Netherlands Enterprise Agency

Cabo Verde: Multi-sector market study focused on tourism value chain development

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CABO VERDE: MULTI-SECTOR MARKET STUDY
FOCUSED ON TOURISM VALUE CHAIN DEVELOPMENT

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Table of Contents

ACRONYMS

AAVT	Travel & Tourism Agencies Association
ACAISA	Association of Commerce, Agriculture and Industry in Santiago
ACAMM	Cabo Verdean Merchant Marine Ship-owners Association
ACOPESCA	Fishery products authority
AI	All-inclusive hotel
AIAC	International Airport Amílcar Cabral
AIAP	International Airport Aristides Pereira
AMP	Maritime and Ports Agency
ARE	Economic Regulation Agency
ARFA	Food and Pharmaceutical Regulation Authority
ASA	Airport and Air Security Authority
ATM	Automated Teller Machine
BDS	Business Development Service
BSP	Bank Settlement Plan
CFB	Code of Fiscal Benefits
CIT	Corporate Income Tax
CTCV	Tourism Chamber of Cabo Verde
CVE	Cabo Verde Escudo
DGRM	General Directorate for Marine Resources
EHTCV	Cabo Verde Hotel and Tourism School
ENAPOR	National Port Enterprise
EU	European Union
FDI	Foreign Direct Investment
FDP	Fisheries Development Fund
FFV	Fresh Fruits and Vegetables
HACCP	Hazard Analysis and Critical Control Points
HORECA	Hotels, restaurants and cafés
IATA	International Air Transport Association
INDP	National Institute for Fishery Development
INE	National Institute of Statistics
INIDA	National Institute for Research and Agricuture Development
IUP	Property Tax
LAND	Properties Management Project for Investment Promotion
MAE	Ministry of Agriculture and Environment
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MDR	Ministry of Rural Development
MSME	Micro, Small and Medium Enterprises
RVO	The Netherlands Enterprise Agency
SDTIBM	Society for the Integrated Development of Tourism of Boa Vista and Maio Islands
SIDS	Small Islands Developing States
SME	Small and Medium Enterprises
STZ	Special Tourist Zones
SZRED	Special Zones for Renewable Energy Development
TF	Travel Foundation
TTCI	WEF Travel & Tourism Competitiveness Index
UNIDO	United Nations Industrial Development Organization
VAT	Value Added Tax
WB	World Bank
WEF	World Economic Forum

1 Executive Summary

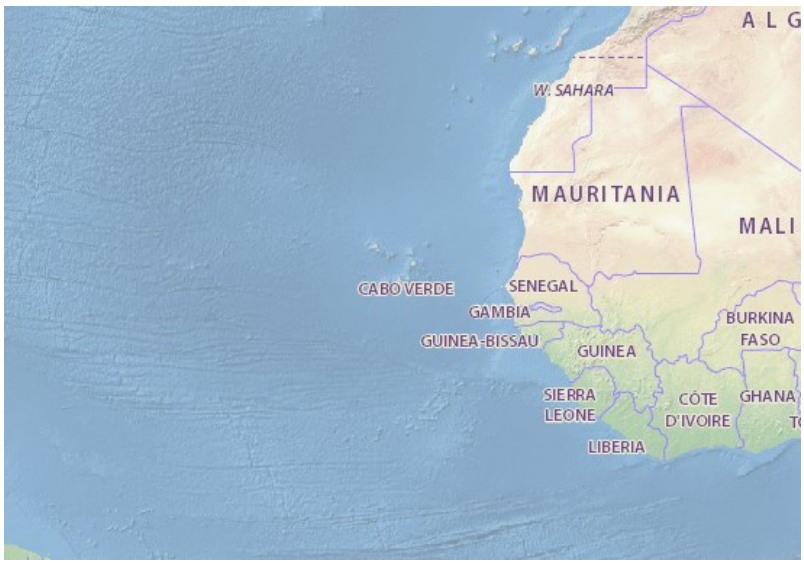


Figure 1: Cabo Verde geographic location

Despite being a small country, the specificities of the economic dynamic and the conditions to do business in Cabo Verde are not obvious and one could easily overlook the complexities and challenges that derives from the particularities of being an isolated archipelago. This point of view has been frequently addressed by different studies related to small island developing states (SIDS), where issues related to sustainability, financing and governance, and development policy have been extensively analyzed. Furthermore, maybe due to the singularities of the challenges, the available material, related to the private sector development in the SIDS, is not abundant.

In the "Business Day: Senegal, Guinea and Cabo Verde", organized by the The Netherlands-African Business Council - NABC and the Netherlands Enterprise Agency - RVO, held in The Hague on 26th of January 2017, to discuss business opportunities in the local contexts, and showcase success stories in these three west African countries, the authors confirmed the need to take an alternative approach to introduce Cabo Verde´s market to European investors.

The authors found that an integrated narrative of potential synergies and linkages of the main economic sectors "speaks louder" to the investors interested in the Cabo Verde market than a fragmented narrative of sectoral approach, where market failures, low scale, inefficiency and high cost of factors is the lowest common denominator for any economic activity in the archipelago, which is continually aggrieved due to insularity and isolation of the different islands.

As an archipelagic country, Cabo Verde´s market reserves particular opportunities for business investment that should be assessed, at least, in three different levels:

a. Opportunities beyond Cabo Verdean State capacity;
b. Opportunities that depend on State´s investment;
c. Domestic business opportunities;

In the first level, due to the geographic location, in the midway of the trade corridor between surrounding west African markets and north and south of the Atlantic, there are plenty of business operations in the sectors of energy, maritime, logistics and ports operations to be explored.

These are large scale business, intensive in capital, such as bunkering, transshipment, fleet maintenance and other related services, regulated under international laws and supplied by neighboring countries, such as Senegal and the Canary Islands, to a large range of customers that take part on the regional and international traffic density that cross Caboverdean waters. Although very relevant, these opportunities are not the focus of this study.

In the second level, to base business operations in Cabo Verde, a healthy business environment is required and this could be translated, in practical terms, into the effectiveness of the main infrastructures and basic services, such as efficient port operations, scale, storage and energy capacity, standardized level of services and an effective regulation and supervision system available, to enable profitable business operations. These are the case of the fishing processing plants in São Vicente and the hotel resorts in Sal and Boa Vista.

Aware of the need for more and better investment in infrastructures and legislative reforms to improve the business environment, the Government of Cabo Verde have been investing significantly in all the sectors and in the 9 inhabited islands. This fragmented effort, by islands, limits in one hand, the impacts of the infrastructures and in the other hand, easily produces a polarization and concentration phenomenon, where heavy public investment is mostly concentrated in three islands (Santiago, Sal and São Vicente).

The third level reflects the business environment in the domestic market where, since independence in 1975, the main economic activities have been mostly developed in three main centers: Agriculture in Santiago, Fogo and Santo Antão; Fishing and Maritime in São Vicente; Tourism in Sal and Boa Vista; and Energy in Santiago, Sal and São Vicente.

In spite of very limited infrastructures, services and labor force, Santo Antão and Fogo are increasingly attracting more tourists, however the market is still very small and severely constrained by transport bottlenecks.

The islands of São Nicolau, Maio and Brava are still isolated islands, and, as such, they are highly dependent of the central government, with less transportation connections with the rest of the islands and the world. Despite their agriculture, fishing and tourism potential, development and business is severely constrained in these islands.

In the same isolation phenomenon, the countryside of the island of Santiago is usually unregarded, due to the proximity to Praia (the political capital), where the main infrastructures, government and public services, and the majority of private sector businesses and labor force is concentrated. Agriculture, rural, ecological and historic type of tourism, such as bird watching, hicking and historic spot as “Cidade Velha” ruins[1] are seen with major potential for tourism diversification. Since the last decade of the twentieth century, Cabo Verdean tourism has become one of the fastest growing sectors and it has been appointed by the Government as the engine of growth and development of Cabo Verde.

In spite of the fact that tourism accounts directly to 25% of the GDP, it’s a known fact to the government and main economic stakeholders that the local economy is not significantly benefiting with the current tourism dynamic, based on the all-inclusive (AI) model, where

[1] UNESCO World Heritage, 2009

the bulk of the Foreign Direct Investment (FDI) in tourism operates as an enclave, supplied by an integrated ecosystem of foreign operators.

Evidences suggest a large absence of explicit strategies and linkages between the tourism activities, the economic sectors and the national development strategies.

The international tour operators lead the All Inclusive (AI) operations, introduced a high level of business sophistication that is beyond the reach of most local companies operating in the related sectors. As shown in the study, the AI model is a highly-integrated and concentrated value chain, managed from abroad through risk management frameworks, where risk is controlled granularly. Besides the strict requirements, related to risks of rupture of the supply value chain and health and safety issues, it was also noted that the current suppliers of the main AI are all foreign owned and are part of ecosystems that have similar investments in the Canary Islands, Caribbean and North of Africa.

The opening of the International Airport in Boa Vista in 2007 marks the current tourism boom. Official statistics reported 644.000 tourists in 2016 with 10,3% growth of tourist night stay and 13% increase of number of guests from 2015. In short term, by 2020, government predicts that more than one million tourists will visit the archipelago.

Despite steady growth, tourism is still a sector with minor expression in terms of job creation, massively dependent of the tourism monoculture model of sun & beach, concentrated in two islands, Sal and Boa Vista, generally leaving small local HORECA tour operators out of the market or struggling to take part in the least attractive parts of the tourism value chain.

The increase of tourism was facilitated by significant investments made in the basic infrastructure. Through different strategies, Caboverdean Government have been able to finance structural projects such as airports, ports, roads and other utilities and this have pushed the public debt to 131% of the GDP in 2016.

While some of these investments, such as the airport in Boa Vista, were exclusively made to attend the tourism industry, it is fair to require a more visible contribution of tourism to country wealth production and it is, by all reasons, fundamental to have a balanced strategy to sustain tourism consolidation in the long term.

Due to the volcanic origins the archipelagic nature of Cabo Verde is quite exotic in terms of environment diversity mixing a diverse array of elements such as flat and plain islands with surrounding beaches in Sal, Boa Vista and Maio, and Islands with rugged relief, volcanic peaks, mountain ranges, winding valleys and landscapes that invite adventure, stroll or delight with the view of the infinite horizon of the surrounding sea.

Besides, AI´s affordable and convinient offer for holidays in Sal and Boa Vista, the substantial legacy related to the history and culture (specifically music) is not being properly and systematicaly used to promote Cabo Verde as a cultural tourism destination.

However, in spite of the potential for tourism diversification, Cabo Verde still is a tourism charter destination, focused on sun & beach the value chain led by international tours operators.

The distribution of tourist is concentrated (91% of tourists) in two islands, Boa Vista with 41% and Sal with 50% of night stays. Spontaneous and small scale marketing initiatives leds

the rest of 9% of the market of tourist night stay to Santiago (4%), São Vicente (3%) and the four other Islands with only 2% of guests in 2016.

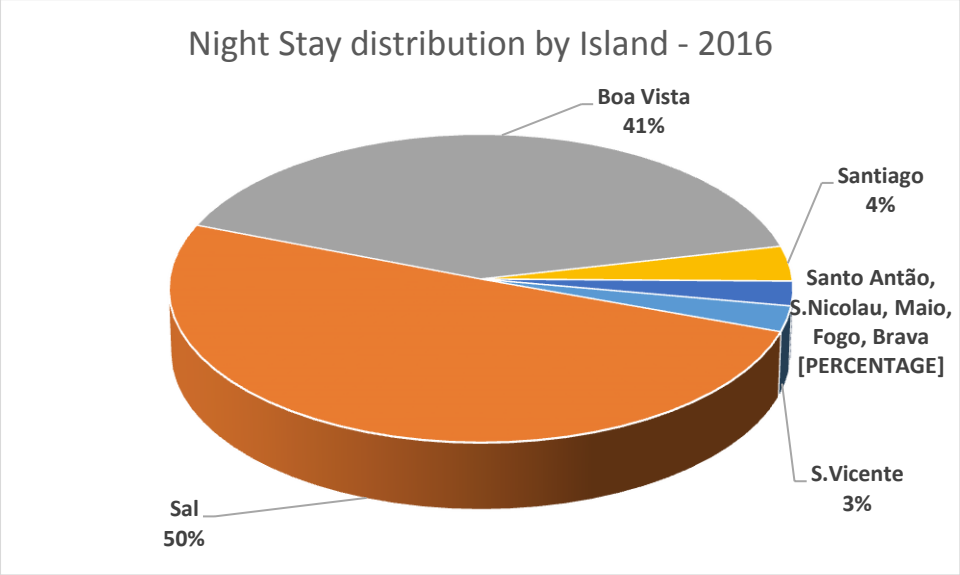


Figure 2: Tourism Market distribution by Island

In fact, the mass tourism happening in Sal and Boa Vista is a "David vs. Goliath" situation, which offers very few alternatives to local players. Cabo Verdean tourism operators and overall small business, established in the 9 inhabintant islands, have access to less than 10% of the total market of tourists traveling to Cabo Verde and depend on a set of market failures related to the internal market fragmentation, scale, financing, and other major issues limiting their competitive abilities to take part on continuous and reliable value chain.

The analysis of the existent value chain shed light on how the large-scale tourism is happening in Cabo Verde. Besides the identified constraints, the opportunities that the current tourism model presents are attractive for local players but requires a higher level of business sophistication in the related sectors. Yet, the local players will still have to compete with the current and well tuned suppliers of the AI and their integrated supply chains.

Based on these inputs, and in order to take direct advantages of the tourism opportunities, it is recommended fostering sectoral development strategies, to minimize and decrease impacts of current threats. A comprehensive list of actions was generated to reinforce the national technical capacity and increase business sophistication in the different sectors, and ultimately to create more opportunities for integragion of local operators in the tourism value chain.

It is also highlighted in this study that, besides large fiscal incentives, Cabo Verde's Government has never had a cleaver and articulated strategy to attract tourism FDI and as such, it is demonstrated that the international operators discovered the tourism potential of Cabo Verde, and took great advantages to establish favorable agreements with minor compensatory measures, which enabled the current growth, were the bulk of tourism is generated and managed through the all-inclusive model.

As such, it is strategic for the country to develop a new higher value tourism offer, beyond the established AI chains, and related to the different islands' potential. There is a need for an updated global marketing strategy to allow worldwide consumers to discover, identify, customise and purchase Cabo Verdean tourism products. An entirely new and integrated

internal value chain should be developed, by the government and private sector, to sustain the marketing of Cabo Verde as tourism destination.

In the current scenario, both challenges, sectoral business development and global country marketing are imperative needs for a new and higher value propostion for sustainable tourism in Cabo Verde. These are achievable in medium term but depend largely on vision, consensus and leadership of the government and entrepreneurial initiatives and skills of the national private sector.

Due to the market failures and complexities, the international cooperation is also a great asset to support the government strategy and to build capacity of the governmental departments, private sector representatives and civil society institutions, and ultimately to mediate large FDI of public interest wherever is needed.

2 Introduction

Following the manifested interest of the government of Cabo Verde to have Dutch companies investing in the sectors of Tourism, Agriculture, Renewable Energy and Maritime (including fisheries), and the interest shown by Dutch companies on business opportunities in Cabo Verde, the Dutch Government decided to identify, more precisely, the investment opportunities in these particular sectors in Cabo Verde.

The main objective of Cabo Verde's government is to promote economic growth while reducing public deficit and debts. Promotion of foreign direct investments in the country is an important objective of the government of Cabo Verde which wishes to improve its Trade Balance while having its local private sector benefiting from foreign knowledge and expertise.

This Multi Sector Study focused on Tourism Value Chain Development provides an integrated narrative of the private sector development in Cabo Verde, in the sectors of Tourism, Maritime (including Fishery), Agriculture and Renewable Energy.

The authors aimed to produce an updated report, sustaining the analysis on facts and validated data but found severe constraints related to updated statistical data. For instance, the last Agriculture Census data is from 2004 and the Businesses' Census is from 2012. The lack of updated data is a critical condition that limits the Government capacity to define fact based development policies and that eventually limits the assessment for cooperation and investment purposes.

Also, the transitional institutional framework, that emerged from the general election of 2016, still limits, as of July 2017, the identification of policies and strategic options put in place by the current administration.

In essence, the government of Cabo Verde is in the process of conception of the new National Development Plan 2017 - 2022 (PEDS - Strategic Plan for Sustainable Development), which represents an opportunity to discuss new strategic priorities and to question previous approaches taken in the former National Development Plan, III Growth and Poverty Reduction Strategy Paper from 2011 – 2016 (DECRP III - Documento de Estratégia de Crescimento e Redução da Pobreza).

While the first phase of this study was strictly based on the Terms of Reference, where a consistent methodology was applied to analyze the sectors separately, in the second phase, after a narrowing down process, the study focus shifted to an integrated analysis of the tourism value chain development linked with four particular sectors (agriculture, fisheries, maritime and energy).

This second approach has allowed the identification of key potential links between these sectors and important gaps that must be addressed by the public and private sector, and development cooperation.

In the chapter 3, the authors describe the context where business opportunities happen in Cabo Verde, through a country and private sector profile, using selected measures, indicators, trends and other relevant information. The importance of tourism sector development and level of integration is also analyzed along with the existent public policies and tourism governance. This chapter summarizes the Private Sector Study, describing the mix of methodology used to respond the study objectives, and justifying the focus on

tourism as the main catalytic sector, to which the activities of the other sectors (agriculture, fisheries, maritime and energy) should link to.

In the chapters 4, 5, 6, 7 and 8 the sectors of Tourism, Agriculture, Fisheries, Maritime, and Energy are respectively and extensively analyzed. These chapters were systematically organized and besides the sector characterization, the chapters also provide an in depth analysis of the sectoral demand and offer relation with the value chain of tourism. Based on all information gathered, through document analysis, interviews to stakeholders and field missions, SWOT analysis were made, to generate strategic recommendations to the public administration and identify key opportunities for private sector investment and development cooperation.

The chapter 4 reveales to be the main core of this multi sector analysis. The all-inclusive (AI) model is analyzed in all of its components, such as air transportation, accommodation and night stays. How the tourism flow is generated, distributed, and managed inside the AI model, the mandatory requirements, determined by the international tourism operators, are key aspects to be considered while studying business opportunities in the tourism value chain. The chapter also provides indicators that show how tourism is massively centered in the islands of Sal and Boa Vista and how it is evolving inside the AI and outside the accommodation establishments. The tourism value chain analysis shows that the space available to include local operators in the value chain is confined into the least profitable links of the chain and depends on their limited capacity for investment and business know-how.

The agriculture sector is analyzed in chapter 5 and following a standardized structure, the traditional agriculture is characterized through its main stakeholders and aspects. Specifically, and based on data collected from the field missions, this chapter quantifies and estimates the quantities of consumption of banana and papaya in the islands of Sal and Boa Vista versus the quantified production capacity of the main producers' islands of Santiago and Santo Antão. The value chain analysis shows that there is enough production to supply the tourism demand with banana and papaya, but without a proper organization and integration of the internal market, the local producers and distributors seem to be unable to setup a reliable supply chain. Intrinsically, the traditional agriculture sector development is threatened by the international players' operations, importing fruits or even by establishing greenhouses to supply the AIs.

Chapter 6 analyses and characterizes the fisheries sector through its main players and aspects. The main AI supplier considers that, due to uncovered sanitary risks, local fresh fish is not an option. Nonetheless, data collected from the field mission, near a sample of establishments that operate in the AI and bed and breakfast model, allowed to estimate the quantities of consumption of fresh fish in the islands of Sal and Boa Vista. The offer situation is presented and discussed in the value chain analysis, which shows the level of underdevelopment of the sector and the need for an integrated strategy and investment to enable fish catch, processing, storage and distribution under proper and secure sanitary means.

The maritime sector is characterized and analyzed in chapter 7. Following the identification of the main stakeholders and aspects of the maritime transportation system, the demand and offer data of the maritime services is described and discussed in the value chain analysis. Aside a declared interest of the main international tour operator, the internal

circuit is disrupted by absence of regular connections between the touristic islands and the rest of the country. Considering the state of the existent fleet, there is currently no offer to enable circulation by sea of the bulk of tourists that reach Sal and Boa Vista to the rest of the islands.

Energy and renewable energy systems are characterized and analyzed in chapter 8. The energy sector is highly regulated and organized around the main state owned energy company ELECTRA, which is the dominant player holding the monopoly of the energy distribution concession. Despite recent progress, the renewable energy is used as a complementary source of energy, with little or minor impacts in terms of the cost of the energy generated. The archipelago characteristic severely impacts the energy generation and the analyses reveals that the country is highly dependent on fossil fuel. As such, renewable is a smart alternative, but one that requires further investments. Additional regulation to enable micro generation is still pending and new players' entry depends on negotiations with the government and ELECTRA. Still, in Boa Vista and Sal there are established independent producers.

Due to the focus on tourism, and based on selected and identified case studies related to the supply of goods and services to the value chain of tourism, chapter 9 presents the following fiche cases that summarizes the identified business opportunities for investment and cooperation:

- Case 1: Improve the banana and papaya value chains to serve the tourism sector;
- Case 2: improve the local business climate for investment in agricultural land;
- Case 3: improve the capacity of local fishery sector to serve the tourism sector;
- Case 4: increase the quantity and quality of local service providers active in the Tourism industry;
- Case 5: Improve the business and technical capacity of local ship-owners;

The multi-sector report enabled a comprehensive narrative about sectoral development in Cabo Verde, recommends a set of strategic actions to improve business environment and also points to specific opportunities for cooperation.

Private investment opportunities are also highlighted, but considering the current level of business sophistication and market constraints, business projects are recommended to generate additional specific and in depth researches, to further clarify the opportunities. Tourism is the most dynamic sector in Cabo Verde, with strong links with global value chain, and the data and information provided here is clearly a head start.

3 Cabo Verde Market

In this chapter, the country profile is described through social and economic indicators along with information about the performance of the country in the international trade and the current investment regime. This chapter delivers context about doing business in Cabo Verde.

As a WTO member since 2008, Cabo Verde had to revise key aspects of its trade-related legislation, in particular a new Customs Code adopted in 2010, a new investment law (adopted in 2013), a Code of Fiscal Benefits (adopted in 2013), and a new framework law governing sanitary and phytosanitary measures. The country complies with the multilateral trading system principles, including open and non-discriminatory regimes for business services, distribution, education, environmental services, and road transportation, and partial commitments in commercially financial services, telecommunica-tions, construction and maritime transportation.

Figure 3: Cabo Verde Archipelago

Agricultural export subsidies, sanitary and phytosanitary (SPS), customs legislation, import licensing, anti-dumping, state trading, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) are some of the WTO agreements ratified by Cabo Verde. The Trade Facilitation Agreement (TFA) initiatives is currently underway.

In 2015, the Cabo Verde's Trade Policy exam confirmed that, despite the constant need for technical assistance to enhance the institutional capacity, the country is generally open for trade and investment with new policies in place to improve the business environment.

For a broader understanding of the market, this chapter also describes the private sector profile through several indicators and trends regarding the overall performance of the companies operating in the country.

Besides the utilities companies and those considered the major companies in the islands, such as banks, telecommunications, insurance and transportation companies, most of the companies in Cabo Verde operate in up to three islands and this fact is mainly due the market fragmentation, but also related to the lack of internal maritime transportation to integrate the market.

Financing is reported, by the private sector representatives and by several studies, including some prepared by international cooperation institutions, as the main constraint for local companies' development, and as such, the financial market is also briefly analyzed.

3.1 Country Profile

Cabo Verde is a micro country with a tiny and fragmented internal market, located at 660 km off the coast of Senegal in West Africa.

When discovered by the Portuguese fleet in 1456 the archipelago was uninhabited but soon after the islands became part of the international migration phenomenon that happened ever since in the middle of the Atlantic Ocean.

In different moments of the history, migration and traffic over the Atlantic have been critical for the economy of the islands, either as a key geo-strategic location for slave traffic, coal supply station, telecommunication hub, maritime and air traffic or more recently, as a "hot" winter tourism destination.

3.1.1 Social indicators and trends

For centuries, the country's overall population size has fluctuated significantly, as recurring periods of famine and epidemics have caused high death tolls and emigration. Droughts, famine, human rights, education, political and economic issues (all together sometimes) are historical causes of a constant migration flow of the Cabo Verdean population.

Nonetheless, the country has made great improvements to increase the Human Development Index (HDI)[2]. After ascending to the group of the medium developing countries in 2007 the country reached an HDI of 0.648 in 2016, which positioned Cabo Verde at 122 out of 188 countries and territories. Cabo Verde leads the sub-Saharan region index with life expectancy at birth of 73.5 years and expected years of schooling of 13.5, but still faces structural constrains for development.

Due to the long history and scattered population there is no exact number of how many Cabo Verdeans are overseas. Although it is estimate by many sources that Cabo-Verdean diaspora is two times bigger than actual 550,000 homeland residents.

According to the Cabo Verde national report on migration, from 2009, the diaspora is mainly in the United States (264.900) and Portugal (80.000). On the other hand, according to the Dutch Centraal Bureau voor de Statistiek, Cabo Verde diaspora in The Netherlands was of (22.157), in 2016.

Poverty is considered a structural problem in the archipelago. According to the World Bank 37% of population is estimated to be poor and the phenomenon affects women and children living in the rural areas. Emigration is still one of the main survival strategies adopted by the population to overcome lack of internal resources. More recently, due to constraints imposed by the destination countries people have been forced to move internally, to the urban area, instead of emigration.

The diaspora communities continue to play a critical role to alleviate poverty by sending remittances, goods and helping fellow relatives in the homeland.

Currently, Cabo Verde is experiencing a reverse migration phenomenon becoming a destiny for people from Angola, Portugal, Guinea Bissau, Italy, China, Nigeria, Senegal and others.

[2] Human Development Report 2016, UNDP

This is a social phenomenon that brings new elements to the dynamics of the society since it brings new labor skills, new capacity for entrepreneurship and investment.

As a Small Island Developing State (SIDS), located in the sub-Sahara region, under strong influence of the desert, the country economy suffers from a poor natural resource base, including serious water shortages, exacerbated by cycles of long-term drought, and poor soil for growing food on several of the islands, requiring the Cabo Verdeans to import most of what they consume.

3.1.2 Economic indicators and trends

Based on the Constitution, Cabo Verde have a semi-presidential system, which means that government is formed by parliamentary majority and power is shared between the President and the Parliament. In April 2016, after the latest round of legislative election, a new government was formed by Movimento para Democracia (MPD) who succeeded Partido Africano para a Independência de Cabo Verde (PAICV), which had been in power for 3 consecutives terms (15 years).

As such, Cabo Verde is internationally recognized as a stable democracy where, in the last 25 years, the two main parties have been alternating in power regularly through free and general elections.

The leader of MPD and new Prime Minister, Mr. Ulisses Correia e Silva took office promising change, institutional reforms and strong focus in the economy. Having won the legislative and the majority of municipal elections, the new government faces unprecedented political space to implement tough reforms but highly limited alternatives to foster the economy.

Cabo Verde's economy highly depends on development aid, foreign investment, diaspora remittances, and tourism. The economy is service-oriented with commerce, transport, tourism and public services accounting for about three quarters of the GDP. Tourism is the mainstay of the economy and depends on conditions in the euro-zone countries.

With public debt reaching 131% of gross domestic product (GDP) in the end of 2016, Cabo Verde is assumed to be at a critical juncture. Pressures on public finances in 2016 and beyond suggest a high risk of continued increases in debt as the government takes on board liabilities of largely insolvent state owned enterprises (SOEs), the national airline (TACV) and a social housing project (Casa para Todos).

Reducing the public debt burden remains a major challenge. While most of this debt is on concessional terms, gross financing needs are increasing, limiting the ability of the government to use fiscal policy to absorb shocks

Economically, the post-global crisis recovery in Cabo Verde remains fragile as growth in the largely tourism dependent archipelago slowed to approximately 1.5% in 2015—almost half the rate of 2014. Growth is projected to be just under 4% in 2016, a slight recovery over the previous year, but not enough to bring down debt levels.

In 2015, the Cabo Verdean GDP structure was divided among agriculture and fishing (7%), industry and construction (17%), and services, including trade (76%). For an estimated population of just over 512,000 inhabitants, per capita GDP was around €2,904.

Gross Domestic Product (current prices)	2014	2015
Sectors		
Agricultures	**6.5%**	**6.8%**
Fisheries	1.1%	1.1%
Extractive Industry	0.4%	0.4%
Transformation Industry	5.3%	5.2%
Energy and Water	2.6%	2.6%
Construction	9.5%	8.4%
Trade	11.5%	10.9%
Transport	9.6%	9.9%
Hotels and Restaurants	5.7%	6.2%
Telecommunications and Post	4.0%	3.7%
Financial Services	3.5%	3.6%
Real estate and other services	10.4%	10.4%
Services for companies	2.6%	2.7%
Public Administration and defense	15.5%	15.5%
Taxes less subsidies	12%	12%
Gross Domestic Product	100%	100%

Table 1: Gross Domestic Product – Source: Instituto Nacional de Statistic. Ano Base 2007

The government's elevated debt levels have limited its capacity to finance any shortfalls. Urgent and aggressive fiscal consolidation is necessary to put the debt on sustainable levels and to allow space for a future, growth-oriented fiscal policy.

Economic activities were further constrained by the anemic growth in credit to the private sector, despite respective reductions of 0.25 and 3 percentage points in the benchmark, and required reserve rates by the central bank during 2015.

As the Eurozone crisis spread, it was Cabo Verde's misfortune that the crisis contaminated precisely its biggest Eurozone partners and donors, such as Portugal, Spain and Italy. For such a highly dependent and exposed economy like that of Cabo Verde, the deteriorating external sector has had a substantial negative impact on its macroeconomic performance.

The rebound in foreign direct investment (FDI) combined with policy reforms to improve the investment climate are expected to support domestic demand leading. Prices are expected to remain low due to a mix of local and international developments, thereby, providing the base for further loosening of monetary policy. In this context, the economy is expected to expand in the range of 3 to 4% of GDP between 2016 and 2018.

Despite traversing these years of adversity and external shocks, and suffering palpable setbacks, Cabo Verde's economy had proven surprisingly resilient, especially its main economic sector, tourism.

Economic surveillance is another source of concern for many employers. Illegal and anti-economic practices are not closely oversight by the authorities. Lack of means, unskilled personnel, dispersion of the internal market are some of the constraints faced by the local authorities to control the economic activity.

3.1.3 Trade Performance and Trends

Given the country's weaknesses, soon after independence (1975) the Government focused the trade strategy on supplying the domestic market through public structures created for distribution and marketing, by integrating public aid management with control of imports of goods and services.

The early 1990s saw the start of an extensive gradual economic liberalization process, through economic reforms. Imports were fully liberalized in 1999, including essential goods, though subjected to special licensing conditions, given the importance of supplying the domestic market.

Trade liberalization consolidated the transition from a State-centered economic model to a market economy. However, the legislative reform implemented proved to be insufficiently regulated and, despite the legislative alignment with the free market policy principles, technical and institutional constraints, exacerbated by resource constraints, are, to this day, reflected in the State's ability to implement a trade policy that is integrated with development policy.

As noted by the WTO, Cabo Verde uses a range of legal instruments to regulate economic activity, including in the area of trade. A pragmatic step was taken at the time of independence to extend the validity of all laws, rules, regulations and procedures unless they had been expressly revoked or considered incompatible with Cabo Verde's sovereignty. Over the years, the adoption of new laws and regulations has gradually replaced legislation predating independence, and the process has largely been completed as evidenced along this study.

International trade is key for Cabo Verde development. Despite food production characteristics, the country depends on trade for every other productive activity. According to the 2013 DTIS study it’s nearly impossible to find a product produced in Cabo Verde that doesn’t incorporate at least one imported component.

Cabo Verde's foreign trade is deeply marked by the structural deficit of its balance of payment. Nevertheless, the improvement occurred in recent years (around 5.5% annual average), thanks to faster export growth between 2006 and 2014, is noteworthy.

Despite a consistent improvement in recent years, thanks to the faster pace of growth in exports, of both goods and services, than in imports, the balance remained deficient. The trade deficit went from -15.3335 billion CVE in 2012 to - 3.7548 billion CVE in 2013.

In addition to the high deficit in its balance, Cabo Verde's foreign trade is marked by its lack of diversification. Analyzing the structure of goods exports, it appears that in 2014 exports of fresh fish, crustaceans and mollusks accounted for 44.5% of total exports, while transformed fish accounted for 40%. The remaining 15% corresponded to clothing, footwear and accessories, and alcoholic beverages.

The value of exports of goods and services, including re-exports, increased from 67.6125 billion escudos in 2012 to 75.6874 billion escudos in 2014, an increase of about 12%. Oppositely, the value of imports of goods and services rose from 102.331 billion escudos to 103.7358 billion escudos in the same period, representing an increase of only 1.4%. The combination of the trends in these two indicators results in a very favorable growth in the

coverage rate of exports of goods and services, which rose from 66.1% to 73.0%, between 2012 and 2014.

The top ten imported products in 2014 accounted for 54.8% of total imports that year. Fuel, engines and machinery, reactors and boilers, iron and articles thereof, milk, cement, motor vehicles, rice, alcoholic beverages and textiles were the top ten imported products that year.

That same year, consumer goods accounted for 39.7% of total imports, followed by intermediate goods (31%), fuels (15.3%) and capital goods (11%).

The European Union has historically been Cabo Verde's most important trading partner, and a common language with several countries in Europe, Africa, South America and the Pacific facilitates cultural and trade links across the globe. The large Cabo Verdean diaspora is also a source of commercial exchanges. Cabo Verde's regional trade with other ECOWAS countries appears to be relatively insignificant, accounting for 1.2% of total imports and 0.1% of Cabo Verdean exports in 2014.

Africa is the continent that least supplies Cabo Verde, with only 1.8% of our total imports in 2014, preceded by America (6.8%) and Asia (9.2%).

From a purely commercial point of view, Europe is Cabo Verde's main customer and supplier. In 2000 that continent was the destination and origin of 85.2% and 78.3% of total Cabo Verdean exports and imports, respectively. In 2014, these percentages stood, respectively, at 85.6% and 80.7%, representing a slight increase in both items.

Portugal and Spain are Cabo Verde's main customers. In 2000, these countries received 78.6% and 3.5% of total exports from Cabo Verde, respectively. In 2014, the positions were reversed and the percentages stood at 15.0% and 63.8%, respectively. Portugal, followed by The Netherlands and Spain, are Cabo Verde's main suppliers. In 2000, these countries accounted for 48.1%, 6.0% and 2.7%, respectively, of total Cabo Verdean imports. In 2014 the percentages stood, respectively, at 39.0%, 20.0% (2013) and 8.4%.

Information gathered from WTO reports shows that merchandise imports in any year surpass exports more than tenfold. This pattern reflects the Cabo Verdean growth model based on high import content. It also adds to freight costs, as containers have to return empty. Imports are primarily consumer goods (including food), followed by fuel, and capital goods. The large majority of goods is imported, or transshipped, from the EU.

The main export industry is tourism, which contributes roughly half of total goods and services exports. By virtue of its geographical location at the crossroads between continents, navigation services within the Cabo Verdean airspace (so-called Oceanic Flight Information Region) provide significant export earnings.

3.1.4 Investment Regime

Cabo Verde introduced a new investment law in 2012, establishing a general framework of rights and guarantees for investments contributing to the socio-economic development such as job creation, reduced socio-economic disparities, increased and diversified exports, improved balance-of-payments, innovation, and transfer of technology.

The law itself does not ban investment in specific sectors, but acknowledges that the activity must be permitted by law. The law similarly applies to domestic and foreign investors.

No particular sector or activity is reserved for domestic investors, and limitations on ownership are not prescribed. However, the law exempts from its scope "projects which, given their nature or size, may merit special treatment and support from the State, including through the signing of an Establishment Agreement".

Contractual tax benefits	• Investments made under the Investment Law may benefit from exceptional incentives relating to customs duties, CIT/IUR, IUP[3] or Stamp Duty, to be granted by the Council of Ministers, under an investment contract, preceded by a proposal of the Government or official responsible for Finance, provided that the investment cumulatively fulfill the following conditions:
	  • exceeds CVE 500 Million (EUR 5 million);
	  • is relevant for the promotion and boosting of the national economic development in line with the Government's program;
	  • generates at least 10 direct jobs within 3 years.
	• Investments made outside the urban municipalities of Praia, Sal and Boa Vista benefit of a reduction of 50% regarding the requirements of amount of investment and job creation.

Investment contract	1) The investment contract establishes the tax incentives to be granted, their objectives and goals, as well as the penalties for noncompliance with conventional benefits not being able to extend beyond 10 years.
Type of tax incentives to be granted	2) Contractual tax benefits may take the form of an exemption, deduction from taxable income, accelerated amortization and depreciation, and reduced tax rates.
Limitation on the tax incentives to be granted	3) The effective tax rate resulting from the application of tax benefits cannot be lower than 1/5 (one- fifth) of the tax rate in force. Contractual tax benefits shall not be cumulated with any other benefits provided for in TCB. Investment contract benefits should not apply to investments aiming internationalization as these are covered by specific legislation.

Table 2: Incentives under Establishment Agreement with CV Gov

The Investment Law (Article 5.2) and the Code of Fiscal Benefits (CFB) (Article 16) also refer to investment projects that may merit "special treatment" and be granted "exceptional" incentives by the Council of Ministers.

Nevertheless, the Code of Fiscal Benefits (CFB) states that such benefits may not be extended beyond ten years, and may not result in an effective tax rate that is less than 20% of the rate in force. The beneficiaries are to be inspected annually by the tax authorities.

The Code of Fiscal Benefits (CFB) also stipulates numerous tax incentives available to financial services providers, notably:

a. 75% reduction in corporate income tax for yields on long-term bank deposits and certificates of deposits;

[3] Corporate Income Tax (CIT or IUR), Property Tax (IUP)

b. 5% corporate income tax on yields from bonds and similar instruments (except listed debt securities), applicable until the end of 2017;
c. no corporate income tax on dividends paid by listed companies (until the end of 2017); and
d. tax credits and tax exemptions on the incomes of savings and investment funds and payments made by these funds to their clients. Stamp duty is not levied on instruments that secure the financing of investments.

Holding companies are not liable to taxation of capital gains from the sale of shares of affiliated enterprises, provided the shares have been held for at least 12 months.

Investment projects that are defined as contributing to the "internationalization" of Cabo Verde businesses are subject to a special and more generous regime. Current investment law and fiscal benefits legislation govern all new investment projects, or extensions of earlier projects representing at least 25% of the cost of the initial investment.

The repatriation of investment funds and the free transfer (within 30 days) of profits, royalties, commissions or other income is guaranteed through Article 7 of the Investment Law for all foreign investment registered with the Cabo Verde central bank (BCV).

The Investment Law stipulates that any nationalization or expropriation of property may only be carried out for reasons of public interest and against "prompt, full and fair compensation". In cases of a dispute between the State of Cabo Verde and an investor, the arbitration procedures outlined in the Investment Law would involve recourse to (i) the Framework Law on national arbitration.

Transfer operations that could be subject to prior verification by the BCV are transactions exceeding CVE 1 million falling under the heading "private unilateral transfers"; transfers exceeding CVE 5 million as revenues or as payment for services rendered (except for interest payments on previously authorized loans); and the pre-payment or final settlement of current transactions more than three months in advance when the instalment exceeded CVE 1,000,000 (and 35% of the contractual value).

Foreign residents leaving the country with over CVE 1 million in foreign currency require proof of acquisition from a regulated institution (e.g. bank) or proof of entry into the country with the same or higher amount.

Residents are subject to prior verification by the Cabo Verde Central Bank (BCV) for amounts greater than CVE 1 million in foreign currency. There are no restrictions for residents or foreign investors on opening bank accounts in foreign currency.

Cabo Verde has concluded bilateral investment treaties with nine countries – Angola, Austria, China, Cuba, Germany, Italy, The Netherlands, Portugal, and Switzerland. The agreements were signed between 1990 and 1998. Except for the treaty with Italy (signed in 1997) all agreements are currently in force.

Cabo Verde has concluded agreements regarding the avoidance of double taxation (of income and capital) with Portugal (1999) and Macao, China (2012). Agreements with Spain, Singapore and Mauritius are under negotiation.

3.1.5 Private Sector Development Policy and Reforms for Competitiveness

Government policy, reforms and practices have strong influence in the business climate. Specially in Cabo Verde, where government often acts as buyer, supplier and competitor.

Cabo Verde government still owns enterprises (SOE) and participation in the air, maritime, communication, information technology, media and energy, sectors where economic operators' performance depends significantly on the efficiency of economic infrastructure that is managed by the administration and constrained by SOE´s concurrence.

