CAPE VERDE

tourism value chain analysis
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Name
Tourism Value Chain Analysis - Cape Verde

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INTRODUCTION

The present study was promoted and coordinated by the Strategic Transformation and Policy Centre, in collaboration with the Ministry of Tourism Industry and Energy. The scope of the study was subject of a presentation at the National Council for Tourism.

The study was based on the assumption that Cape Verde, whilst an emerging tourist destination, needs to develop its mechanisms of inter-sectorial relationship, so as to achieve synergies, towards the attainment of goals of competitiveness and sustainability, at economic, social and environmental levels.

It is this Government’s view that to ensure the sustainability of the sector, tourism has to be developed in line with what today is called “intelligent tourism”, this meaning a clean, green tourism, based on strong ethical principles and quality at all levels of the service chain. It should be a tourism model adapted to the global challenges such as poverty reduction and the respect for the imperatives of climate change.

In this context, the Cape Verde tourism value chain, was set on the basis of the concern with the country’s sustainability and the view that tourism can be a relevant instrument to boost economy and society, as it promotes social inclusion, employment opportunities, new investment, revenue and entrepreneurship.

For this study, primary and secondary sources of information were used. The secondary sources were government documents, legislation from the various sectors, the Strategic Tourism Plan, the Tourism Marketing Plan, information from the Centre for Tourism Studies, data from the National Statistics Institute and international research and documents on the subject.

In terms of primary data, a research on the current constraints of the tourism sector and its relations with and among other sectors
of activity was conducted. For this purpose, key tourism decision makers were interviewed, and 120 national and international stakeholders, both private and public, were questioned using a structured questionnaire.

The results of this study were used to fundament a set of actions, to be developed in partnership between public and private entities, with the objective of fostering economic and social development, with the tourism sector taking the role in improving the competitiveness of the country.
THE CONTEXT

This report aims to analyse the Cape Verde tourism value chain, providing a broad view of activities and agents that make up the sector.

The results obtained, allow the identification of approaches and actions that will contribute to the improvement of competitiveness of the country’s enterprises, whilst stimulating job creation and income generation for local communities.

Thus, it becomes imperative to connect the tourism sector with other productive sectors, particularly agriculture, construction and fishing, in order to harmonize and adjust policies in an evolutionary mode. On the other side and to provide the necessary synergies to consolidate tourism in Cape Verde, it is essential to identify the inter-relations between all activities that directly and indirectly contribute to the tourist experience of those who visit the country (Figure 1).

Figure 1. Activities that contribute to the tourist experience
In addition to the understanding of the complexity of the interrelations along the tourism value chain, it is also important to know the context in which they are established.
THE PROSPECTS AND CHALLENGES OF DESTINATIONS

New patterns of consumption

A study undertaken by InterContinental Hotels Group (IHG), reports that tourists will be more judicious in their travel decisions. As a result of tighter budgets, the tourist is more careful in the selection of the destination, the airline and the hotel and, in turn, intends to withdraw the added value of his journeys. Saying this, the loyalty programs become very relevant.

In times of crisis the motto “vacationing here within” becomes increasingly a reality. Many countries, particularly the summer destinations, are collapsing at the level of external demand. To meet demand, the hoteliers are reducing their prices and tourists are finding extra motivations to spend holidays in their own countries.

Another curious aspect has to do with the fact that the global economic crisis have triggered the emergence of new concepts of tourism. It is increasingly significant the growing number of people opting for the so-called nano-breaks (nano-holiday) - stays of one night, held several times per year. This form of escaping routine is the ideal solution for those who have little time and money, and has gained many adherents, due of the current world economic situation.

Sustainable development

More than a trend, sustainable development is a paradigm for which there is no alternative. In order to minimize the effects of the crisis in the tourism and travel industry, the World Tourism Organization (WTO) adopted the Roadmap for Recovery. This is a manifest that identifies the importance of the sector in the global economy’s recovery, while alerting to the need to shift to a green economy.
In this context, tourism can be a relevant instrument in boosting economic and social development worldwide, promoting social inclusion, employment opportunities, new investment, revenue generation and entrepreneurship. However, it is important to realize that the absence of a tourism strategy, one that clearly promotes environmental sustainability, can bring irreversible impacts to the planet.

Education and awareness of the tourist to the severity of these impacts, coupled with the implementation of sustainable and socially responsible practices, that include the adoption of codes of ethical conduct in tourist destinations, are essential actions to ensure that tourism can have a long-term sustainable development.
On the other hand, climate change is one of the most challenging problems that humanity will face in the coming years. The increase in episodes of drought and floods, the increasingly rigorous winters and dry summers, are signs that prove the process is underway - our planet and new generations will face an increasingly uncertain future.

In this perspective, it is urgent to invest in sustainable tourism models. Nowadays the awareness towards the need for this approach, throughout all sectors of economic activity, is already a reality across the world.

**Senior Tourism**

The world’s population is ageing, and this trend is specially felt in the old continent. In Europe, approximately 25% of the population has
more than 65 years. To add to this fact, many Europeans in this age group have income and availability to travel, that can contribute to mitigate the effects of seasonality in many destinations. However, this population has special requirements, in particular, access to health care and the existence of health units in the hotels where they stay.

The European Tourist

Europe remains the main origin and destination of tourists worldwide. The importance that this fact represents, in terms of tourism impacts, is worth analyzing.

