



RemitSCOPE

Africa



Cabo Verde
Country diagnostic

ACKNOWLEDGEMENTS

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ACRONYMS

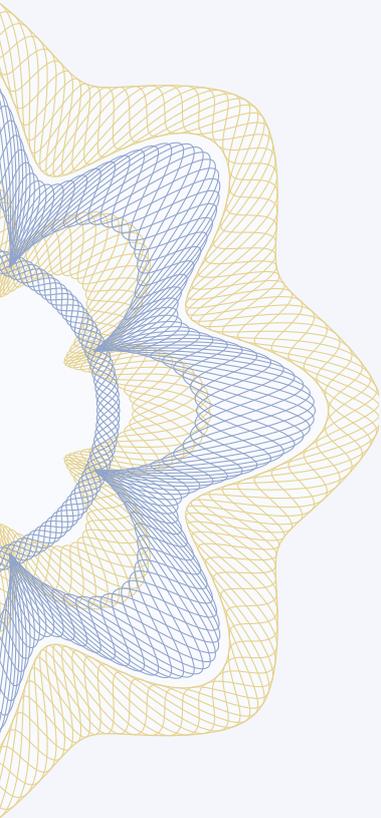
AECID	Spanish Agency for International Development Cooperation
AfDB	African Development Bank
AML/CFT	anti-money laundering/combating the financing of terrorism
ARME	Multisectoral Regulatory Authority of the Economy
ATM	automated teller machine
BCV	Banco de Cabo Verde
CAGR	compound annual growth rate
CBR	correspondent banking relationship
CDD	customer due diligence
CECV	Caixa Económica de Cabo Verde
CCV	Correios de Cabo Verde S.A.
CVE	Cabo Verde Escudo
DNFBPs	designated non-financial businesses and professions
ENED	National Strategy on Emigration and Development (Estratégia Nacional de Emigração e Desenvolvimento)
EU	European Union
fintech	financial technology
FATF	Financial Action Task Force
FDI	foreign direct investment
FFR	Financing Facility for Remittances
FI	financial institution
FSB	Financial Stability Board
GDP	gross domestic product
IFAD	International Fund for Agricultural Development
IMTO	international money transfer operator
INE	Instituto Nacional de Estatística
IOM	International Organization for Migration
IT	information technology
KYC	know-your-customer
MFI	microfinance institution
MTO	money transfer operator
NOSI	Núcleo Operacional para a Sociedade de Informação
ODA	overseas development assistance
PEDS	Plano Estratégico de Desenvolvimento Sustentável
PI	payment institution
PNEF	Plano Nacional de Educação Financeira
POS	point of sale
PRIME Africa	Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa
RPW	Remittance Prices Worldwide
SDG	Sustainable Development Goal
SISP	Interbank and Payment Systems Company
SPCV	Cabo Verde Payments System
UNDESA	United Nations Department of Economic and Social Affairs
WB	World Bank

Executive summary

This research is part of a series of country diagnostics in selected African countries, in implementation of the [Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa \(PRIME Africa\)](#) initiative. The diagnostics can be downloaded on the [RemitSCOPE](#) web portal.

Background

- Cabo Verde is a small remittance market in global terms, with US\$220 million received in 2021, excluding the amount of informal remittance flows, mainly hand carried by returning migrants. The total remittance market is equal to around a third of the size of The Gambia.
- Remittances are highly important to the economy of Cabo Verde, as they contribute 15.6 per cent to its gross domestic product (GDP).
- It is estimated that the Cabo Verdean diaspora is approximately the size of the domestic population, of around 550,000 people. The majority of the diaspora are in the European Union (EU) and the United States.
- Due to its small size, there are few remittance service providers sending money to Cabo Verde. These organizations have agreements with local payout partners to provide reasonable coverage in most of the islands of the country. The postal network has good coverage and exclusive contracts are a feature of the marketplace.
- The cost for sending to Cabo Verde is on average slightly higher than the global average; the use of digital solutions offers an encouraging opportunity to reduce them.
- The regulatory and compliance environment is clear to follow, and the new licensing regulations should help encourage new entrants. The application of know-your-customer (KYC) requirements is however a limiting factor in market development.
- Formal financial inclusion in Cabo Verde is considered reasonable, with 78 per cent of adults having a bank account, although usage is much lower. On the contrary, there is growth in e-wallet use.
- A number of actions can be undertaken to improve the market, including: improving data; undertaking corridor-specific studies in the main send countries; supporting the emergence of new digital business models; organizing dialogue between regulators and financial institutions; undertaking an assessment of money laundering and financial terrorism risks; encourage the Banco de Cabo Verde (BCV) to allow foreign digital banks to enter the market; track products available in the main send markets; support the extension or consolidation of low-cost account-based remittances; encourage banks to promote a zero fee credit entry for cards/accounts; remove exclusivity clauses; enhance transparency; educate remittance recipients (and senders) on the benefits of cashless payments; set up a working group to foster the dialogue between the regulators and the private sector; and, define a roadmap to anchor remittance market policy actions into a coherent agenda.



1. Migration and remittances

- The total size of Cabo Verde migrant stock is estimated at 187,558 people (UNDESA, 2020); however, the diaspora is thought to be much broader and is currently considered to be the same size, if not larger than, the number of residents, which is 555,988 (World Bank, 2020).
- Remittance flows to Cabo Verde are the most significant and stable source of foreign currency for the economy, equalling US\$220 million and representing 15.6 per cent of the GDP in 2020 (KNOMAD, 2021).
- Seven EU corridors represent 67 per cent of remittances to Cabo Verde, with France and Portugal being the main EU send countries. Outside of the EU, the United States is a key send country. Portugal, France and the United States together account for three quarters of inflows to Cabo Verde.
- Inbound remittances are distributed among islands broadly in relation to the size of their respective populations.
- Despite the effects of the COVID-19 pandemic on send countries' economies, remittances to Cabo Verde grew by 19.69 per cent year-on-year for the first three quarters from 2019–2020.

2. Financial environment

- Remittances are considered by the government as a key element for financial sector stability and sustainable growth with a focus on attracting more investment and savings.
- The retail domestic payment system is led by card-based payments, which are interoperable between banks with a growing usage among the population; however, they have limited traction to channel remittances.
- There is a relatively high level of account ownership among the population at 78 per cent; however, this is under-used as only 40 per cent of adults declare using their bank account on a regular basis, which along with the new e-money regulation could represent an opportunity to receive remittances and increase financial inclusion.

3. Regulatory environment

- Cabo Verde's regulatory environment creates a clearly understood set of policies and procedures for remittances. There is an open environment for payment institutions and e-money issuers to enter the market in Cabo Verde.
- Anti-money laundering/combating the financing of terrorism (AML/CFT) regulations for remittances are clear and placed under the oversight department of BCV.
- Other relevant regulations that are in place include new payment institution regulations and a comprehensive set of consumer protection provisions.

4. Market structure

Sending end

- The cost of sending remittances to Cabo Verde from the EU is 6.84 per cent, which is above the global average of 6.30 per cent (October 2021).
- Due to its small market size, there are few operators who send to the country. The Cabo Verdean remittance market is dominated by a very limited number of global money transfer operators (MTOs) (three at most) partnering with banks and the postal network (Correios). There is a very small number of other digital providers who offer products to Cabo Verde. However, consumers have very little choice in being able to send there.
- Cabo Verdean banks are affected by the global de-risking trend in correspondent banking relationships (CBR). The Financial Stability Board (FSB) (2017) has estimated that the number of active correspondent banks in Cabo Verde declined by 4 per cent between 2012 and 2016.

Receiving end

- The network of payout points in Cabo Verde is largely made up of bank branches and their sub-agents as well as post offices. Partnerships are characterized by exclusivity agreements with Western Union or MoneyGram.
- Not only is choice of money transfer operator (MTO) limited, but accessibility varies depending on the island.
- Makeba and some financial technology (fintech) models combining mobile phones and agent retailers are present and could embody the next breakthrough to enhanced proximity and convenience.

5. Financial services for remittance users

- The banking package offered to migrants, including an emigrant account with savings and payment options, covers a large part of remittances families' financial needs.
- Providing remittance recipients with customized financial education would help increase savings and help economically active recipients to develop their activities and create jobs.

6. Stakeholders and coordination

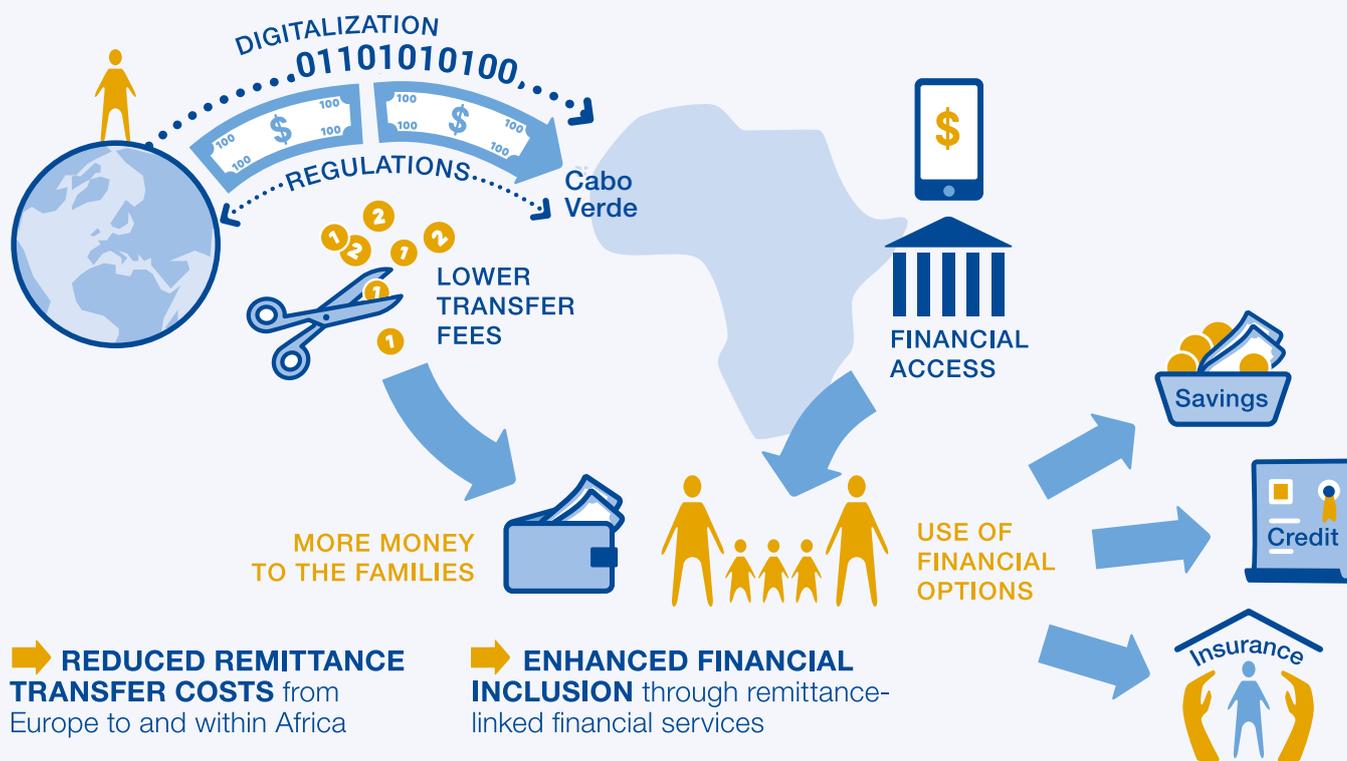
- The governance and oversight of remittance activities rely on the BCV, the Ministry of Finance and the Ministry of Foreign Affairs.
- Donor initiatives relating to migration and development are more focused on attracting migrant resources rather than remittance issues.

The PRIME Africa initiative

IFAD is implementing the **Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) initiative**, co-financed by the European Union and aimed at maximizing the impact of remittances for millions of families in selected African countries, which contributes to fostering local economic opportunities in migrants' countries of origin (figure 1).

Figure 1. PRIME Africa activities in Cabo Verde

GOALS



ACTIVITIES



● **Address the data gap**

Strategic market data allow for further market depth and width, and targeted capacity-building to key stakeholders for remittance data creation and use.



● **Increase market competition**

Expand access to remittances through close cooperation with public and private sectors, and additionally reduce significantly direct and indirect costs, and spur market competition.



● **Support an enabling environment**

Coherent national regulatory frameworks in both sending and receiving countries can foster competition in remittance corridors and enable safe, cheap and fast transfers.



● **Finance and promote business models linking remittances and financial services**

Co-finance and promote innovative, replicable and scalable business models and technologies that link remittances to financial services, towards greater financial inclusion.



● **Finance scalable innovations and related capacity**

Collaboration mechanisms in place among central banks, regulatory bodies, the private sector and diaspora communities in sending and receiving countries; and strengthened capacity to adapt and scale up best practices within an operational framework that allows cooperation among partners.