As a former centralized and planned economy, Cabo Verde business environment is still strongly affected by government policies, regulations and licensing requirements. It's worth to note that Cabo Verde's government have privatized two dozen of SOE in the last 20 years, but still owns several key public companies that are run on budgetary deficit.

Moreover, the government has been reforming the business environment for some years now, and through these reforms, new independent regulations agencies have been introduced, bringing new sets of standards and behaviors that affects the market as a whole, with direct social benefits, but often rising operational costs or fixing and limiting the end price. These strongly affect the existence of competition and the overall efficiency of the market. The maritime and energy sector are key examples.

The impacts of the latest agenda of reforms, implemented by Cabo Verdean Government, are reflected from the planning to the implementation of measures that are crucial to enhance the national economy's competitiveness, as well as to contribute to a leap in the country's economic growth and sustainable development at all levels.

International benchmark suggest that Cabo Verde still has some roads to pave, to become an attractive investment destination. The World Bank's Doing Business 2017 report ranks Cabo Verde 129th among 190 economies on the ease of doing business.

Cabo Verde Ease of doing business rank (1-190) - DB 2017	**129º**
Starting a Business	100º
Dealing with construction permits	108º
Getting Electricity	142º
Registering properties	73º
Getting Credit	118º
Protecting minority investors	162º
Paying taxes	86º
Trading across borders	113º
Enforcing contracts	43º
Resolving insolvency	169º

Table 3: Cabo Verde ease of doing Business rank 2017. Source WB.

Although Cabo Verde's ranking is relatively favorable on elements such as the enforcement of contracts (43º), registering property (73º), and starting a business (100º), the report suggests that Cabo Verde is lagging in other areas, notably in obtaining electricity (142º), protecting minority investors (162º), and resolving insolvency(169º).

Despite the 43rd position in enforcing contracts criteria, according to several sources, business owners recurrently complain about how slow and bureaucratic judicial processes are. Besides that, mediation and other means to solve contentious are still incipient.

In terms of trade across borders Cabo Verde was ranked at 113º in 2017. In addition to the general documentation accompanying international trade (invoice, transport documents and certificate of origin) the legislation requires, depending on the imported product, specific documentation, such as sanitary and phytosanitary certificates, totaling 7 documents for export and 8 documents for import.

While Cabo Verde's overall score is better than the average for Sub-Saharan Africa and many of its peers in West Africa, in 2014, the World Bank has only noted significant progress in the areas of starting a business and property registration.

In 2015, it was duly noted by the WB that Cabo Verde had made transferring property less costly by lowering the property registration tax, making the registration property rank climb to 74th position.

In 2016, the WB highlighted one single reform in Cabo Verde, related to labor market regulation and introduction of unemployment insurance for workers with a contribution period of at least six months. Indeed, the entire advance of Cabo Verde in the World Bank's country rankings occurred between 2009 and 2011.

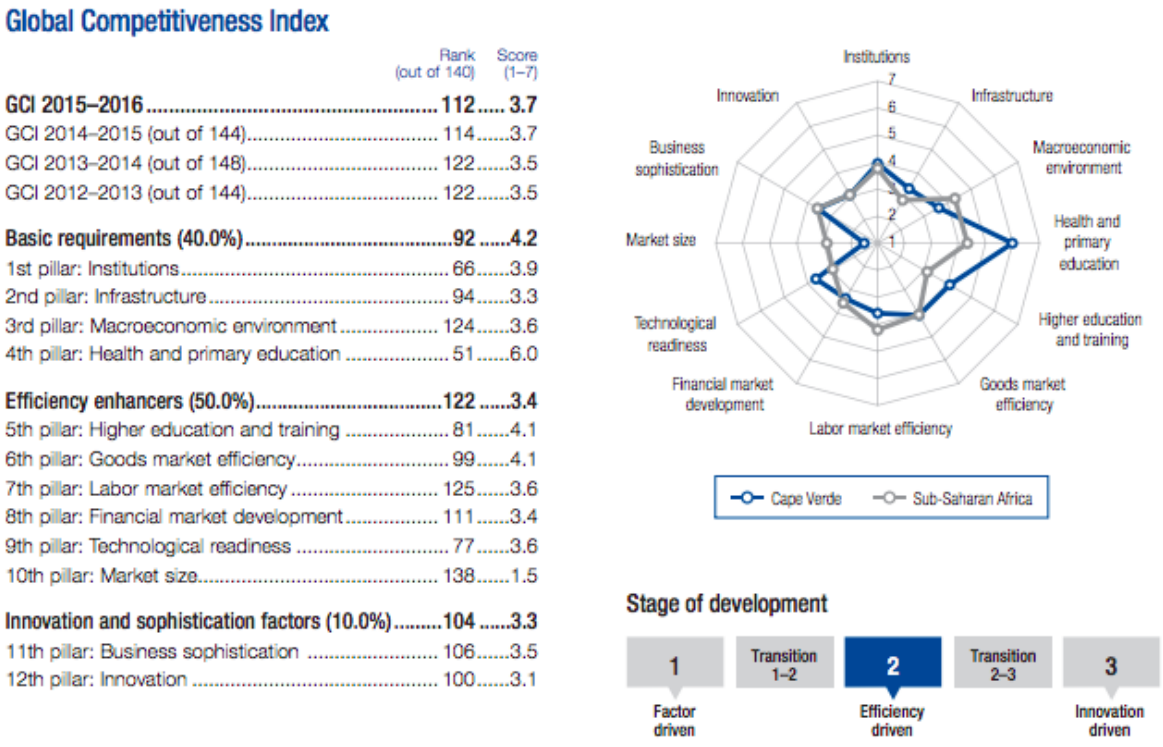


Figure 4: Cabo Verde Country Profile - Global Competitiveness Report 2016

The country was ranked 112th by the Global Competitiveness Report 2016, improving two points in the overall ranking. According to the report, Cabo Verde is an efficiency driven economy.

In terms of basic requirements, the reports confirm the worst performance of the macroeconomic environment (124º) and the infrastructure (94º).

In terms of efficiency enhancers, Cabo Verde have noncompetitive performance in the market size (132º), labor market efficiency (125º), and financial market development(129º). In the overall the efficiency factors need to be improved in every factor.

In terms of innovation and sophistication the country is ranked in the position 104th.

The reports confirm business owners' concerns related with financing, taxation and bureaucracy as the main constraints that affect business in Cabo Verde. For local entrepreneurs, access to financing is a huge topic that needs to be urgently addressed. Besides the time to negotiate credit, the cost of the money is indeed prohibitive for certain businesses.

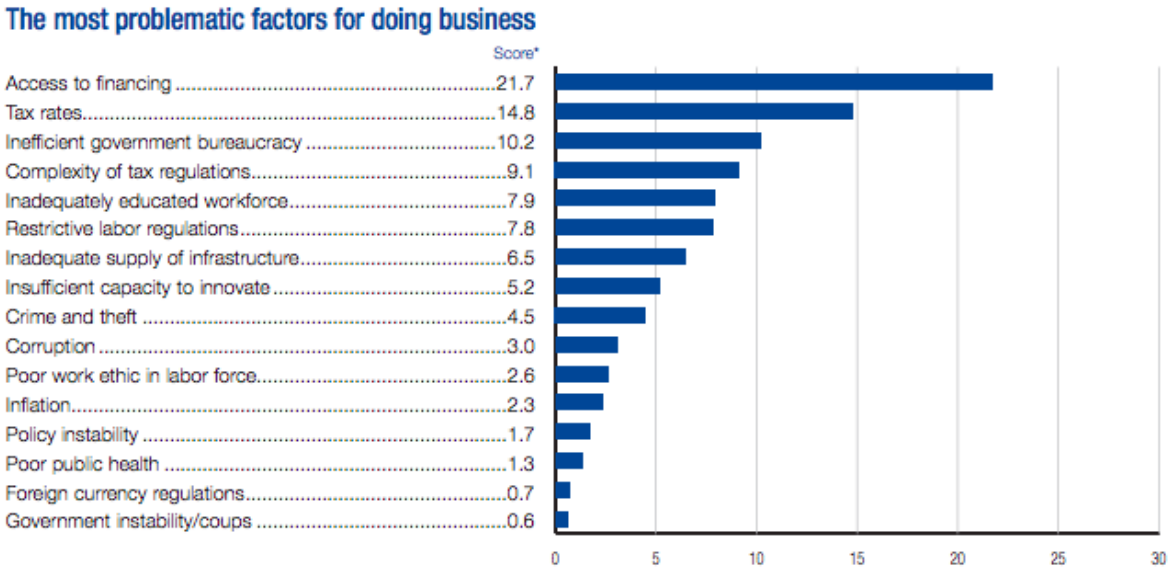


Figure 5: Cabo Verde - Most Problematic Factors for doing Business - GCR 2016

Economic reforms are needed for developing the private sector and attract foreign investment, diversify the economy and mitigate high unemployment.

Currently (in June 2016) the government is preparing a new action plan for competitiveness with multi-years' targets related to Doing Business measures, fiscal competitiveness, travel and tourism competitiveness and Higher Education and Training Index. The action matrix of the plan is under direct supervision of the Prime Minister.

3.2 Private Sector Profile

Despite being a small country, the specificities of the economic dynamic and the conditions to do business in Cabo Verde are not obvious and one could easily overlook the complexities and challenges that derives from the particularities of being an isolated archipelago.

This point of view has been frequently addressed by different studies related to small island developing states (SIDS), where issues related to sustainability, financing and governance and developing policy have been extensively analyzed. In the other hand, maybe due to the singularities of the issues, the available material, related to the private sector development in SIDS, is not abundant.

Due to the country characteristics, scale is a major constraint and, when profit depends on scale, businesses are heavily constrained in Cabo Verde. With a small population, a tiny and fragmented market between sparse islands, in a big ocean with poor domestic, regional and international connection, these are main structural characteristics that limits the scale opportunities in every sector. However, in the tourism sector, the vertical and integrated value chain of the all-inclusive resorts is boosted by the scale of their operation.

3.2.1 Type of Companies

The Government of Cabo Verde has given priority to the streamlining of business registration procedures and the facilitation of investments.

The concept of "Business in one day" was introduced in 2003. Today, businesses can be registered within 24 hours through the Citizen's Houses (Casa do Cidadão) provided the necessary documentation is in order.

Investors can choose between incorporation as a limited liability company (sociedade por quotas), an individually-owned limited liability company (sociedade unipessoal por quotas), a joint-stock company (sociedade anónima – SA), or an individually-owned joint-stock company (sociedade unipessoal anónima).

The registration fee amounts to CVE 10,000, or CVE 11,000 if the business is to be registered with the Chamber of Commerce. Since 2013, the minimum capital required to establish any type of company is a symbolic CVE 1.

The large majority of active companies in Cabo Verde are Sole Proprietorship (Sociedade Unipessoal 74%). Private Limited Companies (Sociedades Limitadas) represents 22% of the market and Public Limited Companies represents 4% of the total (S.A.R.L).

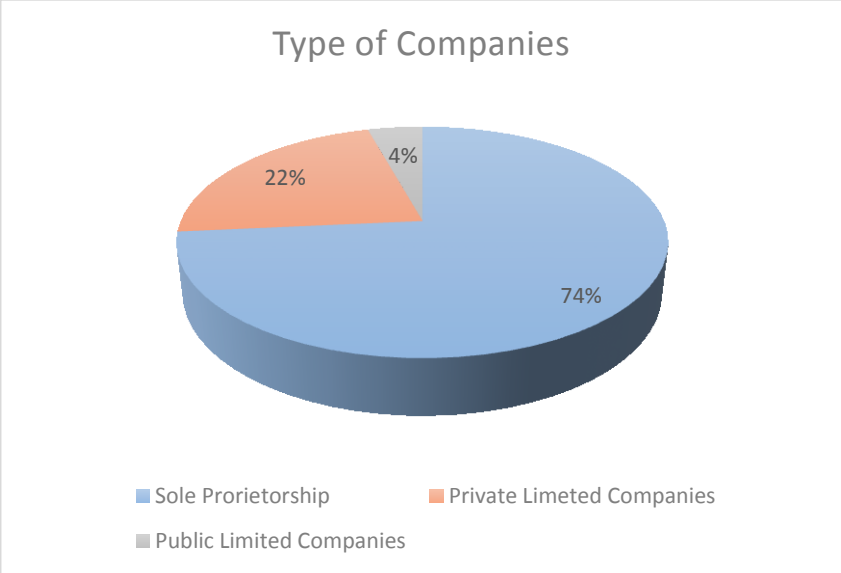


Figure 6: Type of Companies

Four companies are listed and traded at Cabo Verde stock exchange. The two major banks[4], a fuel company[5] and a tobacco company[6].

The Commercial Companies Law previews the constitution of Cooperatives as a type of company but oddly it's not reflected in the official data. For instance, cooperatives of production in Fogo (Wine, Coffee, Cheese) are the most successful ones in terms of output generated, and Fogo Coffee Spirit (coffee enterprise) is a leading example of low scale, high value approach to reach niches in the international market.

3.2.2 Active Companies Trend

According to the National Institute of Statistics (INE), until 2015, there were 9.404 registered active companies operating in the country, which represented a 24% growth from 2007, when there was 7.511. These companies were mainly located in Santiago (44%), São Vicente (20%) and Sal (10%).

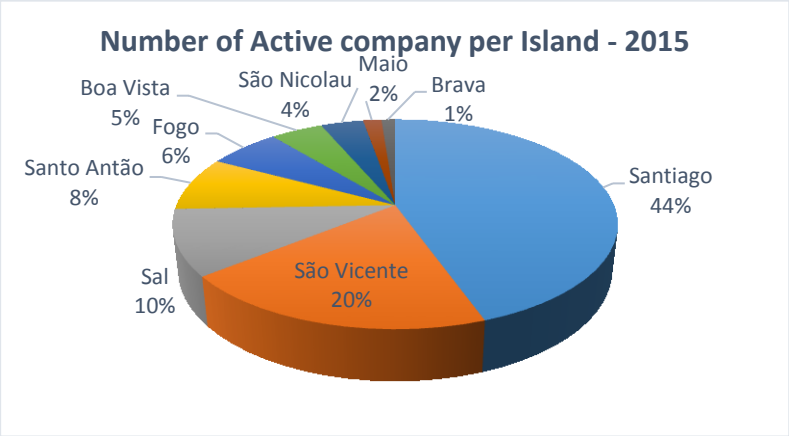


Figure 7: Number of active companies per island - 2014

From 2007 to 2015, data shows an average evolution of 3% of the number of active companies in each island. However, it is worth noticing the quasi flat evolution trend from 2010 to 2015 of 1%, and the drastic situation in the islands Fogo, Maio, Brava, with negative evolution trend.

[4] BCA and CAIXA
[5] Enacol
[6] Tabacos de Cabo Verde

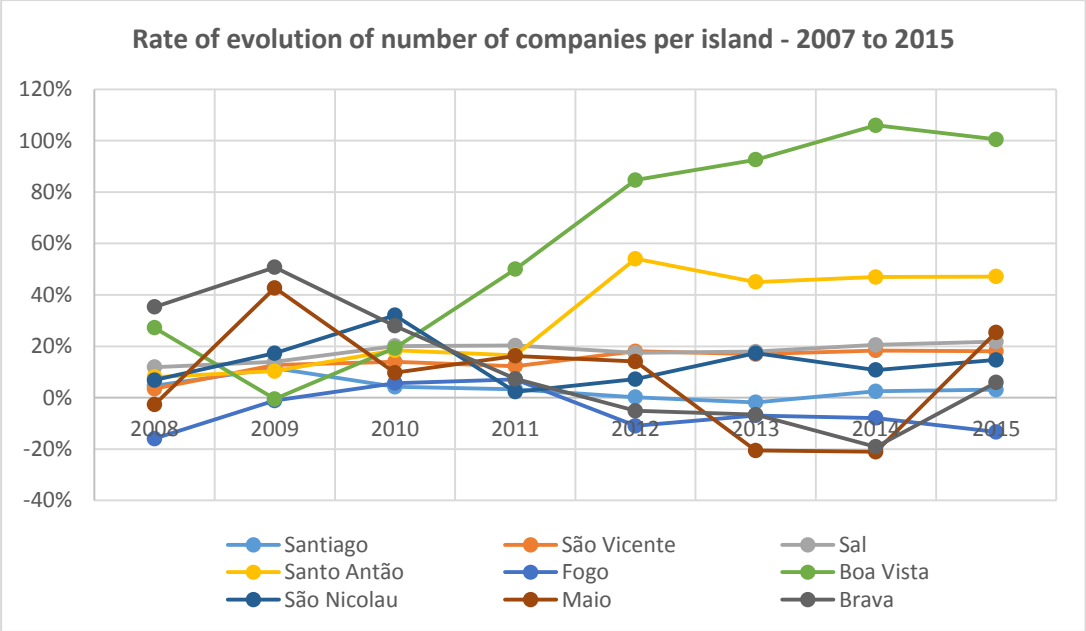


Figure 8: Rate of evolution of active companies per island – 2007 to 2015

Boa Vista's steady lead of new active companies' generation, followed by Santo Antão, in a clear trend of the impact of tourism in the economy. Interviewed stakeholders considered that Sal is almost reaching the saturation point while Boa Vista is seen as the future, with plenty of space for growth. Santo Antão is also in the trend of tourism growth and data shows a steady increase of active companies since 2010.

It's worth to note the 4% aggregated evolution rate of the number of active companies in Sal and Boa Vista (considered touristic destination) compared with 1% in average in the rest of the country since 2010. Although, the overall tendency is negative in both group.

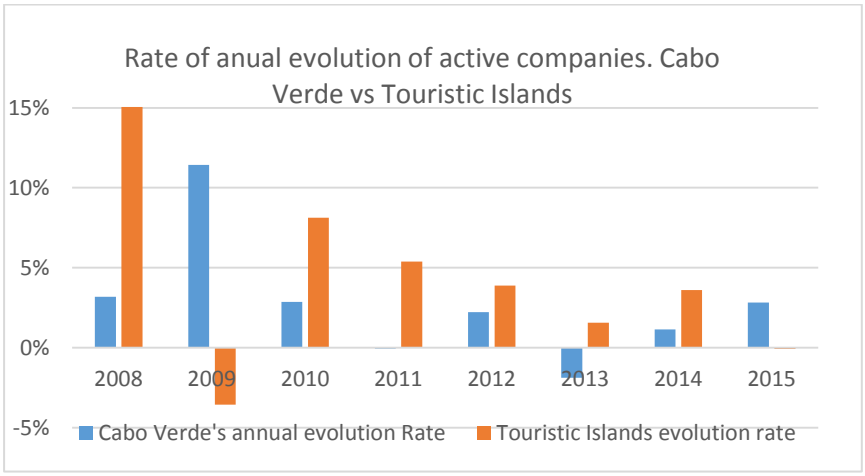


Figure 9: Evolution of active companies

3.2.3 Employment market Trend

The private sector companies employed 30% (52.524 employees) of the workforce in 2014, where 46% where in Santiago, 23% in São Vicente and 18% in Sal. Considering that the Public sector, in the same period, employed about 9,7% of the workforce, it is then assumed that remaining 60% of employment is by the informal sector.

In terms of employment, per type of company, the overall trend is consistent for years. the Limited Liability firms leads with 38% of the total employees. Data registered a shift of the trend from 2010, where sole proprietorship companies where the larger employer to 2014 when this type of company registered 30% of employees. Public Limited Company presented a small growth (7% compared to 2010) and reached 32% of the number of employees in 2014.

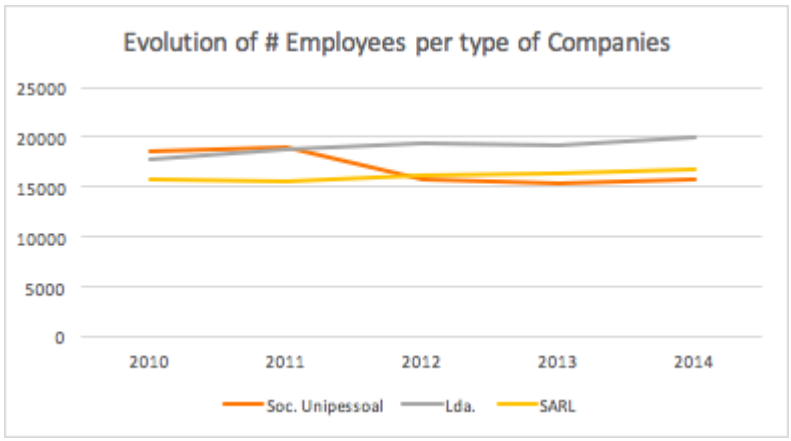


Figure 10: Evolution of number of employees per type of Companies. Source: INE

Since 2010, the national average evolution of employment in the private sector is 1% yearly, while in Sal the average is 5% and Boa Vista is 13%.

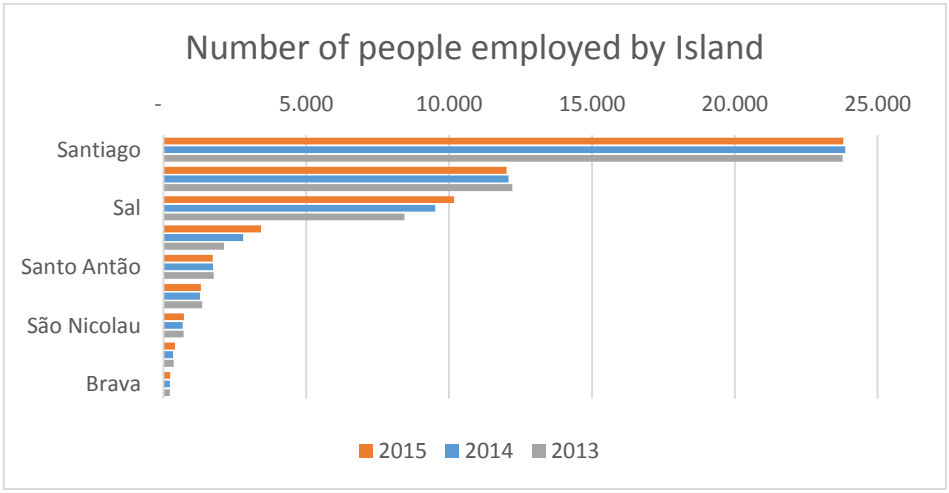


Figure 11: Number of people employed per Island

Despite considerable progress over the past two decades, unemployment remains persistently high at 15.8% in 2014, 12,4% in 2015 and 15% in 2016 which puts the country under pressure of social distress.

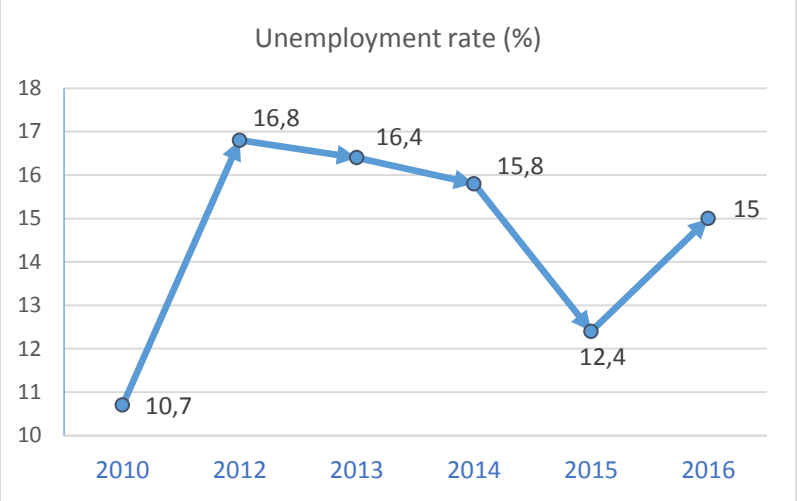


Figure 12: Unemployment rate trend

33. Reforms to regulate Cabo Verde's labor market, including the enforcement of a new Labor Code, are pending. The country introduced a minimum wage on 1 January 2014 (CVE 11,000 per month).

3.2.4 Revenue Trend

Data collected from the enterprise census, from 2010 to 2015, shows a slow evolution (9%) of the total revenue generated by the established companies, with some islands such as Santiago, São Nicolau, Maio and Brava presenting a negative evolution of -5%, -30%, -50% and -20% respectively.

Island	2010	2011	2012	2013	2014	2015
Santiago	124,387,644	135,017,860	124,430,521	121,753,460	120,897,365	117,791,800
São Vicente	62,054,788	72,299,088	72,145,477	68,699,798	70,480,519	68,620,435
Sal	30,816,942	36,055,677	38,909,672	46,408,390	41,262,650	51,010,135
Boa Vista	5,984,084	6,849,095	7,687,565	6,507,396	6,874,815	7,411,709
Santo Antão	3,234,251	3,554,731	3,372,647	3,287,725	3,540,996	3,598,274
Fogo	1,578,951	2,111,431	2,078,905	1,992,484	1,981,337	1,872,062
São Nicolau	1,390,623	1,254,638	1,183,046	1,079,816	1,011,573	970,768
Maio	697,020	946,027	688,405	546,411	377,991	348,986
Brava	407,946	351,993	325,569	323,688	326,062	327,727
Total	**230,552,249**	**258,440,540**	**250,821,807**	**250,599,168**	**246,753,308**	**251,951,896**

Table 4: Revenue evolution per island and per year. Source: INE

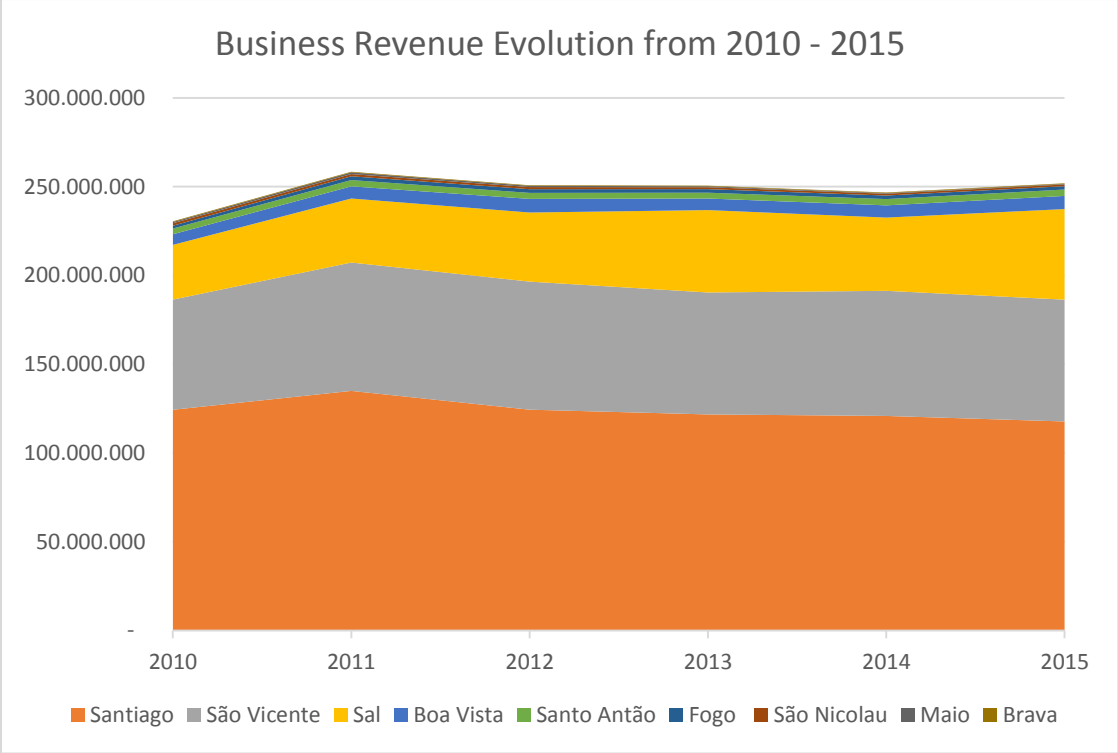


Figure 13: Revenue Evolution per Island. Source: INE

In 2015, compared to 2010, the islands of Sal, Boa Vista, Fogo and São Vicente, with revenue rate evolution of 66%, 24%, 19% and 11% respectively, were leading business dynamics in Cabo Verde, mainly due to tourism, fishery and agribusiness developments.

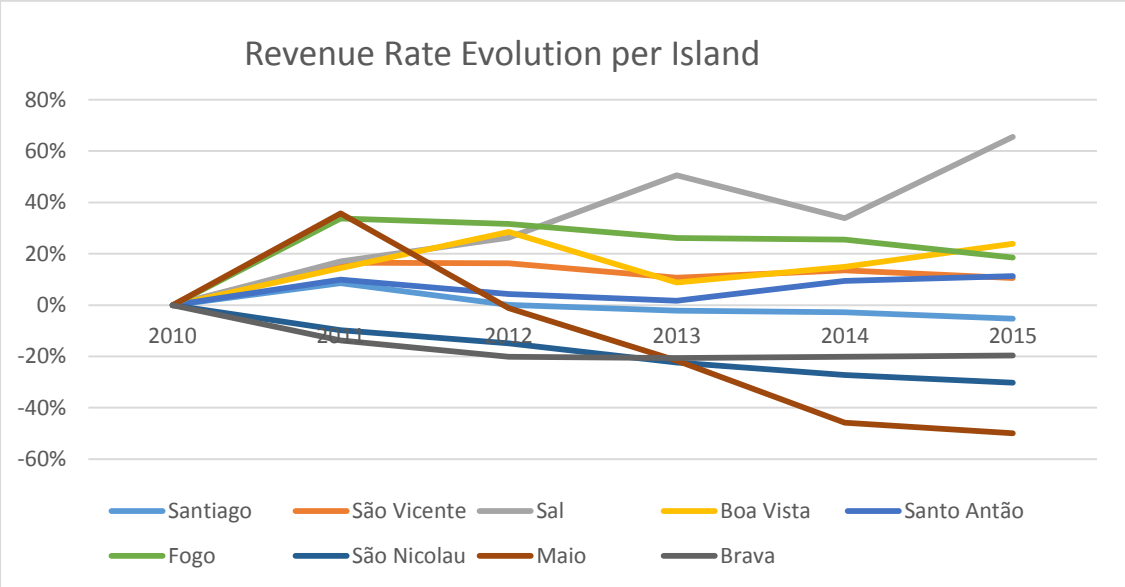


Figure 14: Revenue Rate Evolution compared to 2010. Source: INE

In terms of revenue per type of company, Public Limited Companies registered 61% of the total and Private Limited Companies registered 29% of the total in 2015.

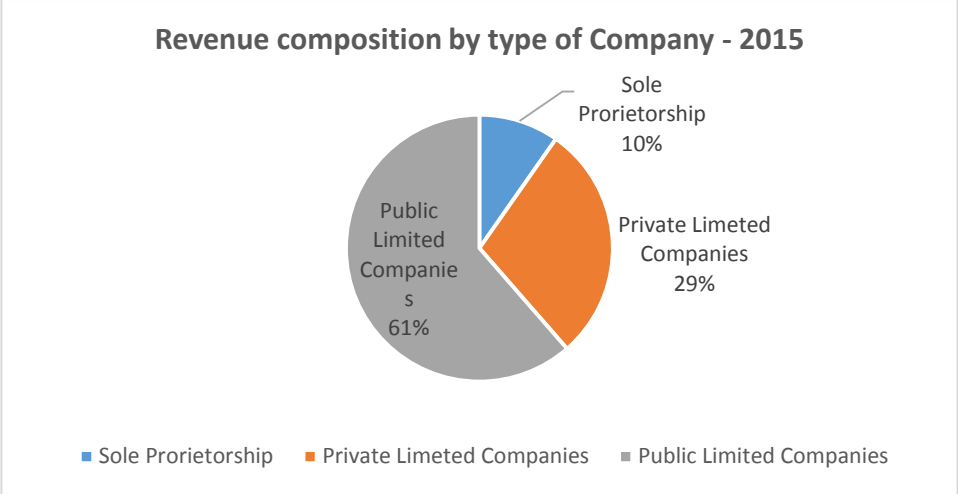


Figure 15: Revenue composition per type of companies

Besides having a declining revenue trend in the period (21%, in 2014, 17% in 2015), Sole Proprietorship Companies are generating only 10% of the total revenue. Considering that this type of company represents 74% of the number of active companies in the market, there is a certain need for further study the phenomenon.

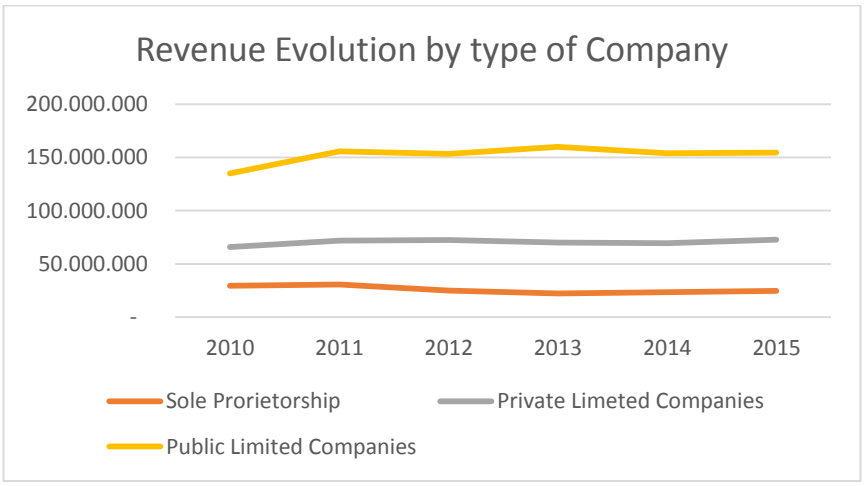


Figure 16: Revenue evolution by type of company

According to data collected from the last annual statistical report of INE, from 2015, the largest companies operating in Cabo Verde have generated an aggregated net profit of 2% over the total revenue.

Aggregate indicators and results of the larger companies in 2014 (in thousand)		
Total Revenue (2014)	**CVE 238,144,241**	**100%**
EBITDA	CVE 29,602,828	12%
Profit before Income Tax	CVE 7,734,862	3%
IUR (25%)	CVE 2,491,314	1%
Net Profit	CVE 5,243,549	2%

Table 5: Aggregated indicators of the larger companies in 2014 (in thousand)

3.2.5 Financing

The problem of limited access to financing in Cabo Verde, especially by SMEs, has already been diagnosed in several studies, so there are many solutions that have already been listed to promote the expansion of financial services to segments that are not well served by the traditional financial system.

According to INE, SMEs consist essentially of a universe of about 33,000 informal productive units that operate mainly in the commerce sector but also in industry and services, have unstable incomes, cannot offer collateral such as loan guarantees and no salary domiciliation, so the traditional banking system do not have effective risk assessment tools for processing a large number of low-amount credit applications. Facts that make access to credit very selective, restricted and expensive.

Otherwise, Micro Finance has been operating in Cabo Verde for some decades and some 8 microfinance institutions are affiliated with the Federation of Micro Finance Associations.

In the study carried out by the International Finance Corporation – IFC, to access the installation of a credit bureau in Cabo Verde, it was found that in 2009 MF associations had a portfolio of 23,315 loans representing a volume of 244 million CVE of small loans, that varied in the range between 10,000 and 300,000 CVE.

MF associations work with commerce (71%), productive activities (14%) and Services (15%) and maintain a network that guarantees coverage on all islands.

At the time of the IFC study, they faced some constraints related to sector regulation, lack of financing and technology for managing operations. Some of these constraints have already been overcome, including the question of banking supervision, so it is necessary to update the study to know the current situation.

In the meantime, despite the lack of specific legislation for the regulation and supervision of the Micro Finance sector, the government advanced in 2011 with the creation of NOVO BANCO SA in order to meet the needs of the unserved segments. Framed within the traditional banking system, NOVO BANCO began to compete commercially with established banks, thus diverging from the initial purpose and ultimately constituting a strategic failure that culminated in the recent resolution (2017) of the bank by the BCV.

There are other complementary instruments in the country such as Cabo Verde Garante, Credit Information Center (credit risk assessment mechanism), A Promotora (Venture Capital Society, and Business Assistance for the development of business plans with Pró Empresa.

The effective operationalization of these instruments and the coordination of efforts between the institutions seems to be critical for the expansion of microfinance to the productive sectors and the SMEs.

The issue of slow justice system is an aggravating factor in the scenario presented, since judicial mechanisms for protecting investments and recovering debts lack speed and efficiency and thus have a significant impact on the perception of risk and consequently on the interest rates practiced.

The central bank's economic situation report of 2016 reports that the banking system has maintained high levels of surplus liquidity and a high degree of aversion to macroeconomic and credit risks, with monetary transmission below desirable.

3.3 Importance of Tourism Sector in the Cabo Verdean Economy

The 10 islands of Cabo Verde have a pleasant climate during most of the year with 350 days of sunshine, a coastal line with 1.020 Km, and some of them offer an impressive mountain scenery as well. Diving, windsurfing, sailing and trekking are available to tourists. Some ecotourism activities are being developed on the islands of Fogo, around the active stratovolcano Pico do Fogo, and Santo Antão's valleys and mountains.

The climate is temperate, with a warm, dry summer, and, as a part of the greater Sahel region of Africa, precipitation is meager and falls between the months of August to October, peaking in September. Some islands see almost no rain, these are Sal, Boa Vista and Maio.

Despite the country rich history, cultural tourism has not been particularly promoted up to now, there is great potential for cultural and rural tourism, with the islands' different landscapes that go from mountains to sandy dunes, from little countryside and fishermen villages to relatively bigger urban centers, with different cultural specificities and manifestations.

Cabo Verde tourism sector is still driven by the sun and beach tourism, being the islands of Sal and Boa Vista the main destination of tourists (77% of the tourists and 91% of the night stays) and of foreign direct private investment.

Its estimated that besides Sal and Boa Vista, the rest of the islands (Brava, Santiago, Fogo, Maio, S. Nicolau, São Vicente and São Antão) received 146,832 tourists in 2016 which represents 23% of the total and only 9% of the night stays.

After Cabo Verde's graduation from Least Developed Country to Middle Income Country in 2007, Cabo Verde's economy have become increasingly more dependent from tourism income, in substitutions of international development aid flows.

The tourism sector, which receives about 90% of the Foreign Direct Investments (FDI), has been the main driver of economic growth and a critical factor of employment generation.

In the last decade, a substantial growth in the tourism sector has occurred, and the sector now accounts for about a quarter of the GDP and over 60% of exports. The impact of tourism on the economy is more significant if associated with certain sectors like construction and real estate.

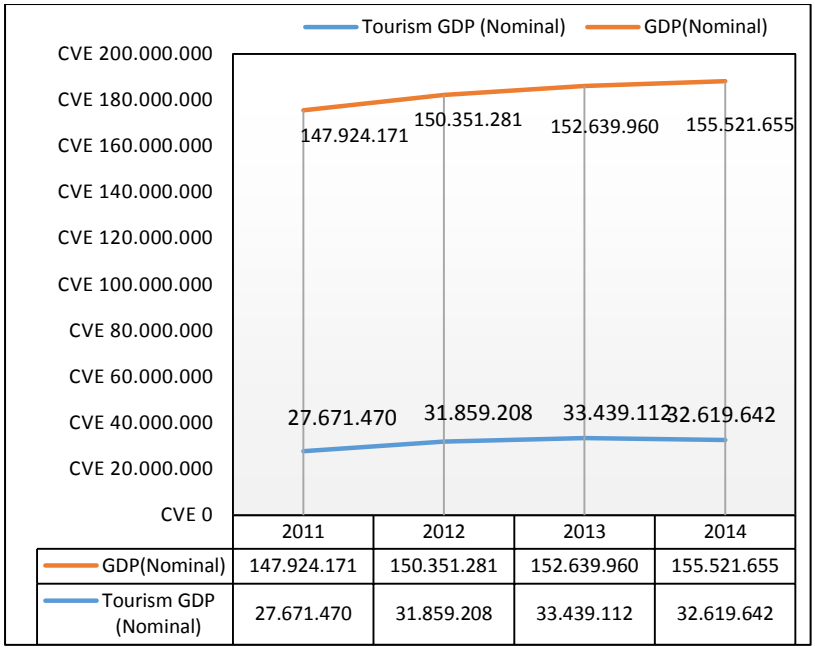


Figure 17:Tourism contribution to the GDP, 2011 to 2014. Source: INE

The downside of heavy dependency on tourism is that the country is now prone to sectoral vulnerabilities, i.e. external shocks generated by Europe's economic crises.

Since the current tourism products in Cabo Verde are still basically related to sun and beach (sea, sun and sand), there are no apparent positive differentiation with the country's direct competitors, i.e. Macaronesia, north Africa (Morocco, Tunisia) and West Africa (Senegal, Mauritania).

Regarding the last group, the advantage of Cabo Verde's product relays basically on:

a. the country advantages regarding the North and West Africa region security and regional diseases problematics, and also

b. due to the fact that the destination is still not internationally super popular, hence not saturated, with growth margins.