Before the summer of 2009, the World Tourism Organization, undertook a study on the attitudes of European tourists, in full scenario of economic crisis. In terms of travel trends, it can be concluded that Europeans continue to travel, although giving preference to nearby destinations and even promoting domestic tourism. This travel behavior has increased the demand for countries and destinations outside the European Union.

With regard to the destination, the majority of Europeans (47%) stated that leisure is the main reason of their vacations. Of these, 20% was motivated by the beach and 17% preferred the cultural experiences. In turn, the majority of Europeans (31%) named the destinations’ environment (global attractiveness) as the focal point in their choice, followed by the cultural heritage (24%) and animation (15%). The same study also indicated that the Internet is increasingly the main source of tourist information in selecting a holiday destination.

Another study, conducted in 2008 for NH Hoteles, refers that, in relation to the services offered by the hotel, tourists increasingly value the availability of facilities to rest, relax or exercise. There is still a large percentage that would be willing to pay extra to enjoy the swimming pool, gym and spa, or to have these services at its disposal for longer periods. The same study also showed that 39% of the tourists only visit the restaurant of the hotel if breakfast is included in the price, while 20% purchased food out to bring to their room.
SITUATIONAL DIAGNOSIS OF CAPE VERDE

The analysis presented in this section is based on the information published by AICEP Portugal in its Market Report on Cape Verde (July 2010).

Resources and productive structure

Cape Verde is a country, with scarce natural resources, being worth to highlight some sea products (salt and fish), as well as calcareous and pozzolana. The adverse weather conditions and the nature of the soil are strong limitations to the development of an agricultural activity that could satisfy the needs of the population. Hence, historically, these facts have resulted in a strong emigration phenomenon for a large number of Cape Verdeans, who sought better living conditions, particularly in times of prolonged droughts.

It is estimated that currently, the number of Cape Verdean emigrants, especially in the USA, Portugal, Angola, France, Netherlands and Senegal, exceed the population of the country.

The geographical situation of Cape Verde and the extensive territorial waters, contributed over time to reduce the difficulties of the population, since the fishing activity and the provision of international services in areas related to maritime transport and inter Atlantic communications, constituted sources of extra or alternative income to the Cape Verdeans. This tradition, somehow, shaped the economic profile that the country still presents today.

On the other hand, in the early 1980s, Cape Verde undertook an important process of structural reforms, namely in terms of privatization, progressive liberalization of prices, economic freedom, tax reforms, poverty reduction, improvement of agricultural productivity and competitiveness in exports and investments in terrestrial infrastructures, seaports, airports and telecommunications.
The productive diversification started about 20 years ago, on a first stage, based on the industrial sector, having swiftly moved to the services sector and in particular to tourism, which, in recent years, has been the real engine of the Cape Verdean economy.

**Agriculture**

Although more than 20% of the population still relies on the agricultural sector, it currently contributes with only 5% to the gross domestic product (GDP) of Cape Verde, when in 1994, together with the fisheries, they represented around 13%.

Strongly influenced by climatic factors (prolonged and intense periods of drought, followed by torrential rains that cause soil erosion),
the great irregularity of rainfall determines abrupt changes in agricultural production, which on average can only satisfy about 15% of the country’s food needs.

Cape Verde has 42,000 hectares of arable land, which corresponds to 10% of the total area of the Archipelago. Corn, sugar cane, coffee, beans and other vegetables dominate the country’s agricultural production, designed almost exclusively to self-consumption or for sale on the internal market.

Regarding the exporting products, only banana production has any significance, although there is some irregularity in the expeditions to the external markets, due to regulatory issues that affect the international trade of this product. Despite the efforts of the Government in implementing reforms, agricultural productivity continues to be affected by the small size of the farms.

In order to overcome the constraints to which is subject, the agricultural sector, too dependent on an irregular and scarce rainfall concentrated within a short period of the year, a factor aggravated
by a mountainous nature and steep slopes which characterize most of the Islands, the Government is currently running a program of construction of retention dams. This program, which counts with the support of China, will allow a substantial increase of irrigated areas and will contribute to a significant growth of agricultural production and livestock breed in Cape Verde.

**Fisheries**

The fisheries sector, despite the significant contribution to the exports of Cape Verde, it only represents 0.5% of the GDP, and is characterized by being an activity primarily artisanal, getting catches far below their potential, estimated at 45,000 tons/year. It is a sector with strong potential, given the size of the exclusive economic zone
of Cape Verde, exceeding 700 thousand square kilometers.

However, the relative poverty in biomass and the almost inexistence of continental shelf, in the Western Islands of the Archipelago, limit somehow the capture capabilities. To minimize these problems, Cape Verde has signed fisheries agreements with its neighbors, in particular with Guinea and Senegal, under which Cape Verdean flag vessels may fish in the waters of these countries, fact that reinforces the potential of the sector.

Current catches of fish consist mainly on tuna and lobster, which together have allowed exports of around 10 thousand tons per year, representing a significant and growing portion of exports of Cape Verdean products. In addition to the supply of the internal market and the important contribution to the country’s exports, the fishing industry is also responsible for the entry of a significant volume of revenue, by virtue of the agreements that Cape Verde has established with the European Union and other countries, namely China.
Extractive industry

The almost absence of mineral raw materials in Cape Verde, leads to a situation where the extractive industries have an almost irrelevant weight in the country’s economy. In this sector it is only worth to refer the extraction of salt and pozzolana, a volcanic rock used in the manufacture of hydraulic cement, but, for various reasons, it has been exploited with several bursts. In terms of the local production of cement, this is at the stage of implementing an industrial project with the financial support of China.
Manufacturing industry

Although with a relatively small weight in the GDP of Cape Verde, the manufacturing industry is assuming increasing importance in respect of the exports of the country, particularly since 1992, following the adoption of the new legislation of foreign investment. In this area, it should be highlighted the creation of a free-tax system for companies, which have become the engine of the country’s industrial development.