Objectives

The Cabo Verde country diagnostic has been prepared in accordance with the PRIME Africa goals, including:

- A. To reduce remittance transfer costs to Cabo Verde in support of the relevant Sustainable Development Goal (SDG 10.c) and the Global Compact for Safe, Orderly and Regular Migration.
- B. To reduce the use of informal transfer channels to Cabo Verde.
- C. To enhance financial inclusion through associated financial services.

This diagnostic provides an assessment of Cabo Verde's remittance market using a market-oriented approach based on a supply-side analysis. It is a "working document" that will be updated and amended as additional information is collected and assessed.

Cabo Verde is outside the seven PRIME Africa target countries. This document is thus designed to provide a market analysis in order to help the EU decide whether to add Cabo Verde to the main programme.

Based on the findings from this diagnostic, recommendations have been laid out which propose priority policy actions that could achieve the PRIME Africa goals. Coordination and cohesion with public policy and other international development agencies will be key to success.

Methodology

The diagnostic is similar in structure to other PRIME Africa diagnostics. It focuses on the remittance market in Cabo Verde from a supply-side perspective. Data and relevant information for this study have been gathered through the following methods:

- A. Primary data collection
 - Interviews with stakeholders, including: Bank of Cabo Verde, banks (Caixa Geral de Depositos, Ecobank), postal network (Correios de Cabo Verde), fintechs (Makeba, Wari), the Ministry of Foreign Affairs and donor organizations (such as the EU delegation in Cabo Verde).
 - Mystery shopping exercises for data related to service providers, pricing and products.
- B. Secondary data
 - Desk-based research including a review of relevant, recent and authoritative sources (data collection updated in February 2022).

Average remittance cost comparisons. The average cost of a remittance is calculated in line with the methodology used by the World Bank for Remittance Prices Worldwide. This means collecting data on fees, foreign exchange margins and other potential costs (for example, cash out fees, taxes, etc.). Data is collected from a sample of operators, which are estimated to hold at least 80 per cent market share. It should be noted that this does not mean that all operators sending money through a specific corridor are covered. It is possible that special promotional pricing may have been offered at the date of data collection or at the access point or channel of sending.

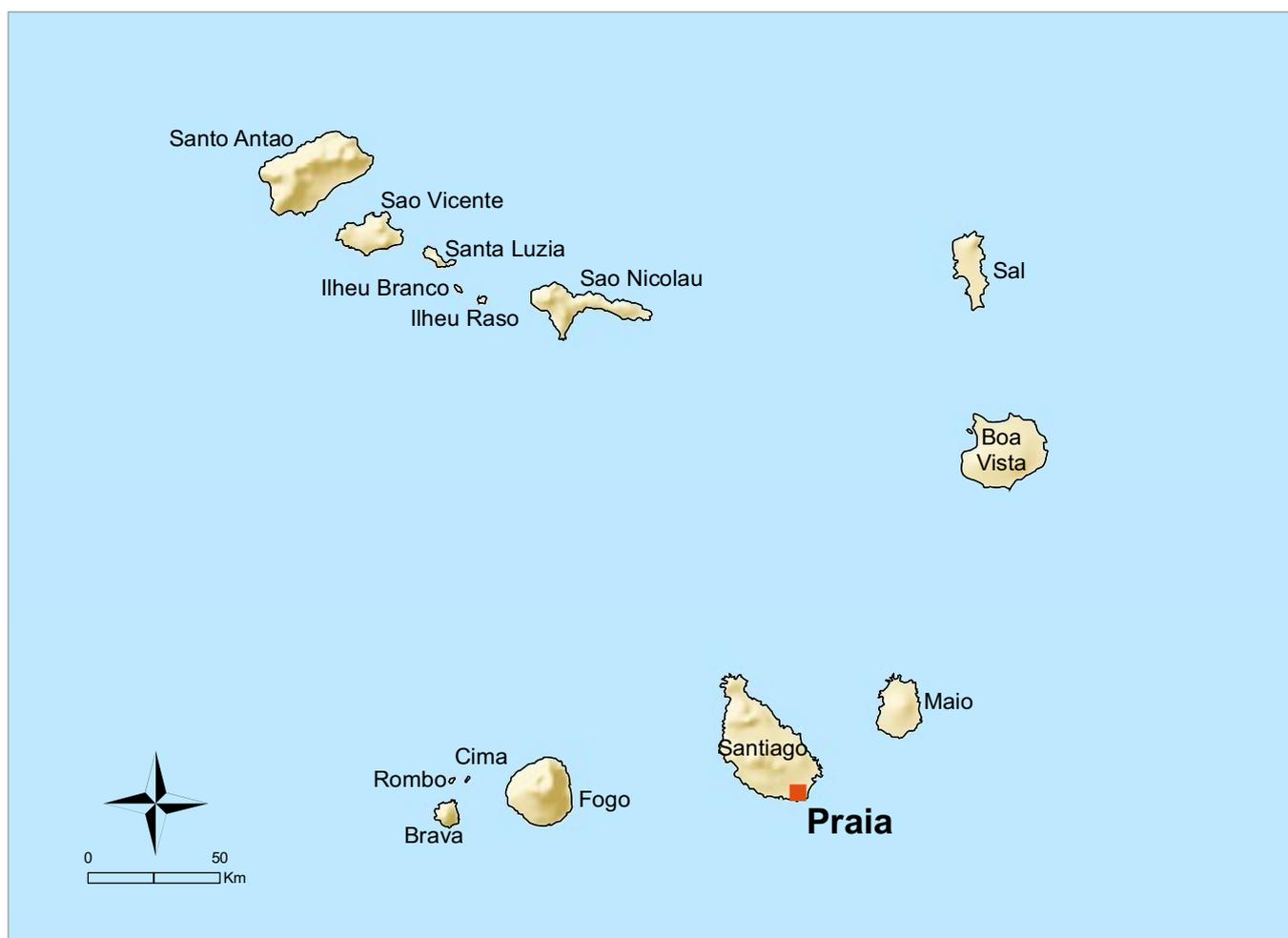
PRIORITY POLICY ACTIONS

1. Undertake further research to improve knowledge on migration and remittances for Cape Verde, including corridor-specific studies, a demand side survey on financial inclusion, and behavioural preferences, as well as systematically integrating specific questions relating to the use of remittances and financial services in household surveys conducted by Instituto Nacional de Estatística (INE).
2. Support the emergence of new digital business models promoted by existing market incumbents and/or new entrants to foster the use of transaction accounts to receive international remittances and undertake a demand-side study to help shape this.
3. Organize a dialogue between regulators, financial institutions (FIs) and the post office to agree to a proportionate balance between semi-formal potential payment agents and financial institutions AML/CFT requirements; produce a tiered KYC framework and streamlined customer due-diligence (CDD) processes for low-risk accounts/products; and, encourage the BCV and the Multisectoral Regulatory Authority of the Economy (ARME) to allow foreign digital banks to enter the market.
- 4.a Send side. Develop a series of solutions to improve the range of products available to customers (for example, assess and create awareness of products currently available, promote online and account-based services, e-wallet receipts of remittances [with account-based activities], encourage relationship-based products and establish processes to restrict de-risking).
- 4.b Receive side. Encourage new entrants and market incumbents to develop new distribution models in Cabo Verde, especially in the mobile space and, at the same time begin discussions with Cape Verde remittance market stakeholders (especially payout organizations) to examine partnering with other MTOs (other than just Western Union or MoneyGram) by learning from peer countries which have done this.

5. Enhance transparency on costs relating to emigrant banking packages, educate remittance recipients (and senders) on the benefits of cashless payments and digital financial services, and determine the level awareness, understanding and usage of the banking system to then design and implement specific financial education activities.
 6. Set up a working group to foster dialogue between regulators, the private sector, diaspora, and consumer associations to address issues cutting across the remittances market, in particular: exclusivity clauses; de-risking; and, financial inclusion under the leadership of the Ministry of Finances and the BCV with the support of the Ministry of Foreign Affairs. The output should include a roadmap to co-ordinate actions across government and raise the profile of remittance-linked activities.
-

1. Migration and remittances

Figure 2. Map of Cabo Verde



This section provides an overview of emigration and immigration patterns, key corridors and socio-economic factors that drive inbound and outbound migration and remittances. It also examines divergences in remittance data, informal flows, and the impact of, and response to, the COVID-19 pandemic.

Migration and the diaspora

Migrant stocks for Cabo Verde are estimated at 187,558 (UNDESA 2020) but the diaspora is much broader, geographically widespread and its true size is not known. Various studies have estimated that the diaspora is approximately the same size as the current domestic population, estimated at 555,988 (World Bank) (see annex 1 for additional information).

The International Organization for Migration (IOM) estimated that there were 450,000 Cabo Verdean migrants abroad in 2010. The diaspora also includes migrant descendants who still maintain a tie with the country, as evidenced by the sending of remittances, nostalgic tourism or investment. Portugal and the United States are the main host countries for the Cabo Verdean diaspora.

Cabo Verdeans in the EU

- According to the UN (2020) migrant stock data, 67 per cent of Cabo Verdean diaspora (125,397) are located in the EU. Portugal hosts 68,299 Cabo Verdeans, 36 per cent of the total migrant stock.
- France holds the second largest Cabo Verdean diaspora in the EU, totalling 25,501 migrants (14 per cent the total migrant stock).
- The Netherlands, Luxembourg, Italy and Spain follow, hosting a total of 32,000 Cabo Verdean diaspora, representing 17 per cent of the total migrant stock.

Intra-African migration

- A relatively small portion of Cabo Verdean diaspora reside in Africa with a total migrant stock of 17,546.
- 88 per cent of the Cabo Verdeans living in Africa reside in Angola and Mozambique, which host 8,662 and 6,819 Cabo Verdeans respectively.

Gender

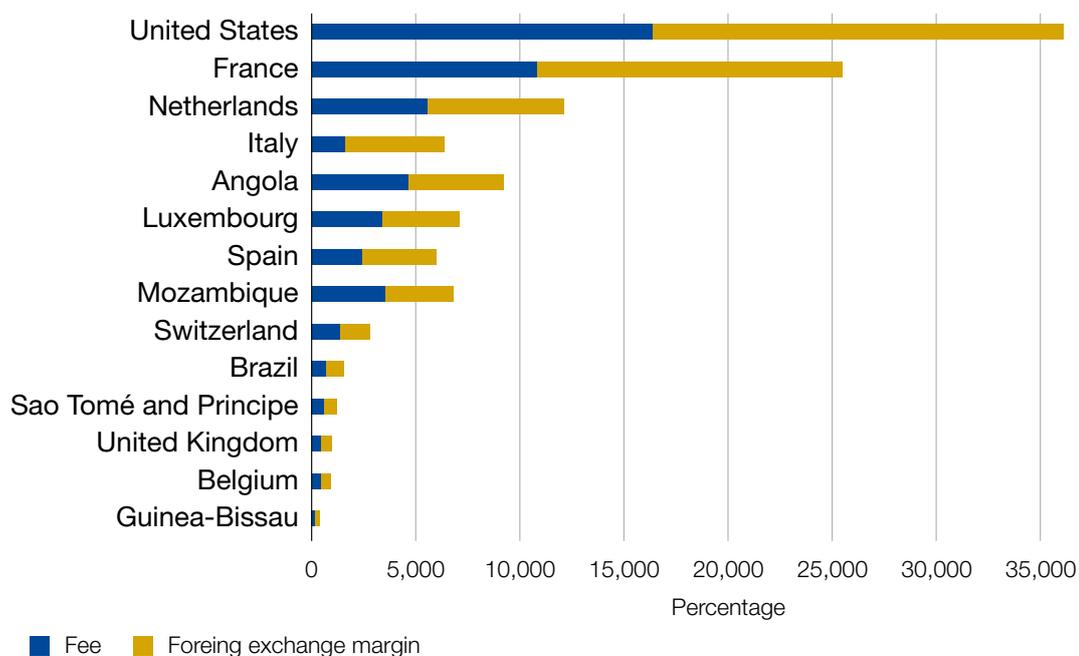
- Migration from Cabo Verde is well balanced in terms of gender, with 55 per cent of the Cabo Verdean diaspora being female. This balance is fairly consistent across host countries with a few exceptions such as an over representation of women (75 per cent) in Italy.

Table 1. Migrant stock by destination countries

	Country	2020	% Total migrant stock
	World	187,558	
1	Portugal	68,299	36%
2	United States	36,082	19%
3	France	25,501	14%
4	Netherlands	12,091	6%
5	Angola	9,215	5%
6	Luxembourg	7,108	4%
7	Mozambique	6,819	4%
8	Italy	6,366	3%
9	Spain	5,999	3%
10	Switzerland	2,806	1%
11	Brazil	1,516	1%
12	Sao Tome and Principe	1,220	1%
13	United Kingdom	993	1%
14	Belgium	919	0%
15	Sweden	419	0%
16	Norway	406	0%
17	Guinea-Bissau	403	0%
18	Côte d'Ivoire	374	0%
19	Canada	175	0%
20	Bolivia (Plurinational State of)	141	0%

■ African countries ■ EU countries

Figure 3. Migrant stock: gender breakdown



Source: UNDESA, 2020.