Since the bulk of tourism is concentrated in the islands of Sal and Boa Vista, historically lower in population density, the other islands, culturally richer, are left out of the big tourists' circuit. The possibility of developing cultural and other leisure related products in these islands is therefore hampered. The current tourism product of Cabo Verde reflects very little, or nothing, of the Cabo Verdean culture and soul, and this needs to be changed to further differentiate it.

3.3.1 Tourism integration with the local economy

The statistic satellite account of INE measures the impacts of production activities characteristically of Tourism. Initial data from 2011 revealed the following touristic activities and their contribution for the economy of tourism.

Tourism account in the total products produced by activity sectors characteristic of tourism - 2011 (In thousand CVE)	**Total in the economy**	**Tourism Share**
Maritime Transport of Passengers	273,952	246,557

Culture, Sport and entertainments	400,581	200,291
Rent a car	435,079	435,079
Travel Agencies	898,678	898,678
Restaurants and Similar	4,034,537	2,824,176
Related to Transport	8,469,518	1,016,342
Ground Transport of Passengers	8,550,631	1,710,126
Air Transport	8,594,194	8,594,194
Hotels and Similar	13,716,509	13,486,057
Real estate	15,750,032	1,732,504
Total	**61,123,711**	**31,144,004**

Source: Anuario INE 2015

Table 6: Touristic activities contribution for the economy of tourism

Air Transport (29%), Hotels and similar (43%) represents the larger concentration of activities that contributed to the economy of tourism. Restaurants and similar with 9%, Ground transportation with 5% and real state with 6% are in a second ground and in a third group comes activities such as Maritime transportation of passengers (1%), Cultural, sports and entertainments (1%), Rent a Car (1%), activities related with transport (3%).

These activities interact with the overall economy through trade between operators in the different sectors. Data reveals that besides the low level of engagement with the local economy, there is sparse connections between sectoral and touristic activities. There is though, plenty of space for growth.

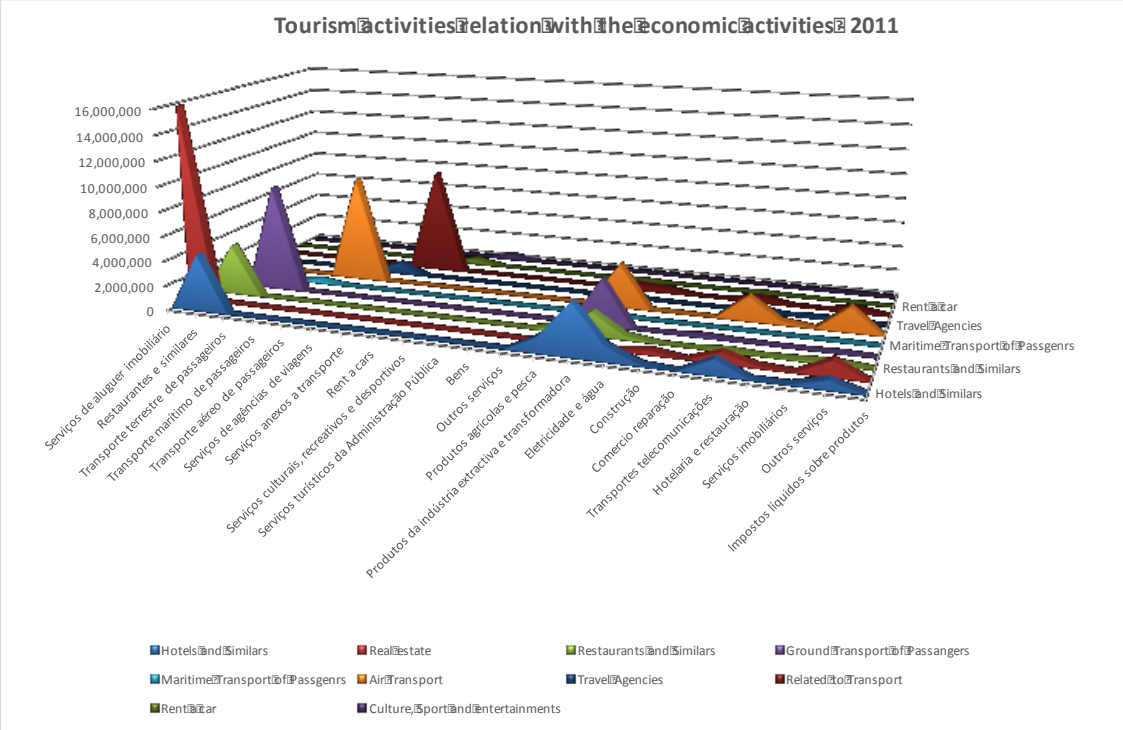


Figure 18: Tourism activities relation with sectoral activities

In terms of employment these sectoral activities generate 95% of jobs (in 2011) and the sectoral activities directly related to tourism represent 11% of this total. These are distributed as follows:

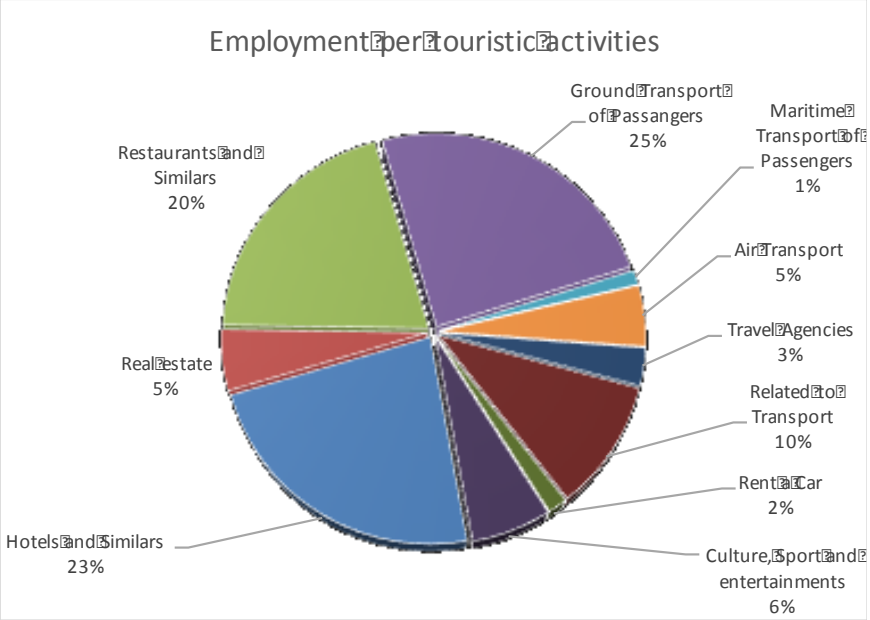


Figure 19: Employment per touristic activities - 2011

Ground transport (25%), Hotels and similar (23%), Restaurants and similar (20%) are the leading sector in terms of employment generation.

3.3.2 Travel and Tourism Competitiveness

Among the most competitive travel and tourism economies, Cabo Verde is positioned 83rd out of 136 countries in the ranking of the World Economic Forum's 2017 annual report. The WEF Travel & Tourism Competitiveness Index (TTCI) measures "a set of factors and policies that enable the sustainable development of the Travel & Tourism sector, which, in turn, contributes to the development and competitiveness of a country".

TTCI provides insights on the strengths and areas for development in each country, allows cross-country comparison, benchmarking, and support a multi stakeholders dialogue at the country level to formulate appropriate policies and actions.

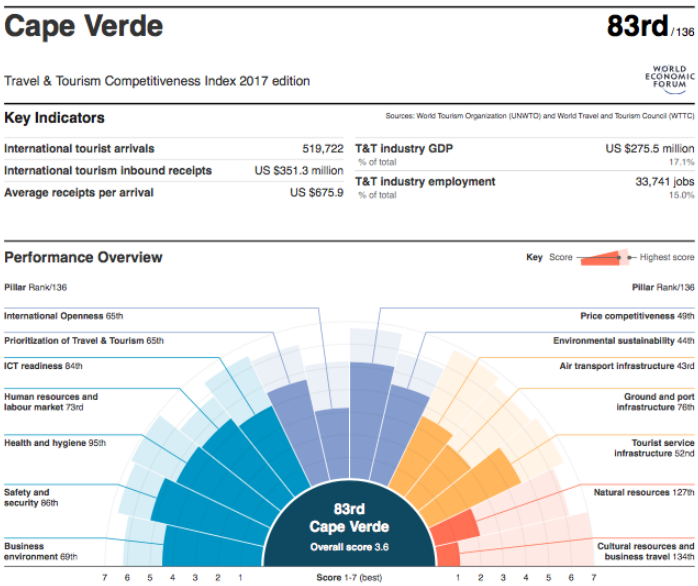


Figure 20: Cabo Verde Overview - Travel & Tourism Competitiveness Index 2017 edition

Business Environment, T&T Policy Enabling Conditions, Infrastructure and Natural and Cultural Resources are the four broad factors of competitiveness measured by TT Competitiveness Index. These are organized into sub index and further divided into the following pillars.

Reporting data collected in 2016 shows a slight increase of Cabo Verde score compared to 2015.

TTCI	Pillars	Rank	Score
Enabling Environment	Pillar 1 - Business Environment	69	4.43
	Pillar 2 – Safety and Security	86	5.19
	Pillar 3 – Health and Hygiene	96	4.67
	Pillar 4 – Human Resource and Labor Market	73	4.53
	Pillar 5 – ICT Readiness	84	4.03
T&T Policy and Enabling Conditions	Pillar 6 – Prioritization of Travel & Tourism	65	4.62
	Pillar 7 – International Openness	65	3.15
	Pillar 8 – Price Competitiveness	**49**	**5.17**
	Pillar 9 – Environmental Sustainability	**44**	**4.40**
Infrastructure	**Pillar 10 – Air Transport Infrastructure**	**43**	**3.53**
	Pillar 11 – Ground and Port Infrastructure	76	3.07
	Pillar 12 – Tourist Service Infrastructure	52	4.06
Natural and cultural Resources	Pillar 13 – Natural Resources	127	2.09
	Pillar 14 – Cultural Resources and Business travel	134	1.05
Travel and Tourism Competitiveness Index 2017		**83/136**	**3.6**
Travel and Tourism Competitiveness Index 2015		**86/141**	**3.5**

Table 7: Travel & Tourism Competitiveness Index 2017 edition - Cabo Verde

The table below provides a comparative list of 10 indicators where Cabo Verde scored 100 or more in the 2011 rankings, and the evolution thereof to 2015, and 2017. In other words, factors where Cabo Verde is less competitive and greater attention is needed to overcome barriers to tourism development.

Indicators where Cabo Verde is least competitive in travel and tourism	Rank 2011	Rank 2015	Rank 2017
Comprehensiveness of annual travel and tourism data	**105**	**111**	**110**
Available seat kilometers, international	**106**	**103**	**100**
Number of operating airlines	**124**	**105**	**103**
Quality of port infrastructure	102	84	93
Extent of staff training	120	103	111
Country brand strategy rating	*	*	**122**
Natural resources	**136**	**138**	**127**
Protected areas	**115**	**138**	**128**
Total known species	**138**	**140**	**135**
Sports stadiums	**139**	**120**	**119**

Table 8: Indicators where Cabo Verde is least competitive in travel and tourism (WEF 2017)

Summing up, key areas of concern where (relatively) quick wins might be achieved to improve competitiveness include: improving the collection and availability of travel and tourism related data, strengthening environmental regulations, training and education, and improving quality of infrastructure.

By way of contrast Table 4 lists the 15 indicators where Cabo Verde scored less than 60 in 2011, compared to 2015 and 2017, meaning where the country is more competitive, and is able to highlight its strengths. It is interesting to note that several tourism governance-related issues are included in this list.

Indicators where Cabo Verde is most competitive in travel and tourism	**Rank 2011**	**Rank 2015**	**Rank 2017**
Openness of bilateral Air Service Agreements	**16**	**53**	**50**
Environmental sustainability	**56**	**49**	**44**
Particulate matter concentration (carbon dioxide emission)	45	18	9
Government prioritization of the travel and tourism industry	35	48	62
Travel and tourism government expenditure	23	26	25
Airport density	2	3	2
Hotel rooms	19	12	8
Ticket taxes and airport charges	36	5	29
Ease of hiring foreign labor	22	23	18
Index of terrorism incidence	*	*	1

Table 9: Indicators where Cabo Verde is most competitive in travel and tourism (WEF 2017)

In summary, despite being improving significantly in terms of Travel and Tourism Policy enabling conditions and infrastructure, the Enabling business environment and the Natural and Cultural Resources still lags behind.

According to the ranking, Cabo Verde is a leading destiny in terms of incidence of terrorism and clean air conditions. However, the country lacks the proper means to preserve and secure the environment.

In West Africa, Cabo Verde enabling environment ranks above the average but countries such as Côte d'Ivoire, Nigeria, Ghana and Mauritania are catching up fast. For instance, in Côte D'Ivoire, international tourists' arrivals increased from 380.000 in 2013 to 1,4 million in 2015, and this seems to be due to the improvements in 9 of the 14 pillars. Example: Qualified labor force improved from 122nd place to 16th place.

Cabo Verde is below average in the region in the pillars of Natural Resources (2.1 vs. 2.7 West Africa average) and cultural resources and business travel (1.1 vs. 1.3 West Africa average).

3.4 Public Policy and Tourism Governance

In Cabo Verde, there are at least eight different government ministries that directly intervene in the formulation, implementation and oversight of tourism policies and investments. In addition, and as illustrated in following table, a number of Ministries also have significant roles and oversight over different links of the sector.

While it is unlikely that this table provides a complete picture of roles and responsibilities, it is indicative of the complexity of the tourism governance and administration.

Government Ministries	Tourism Interest
Ministry of Economy and Employment	A range of responsibilities associated with: - Policy conception and implementation - Product and service development - Management and regulation (including licensing of hotels, tour operators and guides) - Marketing and promotion - Research and evaluation - Guide training and certification - Raising awareness of the benefits and constraints of tourism activity - The promotion of handicrafts and souvenirs - The promotion of MSMEs to service and supply tourism-related businesses - Facilitating foreign direct investment in the sector - Air transport conception and implementation - Air Agreements - Labor laws and working conditions in the hotels, restaurant and service sector - Public awareness of the way tourism is perceived and understood by the wider population.
Ministry of Finance	A range of responsibilities related to: - Management of the income generated from the tourism sector – Tourism Fund - Allocating funds to government agencies with tourism-related agendas - Implementing tourism investment incentives - Promoting access to credit and business loans - Collection of taxes
Ministry of Infrastructure	A range of responsibilities related to: - Management including airport construction and upgrades - Roads policy, construction, safety and transport provision - Ports and cruise liner policy, construction and management of ports and marinas - The implementation of mobile and internet services around the country to enable tourists to communicate
Ministry of Environment and Rural Development	A range of responsibilities to ensure: - Producers and suppliers of grains, meats, dairy produce, vegetables and fruits can benefit from trade links to the tourism sector - The impacts of tourism upon the environment are minimized (especially as regards hotel investment and management) - Tourism activity supports biodiversity conservation in and around protected areas
Ministry of Education	A range of responsibilities to ensure: - Training skilled employees suited for the needs of the industry

	- Encouraging educational institutions to undertake quality tourism research
Ministry of Internal Administration	A range of responsibilities related to: - Immigration policy including settling tourist visa fees, rules and regulations - Tourist police' for the safety and welfare of tourists
Ministry of Culture	A range of responsibilities related to: - The conservation, representation and interpretation of cultural heritage - Tourism activity promotes cultural revitalization
Ministry of Health	Responsibilities related to: - The provision of healthcare services for tourists if they become sick or injured during their time in country

Table 10: Government Ministries involved with Tourism

In addition to public sector / central government institutions, there are also local government institutions, and a number of private sector actors that influence and shape the institutional environment.

Those include the municipalities, such as Municipality of Sal and Municipality of Boa Vista, the Tourism Chamber of Cabo Verde, and the Society for the Integrated Development of Tourism of Boa Vista and Maio Islands (SDTIBM).

Some of these institutions are meant to be management committees, to plan and manage the integrated development of Special Tourism Zones on specific islands, while others are focused upon resolving problems particular to their location, islands.

Institutionally, it is worth noting that it is common practice in most countries for inbound tour operators, local hoteliers, restaurants and guides to organize category associations at micro level. While it might be said the Tourism Chamber of Cabo Verde plays this role – capable guides, restaurateurs and smaller tour operators interviewed, including the Travel & Tourism Agencies Association (AAVT), knew little about this role, and felt distanced from the Chamber.

The lack of associations at this micro level of small business, and their engagement with the Chamber, is likely due to the physical isolation of the islands (and stakeholders) and the evolution of tourism to Cabo Verde, which is skewed towards all-inclusiveness.

Also, the lack of this bottom-level activity and association among and between private sector actors is unfortunate as it hinders the "grass-roots" product development potential that is needed to:

a. Develop new products in new and existing locations and diversify the market away from the all-inclusive hotels; and,
b. Develop new products, goods and services to allow the all-inclusive (and their guests) to purchase from local suppliers.

3.4.1 Regulation and Administration

A Tourism Development Fund was established to finance the tourism promotion activities by the Directorate-General for Transports and Tourism. The fund, CVE 890 million in 2017, is sourced from the tourist tax, introduced on 1 May 2013.

Cabo Verde plans to move from self-classification to international official recognized hotel classification, with a re-classification exercise every four years. The fees for classification will be fixed by law.

In 2014, Cabo Verde modernized its regime for travel agencies and tour operators, which dated from 1994. Establishments are subject to minimum capital requirements (CVE 1-5 million depending on the type of activity), licensing by the Directorate-General of Tourism and registration in the Tourism Information System, administered by the Directorate-General (Sistema de Informação do Turismo).

License fees are CVE 30,000 and valid for one year, renewable at CVE 10,000. According to Cabo Verde's commitments under the GATS, travel agencies and tour operators with more than 50% foreign ownership may be subject to limitations on commercial presence in terms of the number of service suppliers.

New legislation on tour guides was introduced in 2011, including licensing and registration requirements. Foreign tour guides require professional recognition in Cabo Verde. There are currently no restrictions on foreign tour guides, including Portuguese-speaking tour guides, according to the authorities. An implementing regulation is pending.

Urban planning in Cabo Verde is undertaken with zones earmarked for tourism development. The STZ - Special Tourism Zones are administered by a managing body in the form of a joint stock company owned by the State with a minority participation of a private partner (Article 7 of the Law on Special Tourist Zones). The managing body has the right of refusal in case of onerous property transfers of STZ land.

In 2014, special legislation was introduced to establish the minimum requirements for establishments engaged in rural tourism, including agro-tourism. Licensing fees range from CVE 10,000 to 40,000, of which 70% revert to the municipality in which the establishment is located.

3.4.2 Fiscal Incentives for Investment in the Sector

The Tourist Utility Law entitles local and foreign investors to certain fiscal and customs incentives. The incentives are available for investments (establishment, operation, and renovation) in hotels, restaurants, tour operators, tourist promotion, and other tourism establishments.

The criteria for acquiring the status of tourist utility are permissive, including compatibility with the national tourism plan, preservation of the environment and local culture, and contribution to employment and the balance of payments.

The incentives provided for in Article 8 of the Tourist Utility Law were repealed in 2013 by virtue of Article 59 of the Code of Fiscal Benefits (CFB), and replaced by the general (cross-sectoral) incentives regime of the code.

The Investment Law and the Code of Fiscal Benefits (CFB) provides for "special treatment" and "exceptional incentives" for certain large-scale investments. A number of establishment agreements were signed in 2013 between the Ministry of Tourism, on behalf of the State of Cabo Verde, and investors. It may be noted that the tax exemptions according to these agreements expire after 15 years.

The investment regime for the hotel sector comprises, inter alia, the 2014 Law on Hotel Establishments, the 2005 Tourist Utility Law, and the 2010 Law on Special Tourist Zones.

The Law on Hotel Establishments provides for general requirements and minimum standards, such as mandatory internet access. Hotels are subject to annual licensing by the Ministry in charge.

The Code of Fiscal Benefits (CFB) foresees specific tax incentives for investments made in the tourism sector, including activities related with tourism promotion, provided that those are made under the Investment Law. These are related to Corporate Income Tax (CIT or IUR), Property Tax (IUP), Stamp Duty and Customs Duties. Additionally, investors have access to others tax incentives (not specifically only for tourism sector), namely, the contractual regime for investments projects, job creation and donation regimes.

Others laws on the tourism sector must be taken into consideration, among which, the rules regarding establishment, functioning and classifications of hotels and similar facilities as that establishes the bases for the public tourism policy, as well the tourism utility status regulated.

CIT/IUR - Investment Tax Credit	A tax credit is available to entities that invest in tourism and tourism promotion sector, corresponding to 50% of the eligible investment amount, as long the investment is made under the Investment Law. The CIT tax credit cannot exceed per tax year 50% of the tax due (the excess CIT tax credit can be carried forward for 10 years).
Eligible Investments	The following investments are considered as eligible investments for the investment tax credit purposes: (i) newly acquired tangible fixed assets used in the investment project in the Cabo Verdean territory; (ii) acquisition of patents and licenses of duly certified technologies.
Non-Eligible Investments	For investment tax credit purposes investments not directly used in the investment project are not eligible for the tax credit, among others, the following: • buildings and other constructions not directly related with the main object of the investment project, or destined for sale; • furniture, comfort and decoration goods, passenger vehicles and administrative equipment.
IUP Exemption	Property purchased to be used in the project may benefit from IUP exemption, if duly authorized by the Municipality.
Stamp Duty Exemption	Financing operations contracted for investments projects carried out under the Investment Law are exempt from Stamp Duty.
Customs Duties Exemption	Exemption from customs duties, on the import of materials and equipment related with investment project, among others: • furniture, equipment and utensils used for installation, expansion or remodeling of projects with tourism utility status. These exemptions apply during the installation phase and are extended to the first year of activity. To benefit from this exemption during the remodeling phase the amount invested must exceed 25% of the initial investment;

	• materials and equipment directly incorporated in the construction, expansion or remodeling of tourism projects which are not destined for sale, among others: construction materials (except brick, dye and cement), sanitary and electronic equipment, (except electric incandescent lamps and stoves, hot plates, water heaters and refrigerators not classified as Class A), as well as their accessories and separate items, when included; • Transportation vehicles destined to the exclusive transportation of tourists and luggage, pleasure yachts, and other equipment destined to sports and cultural animation. • Vehicles and equipment imported cannot have more than 5 years of use; otherwise this exemption will not be applied.
Other Benefits	• **Job creation benefit** – for each job created in the previous year, taxpayers may deduct from the tax due, under certain conditions, the following amounts: - CVE 26,000/EUR 236 per each job created in the municipalities of Boa Vista, Praia and Sal; - CVE 30,000/EUR 272 per each job created in other municipalities; - CVE 35,000/EUR 317 per each job created for the disabled person. • **Training, internships and scholarships** – additional deduction of 50% of costs incurred with training, internships and scholarships. • **Contractual tax benefits (Investment contract)** – investment (i) exceeding CVE 5 Million, (ii) generating at least 10 direct jobs within 3 years and (iii) considered relevant for development of national economy in line with the Government's program, grants the investor the prerogative to negotiate, under certain conditions, with the Cabo Verde Government, tax benefits for the project. Whenever investments are made outside the urban municipalities of Praia, Sal and Boa Vista, the requirements regarding job creation and amount of investment and job creation are reduced by 50%. • **Donation** – Additional deduction of 30% of costs incurred with donations to the State and local authorities, entities with public utility, as well as entities whose main activity consists in the execution of initiatives in the social, cultural, environmental, scientific or technologic areas. • **Tax incentives for internationalization** – investors that intend to internationalize its business investment project are entitled to apply for several tax incentives under an investment contract with the Cabo Verdean Government), such as the reduction of CIT/IUR tax rate. • **International Business Centre of Cabo Verde** – reduction of the CIT/IUR tax rate applicable in the International Industrial Centre, ranging between 2.5% and 5%, as well as others tax incentives related with Stamp Duty, VAT, IUP and Customs duties.

Table 11: Fiscal incentives for investment in tourism sector

4 PSD Multi-Sector Study Focused on Tourism Value Chain Development

4.1 Introduction

Following the manifested interest of the government of Cabo Verde to have Dutch companies investing in the sectors of Tourism, Agriculture, Renewable Energy and Maritime (including fisheries), and the interest shown by Dutch companies on business opportunities in Cabo Verde, the Dutch Government decided to identify, more precisely, the investment opportunities in these particular sectors in Cabo Verde.

Additionally, the Dutch Government intends to identify key recommendations to support private sector development and infrastructure development in Cabo Verde through the Dutch public cooperation instruments.

The main objective of Cabo Verde's government is to promote economic growth while reducing public deficit and debts. Promotion of foreign direct investments in the country is an important objective of the government of Cabo Verde which wishes to improve its Trade Balance while having its local private sector benefiting from foreign knowledge and expertise.

The **Tourism** sector has a great potential in Cabo Verde, and the objective of Cabo Verde is to reach 1.000.000 tourists by 2021. In its new strategy, the government wishes to develop new touristic products and services such as trekking, cruises, ecotourism and professional tourism.

The government of Cabo Verde wants to link the development of **Agriculture** with the potential offered by the tourism sector which is currently the key driver of the national economy. According to estimates tourism generates a EUR 60 million market/year for consumption of goods only in Sal and Boa Vista Islands. Most of these goods are currently imported, hence the interest in developing the local production value chains that could supply the touristic sector.

The **Maritime** sector is also of paramount importance for Cabo Verde's economy, and as such the country is planning to further develop the maritime transportation services between the islands and its fishery sector. Also, maritime security related to drug trafficking and fishery is important for the country, which is not equipped to have a good control of its maritime territory.

In the field of **Renewable Energies**, the Government of Cabo Verde targets replacing a significant part of fossil fuel based energy to renewable energy in the coming years. There is space for newcomers in this market and Electra, the public enterprise responsible of energy distribution, is open to work directly with companies that would have a competitive offer.

4.2 Objectives and scope

The overall objective of the multi-sector study for private sector development in Cabo Verde is to:

a. identify more precisely what are the investment opportunities for Dutch companies, and

b. identify key recommendations to support private sector development and infrastructure development related to these four sectors (Agriculture, Renewable Energy, Tourism, Maritime) in Cabo Verde, through the Dutch Public Cooperation Instruments. In this version for publication, the recommendations have been omitted.

As such, the multi-sector study should provide:

a. Improved understanding of the value chains of the four focus sectors for Cabo Verde and the structural gaps and bottlenecks undermining their development.

b. Good insight of new and improved business opportunities for the Dutch private sector in the field of Maritime (including fishery), agriculture, tourism and renewable energy.

It was also previewed that the multi sector study should have answered several questions regarding sectoral evolution, government strategy and plans, key players and companies, recent developments, opportunities for FDI, bottlenecks, etc.

4.3 Methodology

The study was developed in two large phases.

The first phase consisted in an extensive desk review, analysis and findings presentation. The four sectors were analyzed independently of the connections between them and reported in an inception and an intermediate report.

The initial approach included a comprehensive and systematic assessment of the trade and investment regime to provide and objective evaluation of the general policies and practices, as well on the main laws and regulation that affect doing business in Cabo Verde.

Sectoral framework analysis included assessment of the institutional arrangements, sectoral development vision, government strategy and programs, specific regulation identification such as fiscal incentives for investment in each of the four sectors.

An overall assessment of the social and economic environment completed the multi-sector inception scenario of study.

Following the identification of the 4 sectors' scenarios, the industry structure model developed by Michael Porter was used as a powerful analytical tool for the identification of key structural features of the sector that determine the strength of the competitive forces. Ultimately, the structure of the sector and level of the intensity of the competition is determinant for investment attraction and the profitability rate of its industries.

Business opportunities in each of the 4 sectors is strongly dependent of the basic competitive forces that affect private sector development in Cabo Verde and on the position that each company is able to achieve/occupy in each market.

The exam of the structural characteristics in each sector revealed the existent rivalry along the value chain in each sector, the potential substitutes, the existent types of bargain power

within the sectors, eventual barriers of entry and public policies that impact the competition in each of the identified sectors.

At this stage, an indicative SWOT analysis was generated to provide a more complete assessment of the competitive environment analysis which enabled an overall understanding of the nature of the competition landscape in the chosen sectors.

With the institutional sponsor of the Dutch Embassy in Dakar, Senegal, and of the Sotavento Chamber of Commerce, the Consultancy Team prepared a trade mission for Dutch civil servants to Praia, between November 14th and 19th of 2016, which included a Multisector Workshop, high level meetings with Cabo Verde Government representatives, sectoral authorities and networking with local businesses and entrepreneurs. These events took place as a parallel program of International Fair of Cabo Verde – FIC 2016.

The multisector workshop intended to present and validate the findings of the intermediate report on business opportunities in Cabo Verde in four selected sectors (tourism, agriculture, maritime including fisheries and renewable energy) and debate with the different stakeholders and sectoral specialists about the impacts of the competitive forces that shape the business environment in terms of barriers, constraints and opportunities for government to government cooperation and investment opportunities for entrepreneurs from both countries.

Aside the meetings with government and institutional representatives, in the different sectors, to discuss about economic cooperation and public investment opportunities, the Dutch Mission also had the opportunity to meet with several private companies that are interested in developing business projects with Dutch investors.

4.4 Narrowing Down Process

After the mission, the Dutch Embassy, The Netherlands Enterprise Agency (RVO) representative and the consultancy team engaged in a narrowing down process with the objective of focusing the scope of the multisector study, based on the intervention potential of the Dutch Instruments of Cooperation, the private sector competitive advantages and the needs of Cabo Verde.

The conclusions of the first phase of the study are the following:

a. Business environment in Cabo Verde needs improvement to facilitate foreign investment, and most problematic issues are:
    i. Bureaucracy and administrative procedures - “red tape”;
    ii. Access to finance and low capacities of SMEs;
    iii. Small scale of the Cabo-Verdean market;
    iv. Land rights;
    v. Ability for Cabo Verde to invest and multiply infrastructure (expected return on the investment and concession) mainly due to the high level of debt (high investments have been made before the crises, which has led to much lower growth than expected.
b. Cabo Verde growth relies highly on tourism, which is the main national economic sector. It is understood that there are two complementary views:
    i. Tourism sector needs more investment and needs to be linked with other sectors;

ii. Tourism needs to be diversified (to different offer of tourism: rural, ethnic, cultural; client markets; Foreign Direct Investment origin) in order to lower dependency, as much as possible, and rely less on the current specific tourism market, which is highly exposed to external shocks and mostly linked to Europe's economy.

It was also clarified that the Dutch cooperation with Cabo Verde is not structured around a specific budget or thematic. Nevertheless, there is a will to work in a strategic way and avoid isolated activities that could bring only limited impacts. As such, the Dutch instruments for cooperation could be mainly used for:

a. Improving the business climate in Cabo Verde;

b. Improving the capacities and knowledge of companies and Business Development Service (BDS) providers in Cabo Verde;

c. Investing in infrastructure when supporting studies are already sufficiently realized.

Based on the November 2016 mission, it was also concluded that the efforts should unfold on improving business climate to attract foreign companies, in one hand, and to increase the contribution of local companies to the tourism value chain, on the other hand.

For each studied sector, a narrowing down process was applied, taking into account the main needs to improve their linkage with the tourism sector and also to support, consolidate and promote diversification of touristic products /services.

In the narrowing down process, all the major needs related to the sectors components such as producers and production, legislation, logistic, infrastructure, financial and public policies and sector governance were identified and described.

4.5 Sectoral development focus on Tourism Value Chain

The second stage of the study started after the presentation on November 2016 and subsequent narrowing down process, with the request of the Dutch Embassy, after considering the importance of tourism for the economy of Cabo Verde, to re-focus the multisector study on tourism, as catalyzer, linked with selected sectors, as suppliers of the tourism value chain.

As such, the following objectives were established per sector:

a. **Agriculture** - Need to improve the capacity of local producers to supply the touristic sector (All Inclusive AI hotels, medium, small hotels) and partly substitute imports;

b. **Fishery** - Need to improve the capacity of local producers to supply the touristic sector (All Inclusive AI hotels, medium, small hotels) and partly substitute imports;

c. **Maritime** - The connection between islands is extremely important for transportation of goods and people. Both cases are relevant for the tourism sector. Depending on the island origin of the agro and fishery products to supply the touristic actors with most potential/interest, appropriate maritime connection will play an enhancing role.

d. **Renewable Energy** - Micro and independent energy generation in rural and remote areas to support production and transformation activities, which will foster productivity and enable growth for trade and development of high value activities such as rural tourism.

e. **Tourism** - Consolidation and diversification of the local tourism value chains.

These objectives per sector were then submitted to the break down process in order to identify specific and actionable projects were the Dutch instruments of cooperation and private investment opportunities could be applied and enhanced.

Consequently, with this new approach determined by the narrow down, focused on the supply of goods and services to the market of tourism in Cabo Verde, it was necessary to use the value chain analysis for a complete assessment of the competitiveness in each sector and as such a new rational emerged of the multi sector study for Private Sector Development.

As such the following fiche cases were developed for each sector:

a. Case 1: Improve the banana and papaya value chains to serve the touristic sector;
b. Case 2: improve the local business climate for investment in agricultural land;
c. Case 3: improve the capacity of local fishery sector to serve the touristic sector;
d. Case 4: Increase the quantity and quality of local service providers active in the Tourism industry;
e. Case 5: Improve the business and technical capacity of local ship owners;

At this stage, the research approach was essentially qualitative and exploratory to understand the relation of demand and offer between the value chain of tourism and the four sectors. The value chain (VC) analysis helped assess the market forces and market structure in each sector.

Based on the selected and identified case studies, the overall study was then mapped[7] to support the developement of interview forms and field missions planning[8] to collect primary information and data from the identified stakeholders.

After the field missions and information analysis the full understanding of the complexity of the proposed multi-sector report, focused on tourism value chain development, enabled a comprehensive narrative with clear indications about the identification of business opportunities, and leads to key recommendations to support governmental cooperation.

The updated scenario and identified forces that determines competitiveness in each sector enabled the identification of opportunities, threats, strengths and weakness, and a re-assessment of the SWOT analysis using Management Planning tools, to generate specific actions for private sector development and opportunities for cooperation.

This sectoral analysis study is essentially based on data collected through official sources to characterize the value chain, identify underlying forces, highlight critical strengths and weakness. The field visits completed these data, and paved the ground for the preparation of the final report and 5 case studies.

This technical report is based on complementary analysis of the forces that shape the business environmental and the underlying forces that have impact on profitability and investment attractiveness in each selected sector in Cabo Verde.

[7] Full scale sectoral case studies mapping is available in Subchapter 9.4.
[8] Field mission map of interview is available at Subchapter 9.3

5 Tourism Services Value Chain Development in Cabo Verde

5.1 Introduction

Figuur 21: Beach of Ponta Preta in Sal Island

This chapter is a general review of the Tourism Services value chain in Cabo Verde. The all-inclusive model is analyzed in all of its components, such as air transportation, accommodation and night stays. How the tourism is generated, distributed, and managed inside the AI model, the mandatory requirements determined by the international tourism operators are key aspects to be considered while studying business opportunities in the tourism value chain. Chapter also provides indicators that show how tourism is massively circumscribed into the Island of Sal and Boa Vista and how it is evolving inside the AI and outside accommodation establishments.

The tourism value chain analysis shows that the space available to include local operators in the value chain is confined into the least profitable links of the chain and highly depends on their capacity for investment and business know-how.

The information presented is a collection of data on the main international and domestic stakeholders working on the national tourism sector, which is the current key driver of Cabo Verde economy.

5.2 International Intermediaries

There is a large consensus between the stakeholders that tourism is happening in Cabo Verde mainly due to the large tour operators' efforts. Data also confirms that demand is driven mainly by Thomson Airways (TUI Group), TUI Fly, Thomas Cook and other international tour operators, which have representatives in the different islands of the Cabo Verde archipelago to manage tourists inbound, transfer, lodging in the all-inclusive regime, tour circuits, entertainment, and outbound.

5.2.1 All-inclusive model

As referred by "All-inclusive Out & About"[9], the traditional "all-inclusive" consists of a minimum of three meals daily, all drinks (alcoholic and non-alcoholic), tips, taxes, daily activities, nightly entertainment and accommodation. This is a basic definition of the concept that has been evolving in different categories, such as "gourmets inclusive" or "luxury include", by major international players such as TUI, RIU and Meliã.

Add-on services, menu items, sports equipment, and other (un)flagged and conditionally included and excluded services, are mixed to form different types of offer. Simple plans with

[9] All inclusive Out & About – Tips and inspiration for people who love to travel – Article: "All inclusive vacation planning" – The AIO Team

complex options are offered through professional travel agencies who are able to identify, select and deliver the best set of options to their clients.

The type of the all-inclusive developed in Cabo Verde seems to be evolving from the basic to the higher standards. Renovations of the Oasis Hotels, the new 5 stars' hotels from RIU and Meliã, and the building of the Casino Hilton Hotel confirms the trend of investment in large facilities with more rooms and higher hotel standards.

The upper and large scale hotels in Sal and Boa Vista are set at stunning locations along the coast line with direct access to the water front, generally white and sandy beaches. Facilities to the guests includes large pools, restaurants, bars, indoors social area and gyms. For instance, the largest attraction of Meliã´s new resort, is the launching of a single and top beach bar concept of Nikki Beach Brand.

5.2.2 International tour operators

The main market intermediary in Cabo Verde is TUI Group, which is a multinational travel and tourism company and the largest leisure, travel and tourism company in the world. The group owns 5 European airlines (largest holiday fleet in Europe - charters) and 9 tour operators based in Europe. Most of them already work in Cabo Verde.

In 2015, TUI reached a revenue of EUR 20 billion employing more than 67.000 people, with 1.800 travel agencies, 5 airlines with more than 150 aircraft, 14 cruise ships, 100 destinations and 300 hotels and resorts with 214.000 beds and retail stores. TUI is a leading tourism business that serves 20 million customers per year.

TUI is operating in Cabo Verde since early 2000, as a massive, robust, fast paced, and highly competitive player, with access to every component in the value chain, and strongly positioned to benefit from tourism in larger scale. TUI relies on a global and recognized brand, a central IT infrastructure that balances centrally controlled operations with flexibility and fast decision making, cruise and flight fleets, services at the destination that establish direct relationship with customer in resort, and hotel investment, hotel management and marketing such as RIU Chain and the recently launched Meliã Llana.

5.2.3 Requirements

The 2015/16 TUI Management Report[10] described the risk government framework used by the group to identify, assess, manage and monitor risks across the business and functions centrally through a single application and reporting process. The framework considers current risk positions to be Macroeconomic Risks, Health and Safety, Seasonal cash flow, profile, competition and consumer preferences, destination disruption, input cost volatility, Legal and regulatory compliance, joint venture partnerships, supply chain risk. The active risks are mostly related with the company decisions and operations. Management goals are established according to current and target risk position likelihood and impact.

1. **Health and Safety** – TUI considers that health and safety is of paramount importance. Risks of accidents or incidents causing illness, injury or death to customers or staff on a TUI holiday could result

[10] 2015/16 TUI Management Report

in reputational damage to the business and financial losses through liabilities and legal actions. To mitigate health and safety risks the group is oriented to:

a. Establish safety functions in all businesses in order to ensure there is appropriate focus on health and safety processes as part of the normal course of business;

b. Have appropriate insurance policies in place for when incidents do occur.

2. **Supply chain risk** - The Group considers that providers and travel services are exposed to the inherent risk of failure in their key suppliers, particularly hotels. If this risk is not adequately managed the group should demand drop either for individual hotels and or for the destination in which the hotels are located. Mitigation is established through:

a. Integration of substantial part of program of owned and joint venture partner hotels to reduce inherent risks;

b. Establishment of robust prepayment authorization process to limit the level of prepayments made and ensure that they are only paid to trusted, credit-worthy counterparties.

c. Where prepayments are made to external hoteliers this is to secure access to unique and differentiated product for which demand is inherently higher and more resilient to external events than for commodity product.

d. Prepayments are monitored on a timely and sufficiently granular basis to manage financial exposure to justifiable levels.

Cabo Verde is classified by TUI as a Year-Round destination. Over 50% of current Hotel & Resorts portfolio and 40% of source market customers travel to year-round destinations (Canary Islands, Cabo Verde, North Africa and long haul destinies).

With the recent terrorism events in north Africa, tourism flow switched directions and new arrangement was quickly putted in place, and according to TUI Report, Cabo Verde benefited from an increase of 15% of the traffic that use to go to Tunisia. This was possible mainly due to TUI's strong brand that enable renegotiation of the deals

TUI's reveals to be strong player in terms of marketing expenses, propensity to attract tourists, quality of services provided at the destination, capacity to place Cabo Verde destination in the global market. Evidences suggest that TUI owns tremendous bargain power over the rest of the value chain.