In addition to these areas of the manufacturing industry, it must be mentioned the subsectors of electronics and canned fish, which also attracted Portuguese investors, although in the first case the experience has not known a great success, owing mainly to changes occurred in the external markets for this production.

With its production almost exclusively directed to the internal market, food and beverages, pharmaceuticals, construction materials, furniture and mechanic products are other branches of the industry
with some importance for the Cape Verdean economy.

**Energy**

Cape Verde presents a great shortage of energy products, with its needs met by the import of oil, mainly from Portugal and from some African countries.

The distribution of energy is currently leased to the State company Electra, which means that all the energy produced, either by Electra, or by another independent producer, even if the source is renewable, will have to be injected in the public network, managed by Electra. On the other hand, Cape Verde re-exports through its seaports and airports, part of the energy products imported.
Conscious of the serious constraints in the energy sector (inadequacy and failures in the supply of electrical energy), the Government of Cape Verde, within the framework of the energy policy and supported by external funding, is acting on several fronts in order to solve the shortcomings that range from antiquity of the network built, to the high cost of energy production, aggravated by the unsurpassed insularity of the country. Currently, the Government is making efforts to improve the electricity supply in the rural areas and is making a clear bet on renewable energy, particularly wind and solar.

**Construction**

Currently accounting for about 11% of the GDP, the construction sector has experienced a strong growth in recent years, benefiting both from the infrastructure programs, which are being implemented in the country with the support of international organizations and bi-lateral donors, and from a strong development of the tourism and hospitality sectors, mainly deriving from foreign investment.

The majority of the key construction works, in particular those related with the infrastructure of the country, has been performed by foreign companies, mainly Portuguese, through international procurement contracts launched for this purpose, since these are projects funded by external entities.

**Services**

The Cape Verden economy is becoming increasingly a service economy, this representing more than 45% of the employment. The climate and the geographical situation of the country are determining factors for this evolution, where tourism and the transatlantic platform functions of transport and communication services assume a dominant role.
The development of the services sector has been present throughout the strategy outlined by the Cape Verdean authorities, as a way of overcoming the historical situation of poverty that characterized the country. This unique momentum resulted from a series of governmental programs of modernization of the infrastructures of airports, roads, seaports, telecommunications, financial services and other components of the services sector.

Tourism is the key lever of the development of Cape Verde (representing circa 20% of the GDP), benefiting from high inflows of foreign investment, originating in particular from Portugal, Italy, Spain and other European countries which, in recent years, have focused mainly on the islands of Sal and Boavista. It must be pointed out that approximately 90% of foreign direct investment is targeted to the tourism sector. Recently, the Prime Minister of Cape Verde has announced that the Government aims to establish the country as an international center for services, especially in the fields of tourism, transport, finance and cultural industries.

**Development**

In terms of the number of establishments, the trend is positive, having witnessed a growth from 88 establishments in 2000 to 173 in 2009. Also, the indicator of rooms and beds available show a positive growth with a variation greater than 160%. Thus, the indicator “accommodation capacity” grew 168.5% in this period. With respect to the variable “staff”, a substantial growth can also be verified, although with growth rates much lower than those of the previous indicators. In fact, comparing the year 2000 with that of 2009, the number of staff working in tourism establishments, grew from 1845 to 3860 people respectively.

In the same period, the number of tourists in Cape Verde grew 228 percent, from 145,000 tourists in 2000 to 330,319 in 2009. In respect of overnight stays, it was verified a growth of 295% in the same period, moving from 684,700 to 2.02 million overnight stays in 2009, being noted also an increase in the average stay, which grew from
4.3 to 6.12 nights in 2009.

Given this dynamic, it is worth noting that 94.7% of the tourist flows focus on just four islands, namely Sal (57%), Santiago (20.1%), Boavista (9.9%) and São Vicente (7.6%), the Islands with established international airports. In respect of the tourists’ key markets of origin, 85% of them are European, with the following countries being the most representative in 2008, according to the Cape Verde National Statistics Institute (INE): Portugal, United Kingdom, Italy, Germany and France.
THE TOURISM VALUE CHAIN

The tourism value chain is the set of value-added activities that, consistently articulated, allows the “tourist product” to be available for consumption.

However, the implications of the real impact of tourism in an economy, like that of Cape Verde, are not reflected only in the five core activities or segments of the value chain (operators and agents, transport, accommodation, bars and restaurants and local trade). In fact, the normal operation of the central activities of tourism depends on various related activities that enable the normal functioning of the first. These activities have direct connection with the offer of the tourist product, but not necessarily play a key role.

Indeed, tourism promotes and finances various activities of the economy of a region, becoming in some cases the main customer of certain areas of the national economy. Tourism is directly responsible for about 20% of Cape Verde GDP, however its influence in the region’s economy is much higher.

To better understand the influence of tourism in Cape Verde’s economic activity, it is presented below the generic model of a value chain, where it can be seen the links with the various economic activities, associated with each activity of tourism. There are core activities, or sectors of tourism of a certain region, the tour operators/travel agents (incoming), transport, accommodation, bars and restaurants and shopping (trade). However, for the normal functioning of each activity or central segment of tourism, there is a set of fundamental support activities to the proper functioning of the first.
The industry of culture, leisure and entertainment provides a variety of activities, including culture and sports, for which the products of the local economy are needed, generating always added value to the region. These activities foster entrepreneurship, creating motivation for self-employment, as it increases employability.