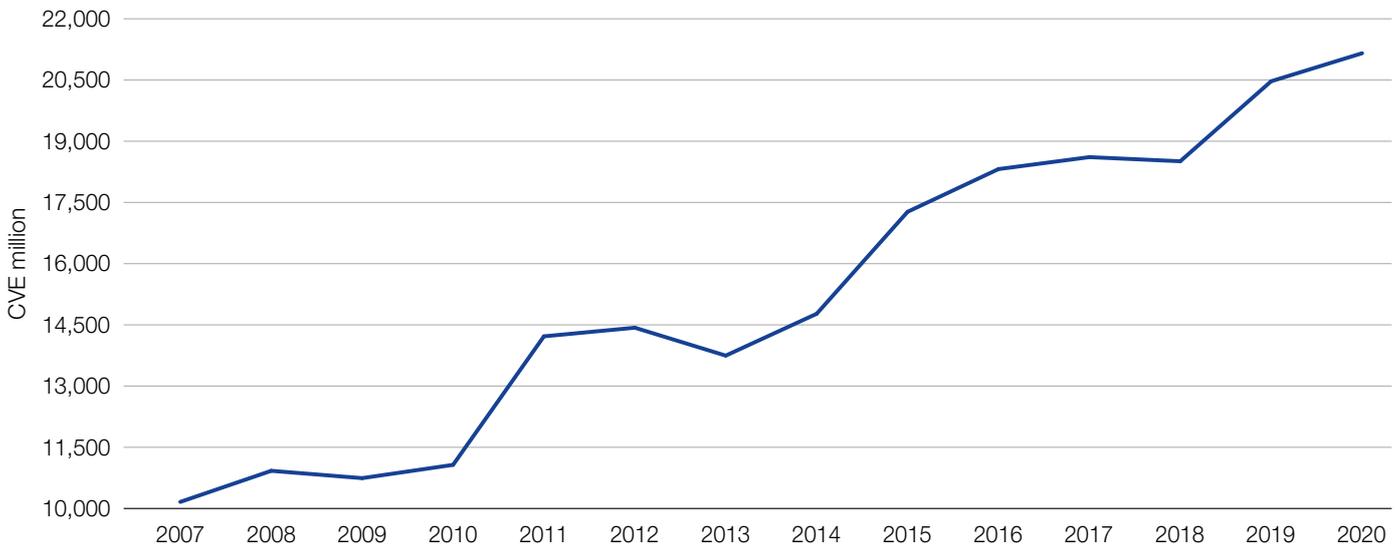
Remittance flows into and out of Cabo Verde

Remittance flows to Cabo Verde are the most significant and stable source of foreign currency for the economy and represented 15.6 per cent of the GDP in 2020.

Long-term trends

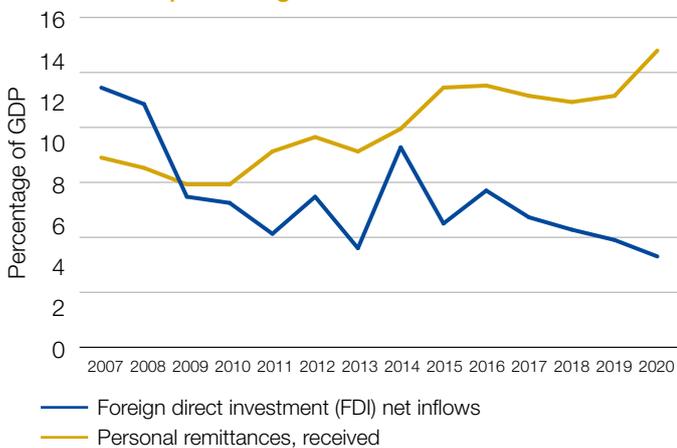
- Inbound remittances to Cabo Verde reached an anticipated CVE 21.1 million in 2020 (US\$220 million) (BCV, 2021), representing 10 per cent of the GDP. World Bank data suggest that inbound remittances to Cabo Verde were approximately US\$246 million in 2020, representing 15.6 per cent of GDP (World Bank, 2021).
- Of the CVE 21,140 million received into Cabo Verde, approximately 30 per cent was delivered via the 34 post offices across the islands.
- Between 2009 and 2020, remittances grew at a steady pace with a compound annual growth rate (CAGR) of 6 per cent.
- Remittances have doubled since 2007 from CVE 10,159 million to over CVE 21,000 million in 2020.

Figure 4. Inbound remittances to 2007–2020 (CVE, million)



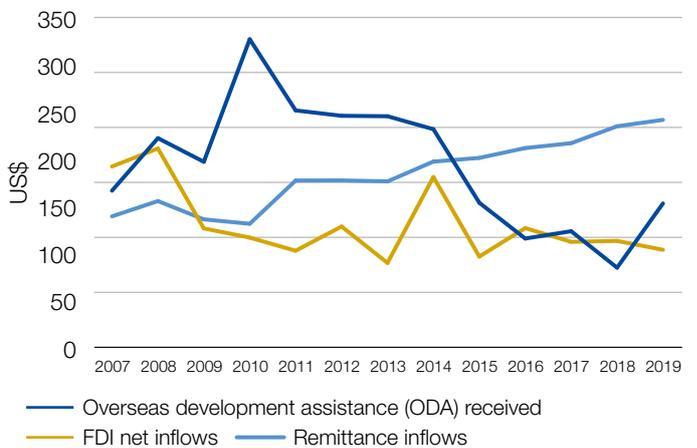
Source: BCV, 2020.

Figure 5. Cabo Verde: remittances and FDI as percentage of GDP



Source: World Bank, 2021.

Figure 6. Financial flows to Cabo Verde



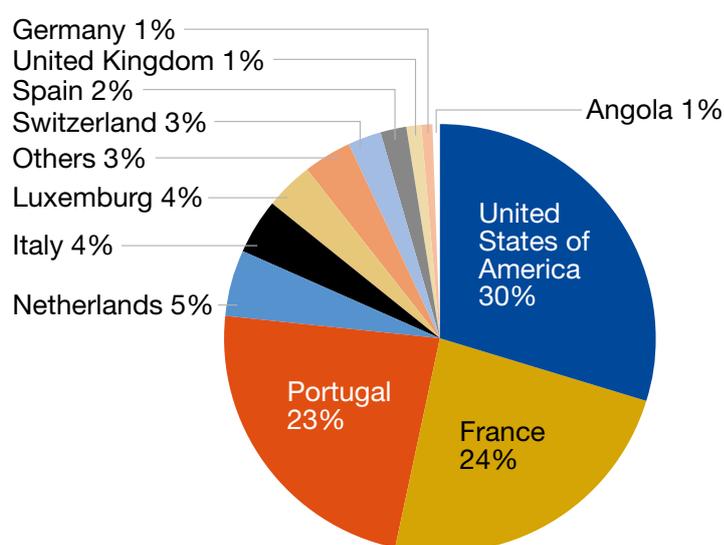
Source: World Bank, 2021.

- The value of remittances overtook ODA in 2014.
 - While ODA and FDI have been decreasing, they remained stable in terms of GDP percentage and slightly increased in value.
 - Informal remittances are estimated at 30–40 per cent of formal flows, with the main channels being tourism, private visits and trade.
 - Data collection on remittances in Cabo Verde is an area that would benefit from more granular development. Liaison with countries such as The Gambia and Kenya could be helpful in addressing this.
- **Portugal, France and United States are the main sending countries** to Cabo Verde, totalling **77 per cent of all flows**.
 - **EU countries represent 62 per cent** of remittances inflows to Cabo Verde.
 - **The United States is the largest send corridor to Cabo Verde, sending a total US\$65 million** in 2020, 30 per cent of total inflows, followed by **France with US\$52 million** and **Portugal with US\$51 million**.
 - Most of the remaining EU remittance inflows come from **the Netherlands, Italy and Luxembourg**, with total flows of US\$11.3 million, US\$9.1 million and US\$8.0 million respectively.
 - With only US\$30 million outflows, of which close to US\$10 million to Portugal in 2019, Cabo Verde is by far a net remittance receiving country.

Seven EU corridors represent 67 per cent of remittances to Cabo Verde, with France and Portugal being the main EU send countries. Outside of the EU, the United States is a key send country. Together, France, Portugal and the United States send three quarters of inflows to Cabo Verde.

Table 2. Inbound remittances to Cabo Verde by send country in 2020 (CVE million, BCV 2021)

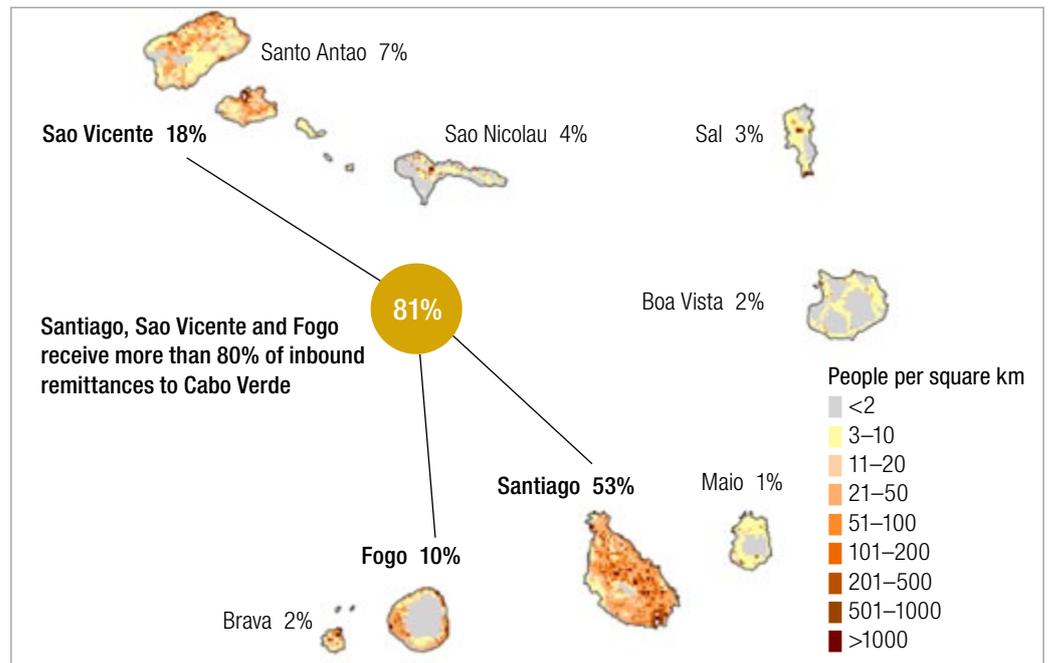
Country	Million CVE	Million US\$	%	EU/ non-EU
United States	6,308	65.3	30%	non-EU
France	5,003	52.1	24%	EU
Portugal	4,901	50.8	23%	EU
Netherlands	1,094	11.3	5%	EU
Italy	874	9.1	4%	EU
Luxemburg	772	8.0	4%	EU
Others	733	8.1	3%	non-EU
Switzerland	552	5.7	3%	non-EU
Spain	383	4.0	2%	EU
United Kingdom	279	2.9	1%	non-EU
Germany	182	1.9	1%	EU
Angola	60	0.6	0%	non-EU
Total	21,142	219.9	100%	



Remittances in the islands

Inbound remittances are distributed among islands according to their population. Santiago, Sao Vicente and Fogo receive more than 80 per cent of inbound remittances to Cabo Verde. These islands have the largest populations (52 per cent, 14 per cent and 6 per cent of the population, respectively), meaning that rural areas and rural islands that have lower populations receive 20 per cent of inbound remittances. It is important to note that much of the network in the receive market is dependent on post offices.

Figure 7. Inbound remittances are distributed among islands according to their population



Impact of the COVID-19 pandemic

Despite the COVID-19 pandemic's effects on send countries' economies, remittances grew by 3 per cent, year-on-year for the first three quarters of 2020 and 39 per cent from 2020–2021.

- Remittance inflows increased by 3 per cent in the first year (2019–2020) of the COVID-19 pandemic and 39 per cent in its second year (2020–2021). This is largely a result of government policies to encourage digital remittances.
- Trends are uneven across corridors: inflows from Portugal have grown by 66 per cent, inflows from the United States increased 41 per cent and from France there was a 34 per cent increase. These offset the few reductions observed for Germany (-18 per cent), Angola (-46 per cent) and Luxembourg (-4 per cent).
- In the first 9 months of 2021, nearly one third of remittance flows originated from the United States, followed by Portugal (28 per cent) and France (22 per cent).
- The CAGR for the United States is by far the largest at nearly 40 per cent, followed by the United Kingdom (19.56 per cent) and Portugal (19.72 per cent).
- However, the dramatic increase in flows year-over-year suggests that the data collection methodology is not robust. Unfortunately, there is a lack of information on how the BCV collects remittance inflow data.