5.3 Cabo Verde's Travel and Tourism Indicators

5.3.1 Travel and transportation services

Currently the only national player operating in the air transportation link of the tourism value chain is national state owned company TACV Cabo Verde Air Lines. For years, the company has suffered from financial and other resources related constraints, and it held less than 10% of the international flux market in 2016. However, it held 100% of the domestic air transportation market until late 2016, when Canary Island company Binter Canarias started to operate in the domestic market.

Government and domestic private sector efforts are, so far, negligible in terms of international demand generation, both in terms of all-inclusive (bulk) and in terms of cruise tourism.

Currently, according to ASA - Airport and Air Security Authority, the movement of passengers is on the rise in Cabo Verde. During the year 2016, it was registered a total movement of 2.215.892 passengers in Cabo Verdean airports (embarked, landed and in transit), which represented an increase of 11,5% compared to 2015. International traffic represents a share of 65,5% of the total movement of passenger and the combination of the airports of Sal and Boa Vista represents 79,4% of the international traffic.

Airports	Type	2015	2016
AIAC - Sal	Domestic	163,061	161,116
	International	617,677	753,580
AIAP – Boa Vista	Domestic	56,955	65,382
	International	365,068	399,667
AIPNM - Santiago	Domestic	250,726	286,083
	International	246,511	236,501
AICE – S. Vicente	Domestic	149,769	157,563
	International	58,841	61,859
AD – Fogo	Domestic	46,921	55,168
AD - S. Nicolau	Domestic	21,570	26,476
AD - Maio	Domestic	9,783	12,497
Total (Embarked, landed and in transit)	**Domestic**	**698,785**	**764,285**
	International	**1,288,097**	**1,451,607**
	Total	**1,986,882**	**2,215,892**

Table 12: Airport Traffic

5.3.2 Sal Island Tourist Inbound

The International Airport Amílcar Cabral (AIAC), in Sal, registered a 22% growth in 2016, compared to 2015, and represents 51,9% of the international traffic to Cabo Verde, reaching 753.580 international passengers.

Operators	2016	Growth 16/15	Share
Thomson Fly	145,162	39.10%	19.3%
Tap Air Portugal	90,282	21.10%	12.0%
TACV	65,928	32.90%	8.7%
TUI Fly Gmbh	63,883	-1.50%	8.5%
TUI Fly Netherlands	60,786	100%	8.1%
Tui Air Lines Belgium	46,321	39.80%	6.1%
Neos Spa	42,646	11.20%	5.7%
TUI Fly Nordic	32,247	6.90%	4.3%
Transavia Holland	24,144	100%	3.2%
Thomas Cook Air L. (UK) Ltd.	23,771	3.40%	3.2%
Others	158,410	10.00%	21.0%
Total (Embarked, landed and in transit)	**753,580**	**22.00%**	**100%**

Table 13: Operators' traffic and share in AIAC

Thomson Fly, Tap Air Portugal, TACV Cabo Verde Air Lines, TUI Fly Gmbh, and TUI Fly Netherlands are the main international operators in Cabo Verde and they represent 56,5% of the international market share.

Thomson Airways is the leader with 19,3% of the market share in AIAC with a steady growth of tourism demand (39,1%) to Sal Island in 2016.

Traffic from Lisbon represents 16,2% of the market, followed by Amsterdam with 9,4%. Combined, compared to 2015, most of the traffic come from England with an increase of 38.161 passengers in 2016.

Origin	2016	Growth 16/15	Share
Lisbon - Portugal	122,014	25.90%	16.2%
Amsterdam - Netherlands	70,910	48.60%	9.4%
Gatwick - England	68,907	-5.20%	9.1%
Manchester - England	57,125	48.00%	7.6%
AIAP – Boa Vista	55,812	5.1%	7.4%
Gran Canarias - Spain	52,851	-12.50%	7.0%
Brussels - Belgium	28,122	-12.70%	3.7%
Charles de Gaulle - France	27,392	3.20%	3.6%
Birmingham - England	24,000	22%	3.2%
Bristol - England	21,865	100.00%	2.9%
Others	224,582	34.40%	29.8%
Total (Embarked, landed and in transit)	**753,580**	**22.00%**	**100%**

Table 14: Origin and Destiny of the Traffic in AIAC

5.3.3 Boa Vista Tourist Inbound

The International Airport Aristides Pereira (AIAP), in Boa Vista, registered 9.5% growth in 2016, compared to 2015, reaching 399.667 international passengers which represents 27,5% of the international traffic. Two main international operators (Thomson Airways, and TUI Fly) share 50,7% of the market. Compared to the same period in 2015, Thomson Airways alone increased the movement of international passenger in 16,4% in 2016.

Operators	2016	Growth 16/15	Share
Thomson Airways	130,727	16.4%	32.7%
TUI Fly	72,005	1.1%	18.0%
Neos Spa	27,042	13.0%	6.8%
TUI Nordic	25,231	18.9%	6.3%
Travel Service Ltd	20,763	28.4%	5.2%
TUI Fly Netherlands	17,957	100.0%	4.5%
TUI Air Lines Belgium	21,368	4.0%	5.3%
Tap Air Portugal	13,796	15.2%	3.5%
Transavia	18,298	6.7%	4.6%
Everjets	10,280	100.0%	2.6%

Others	42,200	-35.6%	10.6%
Total (Embarked, landed and in transit)	**399,667**	**9.5%**	**100%**

Table 15: Operators' traffic and Share in AIAP

Spain and England combined represent 43,3% of the total movement of international traffic that reached the Island of Boa Vista in 2016.

Origin	2016	Growth 16/15	Share
AIAC - Sal	98,007	8.2%	24.5%
Gatwick - England	62,061	33.5%	15.5%
Manchester - England	46,693	4.7%	11.7%
Gran Canarias - Spain	26,307	4.1%	6.6%
Birmingham - England	21,567	1.7%	5.4%
Lisbon - Portugal	17,917	-38.6%	4.5%
Tenerife - Spain	15,192	-9.8%	3.8%
Amsterdam - Netherlands	12,897	20.1%	3.2%
Porto - Portugal	12,546	100.0%	3.1%
Brussels - Belgium	12,168	-11.8%	3.0%
Others	74,312	21.1%	18.6%
Total (Embarked, landed and in transit)	**399,667**	**9.5%**	**100%**

Table 16: Origin and Destiny of traffic in AIAP

This data reflects the prominence of the TUI Group, a European outbound tour operator that owns a significant stake in the all-inclusive resorts in Cabo Verde. It is estimated that TUI is responsible for nearly half of all tourism arrivals in Cabo Verde. The air transport and the overwhelming majority of tourists is consequently dominated by the charter operators.

5.3.4 Tourist night stays

Until the mid 90's, yearly tourists amounted no more than 30,000, being the majority Cabo Verdeans from diaspora and their descendants. Nonetheless the Travel and Tourism Associations reported an initial flow of tourists from France and Switzerland in the late 80's, to São Vicente and Santo Antão when the traffic was generated through direct agreements between local agencies and European agencies.

In the 90's it was registered a boom of small tourism agencies that started to gain momentum but the growth trend changed significantly with the entry of the large and international tour operator, with integrated value chains that includes outbound market, air transportation and lodging.

Since early 2000, tourism inbound is growing steadily. In 2012, 2013 and 2014, the market shrunk due to internal[11] and external[12] factors, but it seemed to gain moment afterwards.

[11] Main internal events such as bridge crash in Boa Vista, Tropical storm and floading;
[12] Main external events such as Ebola Crisis in 2014 and Terrorism Attachs in Europe and North Africa;

During 2016, accommodation establishments registered about[13] 644.000 guests (13% growth from 2015) and more than 4.1 million night stays (10,3% growth from 2015).

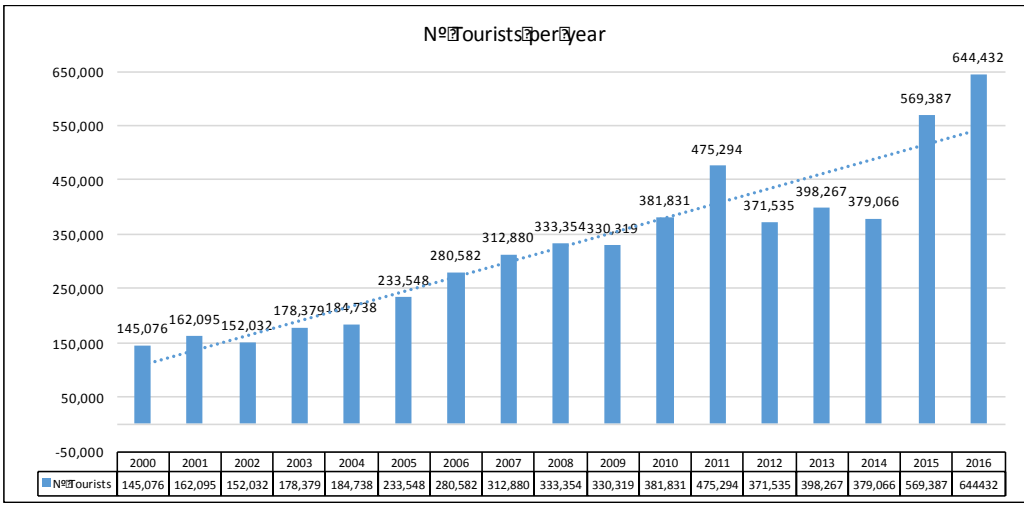


Figure 21: Evolution of the number of tourists. 2000 to 2016. Source: INE

Lodging statistics indicates that in 2016, the majority of the tourists stayed in Sal island, 45.6% of tourists for 50,1% of nights, followed by Boa Vista, with 31,6% of tourists and 40.7% of night stays.

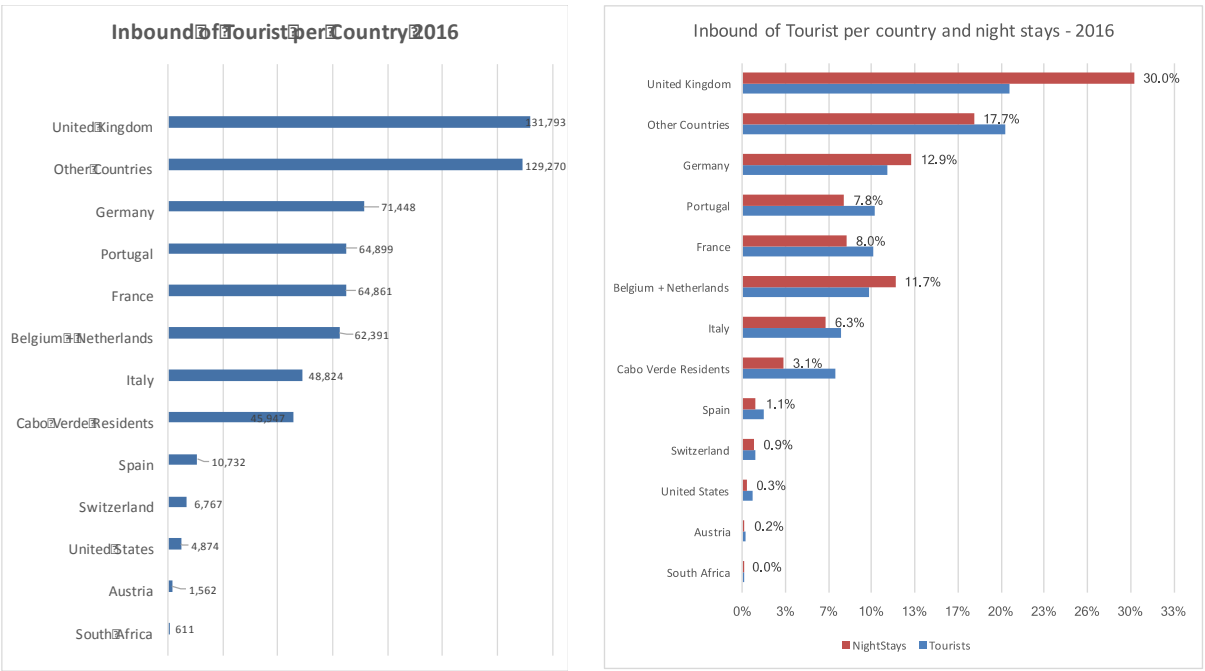


Figure 22: Inbound of Tourist per Country

The United Kingdom has been, for many years, the main outbound market with 20% of total entry and 30% of night stay in 2016, followed by Germany (11,1% entries and 12,9% of night stays), Portugal (10,1% entries and 7,8% of night stays), France (10,1% entries and 8% of night stays), The Netherlands (9,7% entries and 11,7% of night stays).

[13] Tourism Report Statistic from INE, 2017.

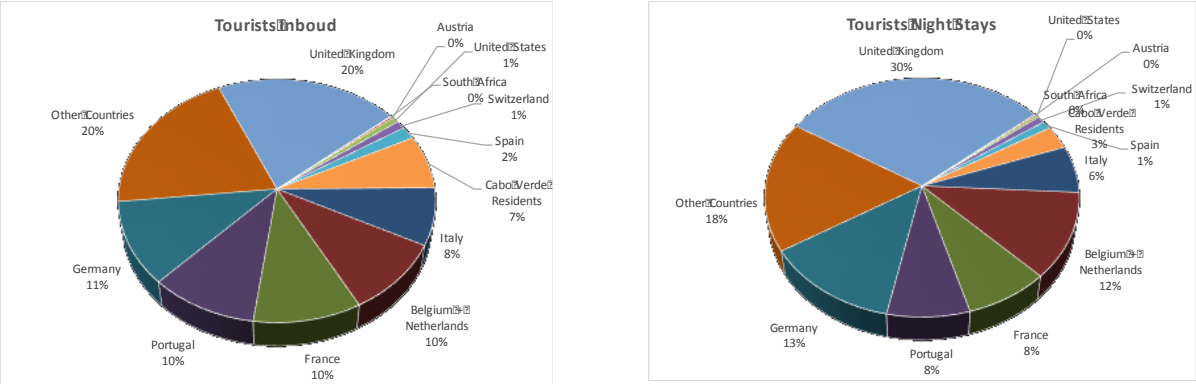


Figure 23: Tourists inbound and Night Stays

Most of the tourists from the United Kingdom choose to stay in Sal (49,9% of night stays) and Boa Vista (49,2% of night stays) lodged in the upscale hotels (93,3%). Data showed that visitors from the United Kingdom stayed longer, for an average of 9,1 nights in the islands.

Tourists from Germany mainly stayed in Boa Vista (60,2% of night stays) and Sal (33% of night stays) with 94,4% of them lodged in the upscale hotels. %). Data showed that visitors from the Germany stayed and average of 7,1 nights in the Islands.

Tourists from The Netherlands also stayed in Sal (52,7% of night stays) and Boa Vista (43,8% of night stays) and the large majority (94,3%) stayed in upscale hotels. Data showed that visitors from the Netherlands stayed an average of 7,4 nights in the islands.

In 2016, the overall occupancy rate per bed reached 55% for all the islands but Sal and Boa Vista reached 58% and 82% respectively.

In summary, data from 2016 suggest the following tourist distribution per island and per type of accommodation:

Incoming	Guests	Share Guests per Island	Night Stay	Share Islands	Share Upper Scale Hotels
National	644,000	100%	4,100,000	100%	76%
Sal	293,664	45.60%	2,066,400	50.40%	84%
Boa Vista	203,504	31.60%	1,668,700	40.70%	93%

Table 17: Tourism distribution and concentration in the Islands of Sal and Boa Vista

Tourism incoming is mostly concentrated in the islands of Sal and Boa Vista, which received 77% of tourists and accounted for 91.1% of night stays, with the large majority of tourists hosted by the upscale hotels in both Islands.

5.3.5 Tourists night stays estimates by AIs

The following estimates represents 83,7% of night stays in Sal and were based on the data collected through interviews and official reports, and indicates that about 84% of tourist in Sal stayed in the upscale hotels.

Islands	Group	Hotel	Nº Room	Av. Guest per Room	Ave. Bed Occupancy	Estimated night stay
Sal	Independent	Hotel Odjo D agua	49	2.22	80%	31,764
Sal	Stefanina	Crioula Clubhotel & Resort	244	2	55%	97,966
Sal	Riu	Club Hotel Riu Funana	572	2	55%	229,658
Sal	Riu	Hotel Riu Palace	500	2	55%	200,750
Sal	Melia	Melia Tortuga Beach Resort & Spa	271	2	55%	108,807
Sal	Melia	Meliã Llana Beach Resort and Spa	601	2	55%	241,302
Sal	Melia	Meliã Dunas Beach Resort and Spa	1,257	2	55%	504,686
Sal	Oasis	Oasis Atlantico Belorizonte Hotel	363	1.93	77%	197,338
Sal	Oasis	Oasis Atlantico Salinas Hotel	337	1.44	87%	154,012
Sal	Independent	Hotel Morabeza	121	2.07	72%	65,824
		TOTAL	**9,387**			**1,800,341**

Table 18: Estimative of Tourists Night Stays in some hotels in Sal island

Despite not being all-inclusive type hotels, Hotel Odjo D'Agua and Hotel Morabeza were kept in the sample because they represent the emergence of tourism in Cabo Verde and they differentiate they products by serving fresh and local food. Odjo D'Agua recently started working with international tour operators in the regime of bed and breakfast plus one meal.

In Boa Vista, according to INE's Tourism report, 93% of tourists stayed in the upper scale hotels. The following estimates represents 92,9% of the night stays in the island.

Islands	Group	Hotel	Nº Room	Av. Guest per Room	Ave. Bed Occupancy	Estimated night stay
Boa Vista	Riu	Hotel Riu Touareg	1,100	2	84%	674,520
Boa Vista	New Horizons	Royal Decameron Boa Vista (Hotel Ventaclub)	300	2.13	82%	191,253
Boa Vista	Independent	Hotel Iberostar Club Boa Vista	276	2	82%	165,214
Boa Vista	Riu	Clubhotel Riu karamboa	750	2	83%	454,425
Boa Vista	Independent	Resort Hotel Marine Club (Atlantis-Hotel & Resort)	110	2	82%	65,846
		TOTAL	**2,536**			**1,551,257**

Table 19: Estimative of Tourism Night Stay in some hotels of Boa Vista

As reference to this study, the market size (demand) will use the baseline of the combined number of night stays in upscale hotels in Sal and Boa Vista in 2016, according to INE's report, setting the minimum size of demand at 3,278,567 night stays per year or an average of 8,982 tourists per day.

5.4 Accommodation and Services inside establishments

5.4.1 Accommodation and establishment capacity

Regarding accommodation establishments, in 2016 National Institute of Statistics (INE) reported 233 units, which represented a slight increase in the number of establishments, 3%, compared to 2015 - due to 3 new unities in Sal and Boa Vista.

Type of accommodation establishment														
	Upper Scale Hotel		**Entry Level Hotel**		**Country side lodging**		**Aparthotel**		**Touristic villages**		**Bed and Breakfast**		**Total**	
Island	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**
S. Antão	4	6%	16	27%	2	25%	-	-	2	25%	18	23%	**42**	18%
S. Vicente	9	14%	7	12%	1	13%	2	12%	-	-	22	29%	**41**	18%
S. Nicolau	-	-	5	8%	-	-	1	6%	-	-	3	4%	**9**	4%
Sal	**15**	**23%**	**4**	**7%**	**-**	**-**	**3**	**18%**	**3**	**38%**	**4**	**5%**	**29**	**12%**
Boa Vista	**8**	**13%**	**3**	**5%**	**-**	**-**	**4**	**24%**	**-**	**-**	**7**	**9%**	**22**	**9%**
Maio	1	2%	1	2%	-	-	2	12%	-	-	5	6%	**9**	4%
Santiago	22	34%	9	15%	3	38%	5	29%	2	25%	9	12%	**50**	21%
Fogo	4	6%	10	17%	1	13%	-	-	1	13%	6	8%	**22**	9%
Brava	1	2%	4	7%	1	13%	-	-	-	-	3	4%	**9**	4%
TOTAL	**64**	**100%**	**59**	**100%**	**8**	**100%**	**17**	**100%**	**8**	**100%**	**77**	**100%**	**233**	**100%**
%	**27%**		**25%**		**3%**		**7%**		**3%**		**33%**		**100%**	

Table 20: Type of accommodation establishment

In 2016, INE reported an increase of 7,6% of the number of rooms, 6.2% of lodging capacity and 20.5% increase of the number of personnel in service. This was mainly due to the opening of the Meliã Llana Hotel and Beach Club, the 4th largest resort of The Resort Group - with 601 new rooms, and renovation and expansion of RIU Hotels and Resorts in Sal and Boa Vista.

Evolution of Establishments	2009	2010	2011	2012	2013	2014	2015	2016
Establishments	173	178	195	207	222	229	226	233
# of Rooms	6,367	5,891	7,901	8,522	9,058	10,839	10,626	11,435
# of Beds	11,720	11,397	14,076	14,999	15,995	18,188	18,055	18,382
Lodging capacity	14,096	13,862	17,025	18,194	19,428	23,171	22,954	24,376
Personnel in Service	4,120	4,058	5,178	5,385	5,755	6,282	6,426	7,742

Table 21: Evolution of establishments

Tourism operation in Sal and Boa Vista islands are concentrated in a small number of large all-inclusive luxury establishments, representing about 91% of the market share in the two islands'. Of the 11 AI's, 04 are owned by RIU Resorts, and 03 by The Resort Group. They have an average size of 721 rooms and represent about 44% of the national accommodations stock.

As consequence, the large majority of bed stock is concentrate in the islands of Sal with 46,2%, and Boa Vista with 29,7%. About 65% of bed stock is available in the upscale hotels of Sal (40,4%) and Boa Vista (24,1%).

In the islands of Sal, the upper scale accommodation class represents 83,6% of bed stock capacity and in Boa Vista it represents 92.95% of the total bed stock available.

5.4.2 Restaurants and leisure services

The upscale hotels in Sal and Boa Vista respond for about 1/3 of all the services provided in accommodations establishments in Cabo Verde. In the AI's these services are generally offered in all-inclusive packages.

They provide a wide range of services to their guests and manage large infrastructures to support lodging operations, food supply, processing and delivery, communication, entertainment, nautical sports and other services, as listed below:

a. Restaurants
b. Disco and Night Clubs
c. Gym
d. Meeting Room
e. Pool
f. Stores
g. Bar
h. Tennis courts
i. Parking
j. Game room
k. Windsurf club
l. Transfer and excursions
m. Wi Fi
n. Cable TV
o. Others

Restaurants capacity of Boa Vista and Sal represent 83% of the total capacity available nationally in the upscale hotels, with 27% and 56% respectively.

The average capacity of restaurants in accommodation establishments in the category of upper scale hotels in Cabo Verde is 305 places. In Sal, the average is 663 places and in Boa Vista 552 places.

The hotels provide additional and entertainment services to guest in a regular calendar of events, night parties, games schedules by the beach and other services that tourist can demand such as diving, nautical sports, etc.

5.4.3 Other services and Amenities

Besides lodging services hotels have several other equipment available for tourists. According to INE's Tourism Inventory these are the following;

a. Telephone;
b. Fax;
c. Computer;
d. Copy machine;
e. Transport vehicle for personnel;
f. Internet;
g. Energy Generator;
h. Water Desalinator;

Five upscale hotels in Boa Vista and five others in Sal maintain their own water desalinator infrastructures, which reflects the concerns from hotels groups to guarantee their own operations.

Decameron representative reported that the hotel is auto-sufficient, with installed capacity of 4 Generator Engines of 750 KVA to produce energy and desalinize water through the osmose process.

The upscale hotels also have large heat and cooling services in place, maintains a cold facility to secure storage of food and beverages, laundry services, and have broad relations with local accountants, lawyers, IT professionals and other key professional services.

Laundry services to large hotels in Sal are supplied by an industrial laundry service installed by enterprise Águas de Ponta Preta[14].

Maintenance for electrical and mechanical equipment were reported by several hotel representatives to be in constant demand.

5.4.4 Labor force

In 2016 hotel establishments employed about 7,742 people, an increase of 20,5% related to 2015. 52.6% of these employees were based in Sal, followed by 24,7% in Boa Vista and 10,6% in Santiago.

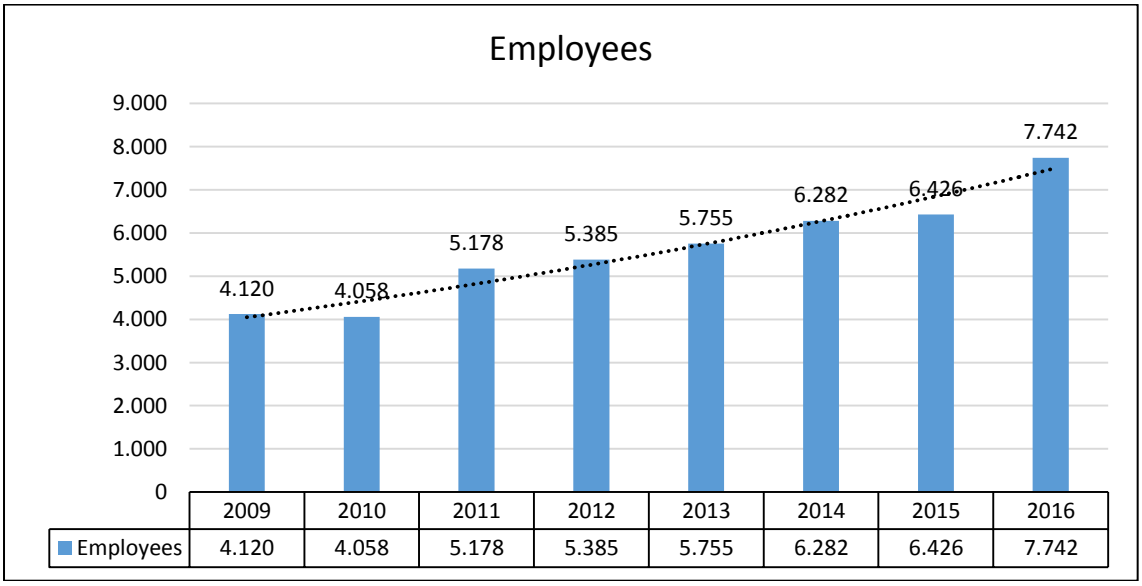


Figure 24: Evolution of employees to the hotels. 2009 to 2015. Source: INE

There are two main factors that prevent growth in the percentage of locally employed hotel workers.

First is the problem of training gaps, particularly at the vocational level. This is corroborated by Cabo Verde's WEF TTCI ranking of 73rd in the pillar "Human resources and labor market" where the country shows deficiencies in indicators such extent of staff training (111), degree of customer orientation (124), pay and productivity (101).

The Cabo Verde Hotel and Tourism School (EHTCV), built with support from the Luxembourg government and inaugurated in 2011, is undoubtedly increasing the number of qualified tourism workers. Group Meliã declared in the interview that 100% of waiters, housekeepers, and kitchen staff, hired for the inauguration of Llana Resort were trained in the EHTCV.

[14] The representative from Oasis informed they have their own laundry service but they are planning to outsource this service. In Boa Vista hotels have installed their own internal laundry services.

Nonetheless, the education and training system is unable to address all the needs of the industry, especially for basic hotel needs such as maintenance and repair. Interviewed hotels reported they have their own maintenance staff but they lack specialists for a higher standard of services.

The second major factor is poor housing conditions for hotel workers. This is particularly problematic in Boa Vista, as it severely hampers hotels' ability to recruit Cabo Verdeans from other islands. This is indeed one of the biggest reasons why hotels in the island employ by far the greatest number, and proportion, of foreign hotel workers.

Most of the hotel workers in Boa Vista are accommodated in improvised housing, in an informal slum style settlement in the middle of the town of Sal Rei, which is thought to house about 4,000 people in an island with a total population of just 9,200.

Given their lack of alternatives, hotel workers generally pay about EUR 100 per month for a room with no access to sanitation or other basic services. This has an important impact on the quality of life of hotel workers, and also presents a potential health risk to tourists in hotels. Any significant disease outbreak, even if confined to a single hotel, can seriously damage a country's image as a tourism destination.

In 2010, the University of Cordoba in Spain and the University Jean Piaget in Cabo Verde interviewed 1,622 residents, across eight islands in the archipelago (all inhabited islands except for Maio) to assess their attitudes towards tourism.

The results were groundbreaking and provided important complements to the more purely quantitative analyses.

In the islands with the strongest focus on tourism, Boa Vista and Sal, 77.5 % and 64.2 % of residents interviewed, respectively, were linked to the tourism sector through their current work, and an even greater proportion reported having a family member linked to the sector. Very strong majorities of respondents in both islands (78.2 and 72.7 %, respectively) expressed a desire to work in the tourism sector in the future.

In the other islands, only about one-third of respondents were currently linked to tourism, but again a substantial majority (over 60 %) expressed a desire to work in the sector.

Residents were also asked about their support for large-scale tourism development in their local area.

In Santiago, Fogo, Sal, and Boa Vista, between two-thirds and three-quarters of respondents described their support as either "very strong" or "fairly strong", while only around one-tenth of respondents expressed no support at all (with the exception of Sal, where one-quarter of respondents did not support major tourism development).

In Santo Antão and São Vicente, by contrast, fewer than half of all respondents supported the prospect of major tourist development, and a sizeable minority (about one-third) was opposed to it. In summary, attitudes toward tourism are generally very positive among residents of those islands with the most significant tourist activity, while attitudes tend to be more conflicted among residents that have less direct contact with the sector.

In fact, according to INE, in all the islands, with the exception of Boa Vista, notwithstanding foreign hotel ownership and almost ubiquitous expatriate hotel management, at least 92 % of hotel staff is Cabo Verdean.

In Boa Vista, only 23 % of tourism workers are Cabo Verdean, and this is likely a consequence of the island's low population density and lack of preparedness for the current tourism boom. Hotel surveys indicate an average wage of EUR 298 per month.

5.5 Tourism Services Outside Establishments

5.5.1 Domestic Tour operators

Interviews conducted near the Chamber of Tourism, Travel Agency Association and Cruise Tourism Association from Santiago, Travel Foundation and other stakeholders revealed the predominance of TUI's bargain power.

Mrs. Maria Teresa Graça, owner of Fly Agency and President of Travel Agency Association of Cabo Verde (AAVT) reported that since the large and international operators started to operate in the country, the local travel agencies lost access to the outbound market.

The Association of Travel and Tourism Agencies (AAVT) represents 25 established travel agencies[15] and was established in 2000 to defend its members interest in relation to travel and tourism. In the interview, Mrs. Graça reported the history of the travel agencies, current situation and future challenges.

It seems that the local agencies did not develop any entry barriers and when the larger players arrived in the country the local agencies where suddenly put out of the business. It was reported that the demand by the international tour operators to the local agencies of a Bank Settlement Plan (BSP) integrated with IATA[16], that enables payments from agencies to companies, limited the access to the tourism market. This requirement depends on the update of bank systems and seems to be beyond the reach of the local agencies.

Besides access to the international reservations system with all the planned schedule of all air companies in the world, the international tour operators demand scale, insurance, safe deposits and other conditions that limits the potential until where a local agency can operate alone. This is becoming more critical because there is a boom of travel operators in the domestic market, some of them informal players not qualified for the tasks involved.

Currently, the local agencies report that 20% of the flight reservations made in the regular scheduling system is done by local agencies but due to the actual scenario, the agencies are facing increased challenges, specifically with the low and fixed margins in international (CVE 6.400) and domestic tariff (CVE 1.200).

With emergence of the Web, the nature of the competition changed and the internet became the main channel of information for tourists and booking online, through native services on the web, have become increasingly normal.

All these elements have significantly impacted the business of travel agencies and the Association is part of the main stakeholders who are working in alternatives for tourism in Cabo Verde.

[15] Certified by IATA
[16] International Air Transport Association

Travel agencies are key players in the value chain of tourism. Without their effective participation to lead the selling offer its unlikely that the local players in the value chain will increase their participation. Travel agencies offers includes air reservation and ticketing, incoming and transfer, tours circuits, and tourism activities such as niche segments of nature and culture.

5.5.2 Tourism services and related activities

As it was reported previously in this study, the flow of tourists to the country is majorly generated by the operation of known international tourism players, and up to 91% of the night stays are in foreign owned All-inclusive hotels, little exceptions can be pointed towards Hotel Odjo D'agua and Hotel Morabeza in Sal, independently owned.

A negligible market share of the accommodation link is nationally owned, and non-official information points that even the nationally owned share in the food and beverage link is decreasing. Example to notice is that currently some of the most profitable and growing restaurants in Santa Maria, Sal and in the capital Praia are owned by foreign investors, making a clear difference to the industry profile 20 or 30 years ago.

All points that with the current dynamic of the tourism value chain in Cabo Verde, and with the prospect of growth of the number tourists arriving in the country in the coming years, consequently growing the market, the less profitable links of the value chain will become more attractive to FDI.

Confirming this trend will mean that the national operators will be pushed further down in the chain. The existent literature and information collected with the public and private sector points that the current public and private strategy is to improve the national production capacity to supply goods and services to the existent tourism market, i.e. the AI.

However, due to the size of the operation of the main All-inclusive, based in Sal and Boa Vista, scale and quality becomes limitation factors for the small and medium national operators envisaging the supply of this profitable link of the tourism value chain.

Another major constraint is the logistics to deliver end products, hampered by the weak maritime transportation offer, both in terms of quantity, quality and price, and the production costs supported by the national producers, not always favoring their products vis-a-vis the imported ones by the integrated supply chains of the AI's.

On the other hand, the small and medium national operator, producing in smaller scales can currently supply smaller hotels and other players in the HORECA (hotels, restaurants and cafés) channel, namely restaurants and cafés, while preparing the jump to bigger market buyers.

In general terms, the main barriers of entry for new operators in a tourism value chain are legal authorization for operation, which can be bureaucratic and lengthy, land or building acquisition, knowledge and technology and starting capital for a new operation.

Particularly, in Cabo Verde, the information collected points that the current tourism value chain has a specific dynamic where the more profitable links of the chain, i.e. the travel organization and booking, international air transportation and accommodation are mainly explored by established international operators.

5.5.3 Ground services and excursions

The main services out of the AI's hotels is transfer and tour circuits provided by TUI and other International tour operators. Uniformed tour agents are seen in the hotel lobbies scheduling and attending tourists. Long line of brand busses departs from the hotel in the early hours, just after breakfast, to do the long circuits or short rides along the islands. Local and international tour guides provide service to the Tour Operators.

Tour guide service is a key vehicle to introduce the tourists to the local communities and enable experience exchange, trade and other benefits from tourism. Due to health and safety risks, the operator appears to have stronger bargain power to determine conditions of service delivery. In doing so, the circuit is tight with minor margin for error and losses.

Currently there are 294 tour guides registered with the Tourism Authority, and of these, 211 have a professional card/license to carry out tourist guide services. 25% of these professionals are located in Sal and Boa Vista.

Since the law misses a complementary regulation, it was reported a series of mismatching problems related to the current labor situation of the tour guides employed by the tour operators, competition with foreign tours guides operating in the country, informal services provided by non-registered tour guides, and related to the role and importance played by these professionals regarding the quality of the touristic information provided and sustainability of the destiny.

Interview conducted with Travel Foundation[17] (TF) representative, Ms. Dalia Gomes, indicated that the organization of tour guide services has been a concern for the major stakeholders, along the years and, despite some efforts, the initiatives have produced minor results.

For instance, under their previous action plan (2013 to 2016) the Travel Foundation produced a manual for micro excursion guides, "How to sell tours to UK tour operators?", that was delivered through training of dozens of tour guides in Sal. It was reported that the initiative had positive impacts, but since it was not replicated or assumed by the authorities, there is still work to be done.

Between Sal and Boa Vista, the latter is the most problematic in terms of local tourism service providers. Community leaders[18] and operators[19] interviewed in Boa Vista revealed a situation where tourists' daily tour buses arrive on the villages in the countryside of the island and, despite local particularities and potential, there's no specific offer, and due to health and safety risks, the exchange with the local population is minimum or totally absent.

In Sal, the tour guide services are better organized and supported by several institutions such as the Travel Foundation, which, based on a Destination Sustainability Risk Assessment study from 2012, established an action plan that included priority lines of actions such as

[17] The Travel Foundation is an independent charity working with the travel industry towards a sustainable future. TFs Program aims to support the transformation of Cabo Verde into a sustainable tourism destination, including preserving the environment and keeping Cabo Verde's cultural practices alive, helping to market Cabo Verde internationally as a diverse, unique tourism product.
[18] Varandinha Association from Povoação Velha in Boa Vista
[19] X-ECO Tour Guide service

awareness, entrepreneurship, valorization of tourism resources and capacity building of stakeholders.

The Travel Foundation established in Sal a Destiny Council, in which different stakeholders such as TUI, hotel chains, the municipality, chamber of tourism and other central and local stakeholders have a seat, and where decision and dialogue is established.

Currently, TF is expanding its operations to Boa Vista and preparing a new action plan, and, as such, two new studies were recently presented and discussed with the stakeholders: a) Tourism in Cabo Verde: Reducing the impact of solid waste, and b) the use of water and energy by the tourism sector in Cabo Verde (Sal / Boa Vista).

5.5.4 Food and Beverage

Due to Healthy and Safety measures guest are recommended to avoid food and beverage outside hotel facilities. This is specially the case of Boa Vista, where hotels are located far from the main city and villages.

In Sal, according to Travel Foundation there is a clear reverse of this trend. Since the 1st edition of "Cape Safety[20]", a program to train certify restaurants with best practices in Sal and Boa Vista, promoted by the Chamber of Tourism and other stakeholders, more tourists are leaving the hotels and having access to services all over the island.

5.5.5 Commerce - Shopping and payments systems

The TTCI 2017 indicates that Cabo Verde is in the 2nd place in the index indicator Automated Teller Machine (ATM), with an average of 1.298 inhabitants for each ATM in Sal and 1.204 inhabitants per ATM in Boa Vista, which is certainly an enabler element for trade.

This information is confirmed by the Central Bank last report on payment systems in Cabo Verde, pointing that, despite the massive amount of payments with local bank cards (84.8%), the average of payments with International cards is CVE 12.864, far superior than payments with local bank cards, averaging CVE 3.081 in 2015.

According to the Central Bank, the payments with international cards are strictly related to tourism activity in Sal and Boa Vista, comprising 82,5% of the total number of international payments and 76,9% of the total amounts.

Specifically related to payments of services with International cards made in the Points of Sales (POS), the report points to massive participation of hotels with 34,7% of the number of payments and 50,2% of the total amount.

Commerce represents 20,8% of the number of payments but only 11,3% of the amounts, payments to travel agencies represents 12,1% of numbers and 18,4% of the amount, Duty free represents 13,2% of the payments and only 5,7% of the total amount.

[20] 2014 to 2015

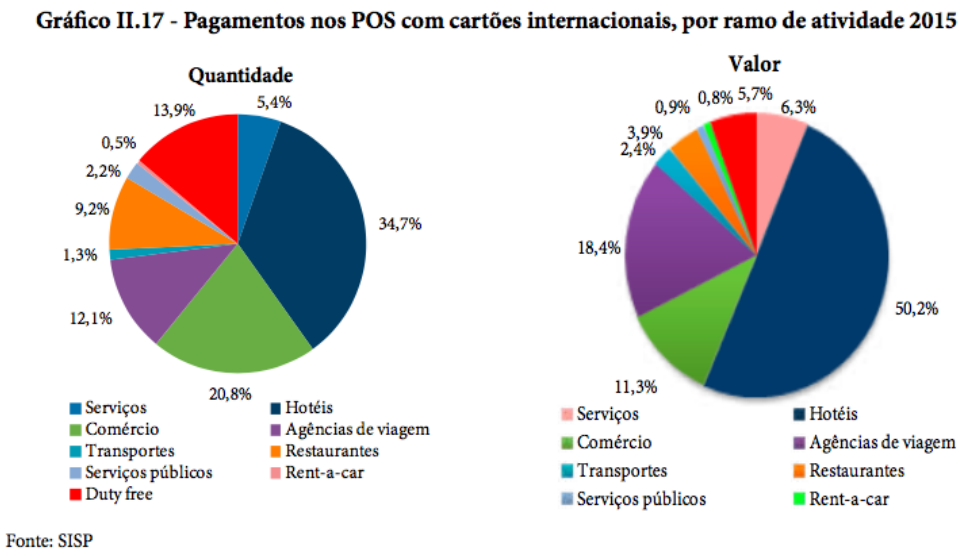


Figure 25: Payment in POS with International cards, per activity in 2015

5.5.6 Financing

For new operators, depending on the category/link of the tourism value chain a new national investment is intended, initial capital requirement can be a big barrier. Considering the HORECA channel, for smaller scale lodging operations, restaurants and cafés, initial capital may not be such a heavy burden, but if the intension is to compete with bigger hotels in the accommodation link, heavy capital is required. This factor alone, coupled with tourism specific knowledge and technology, and other tourism industry specificities such as quality, market networking, etc. are enormous barriers to be surpassed by national new entrant operators.