New technologies have a central role in the current context of tourism, because the image and presence of a destination on the global network brings the tourist close to the destination. The need for a presence of the destinations on the global network, leads to the demand for specialized agents in the area of new technologies and, consequently, to the creation of new business opportunities.
The web has become the main channel of information for more than 80% of Europeans, a higher representativeness than that of travel agencies in some countries. The growing importance of the Internet in the process of organizing a trip must increasingly be taken into account by the destinations and its stakeholders.

The transport sector allows the movement of visitors to and from the tourist destination and within the destination. The airport facilities are the main point of liaison between the Cape Verde Islands and the tourists’ country of origin, by becoming the first point of contact with non-resident tourists. Endow these infrastructures of good logistics and image and empower them for the reception of the tourists, always looking for quality and service excellence, is fundamental to the country’s image.

Ports are central elements for the transport of goods and may also have a very important role in streamlining the cruise segment.

The development of transport enterprises is crucial to the growth of the economy of Cape Verde, facilitating the circulation of people within the Archipelago and between islands. A network of public transport, properly developed and well articulated, will allow its use by the tourists, facilitating the travel within the country.

The competitiveness of a destination depends not only on the quality of the services it offers, but also on the value they have. The quality/price relationship (value for money), is one of the central factors behind the decision for choosing a holiday destination. On the other hand, the quality of the services provided by the accommodation units is critical to the satisfaction of the tourist.

Regarding the accommodation offer, the quality of the establishments contributes greatly to the competitiveness of the destination. In fact, the appearance and comfort of the spaces is seen today as a central factor in the tourist satisfaction and, as such, it must be considered a priority in the rehabilitation of the existing units and in the projects to be developed. This approach leads to the need to adapt the spaces to the expectations of the tourists.
The accommodation capacity of a country can be a source of constraint to the development of tourism, if the offer does not satisfy the demand. On the other hand, a surplus of offer derived from an unsustainable growth may cause an imbalance in the market and reduction of investment attractiveness.

Food and beverage must be regarded as an important driver of the culture of a population. It is a meeting point between tourists and local people, where the visitors can better understand the gas-
tronomy and tradition of the country. It is also a very important sector, mainly, for tourists who do not acquire an all-inclusive tourist package.

Cape Verde is a country where residential tourism has a strong deployment and, therefore, these tourists should be considered potential consumers of restaurant and bars.

Another important element that contributes to the overall satisfaction of the tourist is the entertainment experience. This normally takes place where the visitor is able to contact with the culture of the destination.

Retail trade also promotes and stimulates the tourist activity, allowing visitors to establish contact with traders and craftsmen. On the other hand, and in the case of residential tourism, the purchase of products for cooking also contributes to the generation of revenue in this sector, as it stimulates directly the agricultural production and the fisheries.

The influence that tourism has on the whole economic activity of Cape Verde and the dependence of the economy on this sector implies its sustainable development. The country has to be able to preserve its territory, its environment and its people, while at the same time increases and grows its competitiveness in the international market. In order to keep growth sustainable, it is essential to create instruments for supporting the development of the country in the various areas of the economy.

An effective planning of the territory plays an important role in the future of the country as it prevents mistakes with potential to destroy the region and the environment. The preservation of the environment has to be a priority for a country where its tourism relies in the nature. Along with proper planning and the preservation of the environment, it is advisable to promote the rural development, as the communities of the islands are predominantly rural. Tourism can play an important role in helping these to improve their economic conditions.
The investment on the development of tourism has normally high costs inherent to the beginning of the activity. As such, it becomes crucial to create financial incentive programs to promote private initiative. The creation of a program which supports the initiative and the investment in infrastructure and business, influencing the development of tourism, will allow the consolidation of new businesses and enterprises, both at local and regional levels.

The sensitization of the population and tourism professionals to the importance of the sector and the service quality required to provide unique experiences to visitors, is fundamental. In fact, the tourism sector can only survive and grow if local population accepts tourism as a positive activity to its community. Thus, it is necessary to create a link between tourism and the population. The professionals of tourism and all the areas/support professions should be sensitized to the importance of the quality of services they provide to tourists, because they are the image of tourism in Cape Verde.

Map of Cape Verde tourism value chain

The value chain intends to highlight the activities on which tourism impacts directly or indirectly. The value chain framework pretends to map, through key steps, the activities and agents who create and add value to a tourist product (see Figure 3). With the breakdown by phases of the total expenditure of the tourist, it is intended to obtain information on how it is distributed the added value of the tourism sector. The fragmentation of the costs that the tourist has in the purchase of the tourism package, passes by the various fees that must be paid, up to services that are delivered on the destination.

The key factors aim to identify external and internal elements, which may affect the tourism competitiveness of a particular destination. This identification will allow stakeholders to adapt their decision-making, in order to eliminate these limitations and maximize the factors of competitiveness.
The value chain framework aims to identify the priorities of internal and external intervention, focused not only on the tourism industry and in the destination, but also on external policies practiced by the country. For this exercise it was chosen, as an example, a touristic package with origin in Lisbon going to the island of Sal, which is presented in Figure 3.
The analysis of the tourism value chain of Cape Verde took into account the heterogeneity of the touristic products, the segmentation of the market and the destination in itself.