Table 3. Impact of the COVID-19 pandemic

	Portugal	Luxemburg	Spain	United States	France	Italy	Germany	Netherlands	United Kingdom	Switzerland	Angola	Others	Total
Jan-Sept 2021	5,805	550	307	6,311	4,619	704	118	934	243	439	26	672	20,728
Jan-Sept 2020	3,497	571	274	4,478	3,439	605	144	785	189	394	48	492	14,918
Jan-Sept 2019	4,050	561	295	3,270	3,564	640	105	747	170	361	69	636	14,468
Evolution year-on-year Sept 20-Sept 21	66%	-4%	12%	41%	34%	16%	-18%	19%	28%	11%	-46%	37%	39%
Corridor share of inflows	28%	3%	1%	30%	22%	3%	1%	5%	1%	2%	0%	3%	100%
Compound annual growth rate	19.72%	-0.99%	2.01%	38.92%	13.84%	4.88%	6.01%	11.82%	19.56%	10.28%	-38.62%	2.79%	19.69%

Source: BCV Remessas de Emigrantes.

PRIORITY POLICY ACTIONS

1.1 Undertake corridor-specific studies in the main send countries as a priority (for example Portugal, United States, France), to better assess diaspora profiles, including the structure in terms of emigrants and descendants (first, second and subsequent generations). Examine their respective behaviours and preferences with regard to sending, savings and investing money back home. Ensure that studies are corridor-specific and that they do not duplicate existing work.

1.2 Systematically integrate specific questions relating to the use of remittances and financial services in household surveys undertaken by/coordinated with INE. Undertake a representative demand-side survey on financial inclusion, including a specific remittances scope, with international organizations.

2. Financial environment

This section looks at:

- The strategic context.
- The payment system infrastructure in Cabo Verde that supports the remittances market.
- Financial inclusion in Cabo Verde; payment access points; and the use and growth of digital payment instruments.

Macroeconomic policies and remittances

The government considers remittances a key element for the stability and sustainable growth of the financial sector, with a focus on attracting more investment and savings.

The Plano Estratégico de Desenvolvimento Sustentável (PEDS) 2017–2021

- PEDS frames the government policy for sustainable development in Cabo Verde, which places the focus on mobilizing remittances and diaspora engagement more broadly toward investment. This will require the availability of better-remunerated and more secure financial products and investment opportunities, such as easier access to housing property, estimated investments in mutual funds, and more tax incentives for financial savings.
- PEDS assumptions regarding remittances growth forecast a GDP/remittances ratio of 14.3 per cent by 2021 and a total amount received of CVE 32 billion, representing a 2017–2021 CAGR, which is far above the current trends.

PNEF, national financial education plan (2021–2024)

- Within the framework of its Strategic Plan (2016–2019), BCV has defined the promotion of financial education as one of its strategic objectives and issued a national financial education plan (PNEF) which aims at improving the knowledge, attitudes and behaviour of the Cabo Verdean population in financial matters. Remittances are not explicitly included although migrants are included in the adult target group to enhance their financial planning skills and their knowledge of existing products and consumer protection norms, including those applying to the use of digital channels in times of crisis.

National Strategy on Emigration and Development (ENED, 2014)

- The strategy aims at defining the objectives of the relationship with the diaspora, establishing a coherent framework for emigration and development, and guiding the dialogue within the national public administration and with the donors. Nine axes were identified, including the fifth axis, which is dedicated to facilitating and attracting remittances.
- Even though ENED was originally supposed to be valid for two years, it is still guiding government and donor actions regarding migration and diaspora relationships.

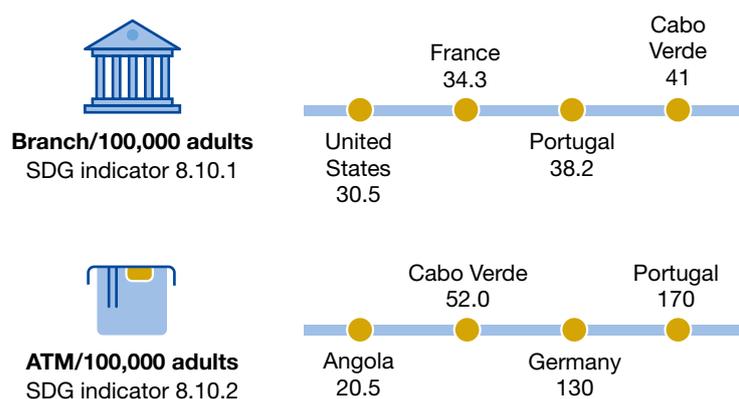
See annex 3 for more information.

Retail domestic payment systems

- Remittances can be terminated in cash or into a bank account. Cash can be withdrawn through MTOs agents' access points, including bank branches, post offices and their sub-agents, or through the Vinti4 ATM network for those recipients who have a payment card attached to a bank account.
- The Interbank Payment System Society (SISP) is a shared inter-banking switch owned by banks that ensures interoperability across 205 automated teller machines (ATMs) and more than 8,880 points of sale (POS), with approximately 19 million POS transactions (in 2020), thus reducing transaction costs with the economy of scale.
- This payment infrastructure complements the network of 123 retail agencies across the country, plus 34 post offices, covering 18 of the 22 municipalities or 81.8 per cent of the national territory (BCV, IMF/FAS, 2019), which makes Cabo Verde close to the standards of developed countries in terms of indicators measuring the [SDG 8.10 target](#) to bring access to financial services to all. As a result, there are 157 physical access points for 382,000 adults (41 per 100,000), meaning that 83 per cent of the population is financially included.

The retail domestic payment system is led by card-based payments, interoperable between banks, with growing usage among the population but limited traction to channel remittances.

Figure 8. SDG indicators of physical access in Cabo Verde and international benchmarks (BCV, IMF/FAS 2019)



- With a growth rate of 10 per cent a year, the use of electronic payment instruments, in particular payment cards, is increasingly being adopted among the population with more than 271,854 payment cards issued. Merchant payments represent the main use case (70 per cent of transactions) followed by ATM withdrawals (30 per cent).
- There are 15,000 international cards in Cabo Verde that are actively used to withdraw cash, which appear as a form of the diaspora sending remittances to friends/family in the home country via a bank account abroad.
- However, it is not possible to withdraw remittances directly through ATMs and 50 per cent of terminals are located in Santiago with most of the transactions taking place in Praia. However, if a bank transfer remittance has been added to the balance of an account, it can be used for retail payments and cash withdrawals.
- The SISP has become a SWIFT Service bureau (after more than 20 years of management by the BCV) and connects banks to each other and to the whole global SWIFT network comprising 11,000 partners in 200 countries. A new regulatory framework in 2018 was set up to modernize the payment system and foster digitalization through three decree laws (decree laws 7, 8, 9/2018 followed by BCV avisos in 2019).

Financial inclusion

The high level of account ownership among the population is under-used and along with the new e-money regulation could represent an opportunity to receive remittances and increase financial inclusion.

- Bank account ownership is prevalent among the population but the related usage for transactional, savings or credit banking products seems low according to demand-side data gathered through an INE-BCV country representative financial education survey undertaken in 2015.
- There is a lack of data on Cabo Verdean’s financial inclusion in host countries, which makes it difficult to compare diaspora and home population financial inclusion.

Figure 9. Indicators of financial inclusion for access and usage of financial services

Financial inclusion dimensions	Financial inclusion indicators	
Access	Number of bank accounts/total population, including double counting	78.7% of the whole population 
	Adults who have an account	57% of adults 
Usage	Adults who use their account on a regular basis	40% of adults 
	Adults actively using the banking system	10% of adults 

Sources: BCV 2019, Financial education survey, INE-BCV, 2015.

- With approximately 115,000 people (i.e. 30 per cent of adults) receiving international remittances (Afrobarometer, 2018), there is an opportunity to enhance the reception of remittances into an account and foster the use of financial services by remittances recipients. That said, it is not known how many of that total figure have accounts or live in a household with an adult who has an account.
- This opportunity to make transaction accounts (both bank account and payment accounts offered by forthcoming payment institutions, including the post office) is pivotal to improving the way remittances are received and would help foster financial inclusion. The use of digital payments could be extended into a much broader set of financial products.

PRIORITY POLICY ACTIONS

2.1 Support the emergence of new digital business models promoted by existing market incumbents and/or new entrants to foster the use of transaction account to receive international remittances and process digital payments by using business events, hackathons and multi-donor challenge funds, etc.

2.2 Undertake a demand-side study to identify ways that would trigger remittance recipients’ usage of transaction accounts with related payment and banking services.

3. Regulatory environment

To engage in cross-border money transfers, operators and their partners must operate according to the rules and regulations of the host jurisdiction. Each country has its own regulatory environment. Regulations governing licensing (in terms of who is allowed to operate in the market); compliance, including AML/CFT and KYC; consumer protection; exclusivity; and, the rules of engagement.

This section presents an overview of the payments and remittance regulatory environment in Cabo Verde, assessing whether it is fit for purpose, proportionate, fair and in line with achieving the PRIME Africa goals. This section also looks at the AML/CFT legal framework; foreign exchange restrictions; and mobile and agent banking regulations.

- The 2014 banking law (LEI N.o 61/VIII/2014) states that financial institutions, including banks, post offices, payment institutions, among others, are permitted to deliver payment services and means of payment (Art.20). MTOs are represented in Cabo Verde by duly licensed FIs.
- **In order to modernize the Cabo Verde Payments System (SPCV), three new decree-laws were passed in November 2018.** They introduced, among others, a new type of non-bank financial institution (NBFI) payment institution (PI) allowed to deliver remittances and to access the SPCV and the rules framing the issuance and distribution of electronic money:

Decree-Law 7/2018	Legal framework applicable to the regulation, management and operation of the Cabo Verdean Payments System
Decree-Law 8/2018	Legal framework regulating the provision of payment services and the issue, distribution and reimbursement of electronic money
Decree-Law 9/2018	The legal framework regulating access to the activity by payment institutions and electronic money institutions

To complement the law, a series of BCV instructions (aviso) have been issued:

Aviso 6/2019, Jul. 2019	Payment institutions and e-money institutions licensing conditions including minimum share capital, own funds and requirements to protect funds received from customers.
Aviso 8/2020, Oct. 2020	Rules of Interoperability between Payment Systems – Guiding principles to complement Decree No. 7/2018

- The PI law (decree 9/2018) permits the distribution of payments services through agents (see annex 4). Certain requirements, such as the description of the internal control mechanism and required qualifications for the agent manager, are considered too stringent for some market incumbents compared to the profile of potential agents (typically retailers), which are closer to the informal sector (and to the under-banked population). As of February 2021, no payment institution had been licensed despite a real political will to promote innovative PIs.
- The PI law does not include specific provisions for a tiered KYC that would introduce proportionate identification and customer due diligence (CDD) processes to the money laundering/financial terrorism risks associated with payment account services. Establishing a tiered transaction and balance thresholds framework with related lower CDDs could help foster financial inclusion and deepen the payment system.

Cabo Verde's regulatory environment for remittances is clear and provides an open environment for payment institutions and e-money issuers to enter the market in Cabo Verde.

- With support from the World Bank, the government is developing the Digital Cabo Verde programme, which aims at strengthening the country's digital competitiveness and improve the provision of digital public services. About 99 per cent of the territory is covered by mobile networks, and almost the entire adult population has a mobile phone. Broadband internet is available in 70 per cent of homes, although rural areas lag behind. Overall, the policy objective is to become Africa's most digitized society. This means that infrastructure and other enabling conditions for digital remittances and cashless money need to be in place.

AML/CFT regulation for remittances is clear and placed under the oversight department of BCV. It includes, along with the new PI regulations, a comprehensive set of consumer protection provisions.