For instance, capital is a barrier for the travel agencies. Due to the requirements of safe deposits, insurance, pre-payment and time for reimbursement, it was reported by AAVT that without a credit or financing system, it is impossible for local agencies to work in larger scale and in such conditions agencies are not competitive enough for the larger market.

5.6 Tourism Value Chain Analysis

Analyzing the current tourism value chain in Cabo Verde, it is important to make a distinction between the different category of players in the different segments/links of the chain: transportation, accommodation, tour operators, cultural/leisure/sports operators, and support services, in order to better identify where the national players can position to provide (offer) products and services.

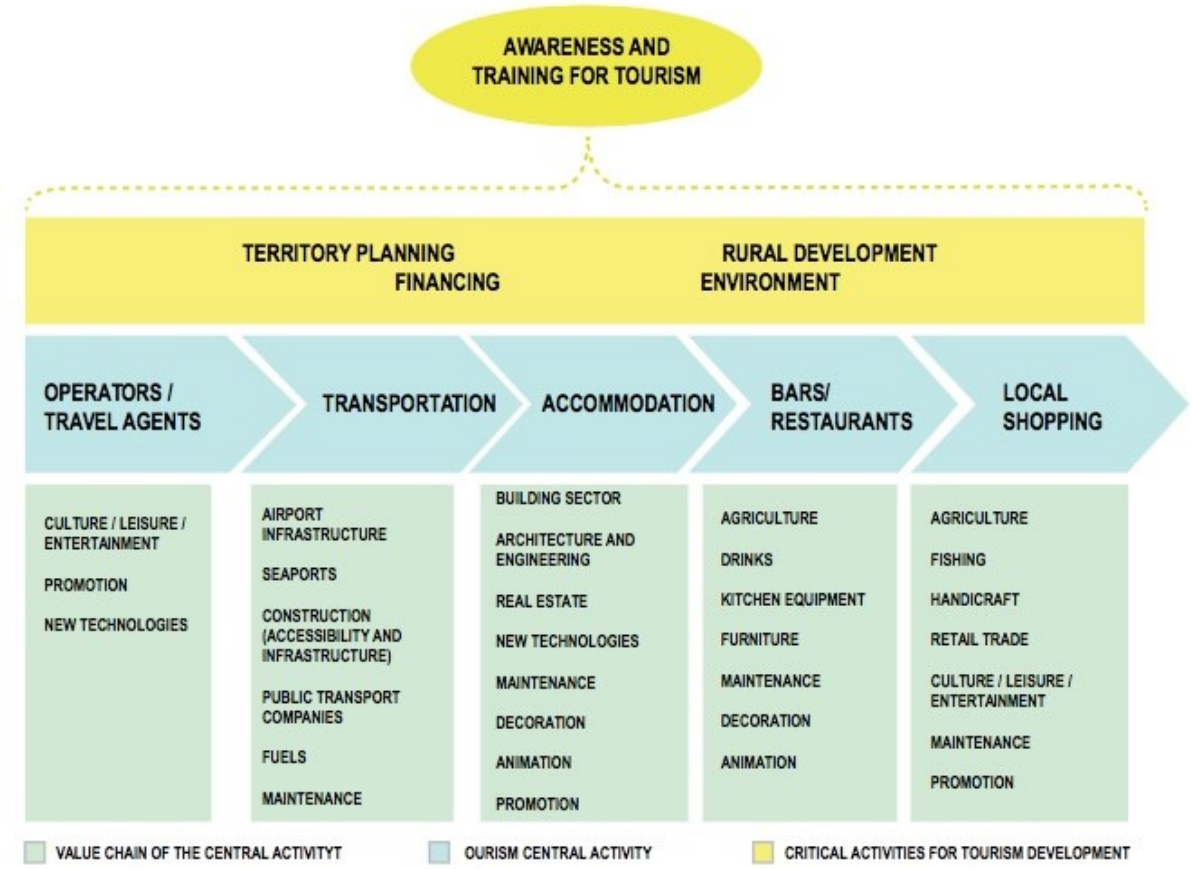


Figure 26: Tourism Value Chain

Besides INE's outdated and aggregated data, it seems that the value chain of tourism has not been mapped and studied sufficiently in depth. This seems to be due the fragmentation of the administration to regulate, license and supervise such a range of activities.

A more comprehensive approach was made in 2010 in the "Cabo Verde, Tourism Value Chain Analysis" promoted by the Strategic Transformation and Policy Centre in partnership with African Capacity Building Foundation and the United Nation System in Cabo Verde.

The study was theoretical but introduced the concept of tourism value chain and developed a model to map the key activities and stakeholders who create and add value to a tourist product. To calculate costs in the value chain, the study considered a touristic package sold by a Portuguese Tour Operator, for 7 nights to the island of Sal, in an all-inclusive model (round trip ticket, transfer, hotel accommodation in a 4-star hotel).

The framework broke down the total expenditure of the tourist by phases (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) to generate information on how the added value is distributed in the tourism sector.

Tourist Total Expenditure							
	Price of the Advertised package						
			Internal Cost of the Tourist package				
Taxes	**Commissions**	**Commissions**	**Negotiated Rates with Services providers**				**Tourism extra expenditure**
Border Services (visa and other entrance permissions)	**Foreign Intermediaries** (operators/travel Agents)	**National Intermediaries** (Operators/Travel Agents)	**International air transport** and airport services	**National Air Transport** and Airport Services	**Ground Transportation** Services and other national adjacent (rent-a-car, ferry)	**Accommodation** (hotels and similar)	**Tours, Tourism activities,** and or Cultural, restaurants, Bars, Shopping
Time and Policy of Granting Entry Visa	Bargain Power	Barriers to Entry	Entry Barriers			Entry barriers	
Health	Marketing expenses	Reliability and quality of service	Trust, Safety, quality			Accessibility	
Airport Charges	Propensity to Attract Tourist	Added value	Air Service agreements / competitiveness policy			Productivity	
Airport Delays	Provides quality services at the destination	productivity	Cost efficiency (E.g. Cost/passenger Km)			Regulation and competitiveness	
	Places the destination in the global market	Propensity to attract tourists	Schedule			Operating Costs	
		Marketing expenses	Capacity			Knowledge of the local economy	
		Presence in international tourism fairs	Rates and Fees			Coordination with intermediaries	
		Innovation and product development	Coordination with intermediaries			Destination marketing	
			Administrative Barriers				
			Destination promotion				

Table 22: Tourist Total Expenditure - Framework breakdown

According to this estimate the tourist expenses are distributed between accommodation (26,02%), international air transport (23,04%) and fees/taxes (14,43%). If tourists do not perform extra expenses these 3 elements represent 100% of the cost of the tourist.

Tourist Total Expenditure = EUR 1,282.00							
	Price of the Advertised package = EUR 1,002.00						
			Internal Cost of the Tourist package = EUR 653.60				
EUR 185	**EUR 163.40**	**EUR 0.00**	**EUR 300.00**	**EUR 0.00**	**EUR 20.00**	**EUR 333.60**	**EUR 280.00**
14,43%	12,75%	0%	23,40%	0%	1,56%	26,02%	21,84%
Taxes	**Commissions**	**Commissions**	**Negotiated Rates with Services providers**				**Tourism extra expenditure**
Border Services (visa and other entrance permissions)	**Foreign Intermediaries** (operators/travel Agents)	**National Intermediaries** (Operators/Travel Agents)	**International air transport and airport services**	**National Air Transport and Airport Services**	**Ground Transportation Services** and other national adjacent (rent-a-car, ferry)	**Accommo-dation** (hotels and similar)	(Moto 4x4, Rental, Tours, Souvenirs, Diving)

Table 23: Tourist Total Expenditure - Framework breakdown calculation

Border services amount EUR 185 and includes EUR 160 related to airport charges, security and fuel and EUR 25 for the entry visa, these costs are subject to change through regulation.

Aside accommodation and transfer the "extra expenditure" is where local service providers could aim to take advantage of the tourist stay, though the average Tourism extra expenditure (EUR 280) calculation presented in the study seems a bit out of proportion.

Other sources such as the World Bank (WB)[21] suggest low average of extra expenditure, ranging from EUR 7 to EUR 13 per day (EUR 13 x 7 = EUR 91, for equal period), where 1/3 to ½ of this expenditure occurs outside the hotel. Generally, the AIs model is not characterized by high level of expenditure and, particularly and more significantly, in Boa Vista the areas outside the major AIs are largely unattractive to tourists.

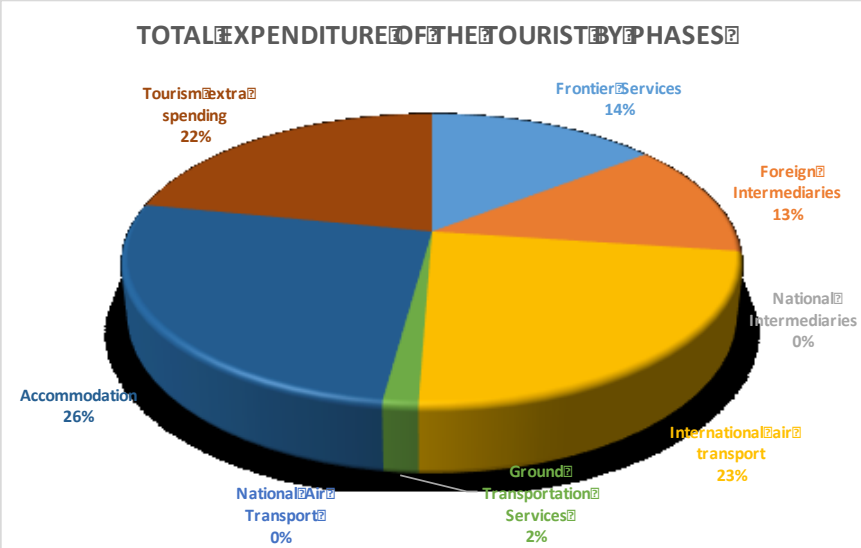


Figure 27: Distribution of Expenditure of tourist by phases

Additionally, compared to other alternative destination, the WB noted, that excursions in Cabo Verde are scored poorly by tourist in every criterion.

5.7 SWOT Analysis

The SWOT analysis is presented in the perspective of the Cabo Verde Tourism value chain, where the forces are analyzed considering the internal stakeholders and the country destination conditions and potential in one side (representing the Strengths and Weaknesses) and both the destiny's direct competitors and the destiny's relation to the global market in another side (representing the Opportunities and Threats).

5.7.1 Opportunities and threats Analysis

OPPORTUNITIES	THREATS
1. Economic recovery worldwide; 2. Growth of tourism worldwide, of about 10%; 3. The rate of tourism growth in Africa, of about 5%	1. Economic situation of the European traditional source markets; 2. Dependence of traditional source markets in

[21] Survey data presented in the Report "Cabo Verde – Tourism Development in Cabo Verde: Is it time to abandon the all-inclusive model? WB, 2013.

per year 4. Cabo Verde is among the top ten destinations with prospects of development 2014/2024 - information from the World Travel Tourism Council; 5. Increase in inflows of tourists to the country, either by air and by sea (cruises); 6. Increase of night stays by tourists; 7. Increase of FDI in Cabo Verde, particularly to Tourism sector, prospect of tourist increase;	terms of promotion and investment; 3. Competition from other destinations better structured in terms of product offer, promotion and price;

5.7.2 Strengths and Weaknesses Analysis

STRENGTHS	WEAKNESSES
1. Geostrategic position in the Atlantic Ocean; 2. Cabo Verde destination is still not saturated, and has growth margins; 3. Terrorism and health security and political stability, compared to other tourist destinations directly competing with Cabo Verde; 4. Political commitment of placing tourism as a strategic and priority sector of the Cabo Verde economy; 5. Existence of organized stakeholders' associations in the sector (CTCV, Travel Foundation – Sal and Boa Vista, AAVT, 3C – São Vicente, 3C – Santiago); 6. Increasing demand of skilled labor force to tourism sector; 7. Availability of sufficient youth manpower to integrate the labor force in the tourism sector; 8. Existence of a Cabo Verde Hotel and Tourism School (EHTCV); 9. Existence of a Fiscal Benefits Code for in country investments, including in the sector of tourism; 10. Existence of business opportunities due to lack of competition in many areas of activities and complementary services Tourism;	1. The fragility of the ecosystem; 2. The fragility of internal security (criminality, petty crime, drug trafficking, prostitution, etc.); 3. Lack of public investment in qualifying the destination; 4. Lack of quantitative and qualitative data, for analysis, development and monitoring of the competitiveness of the destination; 5. Limitations of tourism and related business policies; 6. Weak technical and financial capacity of tourism administration to develop and implement policies and procedures; 7. Excessive bureaucracy to approve licenses to establish tourism-related businesses; 8. The tourist product of Cabo Verde reflects very little, or nothing, of the Cabo Verdean culture and soul; 9. Absence of an integrated cultural events agenda synchronized with tour operator activities; 10. Poor marketing of historic sites and museums and other touristic products; 11. Need for a strong policy of cultural promotion, associated with the development of tourism; 12. Poor strategy of the Made in Cabo Verde branding; 13. AI models functioning like enclaves preventing tourists to link with local communities; 14. Limited social responsibility of tourism operators; 15. Weak participation of local operators in the goods production value chains to tourism; 16. National private sector still dedicated to incipient tourism projects; 17. High prices and low quality of internal transport services; 18. Limitation and congestion of air and maritime economic infrastructure; 19. Lack of coordination/integration between

	different means of transport (air, sea and ground), to maximize and extend tourist visit and stay; 20. Unattractive policy for domestic investment, few if any incentives or initiatives in place to stimulate tourism-related MSMEs; 21. Complex Code of Fiscal Benefits, generating constraints for national and foreign investors; 22. Insufficient technical capacity of existent labor force to the tourism sector; 23. Poor housing conditions for hotel workers, particularly in Boa Vista; 24. Majority of hotel management staff in Boa Vista is expatriate - no transfer of knowledge; 25. Outdated labor laws allow all-inclusive employers to keep employees on short-term contracts, which provides little in the way of job-security; 26. Training in tourism and hospitality detached from the needs of the domestic labor market; 27. Lack of qualified profiles and knowledge of languages; 28. High operational costs in the country, reflecting on the price of certain Cabo Verde tourism products; 29. Land right issues; 30. Existence of a significant informal economy linked to the value chain; 31. Poor quality of specific services provided (i.e. water, electricity, maintenance, etc.); 32. Insufficient offer of national service providers to AI; 33. Insufficient country branding and inexistent offer of tourism services beyond AI value chain; 34. Insufficient quantity and quality of financing services for national service providers;

5.8 Conclusions and Recommendations

After the identification of the main forces (Strengths, Weaknesses, Opportunities and Threats) and through a SWOT exercise, the following strategic actions were generated as a set of recommendations for the stakeholders, to further boost tourism sector in Cabo Verde. The authors ranked these recommendations based on their perception of the country priorities, resulting from the analysis of the available information and data.

Offensive strategy (to use strengths to seize the opportunities) - should enable the country to take advantages of the current strengths to seize the current existent opportunities:

1) Develop a comprehensive marketing plan for the Cabo Verdean product, highlighting the comparative advantages (including security rankings, geolocation, etc.);
2) Develop incentives to increase tourist night stays, such as fiscal benefits for packages above a certain threshold;

3) Develop increased fiscal incentives for FDI outside the currently tourism inclined islands (Sal and Boa Vista), to decentralize the sector;

4) Further increase fiscal benefits for the formal recruitment of young labor force to the tourism value chain, to absorb more labor force;

Reinforcement strategy (to decrease the weaknesses to seize the opportunities) – should enable the country to level up and compete internationally:

5) Revise the costs, quality and delivery of production factors, and develop control mechanisms to maintain these at minimum acceptable levels;

6) Develop fiscal benefits for a national senior management trainee's programme in Boa Vista, to further increase transference of knowledge;

7) Revise the labor laws, updating them to current economic paradigm, creating flexibilities while enhancing social protection;

Confrontation strategy (to use strengths to confront/decrease the impacts of the threats) – should enable the country to face the threats and dissolve deadlock barriers:

8) Study alternatives to decrease dependency of traditional tourist source markets (Europe), including USA, West Africa, Middle east and Asia;

9) Develop a comprehensive ecosystem protection program, in partnership with the UN system or other international reference organizations, to mitigate the national fragilities and ensure environmental sustainability;

10) Strengthen the internal security measures, including the multiplication of prevention strategies, and police supervision of strategic touristic locations;

11) Develop tourism oriented curricula for the hotel and tourism school and other schools with tourism vocation, to increase the quantity of qualified labor force for the sector;

12) Develop quick language courses directed to tourism application and make these available in the EHTCV as well as in tourism prone islands, to increase the quantity of qualified labor force for the sector;

13) Develop additional fiscal compensations mechanisms for FDI with local development components;

14) Develop specific fiscal incentives for the purchase (by hotel or tourists) of local products, linked with a capacity building program for local producers;

15) Develop the financial and technical capacity of regulatory and supervisory authorities to control the informal activities, while channeling the informal operators to formal economy options;

16) Revise the MSME informal to formal economy transition legislation;

17) Develop credit mechanisms to finance tourism related operators/products, including the integration of existent solutions such as Pro-Empresa[22], Sociedade de Desenvolvimento Empresarial and CV Garante;

18) Develop incentives for commercial banks to develop suitable credit solutions for the private sector;

19) Simplify the interface of the Code of Fiscal Benefits and develop a communication plan to mainstream it;

Defensive strategy (to tackle the weaknesses to minimize the impacts of the threats) – should enable the country to develop new strengths and eliminate old weakeness in order to increase competitiveness:

[22] Created recently by the Government to replace ADEI

20) Develop an integrated cultural events agenda, piloted by the Ministry of Culture, including the regional administration, private sector and civil society and negotiate it's international and national marketing with main tour operators and hotels;
21) Develop a robust housing program for Boa Vista, targeting the tourism labor force, in order to decrease the informal urban housing settlements and associated risks. Seek financing partnerships e.g. with China;
22) Further develop the technical and financial capacity of the Tourist Police to be present in key tourism islands, and particular sensitive locations;
23) Develop an integrated master plan to qualify the Cabo Verde destination, and mobilize the resources (internal and external) to implement it;
24) Strengthen INE's capacity to collect and treat tourism related data;
25) Develop cooperation partnerships with other governments as well as specialized tourism institutions and get technical assistance to review the national tourism and related policies;
26) Develop a capacity building program, in partnership with other countries and international organizations, to strengthen the public sector technical capacity in tourism matters;
27) Organize a legislative reform plan to update the administrative processes for the approval and licensing of new investments;
28) Develop a local economic development program, to include tourism related activities, and implement it via partnerships with the biggest hotels and AI;
29) Develop a comprehensive training program for MSME to take advantages of existent opportunities in the national tourism Value Chain;
30) Develop non-tariff barriers to facilitate and protect the development of local companies with similar competence. Develop complementary tools (technical and financial) to support national entrepreneurship;
31) Develop and implement the competition authority to investigate illegal import operations, including dumping, etc.

5.8.1 Opportunities for Private Sector Development

The tourism value chain is sophisticated and the operators that supply the AI hotels are necessarily competitive players with reliable performance and able to respond to the strictest requirements regarding guest's safety and supply chain management.

Due to the tourism development model in the island with low population density, there are pleanty of business opportunities to explore in Sal and Boa Vista. The authors suggest the following business opportunities for FDI:

1) Create new enterprises to supply inputs to HORECA operators;
2) Invest in new restaurants and cafés enterprises;
3) Invest in new excursion and (other) leisure services providers;
4) Invest in new partnerships with local tour operators to explore the Dutch/Belgium inbound market;
5) Invest in new tourist support services enterprises (e.g. land transportation, etc.);
6) Invest in new maintenance service provider enterprises to supply existent HORECA operators;
7) Invest in new residential and vacation real estate developments for European retired citizens;
8) Invest in new ventures focused on the diversification of the tourism offer, aside Sun, Sea and Sand, i.e. rural, ethnic, cultural;
9) Invest in new All-inclusive and regular hotels in different islands (aside Sal and Boa Vista);

6 Agriculture sector development focused on Tourism Value Chain

6.1 Introduction

This chapter is a general review of the agriculture value chain in Cabo Verde. This analysis is made in a perspective of offer and demand relation between the agriculture and the tourism sectors. The objective is to understand the dynamics between the sector value chain links and identify measures that could trigger the potential of growth of agriculture, when focused on the national tourism sector, which is the current key driver of Cabo Verde economy.

The information presented is a collection of data on the main stakeholders, producers, associations, intermediaries, on the national agriculture production and cultures, the main infrastructures to support production, and logistics and quality assurance. It is also analyzed the market dynamics, in terms of food import dependency, niche markets, access to land, existence of financing options for operators and public policy & sector governance.

Two case studies, on the supply of banana and papaya to hotels in Sal and Boa Vista, are presented, and an overall value chain analysis, including SWOT, is made to identify the sector forces. The chapter ends with a set of recommendations to the main stakeholders, to further boost the sector in order to seize the current market opportunities.

6.2 Traditional Agriculture Development

Due to Cabo Verde's geographic location, the climate is tropical dry, arid and semi-arid, with the exception of the highlands and north east facing side hills, which are humid and sub-humid. There are two seasons, the dry season from December to June and a short rainy season from August to October.

Island	Rainfall/Year	Terrain
Fogo	495mm	Mountain
Santiago	321mm	Mountain
Brava	321mm	Mountain
Santo Antão	237mm	Mountain
Maio	150mm	Flat
São Nicolau	142mm	Semi-Mountain
São Vicente	93mm	Semi-Mountain
Boa Vista	68mm	Flat
Sal	60mm	Flat

TABLE 24: ISLAND CHARACTERIZATION - RAIN AND TERRAIN

The archipelago factor implies scattered population dedicating to small farms in different locations, adding to this the poor quality and quantity of arable lands (35.000 ha[23]), makes the current reality unlikely to produce large scale agricultural and livestock products.

Agriculture and livestock sector is family based. The land is divided in small parcels, with 70% of arable area divided in 0.1 to 1 ha small farms. In 2010, it was estimated that approximately 800 ha was irrigated.

Despite being underdeveloped, Agriculture is one of the priority sectors of Cabo Verde economy. Farming is mainly for subsistence but marketed agricultural production contributed to about 6.8% of the GDP in 2015.

Roughly 17% of public investment expenditures in 2015 was for agriculture and water mobilization, to promote, among other things, a shift from rain fed agriculture of basic staples such as maize and beans, towards irrigated agriculture and higher-value crops such as fruits and vegetables.

The modest contribution of agriculture to the national generation of wealth is due to the conditions in which the activity is developed. It is developed for subsistence, by small family traditional units, poorly organized and coordinated, in a rudimentary and obsolete technological base, which limits the extent of the earnings of the producers due to:

a. Inadequacy of the operating practices to the climatic conditions;
b. Lack of a well-structured credit policy for the sector;
c. Only 10% of the total area of the country meets conditions for the practice of agriculture;
d. Only 8.6% of arable land is potentially irrigable;

According to the government estimates, Cabo Verde produces only 20 to 30 % of the internal consumption of food, the rest is imported.

There is space to significantly expand production in the agricultural sector and ensure links with other sectors to facilitate the development of the rural economy. A key sector to be linked with is tourism, where the binding potential with the agricultural supply chain can have a decisive impact on both sectors.

However, the lack of investments in the sector by its operators can be confirmed eyesight. Heavy intervention of the Government is often needed in the end of the rainy season to support the producers to combat the recurrent plagues, including grasshoppers.

Usually, in the end of weak rainy seasons, where irrigation becomes necessary to save the crops, a strong intervention of the government is needed to mobilize water. Despite the awareness of this possibility, the majority of the operators are not prepared, technically and financially, to tackle the water shortages.

The IV Census also reported that 33% of the active population lives in the rural environment. Unemployment affects 7,9% of the rural population, and 91,5% of the workforce employed in agriculture and livestock production, forestry and fishery works without a formal contract.

[23] Programa de Acção Nacional de Adaptação às Mudanças Climáticas – 2008-2012

Gender segregation indicates that 52% of the workers in the sector are women, mainly responsible for the marketing of products. A development approach to reduce poverty would strongly point to investments in this sector, particularly to production of livestock, fruits and vegetables, which should have a direct impact on rural family's income.

The situation of agriculture producers strongly dependents on public policies for water mobilization, erosion containment, pest control, improvement of the conditions and soil productivity, research and cultures adaptation. The agriculture sector depends largely on the availability of water and energy to power the cold storage chains, and these represents high fixed costs for the operators.

6.2.1 Producers – Farmers, Association, Retail

According to the 2004 Agricultural IV Census, the country had 44,506 farms, of which 99.87% were family-owned. There were 56 farms that were not family-based, which included 8 companies, 6 farmers' association and 1 cooperative.

In 2013, INE reported 23 registered companies directly operating in the agricultural productive sector, with an irrelevant workforce employed, and representing 1,18% of overall Cabo Verde's enterprise turnover.

Despite the large reality there are a few organized farms operating in the market.

Name	Island	Municipality	Region	Main Activity
Propriety Agro Pecuária Monte Negro	Santiago	S.Cruz	Monte Negro	Cattle, Agriculture and Grogue
Nuno Duarte	Santiago	Praia	São Pedro	Aviculture
Agropecuária e turismo, Lda. UPAIT	Santiago	S.Domigos	Pedregal	Aviculture
AVI Cecília	Santiago	Praia	Eugénio Lima	Aviculture
IMPOFRUT	Santiago	S.Domigos	Fontes Almeida	Pig Farming
SIPRAC	Santiago	S.Cruz	Ach. Fazenda	Animal food production
Sociave	S.Vicente	S.Vicente	Mindelo	Aviculture
Centro Agroalimentar do Porto Novo, SA	S.Antão	Porto Novo	Porto Novo	Production of cheese and sausages
Manuel Vaz	Santiago	S.Catarina	Assomada	Cattle
José Maria da Purificação (Sr. Preta)	Santiago	S.Catarina	Assomada	Goat, Poultry and Dairy Cattle
Sui-Fogo	Fogo	Fogo	Patim	Production of meat, sausages and Goat Cattle
ASMANDE	Santiago	Praia	Palmarejo e Tarrafal	Agricultural production in greenhouses;
Quinta do Joy	Santiago	Praia	S. Martinho	agricultural and livestock production;
Roque Monteiro	Santiago	S.Domigos	Colunato	Hydroponic farming;
Fernando Garcia (Pina)	Santiago	S.L Orgãos	João Teves	Agriculture and food processing
YOGUREL	Santiago	Praia	Tira Chapéu	Production of yogurts and similar
Ventasol - Culturas Hidropónicas	Santiago	Praia	São Francisco/Praia	Hydroponic farming

Fernando Moniz Pereira	Santiago	S.Domigos	Moia-Moia/S. Dom.	Agriculture
Assoc. / Cooperativa dos Trabalhadores de Justino Lopes	Santiago	S.Cruz	Sta Cruz	Agricultural and livestock production;

Table 25: Main Farmers. Source: MDR

Despite the lack of scale in production and the constraints in accessing the market, according to Millennium Challenge Account project - Cabo Verde (2009), farmers also lack the motivation to associate themselves in order to improve their scale, quality and market power.

This reluctance to improve the scale of their operations leads the farmers to operate under various bottlenecks/barriers. These barriers reflect the asymmetries in relation to their buyers, to transportation providers, in the access to market information, resulting in a global lack of motivation for investment and innovation in agricultural production.

6.2.2 Production and cultures

Traditional agriculture is mostly targeted to the trade of fresh fruit and vegetables (FFV) and some traditional agro products that are transformed in semi-industrial and rural units.

In 2013, the ministry in charge of agriculture, Ministry of Rural Development (MDR), made an inquiry in the sector to better understand the needs and profile of farmers who grew vegetables and fruit products (coffee, grapes, bananas, papayas, cassavas, tomatoes, cucumbers, onions and lettuce) and processed agricultural - livestock products (cheese, wine, coffee, Grogue[24], sweets, jams fruit, fruit juices and cassava flour) in the different islands[25]. These are the most suitable products for agriculture practice and livestock processing in Cabo Verde. About 1.198 producers were inquired.

The inquiry reports that FFV production is rising substantially, and in some periods of the year there is overproduction in some islands, which drives prices down.

There is now, a growing concern, among producers, about the need to diversify cultures and also in the improvement of the quality and frequency of production.

The inquiry also highlights the main characteristics of low scale production traded traditionally by local individual producers, who face strong price fluctuation, high risk to trade and little guaranty of return over the investment.

Estimates made in the Agricultural and Livestock Production Report of 2015[26] indicate the following evolution of the sector:

	2008	2009	2010	2011	2012	2013	2014
Horticulture, Roots and tubercles – (ton)	**57 890**	**57 471**	**54 391**	**66 507**	**70 456**	**78 429**	**78 637**

[24] Cabo Verdean traditional sugar cane liquor.
[25] Santo Antão, S. Nicolau, Sal, Fogo, Maio and Santiago
[26] Full Agriculture production table in Annex.

Fruit Culture (ton)	**10 363**	**10 363**	**10 363**	**15 190**	**15 950**	**16 639**	**17 470**
***"CULTURAS DE RENDA"* (ton)**	**24 743**	**24 743**	**24 804**	**28 470**	**28 740**	**28 783**	**28 812**
Rain fed Culture (ton)	**13 439**	**12 065**	**11 735**	**11 232**	**12 174**	**12 008**	**1 941**
Forestry Production (ton)	**0**	**0**	**0**	**961 138**	**960 430**	**962 349**	**961 582**

TABLE 26: AGRICULTURE AND LIVESTOCK PRODUCTION (TONS) ESTIMATIVE 2008 TO 2014. SOURCE MDR

According to data collected, the sector is evolving very slowly with some negative variations in the rain fed production. This situation is due to yearly rainfall fluctuation.

Low scale, seasonality of production, lack of quality certification, lack of differentiation or switching costs are some key aspects that underlie the sector main competitive characteristics.

6.2.3 Main Infrastructure

Since 2004, with the support of the main cooperation partners, the Government of Cabo Verde has made remarkable investments in water mobilization with the construction of many water dams. An ambitious plan to build 17 dams, of which 7 have been built (as of 2016), adding 6.3 million cubic meters of water for irrigation to the existing 1.2 million reservations.

Island	Region	Dam	Construction Year	Capacity	investment
Santiago	Ribeira Seca	Poilão	2010	1.700.000 m3	USD 4 Million (China Cooperation)
Santiago	Ribeira Grande de Santiago	Salineiro	2013	701.440 m3	562.553.232 CVE
Santiago	Santa Catarina	Saquinho	2013	704.000 m3	674.000.000 CVE (Portuguese line of credit)
Santiago	São Salvador do Mundo	Faveta	2013	670.620 m3	437.394.879 CVE
Santiago	Santa Cruz	Figueira Gorda	2014	1.819.090 m3	407.000.000 CVE (Portuguese line of credit)
Santo Antão	Ribeira da Garça	Canto Cagarra	2014	418.000 m3	575.000.000 CVE (Portuguese line of credit)
São Nicolau	Fajã	Banca Furada	2015	300.000 m3	700.000.000 CVE

TABLE 27: EXISTENT DAMS. SOURCE: MDR

The heavy investments made in small scale infrastructures in all the 9 islands, for soil conservation, water mobilization, introduction of the drip irrigation system, improved seeds for fruits and vegetables species and farmer's technical capacity building, have produced results, partially shifting the sector paradigm from subsistence to market supply oriented.

6.2.4 Logistics Quality Assurance – Packaging and Cold Chain

In the past recent years, through cooperation programs the state has developed five packaging and distribution centers for agriculture and livestock products in the main producer islands.

The 1st center was developed in partnership with the MCC/MCA and it was aimed to unlock a plague quarantine in Santo Antão. The construction project started in 2010 and the center was inaugurated in 2013 and costed CVE 60.000.000$00 (approx. 543.000 euros).

Packaging and distribution Centers	Municipality	Island
Expurgation Center of Santo Antão - Inaugurated in 2013	Porto Novo	Santo Antão
Post-Harvest Center of Fogo - Inaugurated in 2013	São Filipe	Fogo
Post-Harvest Center of Maio - Inaugurated in 2016	Maio	Maio
Post-Harvest Center of Serrado in Santiago - Inaugurated in 2017	São Lourenço dos Orgãos	Santiago

TABLE 28: PACKAGING AND DISTRIBUTION CENTER

However, according to statements of Business Associations' leaders and operators, these logistical distribution centers are not fully operational because they lack a business model and standard operational procedures.

Information collected with the Ministry of Agriculture indicates that the Expurgation Center of Santo Antão was supposed to be privatized and a study[27], prepared in 2009, which recommend management requirements for sustainable and profitable operation of the center and some training for the farmers in Santo Antão, such as:

a. Producers development – integrated cold chain;
b. Field logistic;
c. Classification and selection of the quality of fruits and horticulture;
d. Refrigeration;
e. Compliance with the quarantine;
f. Access to market;
g. Management.

Besides production capacity, a viability study and a management plan, the study also analyzed the privatization options which included: a) Sale through Public Tender, b) Preferred Purchase Rights, and c) Lease with Call Option.

To privatize the expurgation center, the following steps were considered:

a. To Identify and train local stakeholders interested in the management and investment in the cold infrastructure. A list of entities and players are already identified since then.
b. To train the public sector in management and technical assistance;
c. To develop a business plan and an economic approach for privatization;

[27] by Farm2Market Agribusiness Consulting Inc.

d. To develop a legal basis for privatization;

The stakeholders developed high expectation regarding the operationalization of the center and its potential to unleash and develop the agriculture sector in the island, but since the MCA project ended there were no further progress registered.

The Association of Producers of Ribeira Grande reported that they were organizing the producers to take advantage of the center but since there was no advancement in the management of the center they also stopped with further engagement.

The logistic chain from farms in the producers' islands of Santiago, Santo Antão, Fogo, and São Nicolau to the consumer markets in Sal and Boa Vista is tortuous and unrefrigerated, leading to substantial losses of cargo.

CASE: POST HARVEST CENTER PORTO NOVO- SANTO ANTÃO

On February 28th 2017, an interview with the Ministry Delegate of Agriculture in Santo Antão, Mr. Joel Barros, was arranged, to clarify on the infrastructure and operation of the Expurgation Center of Santo Antão, and also about the development of agriculture toward the value chain of tourism.

The island of Santo Antão is under quarantine since 1984 as a measure to control a plague contamination of fresh vegetables and fruits. This means that agriculture products have no authorization to circulate to other islands. The quarantine has been in place for so long and the delegate and many other stakeholders contacted think that is about time to lifted it. Specially as agriculture products are free to be shipped from Porto Novo to Mindelo, as part of an exception of the quarantine law.

A solution to the situation was brought by the MCA project to finance the construction of the expurgation center[1], which enabled agriculture products expedition under secure phytosanitary measures, packaging and storage.

The center was launched in 2013, fully operational, and the facilities includes 6 cold chambers (70 ton each), 2 cold trailers to bring product from the producer countryside of the island, and a range of equipment's´ such as scales for cutting and packing, dryer, washer, product selection mat, storage area, meeting room, training room, cabinets, generator, quarantine room, etc. It's worth to note that the cold infrastructure has not been used due to electricity cost.

A technical staff from the Ministry of Agriculture is in charge of the operations that takes place in the center. They received proper training abroad, during the MCA compact, to handle the phytosanitary issues and operations.

Currently the center is working far below its capacity which is 3,750 tons per year. Since inauguration in 2013 the center has only processed 447 tons of fresh products that were shipped to Sal and Boa Vista by 5 operators who regularly use the center.

	SAL				***BOA VISTA***			***TOTAL (kg)***
Products (kg)	***2013***	***2014***	***2015***	***2016***	***2014***	***2015***	***2016***	
Banana	*20,293.50*	*12,700.50*	*11,081.00*	*7,524.00*	*19.00*			*51,618.00*
Papaya	*7,239.50*	*3,160.50*	*234.00*	*180.00*	*6.80*			*10,820.80*
Other Products [1]	*105,968.00*	*123,563.30*	*84,982.00*	*70,501.00*	*44.00*	*135.00*	-	*385,193.30*

Total kg	***133,501.00***	***139,424.30***	***96,297.00***	***78,205.00***	***69.80***	***135.00***	***-***	***447,632.10***

Table 29: Products inspection at expurgation center (2013 to 2016)

Due to the regulation, expedition of FFV from Santo Antão to Sal and Boa Vista must be accompanied by a certificated issued at the expurgation center. Also, operators must pay CVE 200 for each box and CVE 2.50 per kilo inspected. Then in each port there are phytosanitary inspectors who control products expedited from the island.

The delegate highlights the fact that the localization of the center, out of the natural road circuit between the producers and the port, the quarantine law, the absence of a commercial approach of the center and issues related with the organization of the producers are, among others, some elements that have been constraining the center´s operations.

Since the government just inaugurated a post-harvest center in Santiago and a new policy regarding the development of the agriculture value chain towards the tourism market is in place, and since the government has been showing willingness to transfer the management of economic infrastructure to the private sector, it is expected that a new scenario will emerge regarding these key infrastructures.

CASE – RABIDANTES – SAL AND BOA VISTA

During the field mission in Sal, Boa Vista and Santiago three Rabidantes that are currently supplying Group Oasis and Decameron were interviewed.

In Sal, Mrs. Norberta Ferreira was interviewed on February 24th. Mrs. Ferreira is trading in Sal for almost 20 years and recently established a company called “Norberta Ferreira, Produtos Frescos, Sociedade Unipessoal”. This late step was a requirement made by fiscal authorities as the only way to trade with the formal market in the island. However, she is still in the adaption process to the required bureaucracy.

Mrs. Ferreira works with the following clients: Group Oasis, Hotel Morabeza, Hotel Farol, and with the retailer Benito Alvarez. There is no formal contract but a commercial relationship and since her operation is the largest and oldest to supply the market with fresh fruits and vegetables, she was able to develop a commercial relation with the hotels and is now called frequently when there is need of fresh products.

Clients of Norberta Tavares	***Quantity***	***Frequency***
Group Oasis	*80 to 150*	*every 3 days*
Hotel Morabeza	*25 kg*	*every 3 days*
Hotel Farol	*40 kg*	*every 3 days*
Benito Alvarez	*400 -700 kg*	*3x / week*

Table 30: Supply of Banana - Norberta Tavares (Rabidante)

Mrs. Ferreira is from Santiago and is based in Sal where her family lives. She works with a network of other informal traders who connect her with farmers in Santiago and São Nicolau.

She confirms the logistical problems, highlighting that when there is transportation available (irregular connection range from 15 to 22 days), she orders around 3.000 to 4.000 kg of Banana from Santiago, and 400 to 800 kg of papaya from São Nicolau.

She explained that she is unable to order more than that certain quantity because otherwise the product will perish.

The products are transported in variable conditions and most of the times they arrive in a mature point. Losses depend on the type of boat, but she estimates losses between 30 to

50%, and sometimes between 80 to 100%.

According to Mrs. Ferreira in the last 10 years the situation is worsening and she now faces higher requirement from the hotels, not only in terms of prices but also in terms of payment schedule, the shipping service is sometimes worst and lengthy, the operations in the port is expensive and with losses, theft during cabotage and filled with bureaucratic delays, which turn out to be costly.

Working with the ship Padre Benjamin she reports to have the appropriate conditions to transport fresh fruits and vegetables, implicating minimal losses. The downside is that the connections are still very sparse and sometimes take between 15 to 22 days between connection from Santiago or São Nicolau.

In Boa Vista and Santiago, two other Rabidantes that supply some of the hotels and intermediaries in Boa Vista were interviewed and, basically, confirm the informal conditions reported by Mrs. Ferreira.

Currently, some hotel chains in Sal and Boa Vista are supplied with Fresh Fruits and Vegetables by Benito Alvarez[1], which initially established in the market to supply the large RIU hotel chain, but that has been expanding retail operations to other hotels.

This company confirmed to be working with small retailers, such as Mrs. Norberta Ferreira, to acquire local products and confirms to have an interest in buying local if the quality and price are met. They confirmed the quantity delivered by Mrs. Ferreira, showing the receipts and informed that they work with RIU Hotels to which the products are delivered, depending on high or low season, in around 200 to 400 kg of banana per week.

Benito Alvarez has an integrated operation with RIU Group and have to maintain the hotels supplied with FFV all year long. The representative explained that in Boa Vista they have installed a large greenhouse to produce vegetables to supply both islands, including Sal.