### The cost map of the value chain

The calculation of the cost of the value chain was based on the price of a touristic package sold by a Portuguese tour operator, for 7 nights, to the island of Sal, in an all-inclusive regime. This method allows us to make the mapping of the key steps and activities of the agents who create and add value to the tourism product in question.
The touristic package analyzed, includes a return trip between Lisbon and the island of Sal, in the month of December 2010, a transfer service between the airport and the hotel and the accommodation, on an all-inclusive basis, for 7 nights, in a four star hotel. In figure 4, it can be verified the cost of each service and activity.

As it can be seen, the agents and activities that influence the cost of the touristic package are the accommodation, the international air transport and the fees/taxes, representing 26.02%, 23.4% and 14.43% respectively. It was still considered an estimated expenditure, by the tourist in the destination, of circa 280€.

These 3 elements are responsible for more than 60% of the total cost of the trip, influencing more than 80% of the cost if tourists do not perform extra expenses during their stay.

Fees and taxes to be paid by the tourist amount to around 185€, being 160€ of these related to airport charges, security and fuel and 25€ for the entry visa. It is important to emphasize that the airport, security and fuel charges are subject to change, which can lead to an increase in the weight of this factor on the cost of the trip. Currently representing about 15% of the price of the trip, these...
may prove to be key factors, if we take into consideration the direct competitor countries.

It should be noted that from the total touristic package value (1002€), only 353,60€ (accommodation and transfer) go directly into the economy of the island of Sal, assuming the use of TAP airline. If tourists travel TACV (flagship company), the contribution of this touristic package for the economy of Cape Verde will vary from 353,60€ to 653,60€, corresponding to 65% of the value of the package (total value without the estimated extra spending of the tourist).

The accommodation is one of the most important factors in the
price of the touristic package, contributing to about 30% of the total value of the trip, including extra expenses. This value goes directly into the country’s economy, representing an important contribution to the local revenues.

By the analysis of the value chain of the touristic package it is possible to understand the impact that each agent has on the cost of the trip. Knowing that the quality/price relationship is an important factor in the decision making process associated with the choice of a holiday destination, costs such as airport charges must be analyzed in order to improve the country’s competitiveness.

ASSESSMENT OF CAPACITY AND OF POLICIES TO
OVERCOME THE CONSTRAINTS

From the analysis of the exercise presented, there are some areas with significant constraints, for which solutions must be found. These areas of constraint are now presented.

1. Non-competitive border services

These services include airport charges at the airport of origin and costs at the destination, such as the entry visa. The visa to get to Cape Verde costs 25 Euros. This amount is very close to those practiced by the majority of Cape Verde direct competitors, which does not facilitate the country’s competitiveness as a tourist destination.

It should be noted that the airport charges represent about 15% of the total cost of the trip. The weight of these charges, represent a
significant value in the total cost of the package, factor that must be object of consideration in the future for the purpose of improving the competitiveness of the country.

2. Lack of coordination/cooperation between intermediaries and foreign distribution channels

Tourism in Cape Verde depends, in large part, on touristic packages sold by tour operators and foreign travel agents, who have a strong bargaining power in relation to national providers of services (accommodation, transfers, etc.).

The capacity of the tour operator is crucial for the competitiveness of the destination internationally and this ability goes through a set of determinants:

a) economies of scale generated by tourist packages (attractive for airlines, hotels and tour operators themselves);

b) the destination carrying capacity with which the tour-operators
are able to cope, (ex: hotel capacity and air transport);
c) coordination capacity within the tourism industry (the higher
the capacity for cooperation between the various agents of
tourism the more likely they are to create economies of scale
and share costs among all, so lowering the prices).

From the analysis of the touristic package presented, it seems clear
that there is some separation between the services organized and
delivered by both national and foreign operators. Greater coopera-
tion could lead to a more integrated offer, becoming more attractive
to tourists.

3. High air transport and airport charges

Air transport and airport charges represent about 38% of the value
of the touristic package presented, demonstrating the value of the
charges paid by tourists. One solution to this problem could be a
decrease of airport charges through agreements between countries.

4. Lack of quality accommodation

The accommodation is one of the most important factors in the price
of the touristic package, contributing about 26% to the total value.
This value comes directly into the economy of Cape Verde, repre-
senting an important contribution to the local economy.

The accommodation capacity of tourists in the country can be a
source of constraint to the development of tourism, if it can’t keep up
with the growth of the sector.

5. Poor service at bars and restaurants

The food and beverage sector should be regarded as an important
driver of knowledge of the culture of the country of destination. Is a
meeting point between tourists and local people, where the individu-
als can understand better the gastronomy and the traditions of the country. It is also a very important sector, mainly for tourists who do not acquire an “all-inclusive” touristic package. Cape Verde is a country where residential tourism has a strong deployment, and therefore these tourists should be considered strong potential consumers of restaurant and bars. The fun and the moments in places where tourists can contact with the culture of the country of destination are decisive for their level of global satisfaction.

6. Lack of professional tourist animation
The tourist animation is one of the key elements in the tourist experience. In fact, the tourist demands, in each trip, a new adventure, a new experience. The tourist entertainment companies must have the capacity to satisfy their desires and needs.

Regulating this activity must be a priority for any touristic region. This regulation is responsible for preventing unfair competition between players and to assure the safety conditions for the tourist.
The future holds great challenges, but also great opportunities for Cape Verde. The analysis and understanding of the dynamics of the key markets will be crucial in adapting the country’s development strategies to international trends, so avoiding falling into the error of mass tourism and consequent loss of quality and the differentiating characteristics of the country.

