

- **A genuine, formally recognised development milestone:** the upper-middle-income reclassification represents concrete, independently verified progress in Cabo Verde's long-term development trajectory, distinct from any single year's growth rate.
- **A debt-service burden warranting continued monitoring despite the improving trend:** the 34.2% (or 46.3% including SOE obligations) share of government revenue absorbed by debt service means Cabo Verde's improving debt-to-GDP trajectory has not yet translated into comparable relief on the government's actual annual financing burden.
- **Three specific, named structural constraints on diversification:** the World Bank's direct identification of tourism dependence, SOE fiscal risk and inter-island connectivity as the primary barriers to diversification gives investors and policymakers alike a concrete framework for prioritising reform and investment efforts.
- **A stable political backdrop distinct from many regional peers:** Cabo Verde's standing as one of Africa's most consolidated democracies means the 2026 elections represent a normal, low-risk political event rather than a source of the acute uncertainty seen in several other markets this series covers.

4. MAJOR PROJECTS & INFRASTRUCTURE

A renewable-energy build-out and continued airport and port infrastructure investment anchor Cabo Verde's medium-term development plan, directly targeting the inter-island connectivity gap the World Bank has identified.

- **Renewable energy expansion:** under the 2022-2026 Strategic Sustainable Development Plan, targeting 50% renewable-energy share by 2030 and 100% by 2050, the Santiago wind farm's capacity is being expanded from 9 MW to 22 MW, alongside construction of eight new solar power plants, some beginning as early as 2026.
- **Inter-island transport infrastructure:** continued investment, including expansion of the Port of Santo Antão, directly targets the weak inter-island connectivity the World Bank has specifically identified as a constraint on private-sector growth and diversification.
- **Airport infrastructure modernisation:** the IFC-financed second phase of Cabo Verde Airports SA's rehabilitation and expansion, described in Section 1, represents a substantial, currently active infrastructure investment.
- **A diversified multilateral financing base for infrastructure:** these projects draw on financing from the IMF's Resilience and Sustainability Facility, the World Bank, the European Investment Bank and the African

Development Bank, reflecting broad-based multilateral confidence in Cabo Verde's infrastructure investment pipeline.

5. CONFERENCES, FORUMS & EXHIBITIONS

The World Bank's July 2026 Cabo Verde Economic Update, launched in Praia and titled 'Connecting Islands, Unlocking Potential,' represented the most significant recent institutional economic assessment shaping investor understanding of Cabo Verde's growth drivers and structural constraints.

6. BUSINESS & INVESTMENT EVENTS

Beyond the IFC financing commitments and privatisation programme milestones described in Section 1, no additional major standalone business or investment events were identified for this specific period.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A diversified multilateral financing base, alongside a historical US development partnership, continues underpinning Cabo Verde's infrastructure and institutional development.

- **World Bank and IFC:** the World Bank's $283.76 million active portfolio and IFC's record FY2026 investment together represent Cabo Verde's most substantial current multilateral development relationships.
- **IMF, European Investment Bank and African Development Bank:** these institutions jointly co-finance the renewable-energy and infrastructure projects described in Section 4, reflecting a genuinely diversified multilateral financing base.
- **United States:** the Millennium Challenge Corporation's $66 million Cabo Verde Compact, signed in 2012 and now completed, strengthened property rights and expanded water and sanitation access, establishing the consolidated utility Águas de Santiago as a model now being extended to other islands.
- **Portugal, Spain and the Netherlands:** these countries remain significant sources of foreign direct investment specifically financing large tourist accommodation, restaurant and golf-course developments.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A new Digital Economy Strategy and dedicated Technology Free Zones aim to diversify Cabo Verde's private sector beyond tourism, with an explicit ambition to export homegrown digital solutions regionally.

The government approved its Digital Economy Strategy (EEDCV) 2024-2030, aiming to transform Cabo Verde into a digital hub, and established Technology Free Zones in February 2024 to provide regulated environments for testing and developing new technologies. The strategy targets digitising 62% of public services by 2026 and 80% by 2030, and the government is specifically seeking resale opportunities for its homegrown digital government platforms in other African countries seeking affordable, reliable e-government solutions. Separately, Cabo Verde's small, multi-island market structure continues limiting many businesses' ability to achieve economies of scale, a specific, structural private-sector challenge independent of broader macroeconomic performance.

- **A genuinely novel regional digital-export ambition:** the government's explicit pursuit of resale opportunities for its own e-government platforms in other African countries represents an unusual and potentially valuable services-export strategy distinct from Cabo Verde's traditional tourism-based economic model.
- **A specific, structural SME-scale constraint:** the small, dispersed multi-island market directly limits many domestic businesses' ability to achieve economies of scale, a factor investors should weigh when assessing the addressable market size for any given Cabo Verdean business opportunity.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Utility privatisations, renewable energy expansion, and digital-platform exports define Cabo Verde's most concretely promoted new investment channels.

- **ELECTRA and EMPROFAC privatisations:** the planned privatisation of the electric utility and pharmaceutical operator before the 2026 elections represent Cabo Verde's most significant upcoming state-asset transactions.
- **Port and airport service concessions:** the port management sub-concession public consultation and the airport handling services tender both remain open, near-term privatisation-linked investment opportunities.
- **Renewable energy expansion:** the Santiago wind farm expansion and the eight planned new solar power plants offer concrete, near-term renewable-energy investment and co-development opportunities.
- **Digital government platform exports:** Cabo Verde's homegrown e-government solutions, being actively marketed for resale to other African countries, represent a specific, novel technology-export opportunity.

SUMMARY ASSESSMENT

Cabo Verde's economy delivered a genuinely remarkable set of milestones in 2025: GDP growth of 6.3%, the country's first fiscal surplus since 2007, record foreign exchange reserves, and formal World Bank reclassification to upper-middle-income status. Record tourism arrivals and a sharp rise in IFC investment, including a EUR 80 million sustainability-linked loan for airport infrastructure, underline continued strong investor confidence in one of Africa's most stable democracies.

Set against this genuine progress: the World Bank's own July 2026 Economic Update identifies specific, structural vulnerabilities, continued tourism dependence, fiscal risks linked to state-owned enterprises whose multiple, conflicting roles as owner, regulator and financier discourage private investment, and weak inter-island connectivity constraining broader diversification. Debt service continues absorbing more than a third of government revenue despite the improving headline debt trajectory.

Investors should view Cabo Verde as a genuinely stable, well-governed small-island economy whose principal risks are structural and external, tourism-source-market and Middle East conflict exposure, rather than political, with the government's active privatisation programme and new digital-economy strategy offering credible, concrete pathways toward the diversification the World Bank has identified as necessary.