The Benito Alvarez representative informed that 30% of the products, delivered through the informal traders, are rejected and the retained are packed in proper ways considering size and aspects (uniformity and calibration). They also informed that proper fruit boxes imported from Europe are recycled and delivered to the Rabidantes to store their own products.

Through the interviews in Sal and Boa Vista it is understood that large hotels are consuming local fruits, when delivered through a reliable source like Benito Alvarez, which, due to previous experience in the Canary Islands, knows the business model, and has the capacity to play different roles in the value chain, such as aggregating the products from small retailers, and a high level of control over price and quality.

A second concern is related to the seasonality of demand and the impact of international price over the price tag negotiated with the Rabidantes. The demand fluctuation has an impact over the price charged by the Rabidantes and since they work with perishables products, time becomes critical. Also, due to the economy of scale, Rabidantes may be not able to work in the tourist value chain if they do not associate among them to elevate their bargain power.

6.2.5 Imports dependency

Due to the market liberalization, imported goods, mainly from Europe, freely compete with local products, with very competitive prices and quality certification. Local products' offer, lacking differentiation in cost benefit or strong branding, leave an open space for the entry of imported competition.

Considering that Cabo Verde imports about 70 to 80% of its food consumption, the local production faces a massive competition in terms of prices and quality from imported and frozen fruits and vegetables. These are de facto substitutes for the local fresh products. However, for some cultures, the local production is gradually replacing imports in the domestic market.

With the introduction of the dams and more public resources invested in water mobilization, there is notable increase of production of irrigated cultures. In 2014, horticulture hit 52.544 tons produced locally and 4.367 tons imported.

The report estimates that in 2014, production of roots and tubercles reached 26.093 tons against 6.291 tons imported. According to the MDR, in the last six years there is in fact a downward trend of importing fresh potatoes.

Nonetheless there is a rising trend of imported fruit. Cabo Verde's consumption needs were estimated in 23.138 tons in 2015, with local production covering 96% of the needs and the rest 4% covered with 927 tons of imported fruits, contrasting 2014, when Cabo Verde imported 5.269 tons of fruits.

However, it is to be noted that Cabo Verde is not importing bananas since 2009 and other fruits produced in the country such as papaya, mango and avocado are evolving with a tendency to replace and decrease importation.

	Total	Cabbage	Onion	Pepper	Tomato	Banana	Papaya
Import (Ton.)	6,238	110	2,727	134	152	3	15
Consumption (Ton.)	61,328	7,800	5,585	1,950	7,800	5,200	1,300
Dependence on imports	10%	1%	49%	7%	2%	0%	1%
Source: Hanemann and Lopes, 2009 / Import Dependence Selected Products							

TABLE 31: LOCAL FFV IMPORT DEPENDENCE, SOURCE DTIS 2013

In terms of livestock, the local production covers 36% of consumption needs, which means that 64% of meat consumed in the country is imported. For instance, poultry meat production covers only 11% of the total year consumption. In the other hand, the national production of beef, pork, sheep and goats' meat covers 73% of internal needs.

There is no clear indication about the total consumption needs of other products such as milk and eggs but it's assumed that local production is largely inferior to consumption needs. In 2014, Cabo Verde produced 11.159.131 liters of milk and 42.233.489 eggs and imported 4.884.000 eggs and 14,476 tons of powder milk.

Imported agro products are a constant threat to local producers. Branded products, produced in Europe under strict legislation (conformity for food and safety compliance) and in larger scale are able to enter the Cabo Verdean market with minimum tariff or technical barriers and still have competitive prices.

It is noted however, in other studies, and through some success cases, that traditional goods such as Fogo coffee, Grogue and even goat cheese and other fresh goods, produced with traditional techniques, can compete for niche markets by differentiating the perceived quality and special production conditions (ethnic, artisanal, bio, etc.) in which they are made.

6.2.6 Niche Market products

With few recent exception (producers of Grogue, cheese, coffee and wine) established operators never made significant investments in quality differentiation and branding. However, there is a considerable potential to further industrialize and differentiate the production of several traditional goods, as described in the following table:

Production	Product	Island currently with greater potential
Wine	Chã, Sodadi and Maria Chaves wines.	Fogo.
Sugar cane	*Grogue*, honey, punch, liqueurs with herbs and fruits.	Santiago, Santo Antão, São Nicolau.
Coffee	Green coffee beans, roasted coffee beans, ground coffee.	Fogo, Santo Antão, Santiago.
Livestock	Cheese, goat milk, kid meat, pork meat, chicken, eggs, *linguiça di terra* (sausage made of pork with spices).	S. Antão, Fogo, Santiago, São Nicolau, Boa Vista, São Vicente, Maio, Brava.
Horticultural	Tomato, lettuce, carrot, cucumber, onion, pepper, cassava, potato, banana, papaya.	Santo Antão, Fogo, Santiago, São Nicolau, Boa Vista, São Vicente, Maio, Brava.
Grains	*Feijão congo* (beans).	Fogo, Santiago.
Processed and transformed	Sweets, jellies, jams, preserves, purees, diverse punches and liqueurs, of herbs and fruits.	Santo Antão, Fogo, Santiago, São Nicolau.
Cuisine	Corn pastry, couscous (made from corn flour), cassava flour.	All islands.
Forestry	Physic nut, aloe vera, castor oil plant.	Santiago, Santo Antão, São Vicente, São Nicolau.

TABLE 32: PRODUCTION TYPE- SOURCE DTIS 2013

6.2.7 Access to land for production

Established operators are already located in the main sites, with privileged access to water and other infrastructures. Land access may be a big constraint to new operators.

Most of the arable lands are already taken by families, which implies direct negotiations for acquisition, subjected to market price fluctuations and speculation. The available public lands are subjected to a significant bureaucratic and lengthy process for acquisition.

Nonetheless it is noteworthy the ongoing Properties Management Project for Investment Promotion - LAND, by the program Millennium Challenge Account (MCA), financed by the bilateral United States foreign aid agency Millennium Challenge Corporation (MCC), which is implementing activities to improve the investment climate in Cabo Verde, through the improvement of the legal, institutional and procedural systems, to create conditions to increase the credibility of the information about the land property. The project implementation started recently in the island of Sal and will gradually cover the remaining islands.

CASE: PROJECT LAND MCC/MCA-CV
The Executive Director of MCA, Mr. Helder Santos, was interviewed on February 16th 2017 regarding the project LAND, and reported the long process of preparation and implementation of the project that is currently been executed in Sal (almost 100% completed), in Boa Vista, Maio and in the island of S. Vicente, excluding the city of

Mindelo, where was considered to be already relatively well documented.

Mr. Santos explained that what was built in Cabo Verde is singular. A multifunctional register that integrates all the major players, conservatory, notary, municipalities and the land management services in one single platform that compiles all the legal information, limits and value of the lands.

The project has invested USD$ 18 million and took 3 year to be executed. The delay was due to the necessary institutional reforms, training and development of the information system that is now a platform. The MCA compact will terminate on November 30th 2017 and until then the current projects must be concluded.

The Director explained that besides the centralized register system, these four initial projects enabled the introduction of the necessary reforms, capacity building in all the institutions involved, including the private sector companies that took part of the project.

Regarding the expansion of the project to the 5 other inhabited islands, the director explained that everything is in place but the largest islands with strong agriculture tradition (Santiago, Santo Antão, Fogo and S. Nicolau) will be a challenge in terms of financial resources.

To complement the information collected with MCA, the board of the National Institute for Land Management (INGT) was interviewed on February 17th, to access the overall situation regarding land access to agriculture.

The President, Mrs. Ilce Amarante, and Executive Administrator, Mrs. Fátima Fernandes, reported the general situation on land management and explained the ongoing LAND project financed by the MCA. Basically, the board provided detailed information about the status of the project and similar concerns regarding project continuation.

The Board considered that project LAND will enable equal access to land, transparency, more security and guarantees to investors, integration and faster services provided over one single platform with multi points of access.

It was reported, that the larger concern regarding the expansion of the project to the rest of the islands is related to the financing of the operations. They confirmed, as well, that the necessary reforms have been made, the system has been introduced, the capacity building has been made and, due to these reforms, many other municipalities benefited from the training and initiative to update the municipalities development plans.

Municipalities are considered to be the weak side of the subject, due to their lack of available and skilled technical staff. INGT also reported a lack of certain instruments and tools such as geodetic reference points, large, medium and small size cartographic maps and satellite images.

The situation regarding access to land in Santiago, Fogo, Santo Antão and São Nicolau, was reported to be critical. There is no list of available lands and the board considers that such data needs to be produced urgently. It is known that in rural areas there was historically large properties that were divided into smaller parcels and sub sequentially subdivided until such point that there is no precise definition of the current owners.

After the independence, the situation got even more complicated, when vacant lands were occupied and explored for many years and now the current occupants are claiming for ownership recognition. These cases are very common and it was reported that there are many complaints involving the State, municipalities and private citizens.

6.2.8 Financing

Local operators face several constraints regarding access to financing. Investment in agriculture is considered risky due to the number and size of the operators, seasonality of productions and uncertainty of rainfall.

Specific agriculture financing sources and products do not exist, besides regular credit provided by the locally established commercial banks. However, due to the characteristics of the small operators, limited credit is mainly provided by micro credit institutions.

Due to the conditions that the Cabo Verdean farmers work, the availability of financing and credit is key for leveraging the production capacity in the rainy season and support investment needs to improve production in the dry season. Additionally, with the inefficiencies of the internal market, farmers have to work with their own resources and the limited services that support the informal sector.

The sector currently operates with such a low level of investments, both for production inputs and technology, that a pre-existing requirement of capital for new operators, intending to replicate the current business model, do not pose a threat or a barrier.

Nonetheless, to take the sector to the next level, to industrialize the production processes, to tackle the existent challenges and change the paradigm to take advantages of the existent market opportunities, considerable investment in the different links of the value chain must be entangled.

6.2.9 Public Policy and Sector Governance

The Ministry of Agriculture and Environment, MAE (former Ministério do Desenvolvimento Rural - MDR) is responsible for implementing policies and coordinating investments in agriculture, animal husbandry, and forestry. MAE administers one of the Government's largest investment budgets per year (over CVE 3 billion in 2015), a large part of which is dedicated to "Mobilization of Water and Watershed Planning" through the construction of dams (around CVE 2.3 billion).

In general, the Government's agricultural policy aims to increase productivity, enhance food security and mitigate rural poverty. Public sector investments are targeted mainly towards irrigation, greenhouses, agricultural research and knowledge transfer (such as artificial insemination of livestock), and environmental mitigation measures.

Cabo Verde's agricultural policy priorities and programs are set out, inter alia, in the "Government Program"; the "National Program for Investment in Agriculture", as elaborated within the framework of the ECOWAS Regional Agricultural Investment Program; and in the State Budget Law. A common agricultural policy within ECOWAS (ECOWAP) has been formulated.

The government policy and approach to the sector development does not pose a threat to new operators, aside normal operating licensing and specific authorizations to use the land, and environmental protection measures.

However, lack of performance of central and local administration along with the ineffective coordination of several agencies, institutions and other stakeholders involved with agriculture development can potentially undermine market profitability.

For instance, underdeveloped services such as quality standards, regulations and certification systems, information services about the quality/price ratio of agricultural products, research programs that do not respond to the challenges of the sector (soil management, seed and improved varieties, irrigation systems, water management, etc.), post-harvest logistics, marketing, certification, marketing and business, characterization of the products (trademark registration and the seals of denomination of origin).

Interview conducted with Mr. Carlos Monteiro, senior staff of the MAE, confirmed that the Phytosanitary Department has the capacity to certify agriculture products if requested by producers but this is not a common practice.

The process would require presentation of a production plan to the department, inspection and follow up of production until harvest. Since farms are operated individually, in small land parcels, with mixed cultures, there is no planning of agricultural production and the State lacks capacity to supervise the use of pesticides and make the sanitary control in all producing islands. In this sense, the State acts in the prevention, information, training and dissemination of good practices among farmers.

6.3 Tourism Market Food Demand

The big hotels are large consumers of all food products (estimated at USD 60 million per year) and thus they have enormous bargain power.

At the beginning of the operation of these large units (particularly the All-inclusive), the government had to authorize them to import all kinds of food supplies because they were not available in the local market in sufficient scale and standards, and currently are supplied by organized distributors (e.g. Emicela, Canary Islands, Spain; Benito Alvarez, Spain).

Interviews were conducted near the hotels in Sal and Boa Vista to assess the opportunity, requisites and interest of provision of local fruits (mainly of banana and papaya) and fresh fish to the hotels

Riu Group, Group Oasis, Group Meliã, Hotel Odjo D'Agua and New Horizons Group were contacted and all but Riu were available and interviewed between February 23rd and March 4th 2017.

The interviews conducted showed that the main supplier of fresh fruits and vegetables to the AIs in Sal and Boa Vista is the Spanish based company Benito Alvarez. Besides developing a large facility to produce vegetables in Boa Vista, the company acts as an importer and product aggregator, buying Fresh Fruits and Vegetables (FFV) from small local intermediaries (Rabidantes) and suppling AIs under a proper calendar and packaging.

6.3.1 Demand of Banana and Papaya in Sal

From Group Oasis, Mr. Carlos Santos, responsible for the operation of the hotels in Sal (Salinas and Belorizonte), responded to a series of questions in a lengthy interview. Group Oasis owns five hotels in the Cabo Verde, one in Santiago, 01 in Fogo, 01 in São Vicente and 02 in Sal. Currently, the group is planning expansion of operation to Tarrafal in Santiago.

According to Mr. Santos there is a big interest of the group in buying local products but since the offer is not reliable in terms of quality and frequency, most of their food must be imported to attend the demand.

Mr. Santos confirmed that through the Rabidantes, fresh vegetables and fruits, produced in Santiago, São Nicolau, and Santo Antão, reach the island of Sal through a fragmented, long and unpredictable chain that lacks planning, proper packaging and right conservation, and, as consequence, intermediaries lose competitiveness with severe losses in quantity and the quality of the products becomes highly questionable on delivery due to packaging and appearance.

Fruits such as banana and papaya arrive in the island of Sal beyond proper maturation point, and usually have black spots that diminishes the attractiveness of the products. Traditionally, the products are packaged with improved materials such as crates, boxes, bags moored with ropes and strip-tapes. These goods are transported from the producer island's countryside to the ports, cargo and shipped in the available boats with variable conditions.

Frequent shortages of supply, losses and other factors (traders' behavior) have direct impact on the price deals with the Rabidantes, who usually apply a margin up to 3 times the price that is charged regularly for FFV in the central market in the capital city Praia. Mr. Santos highlighted that during the frequent shortages, fresh product prices usually go even higher to become unbearable.

According to this hotel manager, the business mentality of the Rabidantes is starting to change and some are already supplying the hotel with the proper conditions - selected products, packaged and delivery routine.

Nonetheless, Mr. Santos considers that the main problem is the maritime transportation, lacking assiduity and punctuality, and proper means to transport fruits and vegetable from the producers' islands to the consumer islands, and thus limiting the current business potential.

Aside transportation, the manager considered that the agriculture production in Cabo Verde is disorganized from the onset and without proper production planning, organization of the domestic value chains and proper logistics, local operators will be unable to match requirements and attend the annual FFV procurement plan of the hotels.

Due to these identified constraints of the local supply chains, Mr. Santos explained that food supply is guaranteed through large and established supplier groups such as Emicela, Benito Alvarez and others companies that are installing in Sal to serve specific hotel chains.

Food is mostly imported via maritime transportation, but to prevent supply chain shortages risk, operators such as Benito Alvarez, orders food from the Canary Islands by air, using large cargo planes.

Mr. Santos considers that local tropical fruits (banana and papaya), if supplied in proper conditions and price are preferential over European chilled fruits.

However, independently of the perceived preference, the hotels chains have larger responsibility with guests and tour operators, and, in such scenario, most hotels chains are working with established suppliers such as Benito Alvarez or arranging their own licensing to import necessary products.

Data provided by a few AI's and non-AI's enabled the identification of following costs per kilogram and total purchase during 2016.

Hotel	Nº Rooms	Estimated total night stays /Year	Total Banana Purchase (kg)/ Year	Total cost of Banana (CVE)/Year	Banana grams/Night Stay	Cost Banana/Kg	Total Papaya Purchase (kg)/ Year	Total cost of Papaya (CVE)/Year	Papaya grams/Night Stay	Cost Papaya/Kg
Hotel Odjo D´agua	49	31,764	3,879	758,473	122.12	195.53	3,294	644,077	103.70	195.53
Belorizonte Hotel	363	197,338	12,023	364,588	60.93	30.32	14,908	695,917	75.55	46.68
Salinas Hotel	337	154,012	7,479	1,077,845	48.56	144.12	15,395	2,598,606	99.96	168.80
Total	749	383,114	23,381	2,200,906			33,597	3,938,602		
Averages					61.03	94.13			87.69	117.23

Table 33: Banana and Papaya purchases in 2016, data provided by hotels

Due to the lack of complete data of all hotels, based on the information provided above, and considering the current situation of the supply chains, the estimates for consumption of banana, papaya were made using as reference the information supplied by Hotel Odjo D'água in Sal.

Odjo D'água is an independent nationally owned hotel, with a long tradition of excellence in Sal, and, although small compared to AI, is of respectful size among national hotels and a gastronomic reference in the island. Odjo D'água also suffers from supply ruptures, but due to their knowledge of the local suppliers (Rabidantes) and their size, this impact can be considered relatively smaller, when compared to the impacts of the ruptures suffered by an AI, should they decide to use the same local suppliers. The hotel has 49 rooms and had a total of 31,764 night stays in 2016.

Being this choice conservative, considering all the advantages that the AI have, in terms of capital, marketing, etc. these projections can be considered minimal targets of supply to Sal island.

The calculations were made using the total amount of the selected products purchased by Odjo D'água in the year 2016 divided by its total number of night stays, to determine an average consumption in grams per guest per night.

Further, using the official data of INE, regarding the total number of night stays in the island's upscale hotels in 2016, 03 scenarios were projected: 01 - a current yearly minimum supply was calculated, 02 - further enhanced with a 25% productivity increase if logistics'

conditions (correct maturation, packaging, conservation and transportation) would improve in the selected value chains, and 03 - doubling night stays by 2021.

	# upper scale hotel night stays	banana (122g) per night stay
National	3,116,000	380,487,958 g
Sal	1,727,510	210,942,524 g
SC 01	Current Year Minimal Potential for Sal, in Kg	210,943
	Market value (110 CVE/Kg)	CVE 23,203,678
		EUR 210,436
SC 02	Improve 25% of supply in Kg	263,678
	Market value (110 CVE/Kg)	CVE 29,004,597
		EUR 263,044
SC 03	Doubling night stays by 2021	
	Year Minimal Potential for Sal, in Kg	527,356
	Market value (126.5 CVE/Kg)	CVE 66,710,573
		EUR 605,002

	# upper scale hotel night stays	papaya (104g) per night stay
National	3,116,000	380,487,958 g
Sal	1,727,510	179,127,507 g
SC 01	Current Year Minimal Potential for Sal, in Kg	179,128
	Market value (200 CVE/Kg)	CVE 35,825,501
		EUR 324,904
SC 02	Improve 25% of supply in Kg	223,909
	Market value (200 CVE/Kg)	44,781,876.81
		406,130
SC 03	Doubling night stays by 2021	
	Year Minimal Potential for Sal, in Kg	447,818.77
	Market value (230 CVE/Kg)	CVE 89,563,754
		EUR 812,259

Table 34: Estimate of consumption of Banana and Papaya in upper scale hotels in Sal

6.3.2 Demand of Banana and Papaya in Boa Vista

Group New Horizons responded positively to the interview request and Mr. José Mendes, Financial Director of the hotel, answered some questions at Hotel Decameron. The New Horizons is the new owner of the Decameron Hotel in Boa Vista and the group is currently building a new hotel in Sal.

The situation in Boa Vista, reported by Mr. Mendes, is quite similar to what is happening in Sal. The group have an interest and preference to buy local products but, due to the maritime transportation situation, domestic products shortages are common.

Hence, besides working with small and informal retailers (Rabidantes), the hotel is mainly supplied with FFV from Benito Alvarez and with canned and frozen food from Emicela. The hotel does not import food products, but sometimes, when transportation is available, they purchase food from the capital city Praia.

The hotel Decameron representative provided the following data on their consumption of banana and papaya in 2016.

Hotel	Nº Rooms	Estimated total night stays/Year	Total Banana Purchase (kg)/Year	Total cost of Banana (CVE)/Year	Banana grams/Night Stay	Cost Banana/Kg	Total Papaya Purchase (kg)/Year	Total cost of Papaya (CVE)/Year	Papaya grams/Night Stay	Cost Papaya/Kg
Royal Decameron	300	191,253	2,365	287,320	12.37	121.49	4,452	647,860	23.28	145.52
Total	300	191,253	2,365	287,320			4,452	647,860		
Averages					12.37				23.28	145.52

Table 35: Banana and Papaya Consumption data provided by Hotel Decameron - 2016

Mr. Mendes reported that the hotel has in place the HACCP system, which is managed by a Health and Food Security department, that controls the quality of the products through a process of inspection, selection and sanitary measures over products that are considered to be risky such as dairy products, eggs, meat and fish. The hotel inspector confirmed the process in details, describing the daily routines that starts with a first inspection and check list based on HACCP norms.

Fruits and vegetables are not included in the category of products of high risks but the inspection services take in consideration the quality, presentation, maturity and above all the price, the key factor.

The representative confirms that the hotel has a high interest in purchasing tropical fruits and even reported that local fruits are in constant demand by tourists, who expect to have banana and papaya for morning meals, but due to the frequent shortages the hotel is forced to provide them with available and imported fruits such as apples.

Using the same method and reference from Sal island, the 03 scenarios for Boa Vista are as following:

	# upper scale hotel night stays	banana (122 g) per night stay
National	3,116,000	380,487,958 g
Boa Vista	1,551,057	189,396,142 g
SC 01	Current Year Minimal Potential for Boa Vista in Kg	189,396

	Market value (110 CVE/Kg)	CVE 20,833,576
		EUR 188,941
SC 02	Improve 25% of supply in Kg	236,745
	Market value (110 CVE/Kg)	CVE 26,041,970
		EUR 236,176
SC 03	Doubling night stays by 2021	
	Year Minimal Potential for Boa Vista, in Kg	473,490
	Market value (126.5 CVE/Kg)	CVE 59,896,530
		EUR 543,205

	# upper scale hotel night stays	papaya (104 g) per night stay
National	3,116,000	380,487,958 g
Boa Vista	1,551,057	160,830,818 g
SC 01	Current Year Minimal Potential for Boa Vista, in Kg	160,831
	Market value (200 CVE/Kg)	CVE 32,166,164
		EUR 291,717
SC 02	Improve 25% of supply in Kg	201,039
	Market value (110 CVE/Kg)	40,207,704.58
		364,646
SC 03	Doubling night stays by 2021	
	Year Minimal Potential for Boa Vista, in Kg	402,077.05
	Market value (230 CVE/Kg)	CVE 80,415,409
		EUR 729,292

Table 36: Estimate of consumption of Banana and Papaya in upper scale hotels in Boa Vista

6.4 Fresh Fruits and Vegetables offer to the Tourism Market

The main all-inclusive (AIs) resorts have integrated supply chains that imports the majority (with the exception of certain beverages) of the food and drink necessities.

The World Bank estimated[28], in 2014, that 7,600 tons of FFV (fresh fruits & vegetables) are imported every year, with large AIs importing all their FFV necessities. In the same report, it was highlighted that the smaller hotels based in Fogo and Santo Antão are better linked to the local economies, which is explained by the larger agricultural production present in those two islands.

The current possibility of small producers of FFV to reach the AI hotels market is remote, because they depend on the scale of production and the fulfillment of technical barriers such as phytosanitary certification.

Unlike other crops, production of Banana and Papaya allows one production cycle and a sustained and relatively continuous basis throughout the year. Since banana is imported very sparsely, and is constantly available in the producers Island, there is no import

[28] Tourism Development in Cabo Verde - Is it Time to Abandon the All-Inclusive Model

competition. With papaya, the situation is relatively similar but currently there is some minor competition with imported products.

6.4.1 Production of Banana and Papaya in Santiago

For a better assessment of the capacity and scale of production of Banana and Papaya in Santiago Island, the Association of Commerce, Agriculture and Industry in Santiago – ACAISA was contacted and interviewed on February 18th.

Mr. Felisberto Veiga, president of ACAISA, described the situation of agriculture in Santiago, highlighting the issues of scale, fragmented production, transportation and the opportunity to supply to value chain of tourism with banana and papaya.

ACAISA is well aware of the issues and problems and is working on the implementation of a cooperative as a way to deliver proper solutions and take better chance of the opportunities. There are 5 dams in the island of Santiago, the new post-harvest center was, at the time of the interview, been set to became operational. There is a decent grid of roads, the energy is supplied and distributed centrally, a new water supplying company is in place and above all Santiago, as the largest island, have the largest and deepest watershed in the archipelago.

According to the President of ACAISA, despite general knowledge that the majority of production that is distributed in the country, specially in Sal and Boa Vista, is produced in Santiago, there is no precise estimate of the amount of banana and papaya produced in the island.

However, the Association already surveyed 120 farmers in the region and they already estimated the amount of land that is dedicated to these cultures in the north of Santiago.

Banana is mostly produced in the Municipality of Santa Cruz, where it is estimated to have 1.000 ha of land dedicated to the culture of banana.

Papaya is produced sparsely in the same region, where it is estimate to have 700 ha of land with the culture.

According to ACAISA estimates there's a broad potential to expand the fruit production in the island, increasing the area for banana to 6.000 ha and 12.000 ha for papaya, if considered the available land, owned by its members, in the semi-arid, sub humid and humid climates of altitude.

Based on the data collected in the property Justino Lopes, and considering that individual farmers will not be in better situation in terms of financing, technical means, the minimal production capacity in the north region of Santiago (that includes, Santa Cruz and Santa Catarina) is currently estimated as follows:

North of Santiago	**Annual production estimative (kg)**
Banana	3,000,000
Papaya	1,050,000
Total (kg)	**4,050,000**

Table 37: Annual production estimate of Banana and Papaya in the north of Santiago Island

There is no available data about the amount of FFV is transported to the touristic Island of Sal and Boa Vista.

6.4.2 Production of Banana and Papaya in Santo Antão

There is no precise data regarding the amount of fruits and fresh vegetables produced in the island of Santo Antão. The available data is an estimate based on a survey produced by the MCA during 12 months (May 2008 to April 2009) in the watershed of Paúl. These data were then reviewed with intermediaries and active traders in the island, to extrapolate the data to the island and have the total annual amount of 5,709 ton of Horticulture and 1,350 ton of banana and papaya.

Annual Production in Santo Antão	Santo Antão	Paúl	Rest of the Island
Banana	900,000	450,000	450,000
Papaya	450,000	250,000	200,000
Total (kg)	**1,350,000**	**700,000**	**650,000**

Table 38: Annual production of Banana and Papaya in Santo Antão

Only a fraction of this production is sent to the islands of Sal and Boa Vista. Oasis Hotel representative talked about the subject, reporting that the solution must start with the organization of the farmers in Santo Antão, to enable a constant supply in the value chain. Otherwise the initiative of traders is revealing to be an adventure with high risks of losses and frustration.

6.5 Agriculture Value Chain Analysis

The sector is highly fragmented and mostly informal, and competition the sector is still in an early phase of development. There is, however, some degree of competition along the value chain, in the distribution channels, mainly through informal intermediaries (rabidantes).

Traditional agriculture is mostly targeted to trade of fresh fruit and vegetables (FFV) and some traditional agro products that are transformed in semi-industrial and rural units.

The cold storage conditions and services, the regularity of the inter-island routes, and other particular issues have high significant impact in the operating costs along the supply chain. Operators have been complaining for years about the cost per mile of inter islands transport and the cost is perceived to be increasing.

Given the inexistence of an efficient logistics system (existent nonfunctional distribution centers) for distribution of products to the consumer markets, the informal intermediaries (Rabidantes) for distribution of agricultural products play a critical role in placing production in the market, hence determining the price fluctuations and concentrating a strong bargaining power against both producers and consumers.

Rabidantes play a critical role of supplying the domestic market with fresh fruits and vegetables, assume most of the postharvest risks associated with these highly perishable products, establish the connection between production, transportation and retail distribution in ways that provide reasonable continuity of product from farmers to the

market and as such they control an estimated 90% of all fresh fruits and vegetables distributed in all the islands.

They generally pay cash for the products they buy, even when they are required to extend credit to the customers such as hotels or their intermediaries. Without this class, the marketing situation of agricultural and livestock products would be much worse and would have severely negative impacts on production[29].

Generally, they operate as independents, but sometimes they cooperate with other Rabidantes, when cooperation seems advantageous. The supply chain is dominated by the Rabidantes who operate in small scale and do not benefit from contractual commitments as to volume or prices.

However, the Rabidantes are small scale distribution operators that depend on the maritime connections and other means of transportation throughout and within the islands, with poor storage conditions, and therefore, independently they are not proper intermediaries to reach the big hotels (tourism) market.

The current possibility for Rabidantes of FFV to directly enter in the supply chain of tourism market is remote. The low level of business sophistication combined with high level of informality, high exposure to risks and full dependence on the archaic maritime system are barriers high enough to undermine the sector development.

The current situation is characterized by several bottlenecks in the logistics and distribution chain, difficulties of access between the agricultural production zones and the domestic and international markets, poses significant threat to the sector development and the inefficiencies in the sector potentially discourages further investments.

Furthermore, the value chain fragmentation limits current production capacity by generating inefficiency cycles that undermines the potential of supply of fruits such as banana and papaya that are produced in sufficient scale, are fully available during the year. However, according to information collected through the demand and offer sides, these products are more evaluate by their appearance then to the fulfillment of technical barriers such as phytosanitary certification.

There is scope to significantly expand production in the agricultural sector and ensure links with other sectors to facilitate the development of the rural economy. A sector to be linked with is tourism, where the binding potential with the agricultural supply chain can have a decisive impact on both sectors.

6.6 SWOT Analysis

The SWOT analysis is presented in the perspective of the Cabo Verde agriculture value chain, where the forces are analyzed considering the local producers in one side (representing the Strengths and Weaknesses) and the tourism value chain and the national market in another side (representing the Opportunities and Threats).

[29] 2013 DTIS

6.6.1 Opportunities and threats Analysis

Opportunities	Threats
1. Growth of tourism worldwide, of about 10%; 2. The rate of tourism growth in Africa, of about 5% per year 3. Cabo Verde is among the top ten destinations with prospects of development 2014/2024 - information from the World Travel Tourism Council; 4. Increase of FDI in Cabo Verde, particularly to Tourism sector, prospect of tourist increase; 5. Cabo Verde destination is still not saturated, and has growth margins; 6. Increase in inflows of tourists to the country, either by air and by sea (cruises); 7. Increase of night stays by tourists; 8. Estimated USD 60 million per year food products internal market by the AI; 9. Increasing demand of FFV by established AI; 10. Increasing interest of AI to purchase locally produced FFV and fresh fish; 11. Existence of business opportunities due to lack of competition in many areas of activities and complementary services Tourism;	1. Structural challenges due to archipelagic nature of country (distance between urban centers, producing regions); 2. The fragility of the ecosystem; 3. High operational costs in the country, reflecting on the price of certain Cabo Verde tourism products; 4. Weak technical and financial capacity of tourism administration to develop and implement policies and procedures; 5. The tourist product of Cabo Verde reflects very little, or nothing, of the Cabo Verdean culture and soul; 6. Poor strategy of the Made in Cabo Verde branding; 7. AI models functioning like enclaves preventing tourists to link with local communities; 8. High prices and low quality of internal transport services; 9. Limitation and congestion of air and maritime economic infrastructure; 10. Limitation of internal logistics, cold chains, packaging, food security systems; 11. Unattractive policy for domestic investment, few if any incentives or initiatives in place to stimulate tourism-related MSMEs; 12. Existence of established international organized food distributors, grasping the market; 13. Increasing import of frozen fish by the distributors versus a lack of interest in purchasing local fresh fish due to technical reasons; 14. Competitive prices of imported FFV and other food products;

6.6.2 Strengths and Weaknesses Analysis

Strengths	Weaknesses
1. Public agenda to promote agribusiness; 2. Public investment in agriculture infrastructure (dams, cold chains, packaging and distribution centers, etc.); 3. Increase of water available for agriculture; 4. Potential and knowledge to produce niche market products for the tourism sector; 5. Increasing productivity of FFV; 6. Ongoing Properties Management Project for Investment Promotion – LAND;	1. Small number of professional agro farms producers; 2. Inadequacy of the operating practices to the climatic conditions; 3. Lack of a well-structured financing policy and products for the sector; 4. Insufficient diversity of cultures; 5. Insufficient scale, quality and frequency of production; 6. Low and very irregular rainfall; 7. Difficult access to water; 8. Difficult access to land; 9. Logistical distribution centers not fully

	operational, lacking a business model and standard operational procedures; 10. Insufficient certification of products; 11. Distribution of products mostly secured by informal intermediaries; 12. Insufficient quantity and quality of maritime transportation between producer and tourism consumer islands; 13. Insufficient production of livestock products; 14. Lack of performance of central and local administration along with ineffective coordination of several agencies, institutions and other stakeholders involved with agriculture; 15. Underdeveloped services such as quality standards, regulations and certification systems, information services about the quality/price ratio of agricultural products, research programs;

6.7 Conclusions and Recommendations

After the identification of the main forces (Strengths, Weaknesses, Opportunities and Threats) and through a SWOT exercise, the following strategic actions were generated as a set of recommendations for the stakeholders, to further boost agriculture sector in Cabo Verde. The authors ranked these recommendations based on their perception of the country priorities, resulting from the analysis of the available information and data.

Reinforcement strategy (to decrease the weaknesses to seize the opportunities) – should enable the country to level up and improve sector productivity:

1) Develop resource mobilization plans to attract FDI to agribusiness, for partnerships with local producers, to increase local production scale and quality.
2) Develop legislation to organize the FFV logistics, forcing the distribution flow through the existent packaging and distributions centers, including the certification process.
3) Develop legislation to organize the livestock productive chains, forcing the distribution flow through the existent packaging and distributions centers, including the certification process.

Confrontation strategy (to use strengths to confront/decrease the impacts of the threats) – should enable the country to face the threats and dissolve deadlock barriers:

4) Develop a robust “Made in Cabo Verde” programme to incentive the development of semi processed niche products and place them within the reach of tourists, via partnerships with the hotels. Quality seals free of charge to the producers via quality certification.
5) Develop the rural water distribution system, to expand the possible productivity increase from the dams. Further introduce greenhouse techniques to reduce the seasonality, while developing financing mechanisms to support qualifying producers to adopt these techniques.

6) Develop credit mechanisms to finance tourism related operators/products, including the integration of existent solutions such as Pro-Empresa[30], Sociedade de Desenvolvimento Empresarial and CV Garante.
7) Develop incentives for commercial banks to develop suitable credit solutions for the private sector.
8) Simplify the interface of the Code of Fiscal Benefits and develop a communication plan to mainstream it.
9) Revise the MSME informal to formal economy transition legislation.

Defensive strategy (to tackle the weaknesses to minimize the impacts of the threats) – should enable the country to develop new strengths and eliminate old weakeness in order to increase competitiveness:

10) Develop comprehensive studies to improve and level the agriculture production techniques to the climatic conditions.
11) Develop control mechanisms to organize the distribution processes used by the intermediaries, issuing operation licenses, control points, etc.
12) Negotiate the extension of the LAND project with the MCC or mobilize additional financing from other development partners, to assure the continuity of the project.
13) Develop a robust agribusiness plan, including the aggregation of small and medium producers into cooperatives, to increase local capacity to supply the tourism sector.
14) Develop a programme to transfer the management of the logistical distribution centers to the private sector, including in partnerships with international private companies;
15) Develop comprehensive studies of the tourism value chain and identify particular bottlenecks and opportunities for small businesses, and develop finance mechanisms to finance the MSMEs.

6.7.1 Opportunities for Private Sector Development

The tourism value chain is sophisticated and the operators that supply the AI hotels are necessarly competitive players with reliable performance and able to respond to the strictest requirements regarding guest's safety and supply chain management.

Due to the tourism development model in the island with low population density, there are pleanty of business opportunities to explore in Sal and Boa Vista. The authors suggest the following business opportunities for FDI:

1) Investments in new agribusiness enterprises for production of FFV;
2) Investments in new agribusiness enterprises for production of livestock products (poultry, eggs, different meats and derivate);
3) Investments in new agribusiness enterprises to provide new technologies such as greenhouses to tackle seasonality, hydroponics, etc.;
4) Investments in new agribusiness enterprises for packaging, processing, and quality certification;
5) Investments in new enterprises for domestic logistics/distribution;
6) Investments in new agribusiness enterprises to supply production inputs;
7) Investments in new agribusiness maintenance operators.

[30] Created recently by the Government to replace ADEI.

7 Fishery sector development focused on Tourism Value Chain

7.1 Introduction

Figure 29: Fishermen post catch processing over pier in Santa Maria, Sal Island

This chapter is a general review of the fishery value chain in Cabo Verde. This analysis is made in a perspective of offer and demand relation between the fishery and the tourism sector. The objective is to understand the dynamics between the sector value chain links and identify measures that could trigger the potential of growth of the fishery sector, when focused on the national tourism sector, which is the current key driver of Cabo Verde economy.

The information presented is a collection of data on the main stakeholders, producers, production, the main infrastructures to support production and logistics, and quality assurance. It is also analyzed the market dynamics, in terms of import dependency, niche markets in the tourism sector, existence of financing options for operators and public policy & sector governance.

One case study, on the supply of fresh fish to hotels in Sal and Boa Vista, is presented, and an overall value chain analysis, including SWOT, is made with the aim to identify the sector forces. The chapter ends with a set of recommendations to the main stakeholders, to further boost the sector in order to seize the current market opportunities.

7.2 Fishing Activity Development – Traditional and Industrial

The extensive exclusive maritime area of Cabo Verde of 782,000 Km^2 is characterized by deep oceanic waters, a coastal line with 1.020 Km and a total accumulated area of the continental shelf of 5,394 Km^2 (down to depths of 200 m).

2015 UNIDO's technical report "Fisheries Value Chain Analysis and Cluster Mapping, Cabo Verde", points out that the country has a relatively small potential of fisheries resources, but a very diverse composition with almost 50 species for each ton of catch.

Multiple determinants concur to the relatively small potential of fisheries resources:

a. Unfavorable climate, topological and oceanographic conditions;
b. Lack of upwelling phenomena, upwelling of bottom waters;
c. Low and very irregular rainfall;
d. Reduced extent of the continental shelf;

However, fisheries resources have traditionally been considered one of the major natural resources available in Cabo Verde. Nonetheless, the sector has stagnated, and although the contribution of fisheries to GDP has fallen from 2 % in 2000 to 1% in 2015, it still makes an important contribution to the income of export of goods (84% in 2015).

In 2016, crustaceans and fish mollusks represented 38,1% of total exports and canned fish 43%. Besides Spain and Portugal, Cabo Verdean fish products are reaching countries like Germany, Italy, France and Sweden.

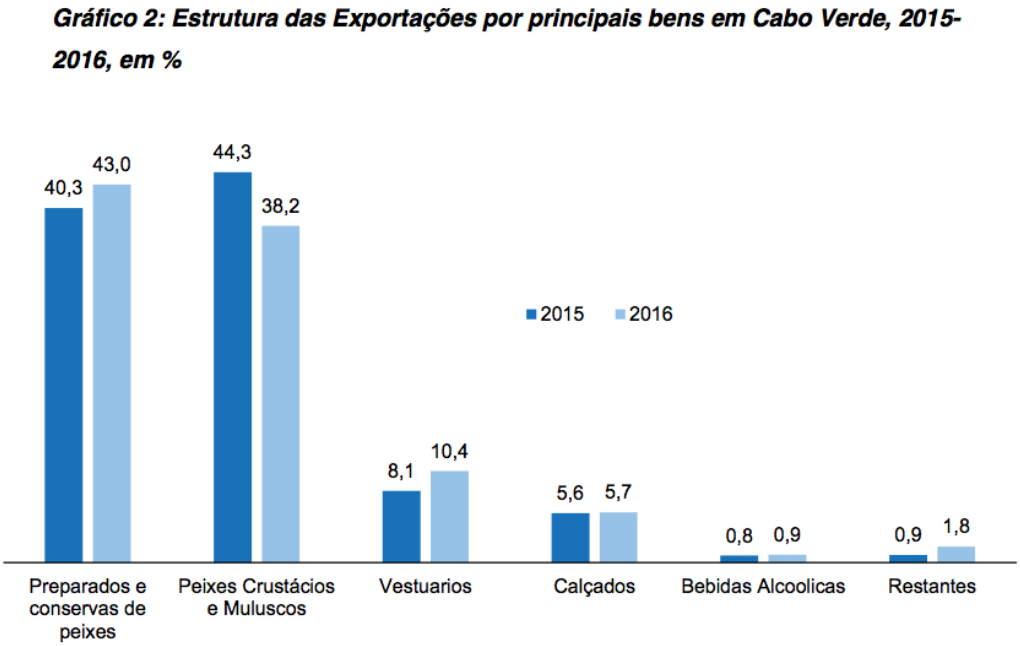


Figure 28: Fisheries products export, in %, 2015 and 2016, Source: INE 2017

The results of research on the marine populations point to an estimated biomass of approximately 100,000 tons. The annual potential of exploitable fisheries resources, according to the latest estimates and corrections, is between 36,000 and 44,000 tons[31].