The current trend indicates an estimated growth of the tourism sector in Cape Verde until 2013, reaching at that time an estimated 3 million of overnight stays, based on the increase in the average stay of tourists, from 6.1 nights in 2009 to 8.1 nights in 2013.
The investment in markets where there is potential for increasing market share, as is the case with the United Kingdom, France and Germany, as well as the capture of a position in new markets like the Czech Republic, Poland and Russia and other typical markets of sun and sea as the Scandinavian market, should be the priority for Cape Verde.

However, to improve its competitive advantage, Cape Verde will have to eliminate some of its weaknesses, such as: the reduced number of air connections between the Archipelago and potential tourist markets; the lack of a competitive pricing structure when compared with other tourist destinations; and the improvement of accessibilities between the various islands to allow the circulation of tourists within the Archipelago.

The emergence and consolidation of sun and sea destinations, with considerable promotional budgets, and the strong competition by established destinations like Portugal, Spain and Egypt, are key factors to be taken into account in the development of the country as a tourism destination.

It is extremely important to consistently implement a clear developmental and promotional strategy, which consolidates the brand image of Cape Verde whilst establishing the country as an attractive tourism destination.

In short, Cape Verde has unique conditions for becoming a tourism destination of excellence and, in the coming years, it can easily attain high levels of notoriety and so increasing its touristic flows. However, to achieve this desideratum, it must clearly define the internal policies of destination management and of interaction with all its national and international stakeholders.
The competitiveness and sustainability of Cape Verde tourism have to be built around a harmonious and balanced relationship between the various sectors of activity of the Cape Verdean economy. For that end, it is fundamental to adopt a concerted and centralized management model for the sector, in order to ensure the conditions for which the country is attractive to domestic and international investors, tourists and local community.

In recent years, the country has taken several measures to professionalize the tourism sector, in particular, from 2009, the year in which Cape Verde has recognized tourism as a sector of strong leverage potential to its national economy. Its proximity to the main tourist markets, as well as to potential and emerging markets, the political and social stability and the climate conditions, can be seen as the main competitive advantages of Cape Verde.

**CONSTRAINTS**

Cape Verde, being a new and emerging tourist destination, faces a series of challenges that need closer attention so that the country may attain higher levels of competitiveness. Of these, the following should be emphasized:

1. **Regional Planning and Organization and the Environment**
   - Excessive concentration of foreign direct investment in the sector, on the islands of Sal, Boavista, São Vicente and Santiago;
   - Tourism excessively concentrated on the islands of Sal, Boavista, São Vicente and Santiago;
• Need for decentralization in the implementation of tourism policies;
• Inadequate management and treatment of solid wastes.

2. Infrastructure and accessibility
• Poor inter-island connections, which is a limitation to internal mobility;
• Insufficient air links with main tourist markets;
• Constraints in the supply of electricity and water, causing imbalances between existing needs and the response capacity (both in quantitative and qualitative terms);
• Comparatively high prices of water, energy and communications, that impact on the overall cost of Cape Verde as a tourist destination;
• Low quality ground transportation systems for tourist use;
• High prices of internal transport services;
• Lack of coordination/integration between different means of transport (air, sea and ground), to maximize and extend tourist visit and stay;
• Tourism infrastructure not prepared to receive tourists with physical limitations;
• Need for greater consequence in the allocation of resources – there is still a profound need for public investment to qualify tourism supporting infrastructures.

3. Qualification of Tourism offer
• Human resources with low qualifications for the tourism sector;
• Lack of quantitative and qualitative data, for analysis, development and monitoring of the competitiveness of the destination;
• Lack of a monitoring system of the main trends in key tourist markets;
• Nationals make no quality requirements in their interaction with service providers;
• Need for strengthening the project “Secure Tourism“ in those destinations with greater concentration of tourist activity;
• Lack of a formal and unified system of evaluation of service quality and tourist satisfaction;
• Deficient rating system of ‘tourism units’ and its articulation with an
• Need to professionalize the process of production-distribution of national products, to make these available in good conditions to the final consumers;
• Lack of an official entity, responsible to receive and deal with complaints related to the quality of the tourist product.

4. Tourism - Organization of Supply and Partnerships
• Currently there are enclaves within the hotel sector – companies undertake their activities, forgetting the local community;
• Poor articulation of business/marketing strategies between transport operators and tour operators;
• Insufficient institutional capacity of the Government - there is an imbalance between Government’s strategic vision to the tourism sector and the institutional resources made available;
• Poor coordination between the different agents (players) regarding the promotion of Cape Verde as a tourist destination;
• Insufficient accommodation capacity;
• Touristic products poorly organized in respect of a clear marketing perspective;
• Poor communication of historic sites and museums;
• Need for a strong policy of cultural promotion, associated with the development of tourism;
• Cape Verde institutional tourism organization seen as fragile, with fragmented skills and assignments;
• Collaboration between tourism operators still inefficient in terms of articulation of policies and shared vision.

5. Economy
• National private sector still dedicated to incipient tourism projects;
• Cape Verde seen as an expensive destination, both in respect of travel expenditures and prices at the destination (in comparison with competing and emerging destinations);
• Reduced budget for the promotion and development of institutional projects targeted to meet the demands of tourism;
• Inexistence of a “tourism satellite account” that could assess the
real impact of the tourism sector on the economy;
• Need to stimulate the consumption of local food production, particularly by hotels;
• Nationals have difficulty accessing investment opportunities;
• Investors feel confused, as there are differences in policies and practices of incentives and taxes between the Islands – this situation causes embarrassment, problems and conflicts;
• National companies supplying the construction sector are struggling to sell their products to foreign companies operating in Cape Verde – lack of quality of national products and slow response rate seen as main causes.