- The AML act ([Lei n.o 120/VIII/2016, as of 24th March 2016](#)) and CFT act (Law No. 119/VIII/2016, dated 24 March) provide clear guidance and compliance requirements applying to FIs and their agents with regard to AML/CFT measures. BCV is in charge of overseeing FIs (including PIs).
- Despite strong efforts to align the AML/CFT regulation framework with Financial Action Task Force (FATF) standards, especially with regard to remittances activities, the overall perception of the AML/CFT regulation framework in Cabo Verde is affected by a lower level of compliance underscored in the FATF mutual evaluation report, May 2019 applying to designated non-financial businesses and professions (DNFBPs), especially real estate, dealers in precious metals and stones and other high-value goods, and non-profit organizations. This places pressure on remittance businesses as it makes it harder to have a risk-based approach that is proportionate and enables the inclusion of all citizens. Further work is required to develop appropriate risk mitigation measures that enable remittances to flourish (see annex 5).
- Due to global factors and international commercial strategies prevailing in the banking sector, Cabo Verde banks are affected by the global de-risking trend in CBRs. FSB (2017) estimated that the number of active correspondent banks in Cabo Verde declined by 4 per cent between 2012 and 2016. In this case, losing direct correspondents necessitates the use of one or more intermediary correspondents, which entails an additional fee that is passed on to the end consumer in the case of personal transfers.
- Consumer protection measures are well covered in both the AML/CFT laws and the PI decree-law 8/2018 (information duties applicable to payment services decree-law 8/2018) regarding access to information on prices, recourse and data privacy (article 53 decree-law 8/2018).
- About 95 per cent of the population has an ID, proving that identity is not a major issue in Cabo Verde (World Bank ID4D 2018 dataset). Furthermore, the government is committed to digitalize identification and authentication processes through centralized online registries, with platforms like the Núcleo Operacional para a Sociedade de Informação (NOSI) that allows financial institutions to check new customers' identity.
- With as many mobile subscribers and almost as many bank accounts as the whole population, there may be an on-ramp to accelerate registration/CDD processes for low-risk payment accounts, for instance, by unifying registries of financial institutions/ PIs users when feasible.

PRIORITY POLICY ACTIONS

3.1 Organize dialogue between regulators (BCV and ARME) and financial institutions, the post office, including their IT partners, to agree to a proportionate balance between the profile of semi-formal potential payment agents and the ability of FIs to ensure a proper application of AML/CFT requirements in line with the BCV mandate to ensure the stability and integrity of the financial sector.

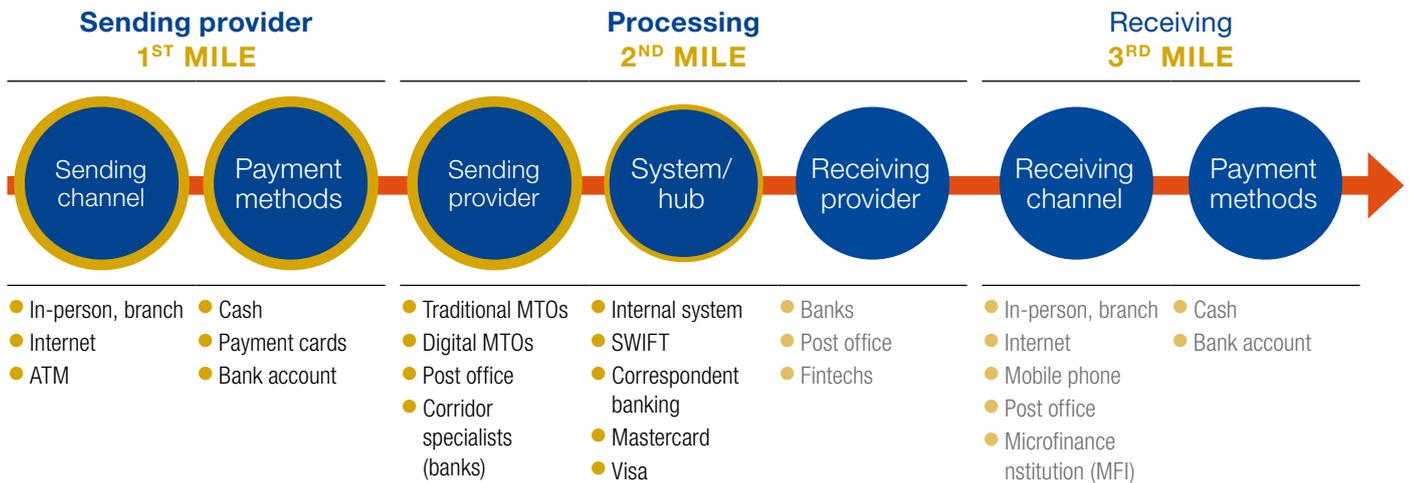
3.2 Undertake an assessment of money laundering and financial terrorism risks which addresses the profile of remittance users and the related products they use. This can lead to a tiered KYC framework and streamlined customer due-diligence (CDDs) processes for low risks accounts/products irrespective of the issuing FIs (i.e. banks and PIs).

3.3 Encourage the BCV to allow foreign digital banks to enter the market; this will disrupt the complacency of local (state-owned) banks.

4. Market structure

This section looks at the remittances market structure, covering: the cross-border remittance value chain; market structure and competition in the main send markets; average costs and operators in key corridors; and the payout networks in Cabo Verde.

Figure 10. The remittance value chain in Cabo Verde: focus on the sending end



The Cabo Verdean remittance market is dominated by a very limited number of MTOs partnering with banks and the postal network (Correios).

Global MTOs	Challenging MTOs	Corridor specialists
<ul style="list-style-type: none"> Two leading MTOs dominate the market: Western Union and MoneyGram. Western Union has over 50 per cent of market share with MoneyGram having approximately 27 per cent as of 2020. Western Union has developed exclusivity relationships with most of the banks while MoneyGram is exclusively distributed by the post office (Correios de Cabo Verde). They offer both in-cash and online products (using debit/credit cards or a bank account). In most corridors, Western Union is the most expensive service. However, Western Union offers transfers to bank account at a very low cost from France. 	<ul style="list-style-type: none"> Ria and Small World are challenging the two leaders on certain corridors with limited leverage though given their small payout networks through their partners at the receiving end (Ecobank). Correios de Cabo Verde is also using the IFS platform to offer the UPU Post Transfer service. 	<ul style="list-style-type: none"> Most Cabo Verdean banks have developed correspondent banking partnerships with banks in main send markets for both remittances and trade purposes. Costs are below SWIFT wire transfers except when direct partnerships are not established. Costs are not disclosed on banks' websites. From Spain, Correios de Cabo Verde has set a partnership with Money Exchange that offers competitive remittance service.

- The average cost to send remittances to Cabo Verde was 6.84 per cent, above the global average of 6.30 per cent in Q3 2021.
- Costs are the highest from the United States at 8.6 per cent, caused by a much higher foreign exchange margin (3.77 per cent) than in EU countries (not exceeding 0.23 per cent). This is partially due to the fact that the CVE is pegged to the Euro.
- Sending costs from the EU are lower than the average; sending from France equals 5.66 per cent, Luxembourg (6.63 per cent), the Netherlands (6.33 per cent), and Portugal (6.97 per cent).
- In terms of channels, it is generally more expensive to send through an agent (6.56 per cent), compared to online (3.34 per cent) from a debit or credit card. Sending to a bank account is still among the most expensive ways to send money to Cabo Verde (14.02 per cent) due to ill-adapted systems.
- Cost reduction could come from increased competition within the in-cash segment and a broader use of online channels. Reducing costs to the SDG 10.c target at no more than 5 per cent would inject US\$5 million in the economy every year.

The cost of sending to Cabo Verde from EU is relatively competitive given the market size but remains above the global average of 6.43 per cent.

Figure 11. Average cost and cost structure to send US\$200 equivalent to Cabo Verde

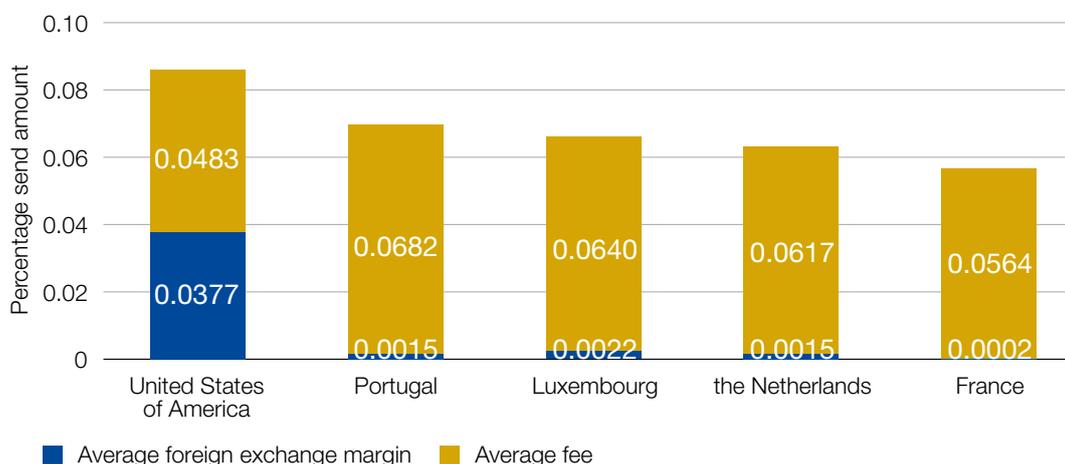
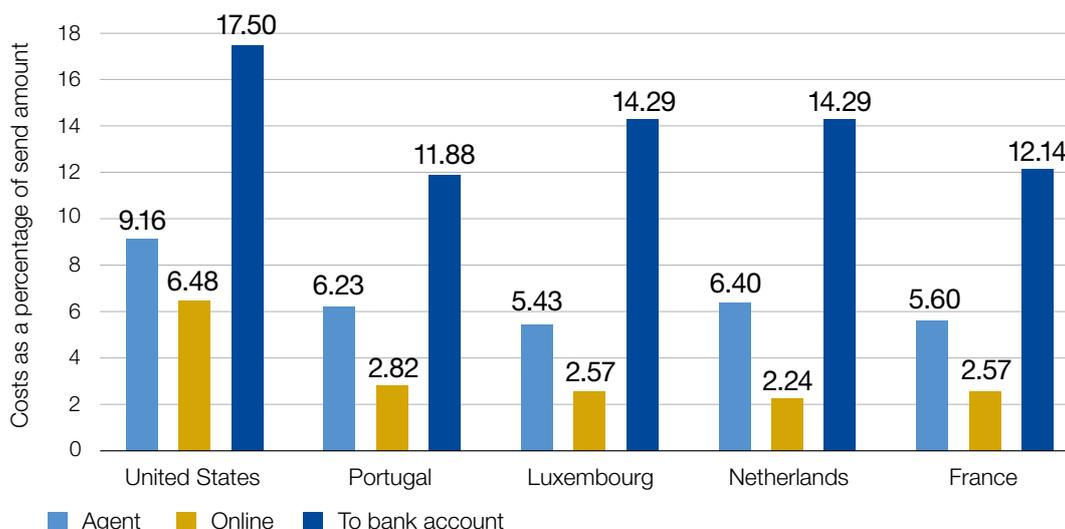


Figure 12. Costs to send through agent and internet channels and to a bank account



Source: Portugal, United States: RPW Q3 2021; France, Luxembourg, Netherlands: mystery shopping DMAG, October 2021. The mystery shopping methodology is based on the World Bank's RPW methodology by posing as a customer and collecting the fees and foreign exchange for the same price point across the corridors.

Figure 13. Pricing to receive money in Cabo Verde from Portugal (Q3 2021)

 Portugal		Pricing to send remittances to Cabo Verde from Portugal: 6.97% average cost	
By agency	Online	Banks	
<ul style="list-style-type: none"> – MoneyGram is cheaper at below 6 per cent; Western Union stands at 7 per cent. – Western Union is by far the most expensive with a pricing that is particularly uncompetitive in comparison to Walmart and MoneyGram. 	<ul style="list-style-type: none"> – MoneyGram exhibits an aggressive price, below Western Union. 	<ul style="list-style-type: none"> – Channelled through MTOs, transfers to a bank account in Cabo Verde are not competitive and include a delay of one or two days. 	

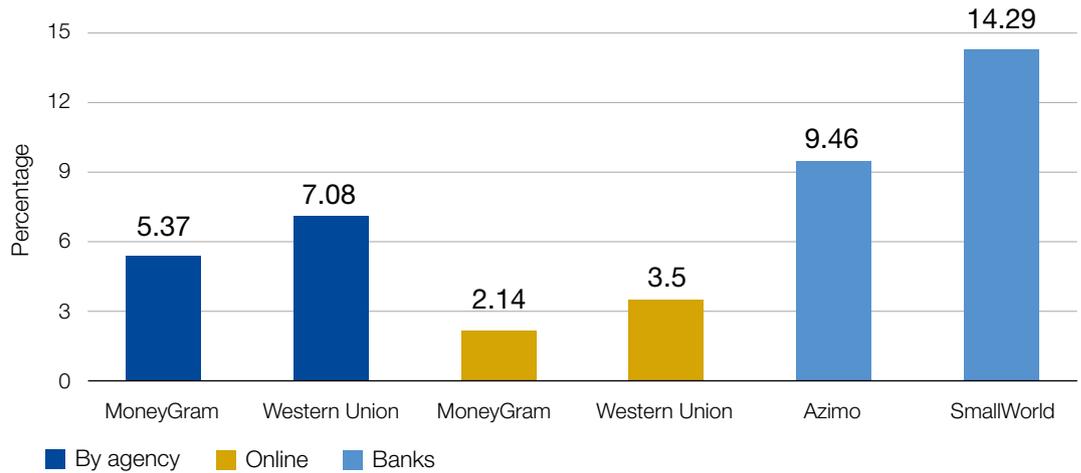


Figure 14. Pricing to receive money in Cabo Verde from the United States (Q3 2021)

 United States		Pricing to send remittances to Cabo Verde from the United States: 8.60% average cost	
By agency	Online	Banks	
	<ul style="list-style-type: none"> – MoneyGram pricing is competitive while Western Union remains more expensive (but lower than cash) with a high foreign exchange margin. 	<ul style="list-style-type: none"> – Standard SWIFT transfer cost structure makes the cost for small amounts highly uncompetitive. 	