7.2.1 Producers

The fishery sector is strongly dependent on the capacity, competences and skills of economic operators, such as fishermen, boat-owners and businessmen in the sector.

Data informs that in 2011 there were 2,400 less fishermen than recorded in 1995 Census. Resources availability along the coast, the need to travel longer distances to fishing grounds, coupled with traditional constraints are among the main identified determinants why fishery is becoming unattractive, insecure, risky, costly and less profitable to the artisanal fishermen.

Non-official data estimates that in 2011 the fishery sector employed 3,217 artisanal fishers, 840 industrial fishermen and 987 women fish traders, making a total of 5,044 fishery workers.

Ref. 2011	Santo Antão	São Vicente	São Nicolau	Sal	Boa Vista	Maio	Santiago	Fogo	Brava	Total
Fishers	372	279	240	360	183	204	1479	327	273	3217

[31] DTIS, 2013

Women fish traders	109	92	25	42	26	31	562	67	33	987

TABLE 39: SOURCE EMPLOYMENT IN THE ARTISANAL FISHERIES SECTOR IN CABO VERDE, AGRER 2012.

Cooperatives is the predominant form of organization among artisanal fishermen with 31 cooperatives in the country (Santiago – 21, S. Antão – 3, São Vicente – 3, S. Nicolau – 1, Fogo – 2, Maio – 1).

However, it was reported by stakeholders that these cooperatives are currently functioning with several deficiencies. The National Institute for Fishery Development (INDP) is currently making efforts at reactivating or reinforcing the cooperatives in islands such as Maio, Fogo and Brava.

In Santiago, of 7 community support centers only 2 or 3 are functioning reasonably well.

There are two boat-owner associations in Cabo Verde, covering primarily the industrial fleet dominated by 11 m vessels, which cover the interests of the fleet based in Mindelo and Praia. The major concerns of these associations are:

a. The poor conditions of land-based support infrastructure;
b. Deficient supply of ice;
c. The lack of a credit system for the maintenance and development of the fleet;
d. The high risks associated with external factors beyond national control.

Official criteria characterize the type of fishing fleet in three segments (categories), artisanal (small-scale), semi-industrial and industrial, being:

a. Artisanal fleets, responsible for decentralized fish supply to local communities and islands, and;
b. Semi-industrial and industrial fleets, responsible for the export, supply of the canning market, and supply of the main urban centers at the country level.

Census data[32] indicates that there were 1,239 artisanal fishing vessels operating (72% motorized) in 2012.

	Total Vessels	**Hand lines**	**Pursue-seine Nets**	**Gillnets**	**Beach Seine**	**Plunged Diving**
Santo Antão	124	102	3	7	1	10
São Vicente	93	83	3	2	1	4
São Nicolau	80	79	0	1	0	0
Sal	120	107	0	1	0	12
Boa Vista	61	55	0	0	0	6
Maio	68	64	0	0	0	4
Santiago	493	429	4	29	14	16
Fogo	109	99	0	1	0	9

[32] INDP, 2012

Brava	91	90	1	0	0	0
Total	**1239**	**1108**	**11**	**41**	**16**	**61**

TABLE 40: ARTISANAL OPERATING VESSELS. SOURCE: INDP, 2012

In Cabo Verde, industrial fishery is of paramount importance, not only because of the number of people involved directly in the production, marketing and processing but mainly for its outstanding contribution in reducing the deficit of the balance of payments, through exports of derivate goods.

In the end of 2010, the country's industrial fishing fleet comprised a total of 96 vessels with lengths between 8 and 25 m[33]. The vessels are equipped with internal motor with power ranging from 35 hp to 300 hp and have a gross tonnage not exceeding 30.

Evolution of the industrial fleet – Variation in the number of vessels										
Year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Windward (Barlavento) region	35	36	35	34	34	36	30	35	33	37
Leeward (Sotavento) region	31	24	31	32	35	30	31	38	55	59
Variation (%)		*-9%*	*10%*	*0%*	*5%*	*-4%*	*-8%*	*20%*	*21%*	*9%*
Total vessels	66	60	66	66	69	66	61	73	88	96

TABLE 41 EVOLUTION OF INDUSTRIAL FLEET - 2001/2010. SOURCE UNIDO, 2015

Most industrial fishing vessels are based in the port of Mindelo, the only landing port in the country with adequate support infrastructure for the export market and a complementary canning industry associated market. The port of Praia, located near the largest center of domestic consumption, constitutes the second landing port of the industrial fleet.

Local semi-industrial and industrial fishermen, boat-owners and responsible of the professional fishery associations have made several complaints about the heavy competition promoted by the foreign fishing fleets (i.e. concerning the catch of migratory species like tuna) and the lack of an effective control and surveillance of their fishing activities.[34]

Fish processing and canning industries are based in São Vicente, São Nicolau and Sal. These are mainly supplied by the semi-industrial and industrial fleet. Part of the processed fish in these industries is imported, and the main operators in the sector are:

a. ATUNLO, SA - cold storage facility with a capacity of 3,500 tons, in Porto Grande, Mindelo. This infrastructure is assumed to be of paramount importance for the Cabo Verdean processing industries that can benefit from a more stable and secure supply of raw fish, thus allowing them, mainly Frescomar, to reduce their high dependence of imported fish and also to start exporting fresh and cold fish fillets. With Atunlo, SA foreign fishing vessels have adequate landing conditions at the port of Mindelo.

b. FRESCOMAR - a company that uses Spanish capital (owned by the UBAGO GROUP MARE, S.L.), is located in the city of Mindelo, São Vicente, and have a production capacity of around 950 tons (in 2014, Frescomar processed 14,000 tons of fish). In June 2015, Frescomar inaugurated a new assembly line for the production of canned tuna loin, guaranteeing another 420 new jobs. The company's products are majorly destined to foreign markets, particularly Spain, the United States and other

[33] Note: it should be considered that part of these units is inoperative or have a very erratic use throughout the year.
[34] UNIDO Report, 2015.

African countries. As a result of a 2009 agreement, foreign-owned Frescomar benefits from tax and customs incentives, which involve ensuring a local content requirement of salt. Frescomar also operates in all of the official fish landing sites in Cabo Verde, besides the renovated and expanded fishery complex of Cova de Inglesa, in Mindelo, which have a 150 tons' storage capacity.

c. SUCLA - a national company located in Tarrafal, São Nicolau. The company manufactures canned tuna for the supply of the domestic market and has a processing capacity of about 750 tons. SUCLA employs an average of 150 workers, the majority of whom are women. In recent years, the company has made an approach towards tackling the export market, mainly, the market in the United States, where tuna products are in high demand. SUCLA exported 20,844 and 35,700 tons of canned tuna to the United States, in 2013 and 2014, respectively[35].

d. LA TRADICIONAL - Cannery industry based in São Vicente.

e. SAL SESIMBRA - Processing and export of lobster and fresh fish, based in Sal.

f. OJFP Lda. is headquartered in São Vicente and processes fish waste from Frescomar into 'fish-meals', and recently invested EUR 1.2 million in equipment to cope with the growth of raw material originating from Frescomar and the cold complex of Porto Grande. OJFP investment to set up a new line of fish-meal production, increased production capacity from 20 tons with nine days drying time, to 50 tons with only 24 hours drying time. Currently, OJFP employs 24 workers and its products are entirely exported, predominantly to other African countries, such as Ivory Coast and Angola.

7.2.2 Production

UNIDO's technical report identifies that fishing grounds in Cabo Verde are generally small, scattered and sensitive to exploitation. Combined with the effects of strong currents, rough bottom condition and limited productivity makes fishery a difficult and expensive activity.

According to INDP data, annual captures averages 9.445 tons by year, being 47% by artisanal fishers' fleet and 53% by semi industrial fleet.

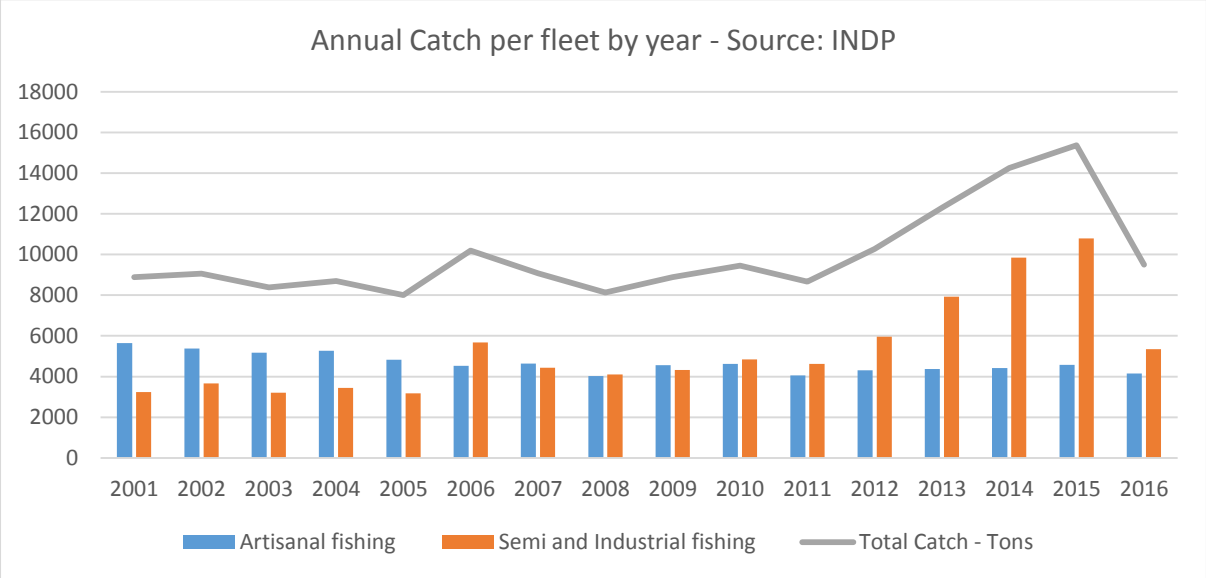


Figure 29: Annual Catch per fleet by year

[35] Almada, 2015.

7.2.3 Infrastructure and Logistic

The fishery infrastructure that serves the domestic market is mostly state owned and managed by the Government Administration and state services, which still operates several small fishery infrastructure and processing facilities that serves the domestic fleets.

Communities	Fish handling infrastructure	Conservation Status
Santiago		
Port of Praia	Fishery pier Ice machines Water Fuel	Very good Good Available Available
Cidade Velha	none	N/A
Porto Mosquito	Social Technical Center Ice machine Cold storage chamber	Needs rehabilitation Broken Broken
Pedra Badejo	Social Technical Center Ice machine Cold storage chamber	Reasonable Broken Reasonable
Calheta	none	N/A
Tarrafal	Fisherman's center Ice machine	Reasonable Broken
Ribeira da Barca	Social Technical Center Ice machine Cold storage chamber Processing room	Good Good Good Very good
Rincão	Ice machine	Broken
São Vicente		
Porto de Cova D'inglesa	Fishery pier, ice machine and cold storage facilities Fuel Water	Very good Available Available
São Pedro	Fisherman's center	Good
Salamansa	Fisherman's center	Good
Calhau	Fisherman's center	Good
Fish market	Fisherman's center	Good
Source: Survey of the economic operators from Santiago and São Vicente. Veiga 2015		

TABLE 42: FISH HANDLING INFRASTRUCTURE IN SANTIAGO AND SÃO VICENTE

According to consulted documents, many of these small facilities are currently non-functional due to lack of demand, maintenance and technical support and other serious management deficits. According to the World Bank these infrastructures are basically constrained and privatization is unlikely in current state:

a. Most port infrastructure serving the fishery sector does not create enough revenue to cover operation and maintenance of the facilities;

b. The country's ice supply and fish processing capacity far exceeds local requirements and landed raw material;

c. Two main fishery ports, at Praia and Mindelo, are still publicly owned and supplies the domestic fishing fleet with different infrastructure such as, fishery quays, cold storage, ice supply and general dock services;

Interview conducted with Mr. Juvino Vieira, former Director General for Fishery reported that management of these facilities is problematic. Located in remote regions, or far from the main cities, these facilities are constrained with energy needs for ice production and maintenance of proper hygiene conditions. It was reported that soon after inauguration the facilities started to have problems and sometimes these are related to the lack of technical capacity of the people in charge (usually fishermen) or related to the subsistence mentality.

The fishery and maritime infrastructure currently installed in São Vicente gives the island a comparative advantage for industrial fishing, enabling the operation of the industrial fleets and operation of fishery processing facilities.

The port of Mindelo plays an important role supporting the EU and Chinese longline fleets as a base for fishery operations in the region such as transshipment of products into refrigerated containers for international distribution, crew exchange and hiring of nationals, shipyard services and supply of inputs.

Mr. Carlos Waldir Barbosa, President of ACOPESCA – former fishery authority[36] - confirmed that the unit of Cova D'Inglesa is currently ready to make any kind of phytosanitary inspection to export or to supply the tourism market. Regarding other facilities, it was reported that they are mostly managed by local fishermen, lacking management capacity but also lacking experience with trade and capacity to invest and maintain the facilities.

These elements are confirmed by other stakeholders, such as the Municipality of Porto Novo, and confirmed during the visit to the fish transformation unit in Santo Antão, where problems related to sustainability of the operations were identified.

Mr. Vieira complement that these units will only be sustainable, through strong capacity building of the stakeholders involved and integration of independent and autonomous renewable energy sources.

UNIDO reports that the fishery value chain in Cabo Verde is quite complex, with different intermediaries involved in supply and distribution systems. In general, the fish are sold to HORECA operators, to intermediary retailers, or wholesalers, e.g. "peixeiras" (street sales women) or other Cabo Verdean marketing operators and industrial or semi industrial processors, who then transport the fish and/or fish products to different markets (local, nationwide or external markets) and sell them to the end consumer or other intermediaries.

[36] Recently extinct by government resolution.

The national supply chain of fresh fish is short and geographically limited because the product is highly perishable. The shelf life extension of fish products depends on adequate handling and the preservation practices along the supply chain. Local traders rely on the use of isotherm boxes, flexible containers and ice flakes to enhance the value chain of high value fish species to the local markets.

Significate public investments were made in the past few years towards the creation of modern and well equipped infrastructures for fish landing, freezing facilities and cold storage (e.g. the cold complex of Porto Grande and the renewed fishery complex of Cova D'inglesa, both in Mindelo – São Vicente).

In the artisanal fisheries category, refrigeration is a last resource mean of preservation for unsold fish.

Access to the domestic market is seriously constrained by the insularity costs and the limitations of the maritime inter-islands transportation systems costs, quantity, regularity and predictability.

7.2.4 Quality assurance, cold chain, packaging and phytosanitary certification

Cabo Verde has implemented HACCP as a mandatory standards system for basic food hygiene and several institutions such as ARFA[37] and ACOPESCA are involved in the product certification process that enable market access of Cabo Verdean fish products through compliance with the international standards.

For the international market, product quality is determined by the international preferential trade agreements, which are duty and quota free, eliminates tariff barriers but introduce several technical barriers related to phytosanitary and veterinary measures and inspections, hence differentiating the products.

Cabo Verde authorities ensure compliance with SPS standards, inspections and export certification of fish and fishery products, which enables access to preferential markets, being Europe the destination of about 80% of the national production.

Product differentiation is not necessarily a barrier of entry in the artisanal category, as most operators in this category supply undifferentiated products. However, if a new operator intends to supply to the All-inclusive, product differentiation is a barrier as per standards requirements.

Regarding supplying the tourism market, Mr. Vieira also reported that the situation in Sal and Boa Vista have been evaluated and a certification project, based in good practices, have been designed to support the supplying of fishery products to the hotels and restaurants.

The project has not been implemented yet. It seems that this project was designed to be implemented as a private sector initiative but lacks financing.

7.2.5 Import dependence

The Increasing imports of frozen seafood, including shellfish, lobster, clams, fish, among others by the local HORECA is a clear threat and substitute to the national production.

[37] Food and Pharmaceutical Regulation Authority.

Available data does not provide sufficient evidence of the impacts in the domestic consumer market in terms of price and quality. However, despite the apparent higher price, available frozen fish in the supermarkets is a consistent and differentiated alternative to the local fresh fish.

Salted and dried fish is traditionally produced in the islands for cultural and traditional reasons and accounts for less than 3% of the catches. It does not represent a significate substitute to fresh fish.

7.2.6 Niche market product for tourism

The local supply of fresh fish to the tourism sector, particularly in Sal and Boa Vista, is an obvious local linkage to develop, because 91% of total tourist night stays are spent in these two islands, and therefore represents the bulk of the market for tourist-consumed fish.

Unfortunately, despite the internal production capacity, Cabo Verde is still highly dependent on imports to supply part of the local HORECA channels, specifically the all-inclusive and upscale hotels, where standards demand certification, and therefore, due to lack of internal response, their integrated suppliers import 80% of their needs, including fish products.

UNIDO reports that a kilo of imported fish has an average price of 15 euros while local fish can be purchased at 5 euros, but is still noncompetitive for these clients due to technical barriers.

World Bank suggests that to change current procurement patterns would require investment in improving the post-catch fish handling process and certifying the quality of the fish. In order to improve fish product differentiation, other intangible factors, such as training, capacity building of stakeholders, quality promotion, research and introduction of modern technology for capturing, and fish processing.

7.2.7 Financing

To operate in the semi and industrial category it is necessary heavy investments capital for vessels, equipment, facilities, licensing and authorizations for capture and trade, capacity building and operational costs (including maintenance, fuel, etc.).

The cost structure of fishing boat owners (artisanal and semi-industrial, and industrial fleet) and processors, analyzed by UNIDO, reports that oil and fuel stands out with 27 to 35% of the entire annual expenditures while salaries represents 17 to 22%.

Considering the above, capital requirements to enter the fishery sector are high, and is a considerable entry barrier.

In order to tackle this heavy requirement, local operators face several constraints regarding access to financing in the market. Credit is provided by the locally established commercial banks and the banking market is still basically limited to "classic" products and services.

Although there are 8 banks operating in the country (3 of which offshore), products specifically aiming at financing Cabo Verdean companies are incipient or nonexistent.

From the perspective of the commercial banks, the same constraints that keep banks from offering credit in every country in the world are in effect in Cabo Verde. Asymmetry of

information and lack of guarantees/guarantors make extending credit to operators, and especially to small and medium enterprises very risky business.

Most commercial banks in the country do not create lines of credit that are oriented towards financing the fisheries sector.

The role of credit in Cabo Verde's fisheries sector is complex, and the lack of credit has had an effect on its development:

a. On the one hand, lack of easily accessible credit has been one of the reasons the fishery sector has been slow to replace traditional boats and gear with more modern, safer and more effective equipment.

b. In addition, lack of credit has negatively affected the ability of the private sector to experiment with new technologies, like small-scale longlining for deep-swimming tuna.

c. In addition, the current high interest rates prevailing for fisheries loans (14%) have been a major impediment to fishermen willing to replace old boats to borrow money.

The Fisheries Development Fund (FDP) was created in 1994 to support development in the fisheries sector. FDP covers part of the total investment covering:

a. Construction or purchase of production infrastructure,

b. Equipment, machinery, materials, software, etc. for production;

c. Cargo and transport equipment;

d. Studies for project formulation and the development of products/processes.

FDP provides subsidies for fuel and ice, and for the decommissioning of vessels. It provides small loans at an annual interest rate of 2%.

Another important role of the FDP is providing guarantees and covering part of the interest rates (up to 50%) for loans taken in the private banking sector.

However, the fishery sector has gained a reputation for bad investments and very low repayment, so that there is in fact a very limited willingness of the banking sector to provide loans for investment in fisheries.

Although some efforts have been made lately to improve repayment of commercial and FDP loans, the overall record and loan recovery rates on all outstanding loans is still very poor. Even in the case of small loans given out by the FDP, repayment has been poor.

Due to the informality, large and scattered universe of small operators in the artisanal fisheries category, limited credit is mainly provided by micro credit institutions. Investment in this category is considered risky due to the number and size of operators, seasonality of productions and uncertainty of productivity.

Considering the high costs to operate in the fishery sector and the limited access to credit it can be assumed that capital requirements are a big barrier for new operators.

7.2.8 Public Policy and sector Governance

The General Directorate for Marine Resources (DGRM - Direção-Geral dos Recursos Marinhos) of the Ministry of Infrastructure and Maritime Economy is the competent authority for formulating and implementing fisheries' policies.

The General Directorate is advised by the National Fisheries Council (Conselho Nacional das Pescas), a public-private sector consultative body. In 2014, the Government created a new independent agency (Autoridade Competente para o Produto da Pesca - ACOPESCA) whose responsibilities included ensuring compliance with SPS standards, inspections, export certification of fish and fisheries products, and compliance with legal requirements aimed at the prevention of illegal, unreported and unregulated fishing (IUU). Financial penalties for illegal fishing by foreign vessels range from CVE 1 to 30 million. Inspection fees were revised in Decree-Law No. 42/2013.17.

The National Institute for Fisheries Development (Instituto Nacional de Desenvolvimento das Pescas – INDP) is an autonomous agency responsible, inter alia, for fisheries research and statistics, and promoting fisheries and aquaculture.

Fisheries policy is governed, inter alia, by the framework law for fisheries of 2005, the Fisheries Management Plan for 2014-15, and the Fisheries Charter, a long-term plan for the fisheries sector in 2013-2018.

The framework law for fisheries reserves all fishing within the territorial waters (a 12-nautical mile zone) for domestic vessels. The definition of domestic vessel was amended in 2014 to include vessels owned by a partnership between Cabo-Verdean and foreign nationals, irrespective of the share of foreign ownership; and vessels owned by "collective persons" with a seat in Cabo Verde.

The Fisheries Management Plan for 2014-15 specifies, inter alia, the restrictions and licensing requirements for the most important fisheries, and foreign vessels.

Domestic vessels must be registered in the Conventional Register of ships (Registo Convencional de Navios) administered by Maritime and Ports Agency (AMP). All fishing vessels (artisanal, industrial and recreational/sport fishing) require licenses, valid for one year and non-transferable.

The licensing fees for domestic fishing vessels are provided for in Decree-Law No.45/2008. Industrial fishing licenses are issued by the Directorate-General for Marine Resources.

7.3 Food Demand

The big hotels are large consumers of all food products (estimated at USD 60 million per year) and thus they have enormous bargain power.

At the beginning of the operation of these large units (particularly the All-inclusive), the government had to authorize them to import all kinds of food supplies because they were not available in the local market in sufficient scale and standards, and currently are supplied by organized distributors (e.g. Emicela, Canary Islands, Spain; Benito Alvarez, Spain).

Interviews were conducted near the hotels in Sal and Boa Vista to assess the opportunity, requisites and interest of provision of local fruits (mainly of banana and papaya) and fresh fish to the hotels.

Riu Group, Group Oasis, Group Meliã, Hotel Odjo D'Agua and New Horizons Group were contacted and all but Riu were available and interviewed between February 23rd and March 4th 2017.

7.3.1 Demand of Fresh Fish in Sal and Boa Vista

Due the food security risks the main AI supplier Emicela reported their option of not working with local fresh fish. Through interview, Mr. Javier Melero, Director General of Emicela, confirmed that the company does not work with fresh food. He explained that giving the large scale of their operation, the group has no intention to work with fresh fish, providing RIU's Hotel and others hotels with frozen and canned products. He explained that some of the frozen and canned fish are supplied by local companies such as Frescomar and Atunlo, based in São Vicente.

Interviews made to AI's Hotels and non-AI's hotel provided the following data regarding fish consumption during 2016.

Hotel	Nº Room	Estimated total night stays/Year	Total Fresh Fish Purchase (kg)/Year	Total cost of fresh fish (CVE)/Year	Fish grams/Night Stay	Cost of Fish CVE/Kg
Hotel Odjo D agua	49	31,764	14,054	8,316,759.00	442.45	591.77
Oasis Atlantico Belorizonte Hotel	363	197,338	45,025	20,374,843.00	228.16	452.52
Oasis Atlantico Salinas Hotel	337	154,012	43,994	18,016,454.00	285.65	434.12
Royal Decameron Boa Vista (Hotel Ventaclub)	300	191,253	34,831	13,908,516.00	182.12	399.31
Total	1,049	574,367	137,904	60,616,572		
Averages					240.10	439.56

Table 43: Fresh Fish Consumption data provided by Hotels in Sal and Boa Vista - 2016

Data indicates diverse type of fish with different market values and sizes in both Islands. Although the data is not officially conclusive it hints that fish is more expensive in Sal than in Boa Vista.

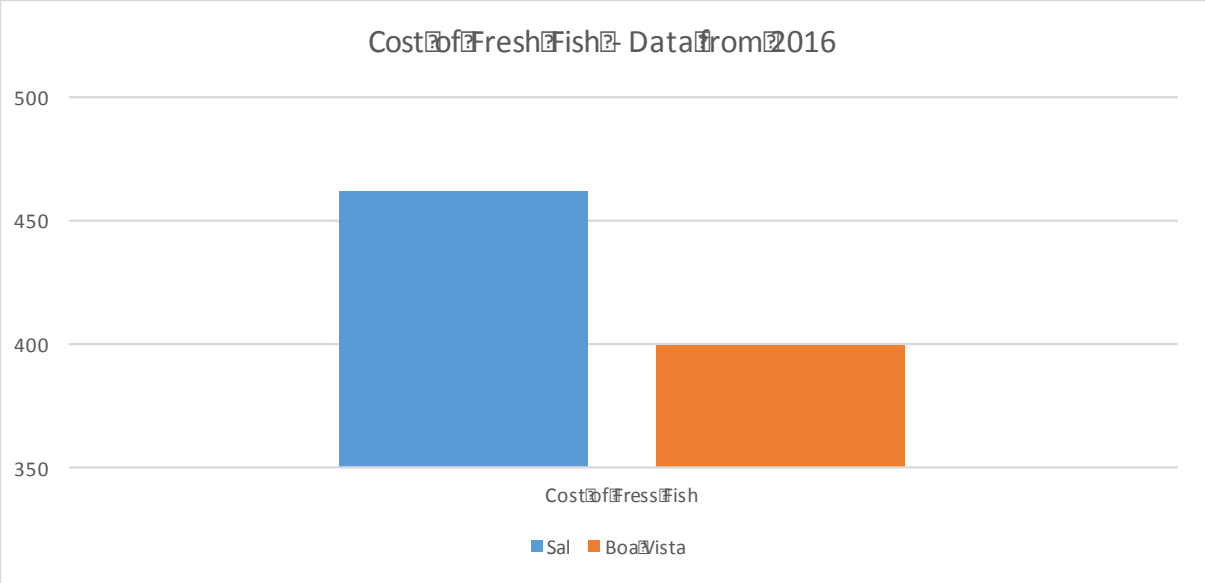


Figure 30: Cost of Fresh Fish in Sal and Boa Vista

Based on the consumption pattern of Hotel Odjo D'água, and considering the minimal potential, the following projection estimate was prepared for the entire all-inclusive hotels in Cabo Verde.

	# upper scale hotel night stays	Fresh Fish (442 g) per night stay
National	3,116,000	1,378,686,402 g
Sal	1,727,510	764,343,741 g
Boa Vista	1,551,057	686,271,089 g
SC 01	**Year Minimal Potential for Sal and Boa Vista, in Kg**	1,450,615
	Market value (550 CVE/Kg)	CVE 797,838,157
		EUR 7,235,643
SC 02	**Improve 25% of supply in Kg**	1,813,269
	Market value (550 CVE/Kg)	CVE 997,297,696
		EUR 9,044,554
SC 03	***Doubling night stays by 2021***	
	Year Minimal Potential for Sal and Boa Vista, in Kg	2,901,229.66
	Market value (632.5 CVE/Kg)	CVE 1,835,027,760
		EUR 16,641,979

Table 44: Estimative of consumption of Fresh Fish in upper scale hotels in Sal and Boa Vista

7.4 Fresh Fish offer to the Tourism Market

Independently of the fact that prices of local fresh fish can cost one third of imported frozen product, due to sanitary standards, the All-inclusive still opt for the imported option.

Information collected during the field visit show that the producers with sufficient capacity in terms of scale and quality are distant (São Vicente) from the bigger consumer markets (in Sal and Boa Vista), and the available offer of maritime transportation does not compensate the distance, thus preventing the supply to this profitable market.

On the other hand, mainly due food safety reasons main AI supplier Emicela reports its choice not to not work with local fresh fish.

In Sal and Boa Vista the fish is handled manually and there was no existent facility to support fresh fish processing, packing and storage.

During a field mission, it was noted the existence of two fresh fish processing facilities, fully equipped with cold storage equipment, located at Ribeira da Barca in Santiago and Porto Novo in Santo Antão, which were recently inaugurated by the authorities.

Both facilities are located far from the main markets (local or touristic), installed in less developed regions, were traditionally have low level of catches, and that are heavily dependent on energy to produce ice.

In Ribeira da Barca, despite the size of the unit and its processing potential, it was registered that it is working in very low scale, processing having exported only around 3 tons of frozen fish during 2016. The unit is mainly supplying the domestic market.

In Porto Novo, the unit was reported non-operational due to several problems, including lack of management skills of the local association of fishermen, which initially was in charge of its operations. Despite being inaugurated in 2015, the Municipality of Porto Novo reported that the unit has no management system in place, and lacks a set of elements to

be sustainable, including energy, and has a processing capacity much larger than the supply potential of the local fishing association.

7.5 Fishery Value Chain Analysis

The fishery value chain report informs that access to the international market is constrained by additional aspects including:

a. The fisheries seasonality and its effects on productivity, greatly limiting the responsiveness of the export agents in terms of quantity, regularity and predictability;

b. The shortcomings in terms of the ground support service adequate infrastructure, particularly for certain islands and regions of the country;

c. The comparatively high cost of onshore support services, including ice, containers for packaging, cold storage services, processing and air transportation;

d. The administrative costs and high risks involved in export of fresh food (fresh fish and live lobster).

There are no evidences that established operators have privileged access to existent distribution channels in the sector or that a new operator will have extra costs to assure access to these channels. In this sense access to distribution channels does not appear to be an entry barrier.

Facts collect through different studies indicate that:

a. The two most prominent islands, in terms of volume of catches and marketing dynamics (and also where the best facilities are located), are Santiago and São Vicente.

b. All the fish landed in São Vicente flows to the public market at Mindelo where it is sold, this process makes use of refrigerating facilities. In the case of the island of Santiago, the second and third sales are made in different municipal markets, especially the Assomada market, Tarrafal, Pedra Badejo, with notably poor food safety and hygiene conditions;

c. Besides local markets, trading is still largely carried out by an overwhelming number of street marketing agents: fish is acquired by the traders at the landing sites and distributed all-over the city by “peixeiras” carrying the fish at the top of their heads using plastic bowls, open boxes, or double cabin vans that transport the fish to the most inland spots of the island without safeguarding of food security or the use of isothermal transport boxes.

d. The attractiveness of the Praia market in terms of price, caused by rising demand and growth and consolidation of the middle class with less time and with greater purchasing power, has contributed significantly to the emergence of new distribution channels in some shopping centers, convenience stores and specialized fish stores (“peixarias”), although with low significance to date, given the total volume of fish marketed in the city capital.

Buyers rely mostly on informal intermediates who are strong determinants of demand quantity and price offer. An enquiry, by Veiga, involving economic operators from Santiago and São Vicente in 2015 have the following indications about supply and demand of fish dynamic:

a. **Where is the fish sold?** - 48% in the city markets, 21% in Own House /working building and 14% in the surrounding community;

b. **Where /by whom is fish bought?** - 49% by the city market, 36% by restaurant/hotel establishment.

c. **How often is fish bought** - 51% according to the needs of the restaurant or hotel; 30% each day; 13% more than once a week.

City food markets, restaurants and hotel establishments are identified as the bigger buyers in the domestic market, with significant bargaining power over sellers.

In the interviews with the former Director General for Fishing, ACOPESCA and INDP it was highlighted the need to implement the fish landing and auction centers (Lotas de Pesca) where fisheries products are first marketed or registered at an auction center or to registered buyers or to producer organizations.

These could be implemented in current landing sites and assume different roles such as fisheries data gathering and information dissemination, training of fishers and enhancing the management and quality of small scale fisheries value chain.

7.6 SWOT Analysis

The SWOT analysis is presented in the perspective of the Cabo Verde fishery value chain, where the forces are analyzed considering the local producers in one side (representing the Strengths and Weaknesses) and the tourism value chain and the national market in another side (representing the Opportunities and Threats).

7.6.1 Opportunities and threats Analysis

OPPORTUNITIES	THREATS
12. Growth of tourism worldwide, of about 10%; 13. The rate of tourism growth in Africa, of about 5% per year 14. Cabo Verde is among the top ten destinations with prospects of development 2014/2024 - information from the World Travel Tourism Council; 15. Increase of FDI in Cabo Verde, particularly to Tourism sector, prospect of tourist increase; 16. Cabo Verde destination is still not saturated, and has growth margins; 17. Increase in inflows of tourists to the country, either by air and by sea (cruises); 18. Increase of night stays by tourists; 19. Estimated USD 60 million per year food products internal market by the AI; 20. Increasing demand of FFV by established AI; 21. Increasing interest of AI to purchase locally produced FFV and fresh fish; 22. Existence of business opportunities due to lack of competition in many areas of activities and complementary services Tourism;	1. Structural challenges due to archipelagic nature of country (distance between urban centers, producing regions); 2. The fragility of the ecosystem; 3. High operational costs in the country, reflecting on the price of end products; 4. Weak technical and financial capacity of tourism administration to develop and implement policies and procedures; 5. The tourist product of Cabo Verde reflects very little, or nothing, of the Cabo Verdean culture and soul; 6. Poor strategy of the Made in Cabo Verde branding; 7. High prices and low quality of internal transport services; 8. Limitation and congestion of air and maritime economic infrastructure; 9. Limitation of internal logistics, cold chains, packaging, food security systems; 10. Unattractive policy for domestic investment, few if any incentives or initiatives in place to stimulate tourism-related MSMEs; 11. Existence of established international organized food distributors, grasping the market; 12. Increasing import of frozen fish by the distributors versus a lack of interest in purchasing local fresh fish due to technical reasons; 13. Competitive prices of imported FFV and other food products;

7.6.2 Strengths and Weaknesses Analysis

Strengths	Weaknesses
1. Extensive exclusive maritime area of Cabo Verde of 782,000 km2; 2. Diverse composition with almost 50 species for each ton of catch; 3. Estimated annual potential of exploitable fisheries resources of approximately 44,000 tons against 2014 total catches of 14,256; 4. Existence of skilled manpower for fisheries activities; 5. Existence of modern and well equipped infrastructures for fish landing in two main landing sites (Mindelo and Praia); 6. Implementation of HACCP as a mandatory standards system for basic food hygiene in the country; 7. Existence of product certification institutions (ARFA, ACOPESCA); 8. Low price of national fresh fish compared to imported frozen fish – 5 euros vs. 15 euros; 9. Existence of Fisheries Development Fund to support local operators (financially and knowledge wise);	1. Poor conditions of land-based support infrastructure in majority of islands; 2. Fishing infrastructure that serves the domestic market is mostly state owned and managed by the Government Administration and state services; 3. Many of small landing sites are not functioning due to lack of demand, maintenance and technical support functionality problems and other serious management deficits; 4. Most landing sites infrastructure does not create enough revenue to cover operation and maintenance costs; 5. High cost of onshore support services, including ice, containers for packaging, cold storage services, processing and air transportation; 6. Lack of an effective control and surveillance of fishing activities; 7. Lack of a proper credit system for the maintenance and development of the fleet; 8. Inadequate fishing fleet, partially inoperative; 9. Inadequate technology of local operators; 10. Industrial production operator far from tourism consumer markets; 11. Insufficient certification of products; 12. Distribution of products mostly secured by informal intermediaries; 13. Insufficient quantity and quality of maritime transportation between producer and tourism consumer islands;

7.7 Conclusions and Recommendations

After the identification of the main forces (Strengths, Weaknesses, Opportunities and Threats) and through a SWOT exercise, the following strategic actions were generated as a set of recommendations for the stakeholders, to further boost the fishery sector in Cabo Verde.

The authors ranked these recommendations based on their perception of the country priorities, resulting from the analysis of the available information and data.

Reinforcement strategy (to decrease the weaknesses to seize the opportunities) – should enable the country to level up and compete internationally:

1) Develop business models to reinforce the operation of land-based infrastructure for fishery in the islands (Boa Vista, Sal, Santo Antão, etc.).

2) Study solutions to decrease the cost of onshore support services, including ice, containers for packaging, cold storage services, processing and air transportation.

3) Strengthen financial resources in the state budget for port infrastructure operating bellow optimal level of productivity and transfer their operational management to private sector, via concessions.

4) Develop the legislation to transfer the management of fishery infrastructure to private sector.

Confrontation strategy (to use strengths to confront/decrease the impacts of the threats) – should enable the country to face the threats and dissolve deadlock barriers:

5) Revise the MSME informal to formal economy transition legislation.
6) Develop credit mechanisms to finance tourism related operators/products, including the integration of existent solutions such as Pro-Empresa[38], Sociedeade de Desenvolvimento Empresarial and CV Garante.
7) Develop incentives for commercial banks to develop suitable credit solutions for the private sector.
8) Simplify the interface of the Code of Fiscal Benefits and develop a communication plan to mainstream it.

Defensive strategy (to tackle the weaknesses to minimize the impacts of the threats) – should enable the country to develop new strengths and eliminate old weakeness in order to increase competitiveness:

9) Develop and/or strengthen control and surveillance of fishing activities.
10) Develop technical capacity building partnerships between government and development institutions to increase the productivity of fishery operators.
11) Strengthen control mechanisms for quality certification of fishery products.

7.7.1 Opportunities for Private Sector Development

The tourism value chain is sophisticated and the operators that supply the AI hotels are necessarily competitive players with reliable performance and able to respond to the strictest requirements regarding guest's safety and supply chain management.

Due to the tourism development model in the island with low population density, there are pleanty of business opportunities to explore in Sal and Boa Vista. The authors suggest the following business opportunities for FDI:

1) Investment in new enterprises, or partnership with locals, to supply fresh fish companies to domestic market, AI and HORECA;
2) Investments in new enterprises for packaging, processing, and quality certification of fresh fish;
3) Investments in new enterprises to supply fishery production inputs;
4) Investments in new enterprises for fleet and fishing equipment maintenance;
5) Investments in new aquaculture enterprises for production of native species;
6) Investments in new enterprises sport fishing companies and link them to tourism operators;

[38] Created by the Government to replace ADEI.

8 Maritime Sector Development focused on Tourism Value Chain

8.1 Introduction

Figure 33: International cargo ship leaving the port of Praia with empty containers

This chapter is a general review of the maritime transportation sector in Cabo Verde. This analysis is made in a perspective of offer and demand relation between the maritime transportation system and the tourism sector. The objective is to understand the dynamics between the sector value chain links and identify measures that could trigger the potential of growth of the maritime transportation, when linked to the national tourism sector, which is the current key driver of Cabo Verde economy.

The information presented is a collection of data on the main stakeholders, maritime operators, port administration, the main ports infrastructures, including ship maintenance. It is also analyzed the market dynamics, in terms of existence of financing options for operators and public policy & sector governance.

An overall value chain analysis, including SWOT, is made with the aim to identify the sector forces. The chapter ends with a set of recommendations to the main stakeholders, to further boost the sector in order to seize the current market opportunities.

