

## Case Study

# Success story of Cape Verde's subsidy program for renewable energy micro-generation



## Associação Lusófona de Energias Renováveis

Across the continent, domestic financial institutions, working with governments, have quickly gained expertise in structuring green finance and energy investment products, building capacity for more robust project pipelines. For instance, Cape Verde has established a distinctive public-private financing arrangement to accelerate renewable energy micro-generation among households and micro, small, and medium-sized enterprises. At the core of this mechanism is a government-backed interest subsidy on commercial bank loans, which lowers financing costs while preserving market-based lending practices. Rather than creating a dedicated public fund or state-owned credit line, the Government leveraged existing commercial banks through a formal cooperation protocol, ensuring rapid rollout and broad geographic coverage. For the past 3 years, with confirmed continuation in 2026, Cape Verde State Budgets have provided a 50% subsidization to interest on loans contracted by families and MSMEs (corresponding to low voltage consumers) for the purchase of equipment and installation services for renewable energy micro-generation up to 100 kW.

The maximum granted amount for each loan is three million Cape Verdean escudos (equivalent to roughly 27000€), and the maximum reference rate is 9%, while the contractual interest rate is freely negotiated. The arrangement is strengthened by administrative innovation. A centralized Micro-generation Registration System, managed by the National Industry and Energy Directorate (DNICE), provides a streamlined, transparent approval process, reducing transaction costs for both borrowers and lenders. Once technical compliance is certified by the energy authority, beneficiaries can directly access subsidized loans through partner banks.

Moreover, exemptions are also in place on VAT for the purchase of equipment and installation services, as well as on duties and other importation customs charges.

By 2024, micro-generation installed capacity in the country was already 19.9 MW, more than doubling in the past 2 years, and overcoming the target of 15 MW by 2030. Utility-scale IPP installed renewable energy capacity in the same year, both wind and solar, was 38.5 MW, meaning micro-generation amounted to 34% of total renewable installed capacity.

These numbers showcase the representativeness of this type of decentralized generation. They are not only contributing to the energy independence of this small island country, but also to grid and consumer resilience, as proved in the recent energy crisis consisting of several power cuts that didn't affect these consumers as much. After the crisis, local companies have reported an increased demand for BESS, with some consumers considering backing up their systems to become even more grid independent.

The Cape Verde example highlights the effectiveness of these Government led administrative and financial support measures and how it is possible to involve local commercial banks and increase attractiveness of credit lines for such products.

Even while it may be difficult to extrapolate to other African countries due to differences in the cost of capital and in investor relations, Cape Verde's experience demonstrates how targeted interest subsidies, aligned with commercial banking systems and simplified regulation, can effectively mobilize private investment in decentralized renewable energy, of which rooftop solar is the most prevalent.

More information on Cape Verde energy market, and other African Portuguese-speaking countries, at [www.aler-energia.org](http://www.aler-energia.org).