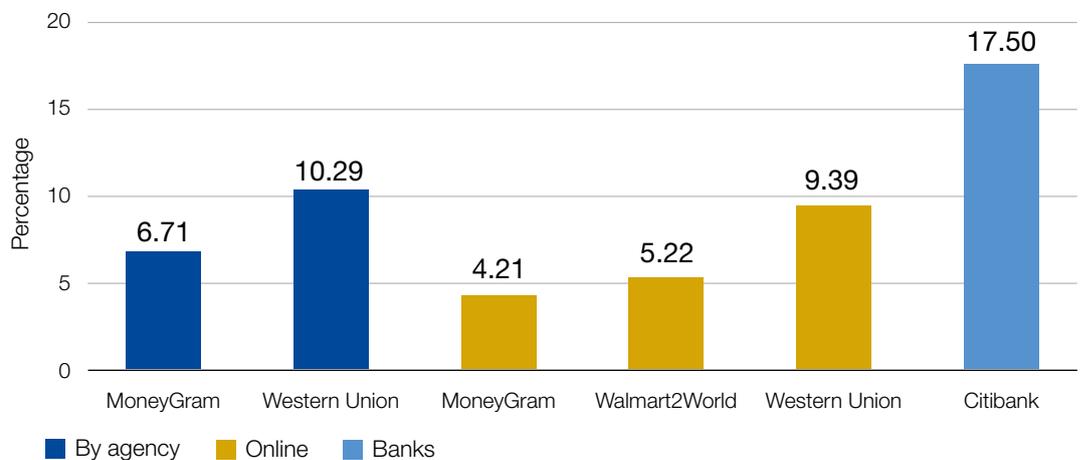


Figure 15. Pricing to receive money in Cabo Verde from France (Q3 2021)

France Pricing to send remittances to Cabo Verde from France: 5.66% average cost

By agency	Online	Banks
<ul style="list-style-type: none"> Western Union, MoneyGram and Ria are aligned at around 6 per cent. 	<ul style="list-style-type: none"> MoneyGram and Western Union are aligned but at a lower level, below 3 per cent. 	<ul style="list-style-type: none"> Western Union offers a transfer service to a bank account at the same cost as online transfers. Small World offers almost instant transfers to bank account paid in Euro at a higher cost.

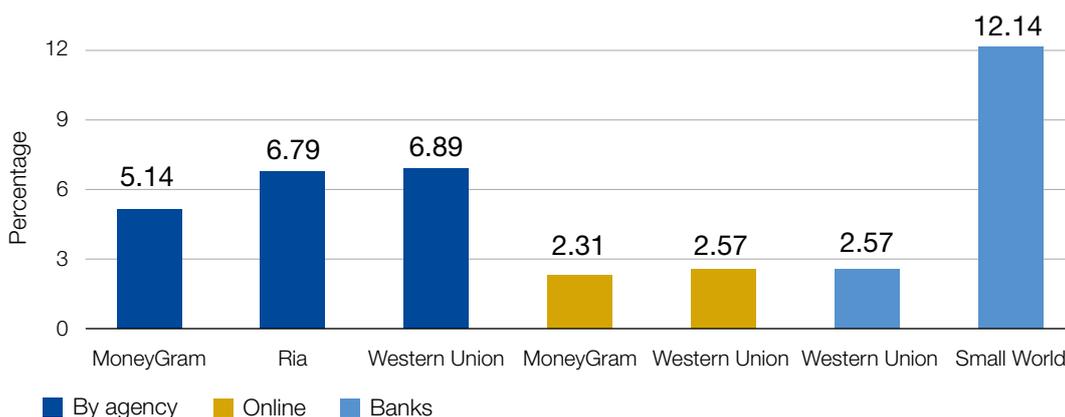


Figure 16. Pricing to receive money in Cabo Verde from the Netherlands (Q3 2021)

Netherlands Pricing to send remittances to Cabo Verde from the Netherlands: 7.2% average cost

By agency	Online	Banks
<ul style="list-style-type: none"> There is a clear different pricing between the leader Western Union, its challenger MoneyGram and the new entrant in Cabo Verde, Ria. 	<ul style="list-style-type: none"> MoneyGram and Western Union are competitively priced providers. 	<ul style="list-style-type: none"> Small World offers almost instant transfers to bank accounts paid in CVE at a high cost.

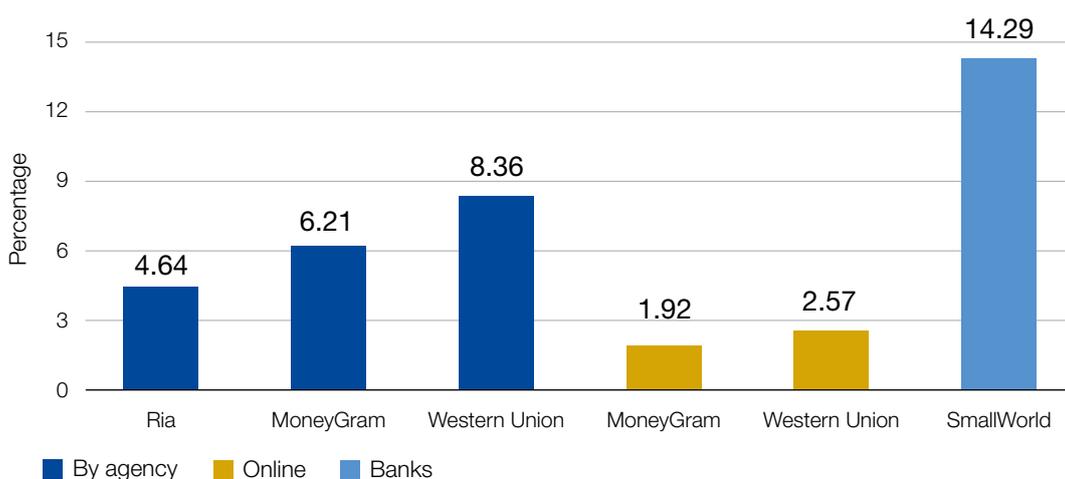


Figure 17. Pricing to receive money in Cabo Verde from Luxembourg (Q3 2021)

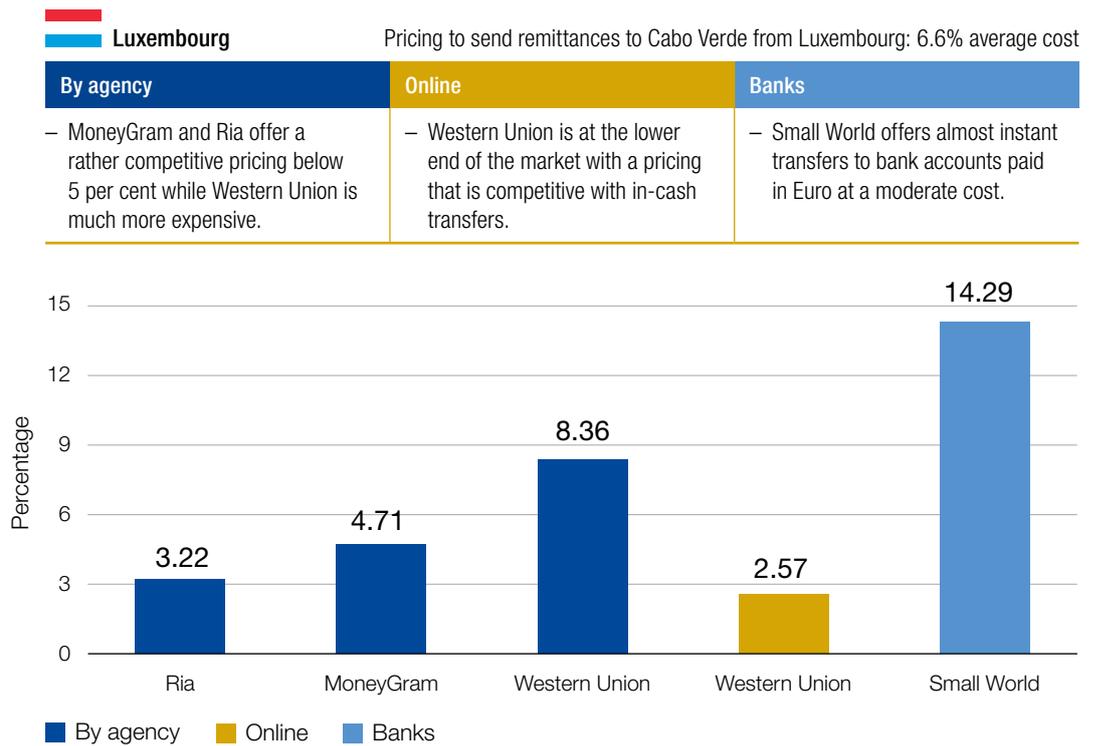
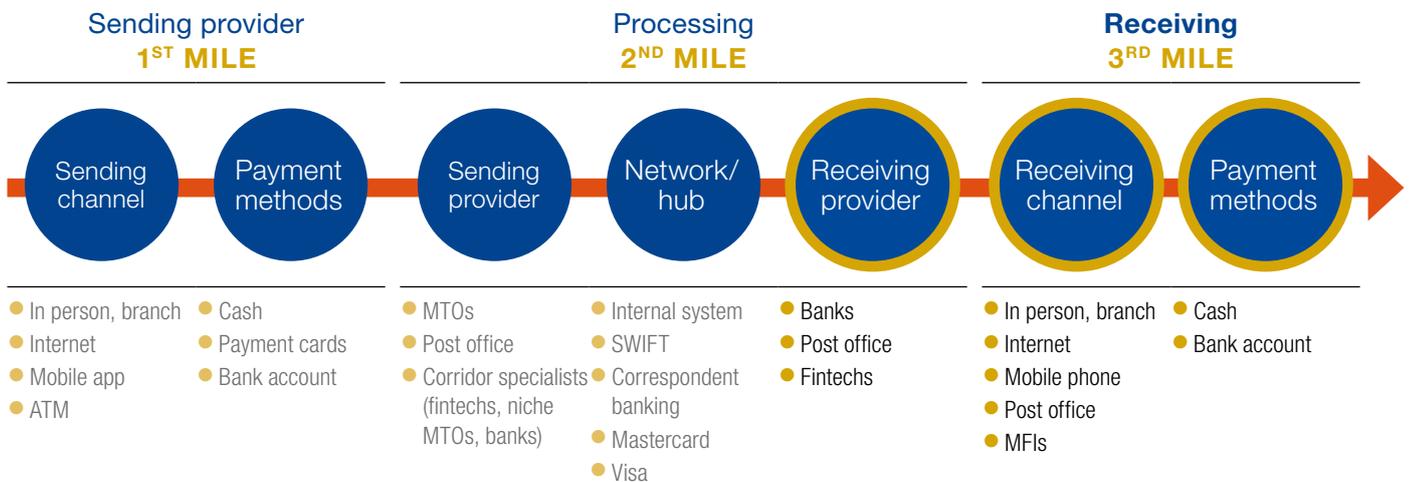


Figure 18. The remittance value chain in Cabo Verde: focus on the receiving end



The network of payout points is comprised of bank branches, their sub-agents and post offices. Partnerships are characterised by exclusivity with Western Union or MoneyGram.