After the analysis of the various challenges and limitations verified throughout this study, recommendations for the development of tourism in Cape Verde are now presented.
RECOMENDATIONS

The recommendations aim at the sustainable development of the country, based on the assumption that tourism is the engine of the national economy. This derives from the fact that tourism is the sector that more comprehensively makes use of the resources of the country, these being essentially based on nature, with potential to become attractive to the world of travelers seeking these conditions for their vacation.

Additionally, it must be emphasized that the development of tourism will not be a reality if other sectors are not aligned in the same momentum. This situation makes tourism very dependent on the overall dynamics of the country’s economy and its level of development.

Next, a set of six general recommendations are presented, accompanied by objectives and concrete actions to implement in the short, medium and long term.

It must be noted, that the recommendations are derived from a thorough diagnosis of the current situation of the destination, having been brought into line with the Program of the Government (VIII legislature, 2011/2016).

The expert responsible for this study considers the proposed timing for the implementation of the actions as ambitious. However, it is unanimous that it is very important for the future success of the country, as a tourist destination, to launch all the proposed measures within the current parliamentary term (2011-2016).
1. Regional Planning and Organization

OBJECTIVES: decentralization - empowerment and involvement of municipalities - professionalization of tourism

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>PARTNERSHIPS</th>
<th>TIMING</th>
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<tbody>
<tr>
<td>• Coordinate, together with the municipalities involved, the elaboration of the tourism development plan of Cape Verde;</td>
<td>DGT – Tourism General Directorate; CI – Cape Verde Investments; CTCV – Cape Verde Tourism Chamber; ANMCV – National Association of Cape Verde Municipalities</td>
<td>1 year</td>
</tr>
<tr>
<td>• Integrate in the global regional planning, the areas of touristic development, in collaboration with the municipalities</td>
<td>DGT; ANMCV; CTCV</td>
<td>1 year</td>
</tr>
<tr>
<td>• Implement tourism policies, at legal and strategic marketing levels, in cooperation with the municipalities involved;</td>
<td>DGT; ANMCV; CTCV</td>
<td>3 years</td>
</tr>
<tr>
<td>• Decentralize the implementation of tourism development policies, passing skills to those municipalities through training;</td>
<td>SHT - School for Hospitality and Tourism; IEFP – Institute for Employment and Professional Training; ANMCV</td>
<td>2 years</td>
</tr>
<tr>
<td>• Legislate in the context of reduced mobility, policies at the level of public facilities and tourism;</td>
<td>DGT</td>
<td>1 year</td>
</tr>
<tr>
<td>• Promote the implementation of municipal operational plans.</td>
<td>ANMCV</td>
<td>1 year</td>
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</tbody>
</table>
2. Sustainable Development and the Environment

OBJECTIVES: overcome energy problems, saving the environment – attract new segments of tourists environmentally aware

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>PARTNERSHIPS</th>
<th>TIMING</th>
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<tbody>
<tr>
<td>• Improve the country’s energy sector, through the investment on renewable energies;</td>
<td>CVG - Cape Verde Government</td>
<td>5 years</td>
</tr>
<tr>
<td>• Prevent waste production, encouraging the re-use and recycling through innovative techniques and sensitization and training of companies and local communities;</td>
<td>CVG; ANMCV; NGOs- Non-Governmental Organizations; CS - Civil Society</td>
<td>2 years</td>
</tr>
<tr>
<td>• Develop basic sanitation infrastructure;</td>
<td>CVG; ANMCV</td>
<td>5 years</td>
</tr>
<tr>
<td>• Legislate to protect biodiversity and the conservation of nature;</td>
<td>CVG;</td>
<td>1 year</td>
</tr>
<tr>
<td>• Implement policies for the management of water resources;</td>
<td>CVG; ANMCV</td>
<td>2 years</td>
</tr>
<tr>
<td>• Encourage energy efficiency in new buildings and implement policies to support the restructuring of existing buildings to reach energy efficiency.</td>
<td>CVG; AA – Architects’ Association; EA – Engineer’s Association;</td>
<td>1 year</td>
</tr>
</tbody>
</table>
3. Development of Infrastructure and Accessibility

OBJECTIVES: facilitate the circulation of people – facilitate the distribution of national and imported products for the use of local population and tourism

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>PARTNERSHIPS</th>
<th>TIMING</th>
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<tbody>
<tr>
<td>• Develop airport infrastructure to meet the expected increase in air traffic in the coming years;</td>
<td>CVG; ASA – Airports Authority</td>
<td>3 years</td>
</tr>
<tr>
<td>• Provide seaports with conditions for better effectiveness in the reception of goods and passengers;</td>
<td>CVG; ENAPOR – Seaports Authority; PS - Private Sector</td>
<td>3 years</td>
</tr>
<tr>
<td>• Streamline the cruise segment, adapting the seaports;</td>
<td>CVG; ENAPOR</td>
<td>3 years</td>
</tr>
<tr>
<td>• Develop road infrastructures capable of accommodating the needs of economic and touristic development of the islands;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Develop public, maritime and road transport networks, in order to facilitate the movement of population and tourists, and so reducing associated costs;</td>
<td>CVG; MRM – Marine Resources Ministry</td>
<td>5 years</td>
</tr>
<tr>
<td>• Coordinate air, sea and ground transport systems, providing flexible timetables;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Create infrastructures able to reduce architectonic barriers for people with reduced mobility.</td>
<td>CVG; EM – Education Ministry</td>
<td>3 years</td>
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</tbody>
</table>
4. Education