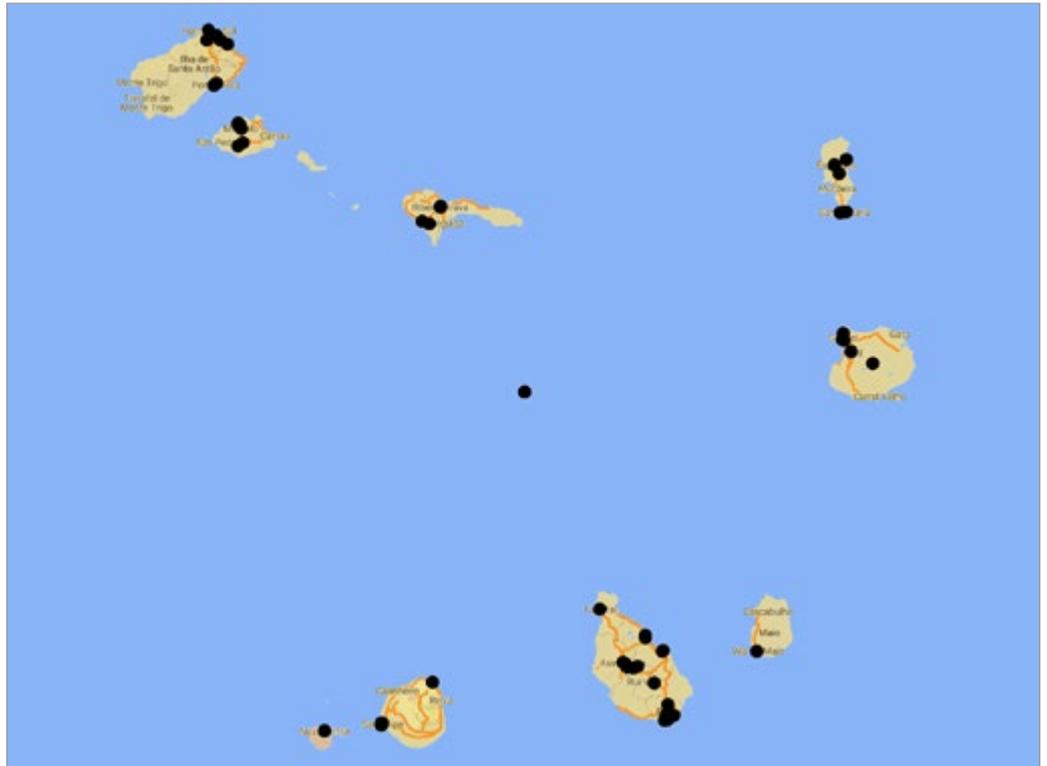
- Remittances from abroad are paid out through a network of bank branches, post offices, and banks’ sub-agents, such as travel agencies, MFIs, supermarkets and groceries. All the archipelago and all municipalities except one are covered.
- Western Union has 119 access points while MoneyGram, its direct competitor, has 34, distributed exclusively by the Correios. Other MTO brands such as Ria and Small World have smaller networks via Ecobank.

- In 2016, Western Union competitors had 14 per cent combined of the total inflows to Cabo Verde, demonstrating a quasi monopoly in the market (Annual report CCV, 2016 and BCV remittances data, 2020). More recent estimates suggest that Western Union has 50 per cent of market share and MoneyGram 27 per cent through post offices.
- Correios has 34 post offices delivering nearly CVE 6 billion (approximately 30 per cent of remittance flows) to the home population. Correios is the main channel present in remote and rural islands. In terms of the payout network, Correios has offices, in-store ATMs, POS, apps, agent for MoneyGram and other payment outlets such as banks.

Not only are MTO choices limited, but accessibility to MTO brands vary depending on the island. That said, the post office is a major player.

Financial institution/agent		Country coverage payout network	MTO brands							
			Western Union	MoneyGram	Ria	Small World	Wari	IFS PostTransfer	Money exchange	
	Caixa Económica de Cabo Verde – CECV	Present in all inhabited 9 islands; 18 municipalities/19; 35 branches	X							
	Banco Comercial do Atlântico – BCA	Present in all inhabited 9 islands; 17 municipalities/19; 34 branches	X							
	Banco Cabo-verdiano de Negócios – BCN	Present in all inhabited 9 islands and 12 municipalities/19 branches	X							
	Ecobank CV	13 branches and 10 cash-points and sub-agents access points CVE is the only multi-MTO banks	X		X			X		
	Banco BAI CV	9 branches	X							
	Correios do Cabo Verde (CCV)	Present in all inhabited 9 islands; 34 post offices, multi MTO and exclusive distributor of MoneyGram	X	X				X	X	X

Figure 19. Western Union access point network (110 points) in Cabo Verde, April 2020 (one dot can represent more than one access point)



Source: WDL, IFAD, 2020.

Figure 20. Correios Post office map – covers all islands with remittance delivery. October 2021 (34 access points, one dot can represent more than one access point)



Source: Google Maps, 2021.

Fintech models combining mobile phones and agent retailers are potentially the next breakthrough to enhanced proximity and convenience

Two fintechs (one is no longer operational) implemented new distribution models for payments and remittances, leveraging mobile phone penetration and retailers to offer more convenient and closer to consumer services, thus paving the way for PIs.

- Makeba is a United States-based Africa-focused fintech that raised US\$3 million to develop mobile payment and remittances at lower cost in Africa. Cabo Verde is the first country in operation.
- Makeba is the first mobile money mover in Cabo Verde focusing primarily on payment services.
- It uses app-based payment technology using QR codes to validate transactions. The vision is to complement with unstructured supplementary service data (USSD) services to reach a broader base of users.
- Registered in Cabo Verde as an IT service provider, Makeba is working in partnership with BAI Bank and can open accounts on its behalf. CDD occurs through a three-step process: 1. Makeba registration (ID + tax document); 2. Checking with NOSI registry; 3. In-person validation at a bank branch (cash-in/cash-out).

International remittances

- Makeba has signed with a Cabo Verde bank and its correspondent bank in the United States and intends to launch operations during the first half of 2021. The model aims at removing the “middle-man in the middle mile” to keep cost at a minimum of 2 per cent. The settlement system is based on **nostro** accounts (direct CBR relationships) between banks. Makeba will develop the market among the diaspora by hiring community leaders in the United States.
- There are three pricing plans: the “basic plan” is free for subscription and 1 per cent transfer fees; the “plus plan” is US\$5 per month and offers free transfer fees up to US\$2,000 per month; and the “premium plan” is US\$10 per month and includes free transfer up to US\$5,000 per month. Additional information is available in annex 7.

MFIs

- MFIs are able to provide loans to the population; however, this is a new service and not widely used.

PRIORITY POLICY ACTIONS FOR THE SENDING SIDE

4.a.1 Track products available in the main send markets and assess market deficiencies that are detrimental to the customers, such as costs, product attributes, brand choice and access. Use this to create more awareness among Cabo Verdean market incumbents and customers.

4.a.2 Educate recipients to encourage the diaspora to send remittances online because they are cheaper and have available options.

4.a.3 Support the extension or consolidation of low-cost account-based remittances through direct and long-term partnerships with correspondent banks in the main send markets engaging, when and where relevant, the authorities of those countries to avoid de-risking in relation to correspondent banking relationships.

4.a.4 Stakeholders should encourage banks to promote a zero-fee credit entry for cards/accounts resulting in lower operation costs for banks and more focus on relationships with clients rather than one-time cash transactions.

4.a.5 Stakeholders should advocate for remittance recipients to be able to receive in e-wallets or accounts without additional costs. Currently cash-out is the only available option.

PRIORITY POLICY ACTIONS FOR THE RECEIVING END

4.b.1 Launch discussions with remittance market stakeholders (especially payout organizations) to assess the benefits of developing partnerships with other MTOs (other than just Western Union or MoneyGram). Examine the contractual and legal ramifications of removing the prevailing exclusive relationships with Western Union and MoneyGram. Note in many countries this situation has been resolved with a more competitive outcome. Using other countries experiences would help address this in Cabo Verde.

4.b.2 Encourage new entrants and market incumbents to develop new distribution models in Cabo Verde, especially in the mobile space. This will help make networks more efficient and convenient for users.

5. Financial services for remittance users

Aside from being a movement of money from a sending country to a receiving country, remittances also have the potential to be a catalyst for financial inclusion. This section looks at remittance-linked products and financial services offered for the diaspora in Cabo Verde.

The banking package offered to migrants, including an emigrant account with savings and payment options, covers a large part of remittances families' financial needs.

- Migrant deposits to bank accounts represent a major resource for the banking sector equating to 38 per cent of total deposits or 37 per cent of GDP. Inflows to savings account amounted to 2.5 per cent of GDP over the period 2015–2017 (IMF, 2018).
- Total savings amounted to CVE 54 billion in 2019 (BCV, 2019) or almost three times inbound remittances received yearly to Cabo Verde.
- Migrants account deposits are made via wire transfers, in-cash deposits while on vacation or through friends and relatives.
- The government has removed preferential interest rates from the incentives package for the diaspora but kept tax exemption on interest accrued on savings accounts.
- Major retail banks offer an emigrant package made of:
 - emigrant accounts that can be opened remotely and used by different holders upon signatures agreed upon in the contract;
 - online banking services including balance consultation, transfers to other accounts or to other banks' accounts, payments, among others;
 - national and international payment cards; and
 - some appealing services or products such as housing loan applications, insurances, etc.

This package addresses the initial requirements of most migrants and their families and has the added advantage of providing a broader range of more financially advanced and sophisticated products, including housing loans.

- The costs to use those packages seem competitive with MTO fees according to the general terms and conditions of banks, even though the sending cost for wire transfers from abroad are not included. The total cost of using the package service is difficult to assess and should be disclosed on bank websites clearly to increase transparency for clients and entice usage.
- Waivers applied to national transfers during the pandemic, making the use of transactional accounts totally free (even from abroad) due to online banking.

Providing remittances recipients with customized financial education would help increase savings and help economically active recipients to develop their activities and create jobs.

- Afrobarometer data places Cabo Verde among the countries where adults are the most reliant on remittances, with 31 per cent of adults receiving international remittances declaring being dependent on them, 8 per cent “very dependent”, 16 per cent “somewhat dependent” and 7 per cent “a little bit”.

- Financial education programmes targeting recipients helped to increase savings and FIs to establish relationships with them, which increased banking history and customer loyalty.
- Correios post offices could be best placed to conduct financial inclusion activities as they are already active in this space by promoting and teaching elderly citizens how to use mobile phones and apps to receive pensions, pay bills, etc.
- Correios has over 34 stores across Cabo Verde and offers access to remittance recipients. However, they cannot embark on a full competitive approach because the role of the Ministry of Finance as majority stakeholder in the CECV, the largest retail bank.

Best practices have been developed in the framework of the G20/GPFI such as:

- [Financial Education for Migrants and their Families: OECD/INFE Policy Analysis and Practical Tools](#); or the:
- [IFAD-World Bank report on remittances and financial inclusion](#).

Both underscore the relevance and effectiveness to address the senders (migrants) and the recipients (family members) through a “corridor approach” in order to bolster responsible attitudes, discipline and behavioural changes in the long run.

Financial education training can be designed as a filter to orient the most entrepreneurial toward micro, small, and medium enterprises support programmes. MFIs and banks targeting low-end-of-the-market customers (such as CCV) could be involved.

Table 4. Overall reliance on remittances

Countries	Country coverage payout network						Do not know
	Not at all/Does not receive	Receive	A little bit	Somewhat	A lot		
The Gambia	53.1%	47%	24%	10%	12%	0.40%	
Lesotho	62.6%	37%	11%	13%	14%	–	
Cabo Verde	69.2%	31%	7%	16%	8%	0.10%	
Nigeria	69.7%	30%	19%	8%	3%	0.20%	
South Africa	69.7%	30%	15%	9%	5%	1.40%	
Sudan	70.7%	29%	13%	9%	7%	0.30%	
Niger	71.2%	29%	12%	10%	6%	0.70%	
Cameroon	73.2%	27%	14%	8%	4%	0.30%	
Mozambique	73.5%	27%	11%	11%	3%	1.60%	

PRIORITY POLICY ACTIONS

5.1 Enhance transparency on costs relating to emigrant banking package, especially regarding transfer, account maintenance and card payment fees to foster usage.

5.2 Educate remittance recipients (and senders) on the benefits of cashless payments and using more digital financial services. This will lead to greater financial inclusion.

5.3 Assess the level of usage and barriers that prevent remittance recipients' awareness, understanding and effective use of the banking system and design specific financial education activities that could be blended into the PNEF.

6. Stakeholders and coordination

The governance and oversight of remittance activities rely on the BCV, the Ministry of Finances and the Ministry of Foreign Affairs.

- **Banco de Cabo Verde**, which exclusively functions as a central bank, is primarily responsible for the supervision of the various institutions that operate in the monetary and financial markets, in particular the commercial banks that are the partners of the MTOs that operate in the remittances market. The two departments that deal more directly with remittances are:
 - Department of Economic and Statistical Studies, which is responsible for gathering and compiling statistics on remittances.
 - Department of Issuance, Treasury and Payment System, which oversees the operators of the Cabo Verdean Payment System, in this case, the commercial banks and their agents.
- **The Ministry of Finance** is leading the financial sector reform, including the modernization of the payment system to foster digital payment and financial literacy improvement. The Ministry of Finance is promoting an enabling environment for investment, including the development of blended finance partnerships including diaspora investment for instance through [Cabo Verde TradeInvest](#), the Cabo Verde Investment and Export Promotion Agency, a public institute that takes measures to encourage investment by emigrants and the Cabo Verdean diaspora.
- **The Ministry of Foreign Affairs and Communities: The General-Directorate of Communities, Consular Affairs and Migration**, is responsible for implementing the government programme with regards to the Cabo Verdean diaspora. Particular attention is given to policies that aim at attracting diaspora investment and facilitate emigrants' return in order to make the most of resources and skills acquired abroad.
 - Support is also provided to Cabo Verdean communities abroad, most recently through assistance to workers affected by the economic downturn related to the COVID-19 pandemic.
 - As to remittances and financial inclusion, the ministry, with the help of its embassies and consulates abroad, facilitates bank account opening in collaboration with Cabo Verdean banks. The institution is currently running a series of studies with the IOM and the Ministry of Finance to better scope diaspora profiles and willingness to invest back home from different host countries.
- **The Multi-sectoral Regulatory Agency for the Economy (ARME)** is an administrative and independent regulatory authority. Activities include administration of technical and economic regulations, which is particularly relevant to digital remittances and digitalization in general.