OBJECTIVES: professionalize tourism – create job opportunities for local communities – offer qualified manpower to the companies established in the country

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>PARTNERSHIPS</th>
<th>TIMING</th>
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<tbody>
<tr>
<td>• Define specific curricula for each island, based on the tourism products offered and market segments to be attracted;</td>
<td>CVG; SHT; IEPF; DGT</td>
<td>2 years</td>
</tr>
<tr>
<td>• Promote the qualification of people to the various fields of tourism and hospitality;</td>
<td>DGT</td>
<td>1 year</td>
</tr>
<tr>
<td>• Implement a program of sensitization and training for tourism;</td>
<td>CVG; EM</td>
<td>2 years</td>
</tr>
<tr>
<td>• Develop school curriculum with the introduction of a foreign language (e.g. English);</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Invest in the general qualification of the population, so as to improve the quality of the products and services offered;</td>
<td>CVG</td>
<td>5 years</td>
</tr>
<tr>
<td>• Develop training programs in new technologies to the Cape Verdean population.</td>
<td>DGT</td>
<td>3 years</td>
</tr>
</tbody>
</table>
5. Tourism - Organisation and Qualification

OBJECTIVES: standardize practices – increase the safety and security levels – increase the notoriety of Cape Verde – protect the destination

<table>
<thead>
<tr>
<th>ACTIONS</th>
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<tbody>
<tr>
<td>• Regulate tourism activities in all related sectors;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Create an institutional structure, able to coordinate and implement a national tourism policy (for example: the Cape Verde Tourism Institute);</td>
<td>DGT</td>
<td>1 year</td>
</tr>
<tr>
<td>• Implement the code of ethics for tourism;</td>
<td>DGT</td>
<td>1 year</td>
</tr>
<tr>
<td>• Create a program of complaints handling centered on a Government Agency for the purpose of supervision of the process;</td>
<td>CVG; Private Sector</td>
<td>1 year</td>
</tr>
<tr>
<td>• Legislate in matters of security in resorts and tourist companies;</td>
<td>CVG; Private Sector;</td>
<td>1 year</td>
</tr>
<tr>
<td>• Supervise the tourism activity;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Create an official digital platform to promote the destination Cape Verde;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Encourage the establishment of associations by promoting cooperation between the various entities;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Promote the destination in a concerted way with the various stakeholders;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Encourage and promote the culture of the country as a factor in attracting new tourist segments;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Draw up tourism strategic plans for each island, involving the municipalities, creating cultural and entertainment agendas by town, all spreaded/promoted across the country;</td>
<td>CVG; ANMCV</td>
<td>2 years</td>
</tr>
<tr>
<td>• Streamline the Observatory of Tourism of Cape Verde, the body responsible for conducting studies and monitoring the touristic activity.</td>
<td>DGT</td>
<td>1 year</td>
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</tbody>
</table>
6. Economy and Incentives

OBJECTIVES: organize and implement across the country the concept of quality

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>PARTNER-SHIPS</th>
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<tbody>
<tr>
<td>• Implement quality certification programs – products, services and processes – creation of the Institute for Quality;</td>
<td>CVG</td>
<td>5 years</td>
</tr>
<tr>
<td>• Create a body responsible for the management of the production process: production – logistics – storage – distribution;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Stimulate the consumption of local produced goods, particularly by hotels;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Invest in marketing programs to improve the image of national products, for example its packaging – e.g. program ‘Cape Verde Cool’;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Involve the Chambers of Commerce in the update of the legislation and in the imposition of quality requirements – quality control of products and their presentation;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Create a program of State support, with policy of compensatory measures for the qualification of service of SME’s, including compulsory professional certification - e.g. tourist excellence program;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Create a body to coordinate and assume responsibility for the relations and policies across sectors;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Create programs to encourage private initiative on the part of local populations, promoting entrepreneurship; investment in infrastructures and business areas that influence the development of tourism – e.g. development, production and commercialization of crafts of Cape Verde;</td>
<td>CVG</td>
<td>1 year</td>
</tr>
<tr>
<td>• Promote the creation of air routes with more tourist markets, looking for airports that offer lower taxes (air transport strategy) – implementation of the marketing plan;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Modernize agriculture and fisheries, reducing their costs of production;</td>
<td>CVG</td>
<td>5 years</td>
</tr>
<tr>
<td>• Develop a campaign to encourage the consumption of local products;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Define tax and incentive policies common to all the Islands;</td>
<td>CVG</td>
<td>2 years</td>
</tr>
<tr>
<td>• Adopt measures to allow the reduction of airport taxes.</td>
<td>CVG</td>
<td>1 year</td>
</tr>
</tbody>
</table>
It is recommended that this work is now extended, in order to present concrete programs of inter-sectorial development that are fundamental to the sustainable development of tourism. This approach should be aligned with the World Tourism Organization’s code of ethics for tourism, summarized in the following statement:

“We affirm the right to make tourism and the freedom of the touristic movements; We express our desire to promote a world tourism order, fair, responsible and sustainable, for a shared benefit of all sectors of society, in a context of an open and liberalized international economy; and we solemnly proclaim with this objective, the principles of the global code of ethics for tourism.”
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