Donor initiatives relating to migration and development are focusing more on attracting migrant resources and not particularly on remittances issues.

- Historically, IOM, the EU and the Portuguese and Spanish cooperation programmes have been the most committed donor organizations addressing migration and development issues, including migrant remittances, though this is at the margin. Currently, donor-supported projects focus more on diaspora investment and return.

- **IOM** is running three projects with limited linkages to remittances:
 - The Migration House of Cabo Verde provides support to the government in designing and implementing migration and development policies.
 - Strengthening the Capacity of Cabo Verde to manage labour and return migration within the Framework of the Mobility Partnership established with the European Union.
 - Dias de Cabo Verde – Diaspora for Development of Cabo Verde. The project seeks to mobilize the human, social and professional resources of Cabo Verdeans living abroad (including financial resources), towards the capacity-building of key development sectors in Cabo Verde, such as health, education, infrastructure and tourism. It promotes and reinforces the ties between members of the diaspora and the public and private sectors both in Cabo Verde and Europe, and also contributes to the strengthening of transnational linkages of the Cabo Verdean diasporas in Portugal, Italy and the Netherlands”. The project was funded by the European Commission and co-funded by the Portuguese Cooperation.
- The **EU is financing the pan-African PRIME initiative implemented by IFAD** and, through the External Investment Pan (EIP), InclusiFi is a forthcoming project aiming at de-risking MSME financing inclusive to migrant entrepreneurs and investors and their relatives benefiting from their remittances, which will be implemented by the Spanish Agency for International Development Cooperation (AECID), the Italian Cassa Depositi e Prestiti (CDP) and IFAD.
- **UNDP** financed or co-financed several projects addressing the migration and development issues, including a study for the issuance of diaspora bonds in Cabo Verde in 2017.
- The World Bank, in collaboration with IOM, the Ministry of Foreign Affairs and the Ministry of Finances led a series of diaspora profiling studies to assess their investment practices and potential (2019–2020). The World Bank is also supporting the Digital Cabo Verde project with US\$20 million.

PRIORITY POLICY ACTIONS

6.1 Set up a working group to foster the dialogue between the regulators, the post office, and the private sector to address issues cutting across the remittances market, and in particular: (i) the conditions to remove exclusivity with international money transfer operators (IMTOs) in favour of the customers and national IMTO agents; (ii) preventing and coping with de-risking attitudes affecting CBRs; and (iii) mainstreaming remittance recipients into the national financial education plan (PNEF) as integral to the adult groups along with migrants. Given the topics at stake, leadership should be provided by the Ministry of Finances and the BCV with the support of the Ministry of Foreign Affairs. The group should include diaspora and consumer associations’ representatives.

6.2 Define a roadmap to anchor remittance market policy actions into a coherent agenda aligned to or embedded into other government’s initiatives and national plans and catalyse donors’ resources to complement the government or BCV budget (for instance with regard to the PNEF). These methods should seek to raise the profile of remittance-linked activities across all relevant policy areas for the Government of Cabo Verde.

ANNEX 1

Cabo Verde's diaspora

- The true dimension of the Cabo Verdean diaspora is not known. A widely shared assumption is that the Cabo Verdean diaspora is between the size of the resident population of roughly 550,000, or up to twice that number. The largest diaspora communities are in the United States and Europe, primarily Portugal, France, the Netherlands, Italy, Luxembourg, Switzerland and more recently Spain.
- The former Cabo Verde Ministry of Communities had estimated a diaspora population size of 518,180 in 1998 (OIM, 2009, p.18). An early World Bank report in 1985 estimated a high range of 454,000 compared to 296,000 residents (World Bank, 1985). A study by the International Organization for Migration (IOM, 2010, p. 9) puts the size of Cabo Verde's emigrant population at 450,000, or 90 per cent of the resident population. Even if we use a low conservative estimate, the emigrant population would still represent a significant stock relative to the tiny resident population.
- Based on the UN migration data, Cabo Verde's diaspora size relative to national population is much higher than comparative figures for Senegal (4 per cent), Liberia (8 per cent), Ghana (3 per cent), and Côte d'Ivoire (4 per cent). Cabo Verde's relative diaspora size is more comparable to high emigration countries like El Salvador, with a total emigrant stock of roughly 24 per cent of the resident population.
- For the Netherlands, official international sources say that it is, after Portugal and the United States, one of the largest hosts of Cabo Verdean diasporas, with more than 21,000 legally registered Cabo Verdean migrants and a similar or larger number informally (including those who have switched to Dutch nationality). Most of them live close to one another in specific neighbourhoods of Rotterdam.

ANNEX 2

Extent of contribution of remittances

More than 80 per cent of remittance inflows to Cabo Verde originate in the EU. Remittances are mainly used for education, health and household income support.

The presence of Cabo Verdeans abroad (the diaspora is potentially bigger than the country's population), and the fact that remittances constitute one of the three key contributions to Cabo Verde's economy has been a constant. Nevertheless, there have been limited actions to promote the use of remittances on productive investment; though remittances constitute at least 50 per cent of the country's bank deposits. Likewise, there have been no actions taken to reduce the cost of transactions, which greatly affects Cabo Verde, given that it has a small banking sector and money transfers have to pass through several correspondent international banks before they reach local banks. The enforcement of anti-money laundering legislation in the United States has affected remittances transactions from that country to Cabo Verde.

ANNEX 3

Strategic context in Cabo Verde

Alongside the global financial crisis of 2008, the COVID-19 pandemic is having an impact on the economy and society to a proportion never before seen globally. In Cabo Verde, the COVID-19 pandemic generated, inter alia, increased unemployment and a reduction in the economic and financial capacity of families, in addition to poverty. Thus, this economic crisis has given rise to a number of social problems that require appropriate financial education policies and projects to mitigate its effects and increase financial resilience, especially for the most vulnerable segments of the population.

The first Cabo Verdean financial literacy survey of the working adult population was conducted in 2015 and targeted residents aged 20 to 65 (a total of 6,628 respondents), indicates the following results: level of financial inclusion – 36 per cent of respondents said they never had a bank account. About 40 per cent of individuals who have a bank account move it frequently but have no other financial product. About 10 per cent use the banking system actively.

ANNEX 4

Regulatory criteria for setting up companies and appointing agents

The minimum share capital that payment institutions must have, considering the type of activity they propose to provide, is:

- CVE 2 million for institutions that only provide a remittance service
- CVE 5 million for institutions carrying out payment transactions, acting exclusively as an intermediary between the payment service user and the supplier of the goods and services, in accordance with Article 2(1)(g) of Decree-Law 8/2018 of 28 November
- CVE 10 million for institutions providing any of the payment services listed in Article 2 (1) of Decree-Law No. 8/2018 of 28 November

Electronic money institutions based in Cabo Verde must, at the time of authorization and at all times, have a minimum share capital of no less than CVE 20 million.

With regard to own funds, the notice sets out the rules on their method of calculation and their composition. With regard to the funds received, the notice stipulates a set of requirements for their protection, broken down by type of institution, payment or electronic money issue.

It should be noted that in 2018 the new regulatory framework was approved, aimed at modernizing the Cabo Verde Payments System, an initiative from the Bank of Cabo Verde as the government's principal financial adviser.

Decree 9/2018 – Article 18 – Agents

1. Payment institutions and electronic money institutions may provide payment services through agents, taking responsibility for the totality of the acts performed by them.
2. If they wish to provide payment services through agents, payment institutions and electronic money institutions based in Cabo Verde must communicate the following information to Banco de Cabo Verde in advance:
 - Name and address of the agent
 - Description of the internal control mechanisms used by the agent to comply with the provisions in the legislation on preventing and combating money laundering and terrorist financing
 - Identity of the persons responsible for managing the activity of the agents and evidence of their suitability and competence
3. After receiving the information listed above, Banco de Cabo Verde proceeds to enrol the agent in the special register.
4. Banco de Cabo Verde will not register the agent if after taking the measures referred to in the preceding paragraph, it considers that the accuracy of the information provided pursuant to paragraph 2 has not been sufficiently demonstrated.
5. Payment institutions and electronic money institutions shall ensure that agents acting on their behalf inform payment service users accordingly.

ANNEX 5

Criteria for managing agents and customer due diligence levels for customers

Money or value transfer services (MVTs) are required to maintain an up-to-date list of their agents, which they can hand over to the competent authorities. When making use of agents, it should be ensured that they are included in their AML programmes and control the compliance of these programmes.

KYC levels

(CVE 1 million) (equivalent to US\$10,305.38/EUR 9,068.650), which is far higher than the FATF standard threshold of US\$1,000.

AML articles 12, 13 and 14 provide for financial institutions to have the obligation to identify and verify the identity of customers (occasional or regular), as well as their required procedures and elements, when the customer:

- intends to open an account or establish a business relationship;
- they carry out occasional transactions of CVE 1 million or more, irrespective of whether the transaction is made through a single transaction or several apparently related transactions;
- they carry out national or international transfers of an amount equal to or greater than CVE 1 million on behalf of a customer;
- there is suspicion that transactions, regardless of their value, may be related to money laundering offences, taking account of their nature, complexity, atypical character in relation to the customer's profile or activity, amounts involved, frequency, place of origin and destination, economic and financial situation of the stakeholders or means of payment used; or
- there are doubts about the accuracy or adequacy of customer identification data previously obtained.

ANNEX 6

Makeba

- **Makeba** is a United States-based Africa-focused fintech that raised US\$3 million to develop mobile payment and remittances at lower costs in Africa.
- Cabo Verde is their first country in operation.
- **Services offered include** merchant payment, money transfers, government-to-person, airtime top-up app-based payment technology using QR codes to validate transactions; USSD services to reach a broader base of users; the public services payment platform DUC (in partnership with the Ministry of Finance); pension payment to the elderly in partnership with the postal network in order to enlarge the payment outreach.
- **It is the first mobile payment mover in Cabo Verde:** Through a referral programme and without a heavy marketing campaign they now have 6,000 wallet users, 30 per cent merchants (600 of which are agents)/70 per cent customers (Sao Vincente, Santiago). They are experiencing a 25–30 per cent monthly growth.
- **Business positioning:** Makeba works in partnership with banks and works on user acquisition, merchant enrolment, transaction development and system integration. The banks bear all the compliance and authorization requirements.
- Makeba is registered in Cabo Verde as an IT service provider. It works in partnership with BAI Bank and can open accounts on its behalf. CDD occurs through a three-step process including Makeba registration (ID + tax document), NOSI (a centralized identification system managed by a public company that also provides new generation electronic services to citizens and business ventures) and in-person validation at a bank branch (cash-in, cash-out). It is a heavy process for a full bank account but lower CDD for low-risk accounts.
- **International remittances.** Makeba has signed with a Cabo Verde bank and its correspondent bank in the United States and intends to launch operations during the first half of 2021. The model aims at removing the “middle-man in the middle mile” to keep cost at a minimum of 2 per cent. The settlement system is based on **nostro** accounts between banks. Makeba will develop the market among the diaspora by hiring community leaders in the United States.
- They have advanced plans to develop similar models with Congo, Nigeria and South Africa.

Regulatory framework

- Main impediment: digitalization of the signature to be enrolled remotely/seamlessly especially for the merchant.

About the authors



International Fund for Agricultural Development (IFAD)

IFAD is a specialized agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries.



Financing Facility for Remittances (FFR)

IFAD's US\$65 million multi-donor Financing Facility for Remittances aims at maximizing the impact of remittances on development and promoting diaspora engagement in migrants' countries of origin.

For more information, visit: www.ifad.org | www.ifad.org/ffr | www.RemitSCOPE.org



Developing Markets Associates Global (DMAG)

Headquartered in central London with a regional office in Sydney, DMAG is a leading payments consultancy engaged by both the public and private sector to deliver projects around the world. Since the company was founded in 2007, it has grown to 20 full-time staff, with a global network of research and support staff of a further 60 people. DMAG's core competencies include:

- Remittances and payment systems
- Financial inclusion and access
- Diaspora investment and diaspora related affairs

For more information, visit: www.developingmarkets.com

About the initiative



Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)

PRIME Africa is a EUR 15 million initiative co-financed by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

For more information, visit: www.ifad.org/prime-africa

Read the other PRIME Africa country diagnostics:

1. Cabo Verde
2. Ethiopia
3. Ghana
4. Kenya
5. Morocco [ENG/FRE]
6. Senegal [ENG/FRE]
7. South Africa
8. The Gambia
9. Uganda



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