8.2 Maritime transportation System Development

It's a known fact that the maritime sector reserves huge challenges for Cabo Verde. The closest islands are at 8 nautical miles away from each other and the major cities distances reach 160 nautical miles. Despite not being a long distance to cover, the crossing is made in the open waters which requires strong mechanical capacity of the vessels that operate between the islands.

	in nautical miles								
Distance between the islands	**São Vicente**	**Santo Antão**	**São Nicolau**	**Sal**	**Boa Vista**	**Maio**	**Santiago**	**Fogo**	**Brava**
São Vicente	0	8	44	119	130	154	160	130	130
Santo Antão	8	0	48	121	142	160	152	133	131
São Nicolau	44	48	0	86	88	110	119	92	104
Sal	119	121	86	0	37	99	116	144	149
Boa Vista	130	142	88	37	0	67	83	121	126
Maio	154	160	110	99	67	0	21	72	80
Santiago	160	152	119	116	83	21	0	61	69
Fogo	130	133	92	144	121	72	61	0	10
Brava	130	131	104	149	126	80	69	10	0

TABLE 45: DISTANCES BETWEEN THE ISLANDS OF CABO VERDE, SOURCE: AMP.

It's broadly recognized by the government, and overall society that mobility and accessibility for people and goods are key for enhancement of the national economic objectives and the identified constraints in the maritime sector are considered by stakeholders, including ship-owners to be a serious bottleneck for development of Cabo Verde.

The state of inter-island maritime transport is mostly visible through the fleet condition. In general, the fleet is considered to be outdated, unsecured and risky. Since 2008 the local press registered 11 major accidents involving national vessels. Most of them accounted only for material losses but the shipwreck of "Vicente" ship, in January 2015, victimized 15 people that were drowned in the sea. Since then, the public opinion and authorities are in alert regarding the maritime operating conditions.

It is known by the authorities that in addition to the age of the vessels, which is quite high, the technology is diverse and completely outdated in the majority of the vessels. This scenario induces inefficiencies that have high costs for the ship owning companies, reducing the results, derailing the activities, and keeping ship owners in a state of dependency from the State.

Rivalry between the established operators is mediated by the state through the establishment of rules and practices by the regulator Maritime and Ports Agency "Agência Marítimia e Portuária" (AMP) who defines the price for movement of goods and people and the cost of the operations in the ports.

Competition between the players is conditioned by several factors and technicalities related to the operating vessels characteristics, base of operation, cost and quality of services.

Still, due to the natural characteristics of the islands, with dispersed population between scattered and distant islands, the domestic inter-island cargo and passenger transport is subsidized by means of compensation schemes for operators servicing certain "social routes" that are not financially viable.

Incentives for significant investments in the transportation system are covered under the general Code of Fiscal Benefits.

8.2.1 Operators – Ship Companies

The internal market supply chain is secured by 11 maritime companies who provides the service of cargo and passenger transportation with a fleet of 17 operational vessels. These consists of different generation of vessels and diverse types of general cargo freighters, mixed cargo and passenger ships, RORO ships and oil and chemical tanker vessels.

Ship Company	Ship - NM	Year of Construction	Ship Type	Length x Width (m)	Gross Weight Load (ton)	Status
Aliseu	13 de Janeiro	1993	General Cargo	45x9	486	Under repair
Armas	Mar D'Canal	1970	RORO/Passenger Ship	70x10	1638	Active
Biniline	Djon Dade	1969	Cargo and Passenger Ship	39×9	419	Active
Conchave	Ostrea	2005	General Cargo	70x10	1504	Active
Conchave	Cipreia	2009	Oil Chemical Tanker	69x11	1446	Active

Conchave	Harpa Doris	2009	Oil/Chemical Tanker	69x11	1446	Active
Enamar	Matiota	1983	Oil Chemical tanker	66x11	1142	Active
Enamar	Dragoeiro	1980	Oil Products Tanker	49x9.2	510	Active
Fast Ferry	Liberdadi	2012	Passenger Ship	46x12	753	Active
Fast Ferry	Praia D'Aguada	1999	Cargo and Passenger Ship	64x13	1364	Under repair
Fast Ferry	Kriola	2010	Passenger Ship	46x6	753	Under repair
JôSantos & David	Ribeira de Paúl	1959	General Cargo	35x7.35	278	Active
Ocean	Soby Faerg	1966	RORO/Passenger Ship	70x10	255	Under repair
Polar	Sotavento	1987	Cargo and Passenger Ship	45x10	455	Active
Polar	Ferry Interllhas	1970	RORO/Passenger Ship	59x12	1369	Active
VerdeLines	Nho Padre Benjamin	1979	RoRO/Vehicles Carrier	91x18	3910	Active
Verdemar	Boavista	1973	General Cargo	49x10	584	Active

Table 46: Cabo-Verdean Fleet. Source: Data was crossed with several sources

This scenario started to change with the implementation of the new set of policy instruments to reform and transform the sector, that despite mixed impacts, forged the restructuring of shipping companies and new players' entry.

Armas, with the RORO vessel Mar d'Canal, is operational in the route between Mindelo and Porto Novo with two regular connections per day. This operation is extremely important for the economy in the northern islands, supporting transit of goods, including vehicles, residents and tourists who visits Santo Antão.

Lusolines started operation in 2015, with a RORO vessel and vehicle carrier, Nho Padre Benjamin (3910 GW), which besides the operations of the agribusiness company Ilha Verde, is also enabling the transport of heavy loads of goods between all the islands.

Polar Agency has also invested significantly in the last few years and besides maintaining in operation vessels that were previously operated by the state, they have recently introduced a RORO who also operates in the route between Mindelo and Porto Novo with two connections per day.

CVFF - Cabo Verde Fast Ferry S.A., is the major investment project in the maritime transport sub-sector, in which the State owns the majority of the capital. The company has 03 vessels, to serve 6 of the 9 islands but due maintenance issues they never happened to have more than two operating vessels at the same time, and most of the times just one vessel. Kriola and Liberdadi are brand new ferries built to operate in Cabo Verde and connect the islands, and Praia D'Aguada that was a state-owned vessel but is now part of the company fleet and a passenger ship.

Some of the routes of greater traffic of ships in the world (between Europe, the Mediterranean and South America, Sub-Saharan Africa), pass near Cabo Verde, and so, the main ports (specifically the Porto Grande of São Vicente) have a privileged position to become a major center for fuel supply and navigation in the Middle Atlantic.

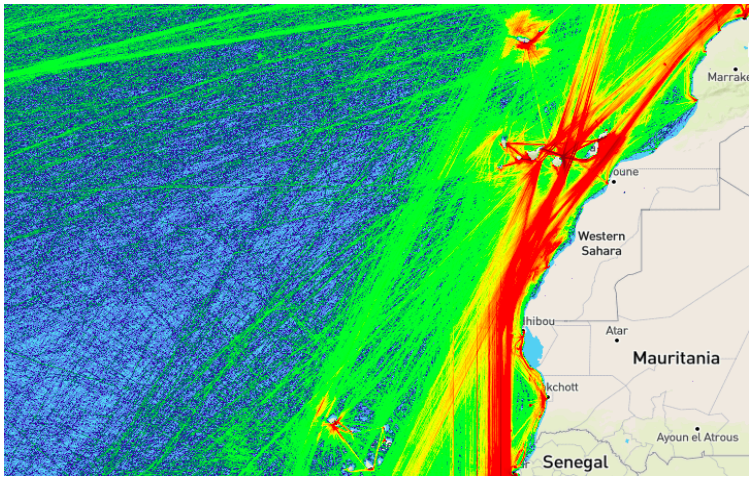


Figure 31: International Maritime Traffic

However, the Canary Islands and Dakar, are the main ports in the region.

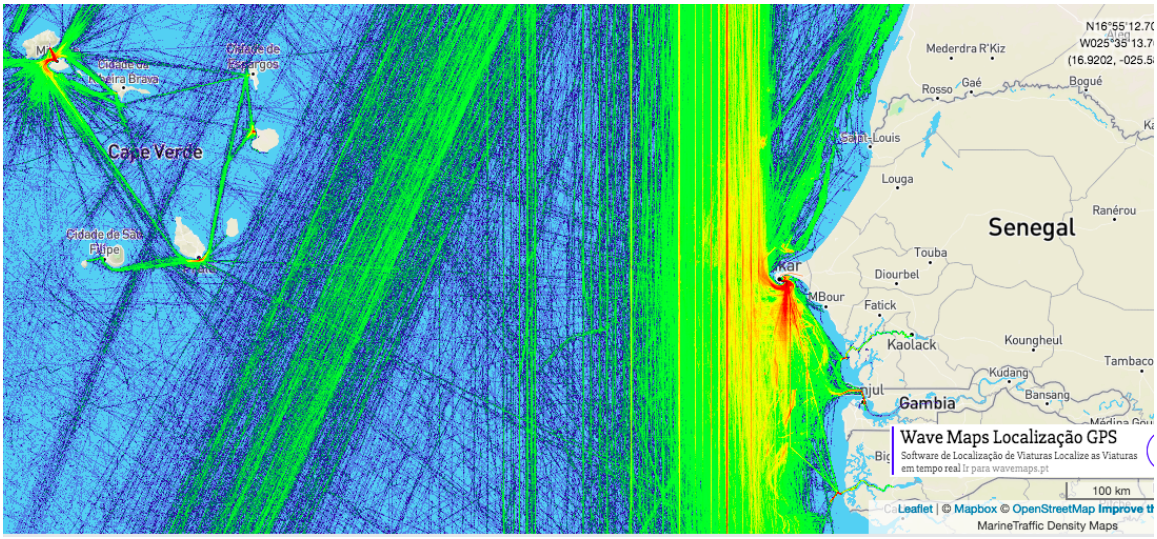


Figure 32: Regional Traffic - Snapshot -https://www.marinetraffic.com/pt/

Direct shipments (services) to and from Cabo Verde exist from the port of Las Palmas (Spain), Tangier (Morocco) and Portugal; for other destinations, goods are transshipped. These are mainly international connections. Regional connections are scare and sporadic.

Operator	Routing	Capacity	Frequency
Portline	Oporto, Lisbon, Tangier-Med, Las Palmas, Mindelo, Praia, Bissau, Banjul, Conakry, Praia, Oporto	1130- 1700TEU	Weekly
Transinsular	Oporto, Lisbon, Las Palmas, Mindelo, Praia, Bissau, Oporto, Rotterdam	375TEU	Every 3 weeks (17x/year)
Maersk/Safmarine Cabo Verde	Lisbon, Oporto, Algeciras, Mindelo, Praia, Freetown, Bissau, Tangier-Med, Lisbon	1410- 1740TEU	Every 5 days
Boluda	No direct service, TSS at Las Palmas or Algeciras Nouadhibou –Las Palmas-Nouakchott-Dakar-Nouadhibou	P.M	P.M
Bollore	No direct service, charter can be arranged upon request, direct or with TSS at Las Palmas/Europe	Upon request	Upon request

CMA-CGM	No direct service, TSS at Las Palmas or Algeciras	Upon request	Upon request
Breadbox	Available in the region, direct service upon request	Upon request	Upon request

Source: Adapted from Feasibility Study Short Sea Connection - Dakar Praia.

Table 47: International cargo line players in the region (regular and charter)

International cargo line services are provided by a number of shipping agents, including MSC, Maersk, Transinsular, and Portline Containers International.

8.2.2 Main Infrastructure - Ports

The maritime infrastructures include one port in each of the nine inhabited islands, three of which are international ports (Porto da Praia, Porto Grande/Mindelo and Porto do Palmeira/Sal).

Island	Municipality	Port Name	Location	
			Latitude	Longitude
Santo Antão	Porto Novo	Porto Novo	17º 01' 1.65" N	25º 03' 31.94" W
São Vicente	São Vicente	Porto Grande	16º 53' 27.05" N	24º 59' 46.09" W
S Nicolau	Tarrafal de S. Nicolau	Porto do Tarrafal	16º 33' 59.35" N	24º 21' 35.77" W
Sal	Sal	Porto da Palmeira	16º 45' 17.33" N	22º 58' 58.73" W
Boa Vista	Boa Vista	Porto de Sal Rei	16º 10' 40.88" N	22º 55' 26.40" W
Maio	Maio	Porto Inglês	15º 08' 30.93" N	23º 13' 9.23" W
Santiago	Praia	Porto da Praia	14º 54' 38.41" N	23º 29' 55.85" W
Fogo	S. Filipe	Porto Vale Cavaleiros	14º 55' 13.40" N	24º 30' 15.20" W
Brava	Brava	Porto da Furna	14º 53' 16.49" N	24º 40' 41.07" W

TABLE 48: PORTS OF CABO VERDE. SOURCE: ENAPOR

The majority of the ports have a master plan, except the ports of Maio and São Nicolau whose projects are in funding mobilization phase. All ports are subject to improvements, in order to modernize and equip them to better attend their current and future traffic.

The main port is Porto Grande located in Mindelo, São Vicente island. Porto Grande is located at the entrance of the island of São Vicente, a semicircular bay with two kilometers' radius naturally protected from strong currents. Its calm and clear waters reach depths ranging between 11 and 30 meters. By its physical and natural characteristics, it offers excellent conditions for the entry and shelter of any type of vessel.

Furthermore, Porto Grande facilities includes a fishing pier with 240 meters in length, depths between 3 and 4.8 meters, and an embankment of 3 hectares, where are located the cold stores with capacity of 6,000 tons at temperatures between -25º C and 0º C.

It also has a cabotage terminal for freight and passengers, designed outside the commercial port, to facilitate work on long-haul ships and also to provide better conditions for passengers and domestic haulers. The terminal has 230 meters of berth perimeter subdivided into 3 berths for cabotage vessels and a roll on / roll off ramp.

Designation		Year of Construction	Sea Gauge	Crest Level	Length	Width
			(m)	(m)	(m)	(m)
Pier 2	Quay 01	1962	-11.5	3	315.05	15
	Quay 02	1962	-11.5	3	315.05	15
Pier 1	Quay 03	Refurbished 1997	-9	3	215	50
	Quay 04	Refurbished 1997	-12	3	215	50
Entry	Quay 05	1962	-8	3	100	15
	Quay 06	1962	-6.5	3	122	25
	Quay 07	1962	-4.5	3	60	25
	Quay 08	1962	-4.5	3	106.75	25
	Fishing Quay	1962	-3.5	3	110.99	12.5
Passenger Terminal	A	1998	-4	3	120	45
	B	1998	-4	3	50	25
	C	1998	-4	3	65	55
Container Yard		Extension in 2014	----	----	506.45	169
Metallic roll-on roll-of Ramp		2014	---	----	---	---
Concrete roll-on roll-of Ramp		2001	---	---	---	---

TABLE 49: PORTO GRANDE CHARACTERISTICS. SOURCE: ENAPOR

The Port of Praia, in the island of Santiago, is versatile and safe, it has infrastructures that guarantees the operability of any type of ship, from traffic cargo carriers, container ships and bulk carriers.

A fishing pier with 80 meters long, 3.5 meters wide and 3 meters deep, with a fish processing and marketing unit and a passenger terminal with 146 meters of length completes the structures of the port of Praia.

Since its expansion and modernization in 2014, quay number 1 went from 217 m to 450 m and its depth increased from 9 m to 13.5 m. A new 8-hectare container yard has been built, which guarantees an additional capacity of 436 TGS for full containers, 736 TGS for empty containers and 26 TGS for dangerous goods.

Designation	**Year of Construction**	**Sea Gauge**	**Crest Level**	**Length**	**Width**
		(m)	**(m)**	**(m)**	**(m)**
Quay 01	2014	-13.5	3.3	240	30
Quay 01	Refurbished 2014	-9.5	3.3	210	30
Quay 02	2014	-9.5	3.3	315.33	30
Quay 03	2004	-5	3.3	80	19.5
Quay 04	1986	-5	3.3	80	19.5
Quay 05	1962	-5	3.3	68.33	14.77

Quay of fishing	2004	-5	3.3	80	3.5
Containers Park 1	2004	---	---	158.6	54.28
Containers Park 2	2013	---		341.6	114
Concrete ramp roll-on roll-of	2011	---	---	---	---
Metallic ramp roll-on roll-of	2014	---	---	---	---

TABLE 50: PORT OF PRAIA CHARACTERISTICS. SOURCE: ENAPOR

The Port of Palmeira, in Sal island, is the third Cabo Verdean port in terms of freight traffic. In addition to the commercial activity of transporting goods and passengers, it includes fishing activities, industries related to recreational and maritime tourism. As a recipient of international fuel traffic, it contributes to Cabo Verde's insertion into the world economic system.

Starting operations in 1986, the port is sheltered most of the year and the port has a nominal capacity to handle 70,000 tons of cargo per year. The waterbed extends for a length of 142 meters, with the following technical characteristics.

Designation	Year of Construction	Sea Gauge	Crest Level	Length	Width
		(m)	(m)	(m)	(m)
Quay 01	Extension in 2014	-5	3	142	25.00/27.00
Quay 01	2011	-6.2	3	90	27
Quay of fishing	1986	-1.5	3	32	20
Containers Park 1	Extension in 2011	---	---	126	112
Concrete roll-on roll-off ramp	2011	---	---	---	---

TABLE 51: PORT OF PALMEIRA CHARACTERISTICS. SOURCE: ENAPOR

Port of Sal Rei, in Boa Vista Island, was built in 2015, the new quay has a depth of at least 7 meters along its length and a length of 160 meters, with RO-RO ramp in concrete, with an associated area of 2 hectares of embankment, paved in blocks of concrete.

Designation	Year of Construction	Sea Gauge	Crest Level	Length	Width
		(m)	(m)	(m)	(m)
Quay 01	1993	-5	3	80	25
Quay 01	2015	-7	3	160	50
Containers Park 1	2015	---	---	222	35
Concrete ramp roll-on roll-of	2015	---	---	---	---

TABLE 52: PORT OF SAL-REI CHARACTERISTICS. SOURCE: ENAPOR

According to ENAPOR, the four main ports represents 88% of total movement of goods in 2014 and 96% of international cargo movement.

Port's Characteristics	Current	Future
Dockage capacity (meters)	3750 m	5.100 m
Container Yard (hectare)	8	46
Port Silos (tons)	17.400	21.600
Covered warehouse's (m2)	19.550	24.500

Open storages (m2)	60.225	60.225
Logistical zones	-	51,4 ha.

TABLE 53: CURRENT AND FUTURE CAPACITY OF CABO VERDE'S PORTS

The official reports indicate that the national ports need to improve their performance in order to become attractive to the larger flow of international trade.

In general ports in Cabo Verde are considered to:

a. Have limited capacity to receive current and future traffic from the region;
b. Have limited performance on shipping;
c. Have limited cycle operation through the day. Most ports are not operational in a 24h cycle;
d. Have noncompetitive tariffs;

The operators reported that, despite reforms, the ports lack flexibility to operate with all the kinds of existent vessels operating in cabotage. For instance, CVFF is unable to operate to the ports of Sal, Boa Vista and Maio, with the existing ferries, and few other ship companies reported that the operations in the port of Sal and Boa Vista are constrained due to security problems.

Furthermore, depending on the port, there are limited in space for operation of more than one or two ships at a time, and due to the lack of sufficient equipment to handle cargo, operations are often constrained and delayed.

8.2.3 Port Administration

In 2014, ENAPOR became the general concessionaire as port operator. In this new scenario, it is foreseen that port services will be carried out by private enterprises, either through sub-concessions or licensing schemes.

The new legal framework for port operations (Lei dos Portos) involves a transition from a largely self-regulated port services, operated by ENAPOR, towards a landlord port system, whereby the State retains ownership of the basic port infrastructure and port services are privatized.

The ports are centrally operated from São Vicente and ENAPOR provides the full range of port services, including:

a. cargo and passenger handling,
b. towing,
c. moorage, and
d. pilotage.

ENAPOR is been reforming its operations and is preparing to launch sub-concessions of Port Management Services and it recently opened a Single Window (JUP - Janela Única Portuária) to facilitate port services. The electronic platform pools documentary requirements from ENAPOR, AMP, Customs, the marine police, and SPS related matters.

Despite allegedly inefficiency and growing complaints about the services provided by ENAPOR, financial data show that the company have been slightly profitable in a 3-year time series and generates sufficient cash flow to guarantee satisfactory financial autonomy and solvency.

ENAPOR's Financial Indicators - 2014	in thousands
Turnover	2,259,329
Operating Results	269,299
Net results	25,295
Financial autonomy	0,37
Operating profitability of the sale	11,4%
Profitability of Shareholders' Equity	1,0%
Total Equity	2,508,668
Capital Stock	1,200,000
Total Assets	6,859,383
Management Fund	677,834
Working Capital Requirements	462,758
EBITDA	848,537

TABLE 54: ENAPOR FINANCIAL RESULT IN 2014

Port fees and charges were last revised in 2013 and are officially published in the national gazette. Currently, AMP submitted to public consultation a proposal for new tariffs of port services for passengers and goods. Most are against any increment in the tariffs, but AMP based the new proposal in a study that systematizes unit rate of any kind of goods and cargo (Bulk, break bulk, containerized) and takes into account the distance between the islands, and other technical aspects, to harmonize the current tariff system, which is now considered incoherent.

Interviews conducted with AMP, ACAMM, Ship Companies, Formal and Informal traders reveal that stakeholders are unanimously unhappy with the fees and services provided by ENAPOR.

Mr. José Moreno, Director General of Verdelines company, reported that the biggest problem for the development of the maritime transportation service in Cabo Verde is the port administration. It was reported that operation costs are unpredictable and vary from port to port. The operator reported that besides hidden items, the cost is duplicated at each transit point and there is no one in charge above ENAPOR, who dictates the rules of the port operations.

Stowage, cargo handling, service officers, staff vacation replacement fee, port entry, night operations, use of cranes, and others are some of the items charged by ENAPOR to the ship companies. Mr. Moreno exemplify saying that the cost of operation is much more expensive in Cabo Verde than in Senegal, where cabotage operators pay EUR 2,6 per ton of cargo moved versus USD 22 per ton charged upfront in Cabo Verde's ports.

ACAMM revealed the same concern, regarding the higher cost of port operation, reporting that the fees charged are outdated and these have strong impact in the price charged by the companies to transport non-regulated volumes such as containers.

8.2.4 Ship Maintenance

CABNAVE S.A.R.L, is a public company for ship maintenance and repair. Government long intended to privatize CABNAVE's dockyard but negotiations with several international partners have not advanced.

CABNAVE plays an important role for maritime economy and in this sense the dockyard is a valuable asset for the domestic fleet providing maintenance and large reparations onshore. Despite its importance, the company has not been able to generate profit for years and in its current circumstances, the government has reaffirmed its commitment towards modernization, expansion and privatization.

8.2.5 Financing

For new maritime transportation and services, aside regulatory entry barriers, per the nature of these activities, heavy capital requirements are estimated to start a new operation.

Acquisition of new and appropriate vessels to the conditions of ocean navigation, design and construction of new ports, ports improvement to serve the passenger transportation services in comfort and safety are some obvious measures that needs to be addressed, but ones that demands a significant volume of capital that even the State is not currently able to attend. So far there is no precise estimates of an overall budget to tackle these measures.

Considering that a brand new medium size vessel could costs between USD 20 millions and USD 100 millions and the larger facilities in the sea are intensive in capital, one can be sure to affirm that capital requirement are serious threat for the State of Cabo Verde to develop the sector.

For new operators in the sector licensing fees for cabotage may also represent additional cost for investment in the maritime transport sub-sector.

Authorities believe that due to the vagueness of previous policies and strategies for reorganization and restructuring of the sector, the maritime sector is lagging behind, with minimal investment.

8.2.6 Public policy and Sectoral Governance

The current government vision for the sector is to “build a maritime economy focused on fishing, transshipment of goods and maritime services such as bunkering and offshore supply services”.

The maritime transport policy is under transition phase where prior decisions regarding, role of institutions, concessional routes, logistical centers are being reviewed by the new government, through the Ministry of Economy and Employment, who is in charge of the sector.

These reviews of policies seem to take into account the following principles:

a. The assumption of maritime transportation between the islands is a public service that meets strategic objectives of the national economy;
b. Assumption of acceptance of subsidization of services;
c. Understanding that public service means public service obligations;
d. Transport concessions to create the legal and regulatory framework that may be applicable;
e. Admission of the principle of co-financing of investment - PPP;

Current government intends to reorganize the domestic transport system through one concession with several routes. According to official sources, government intends to launch

international bids where nationals will have the opportunity to participate through joint ventures with international companies.

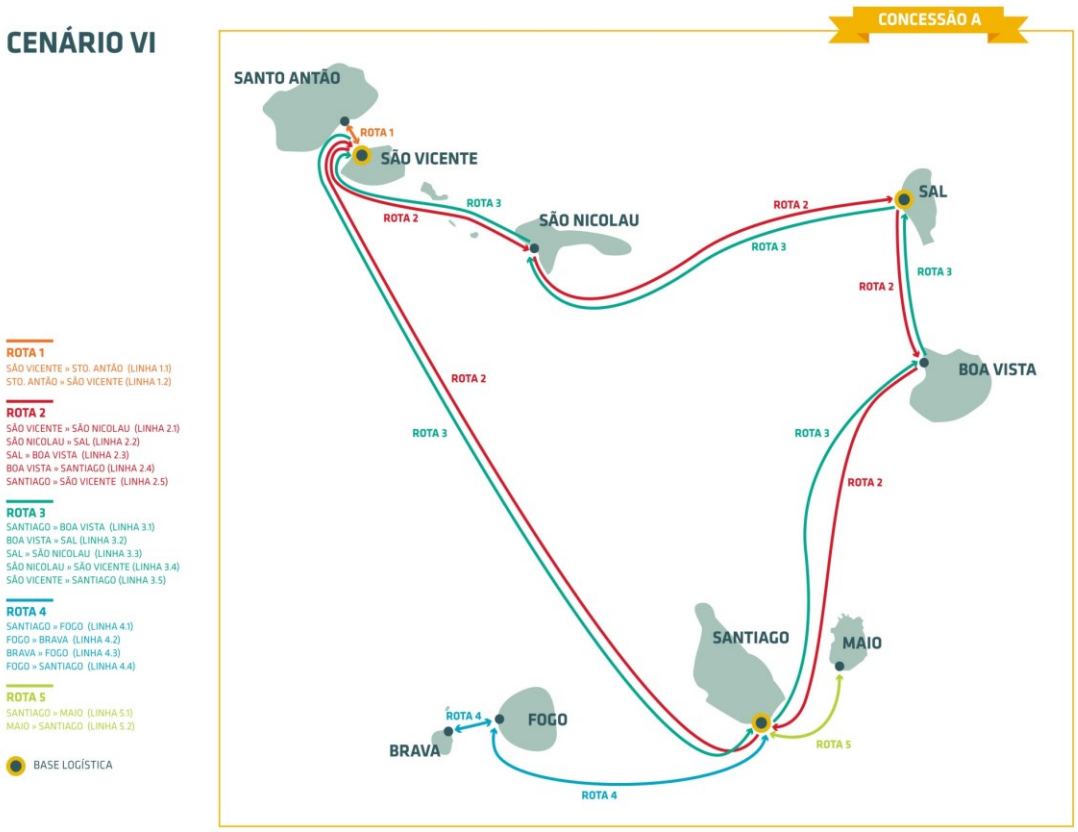


Figure 33: Scenario of one main concession. Study developed by MIEM

The domestic transportation system and market integration is considered by the new government as a top priority and an essential pillar for the evolution towards the supply of services to ensure the quality, safety, regularity, competitiveness and sustainability.

Operators in cabotage traffic benefit from a subsidized marine gas oil price. Furthermore, ships and spare parts are subject to exemption from custom taxes when imported by national ship operators.

Cabo Verde has reformed the institutional framework for regulating its ports. Since 2014, AMP – Maritime and Ports Agency has replaced the Maritime and Ports Institute (IMP).

The AMP is an autonomous body with administrative and financial independence whose responsibilities include the technical and economic regulation of the maritime and port sectors, and the administration of the shipping register. Its revenues include fees from regulated entities, including passengers ticket prices and cargo fees, and income for coastal access (resorts). Port fees and charges proposed by ENAPOR are subject to the approval of AMP.

8.3 Maritime Services Demand

8.3.1 Cargo and Passenger Transportation Service

In 2016, ENAPOR registered 2.078.706 tons of cargo movement, 7,534 ship scale and a container movement of 63.064 TEU[39] in the national ports.

UNIT.: THOUSANDS

PORT TRAFFIC	2011	2012	2013	2014	2015*	2016*
SHIP SCALE	7,360	6,264	6,678	6,648	7,017	7,534
CONTAINER MOVEMENT - TEU	57,379	50,232	51,164	55,105	53,669	63,064
CONTAINER MOVEMENT - TON	483,356	445,814	434,309	471,706	460,852	541,526
TOTAL CARGO MOVED	2,048,787	1,892,100	1,835,325	1,905,403	1,963,098	2,078,706

SOURCE: ENAPOR - *DATA REPORTED BY INE

TABLE 55: PORT TRAFFIC - CARGO MOVEMENT. SOURCE: ENAPOR & INE

8.3.1.1 Domestic Cargo

The main users of the maritime transportation system are companies, industries, traders, retailers, and the informal traders "Rabidantes" who have the professional interested in moving goods between the islands for commerce but also for activities that involves utilization of heavy machinery in different islands and other heavy cargo in transit to different destinations.

They have different scale of operation, organization and different financial capacity, but they all have in common the need to reach different islands in time to supply their target markets, take advantage of business opportunities as fast as possible to guarantee that their, quite sometimes perishable, goods are delivered in proper conditions.

In the last three years, the movement of cargo between the islands dropped 3% from 841.960 tons to 810.612 tons, which is not a good indicator of the internal dynamic.

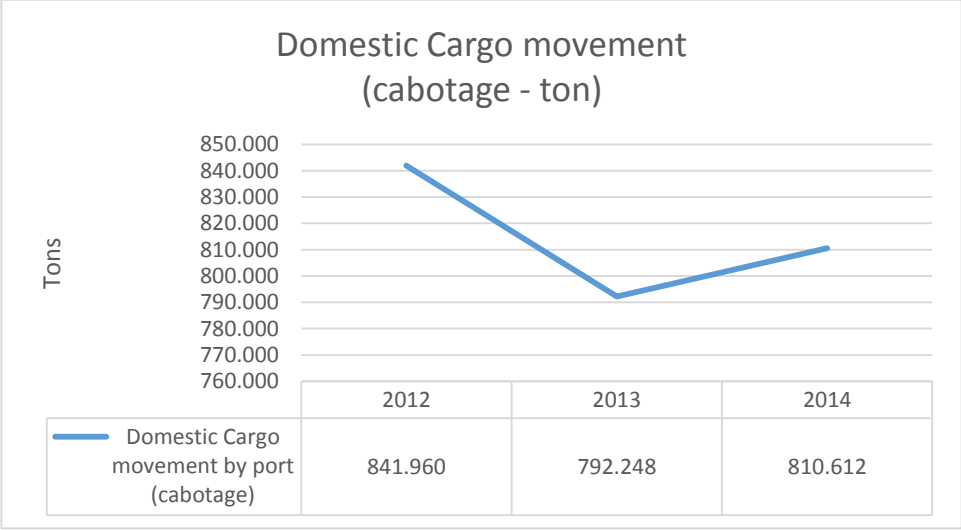


Figure 34: Domestic cargo movement - cabotage

[39] Twenty-foot equivalent to 1 TEU

Due to the increase of ports movement in 2016, it could be assumed that the movement of cargo had increased, but the available report on transport from INE does not desegregated data between international and domestic cargo.

Still It is noted that according to apparent cargo volume behavior there are 3 distinctive groups of dynamics between the islands:

a. The main hubs of Praia and Mindelo, which are showing opposite trends but have massive scale compared to the rest of the ports.

b. Porto Novo and Port of Palmeira area distinct in volume of cargo (around 100.000 tons/year) but with notorious negative trends.

c. The rest of the ports (5) with less than 50.000 tons of cargo movement per year.

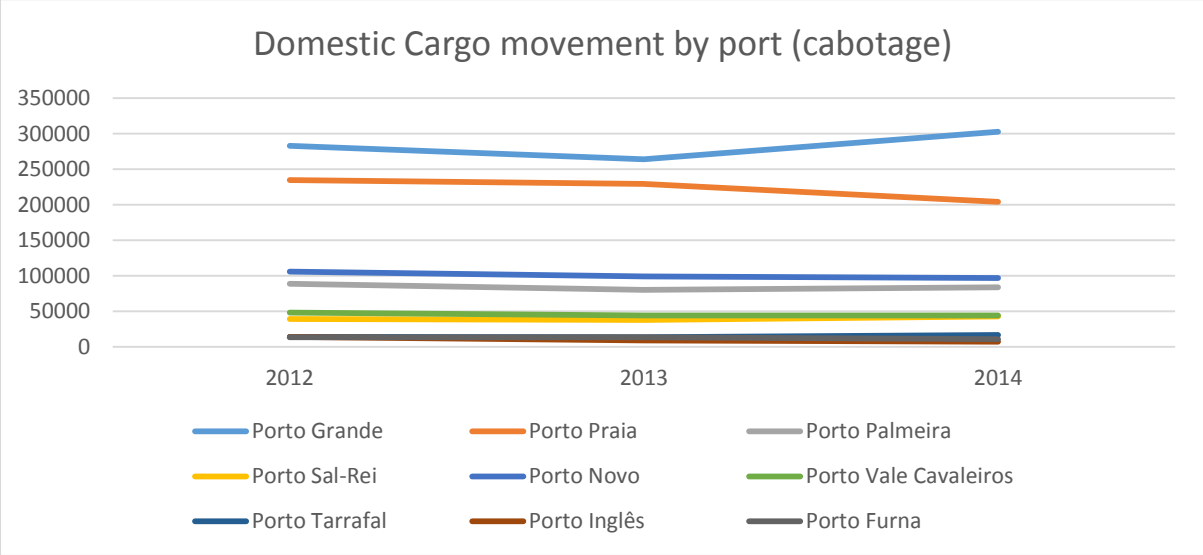


Figure 35: Domestic cargo movement by port

Cabotage cargo is moved mostly (72%) between the three main Ports in Praia, Mindelo and Palmeira with 590,951 tons in 2014. The three smaller ports (Maio, Brava and São Nicolau) moved only 4% of the total or 35.384 tones. Islands of Sal and Boa Vista are still poorly served and operators complaint that the non-regular schedule have delays of over 15 days and that ideally should be once a week to guarantee a reliable supply chain.

(In ton)

Island	Domestic Cargo movement by port (cabotage)	2012	2013	2014
São Vicente	Porto Grande	283,034	264,164	302,946
Santiago	Porto Praia	234,572	229,399	204,024
Sal	Porto Palmeira	88,808	80,540	83,981
Boa Vista	Porto Sal-Rei	39,220	38,100	42,970
Santo Antão	Porto Novo	106,110	99,053	96,998
Fogo	Porto Vale Cavaleiros	48,311	44,379	44,209
São Nicolau	Porto Tarrafal	14,210	13,688	16,857
Maio	Porto Inglês	13,992	9,262	7,639
Brava	Porto Furna	13,703	13,663	10,988
Cabo Verde	**Total**	**841,960**	**792,248**	**810,612**

TABLE 56: DOMESTIC CARGO MOVEMENT BY PORT. SOURCE: ENAPOR

In general, Porto Grande accounts for 39% of the cargo moved, which includes fuel in pipeline and sea lines and every other good in bulk, break bulk and containerized. Together with the Port of Praia, 73% of goods moved in 2014 by ENAPOR were made through these two main hubs.

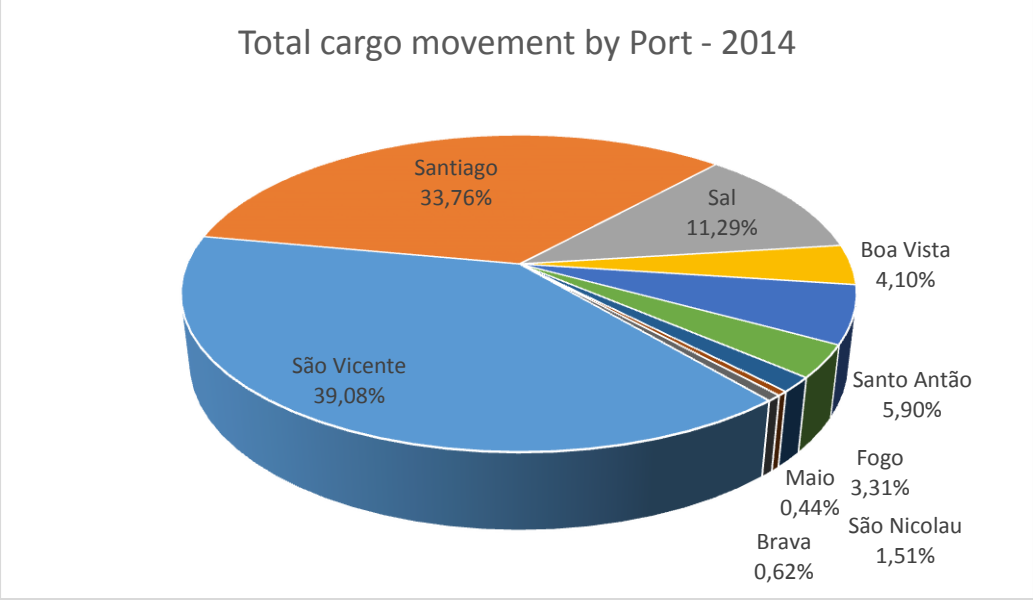


Figure 36: Total Cargo Movement by Port

8.3.1.2 International Cargo Transport

The international cargo represented 57% of total goods moved in the ports while cabotage cargo seems to be fluctuating around 800.000 tons a year, representing 42% of the movement of cargo.

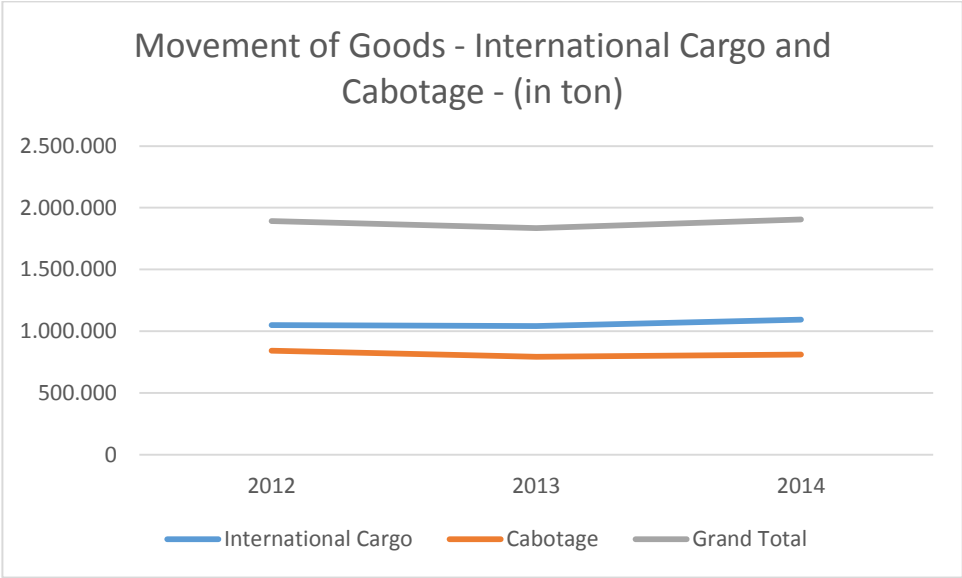


Figure 37: Movement of good in the National Ports

It is worth to note that, in the recent years, the movement of international cargo is evolving faster (4.3%) than cabotage (2,3%).

(In tons)

MOVEMENT OF CARGO	2012	2013	2014
International Cargo	**1,050,140**	**1,043,077**	**1,094,791**

General Cargo	145,835	126,386	130,191
Containerized	339,055	349,845	378,240
Fuel	246,377	304,682	289,864
Bulk Cargo	189,158	145,122	151,211
Break Bulk Cargo	120,786	110,730	137,014
Cargo in transit	8,929	6,312	8,271
Cabotage	**841,960**	**792,248**	**810,612**
Cargo load	280,348	262,386	269,679
Unload Cargo	276,565	257,630	274,763
Bulk net	285,047	272,232	266,170
Grand Total	**1,892,100**	**1,835,325**	**1,905,403**

TABLE 57: MOVEMENT OF CARGO BY TYPE - EVOLUTION

ENAPOR reports that in 2014 the domestic fleet registered 89% of ship movement in the Ports of Cabo Verde. International ships accounted for only 11% but represented 45% of total cargo measured by gross tonnage (10,777.3897 GT in 2014).

Ship Movement	**2012**	**2013**	**2014**
National (number of Ships)	5,458	5,935	5,941
Gross Tonnage Rate	5,943,946	6,054,840	5,339,551
International (number of Ships)	808	743	707
Gross Tonnage Rate	4,831,304	5,032,034	5,437,836
Total Movement of Ships	6,266	6,678	6,648
GT	**10,775,250**	**11,086,874**	**10,777,387**

TABLE 58: SHIP MOVEMENT (BY NUMBER AND GROSS TONNAGE RATE). SOURCE: ENAPOR

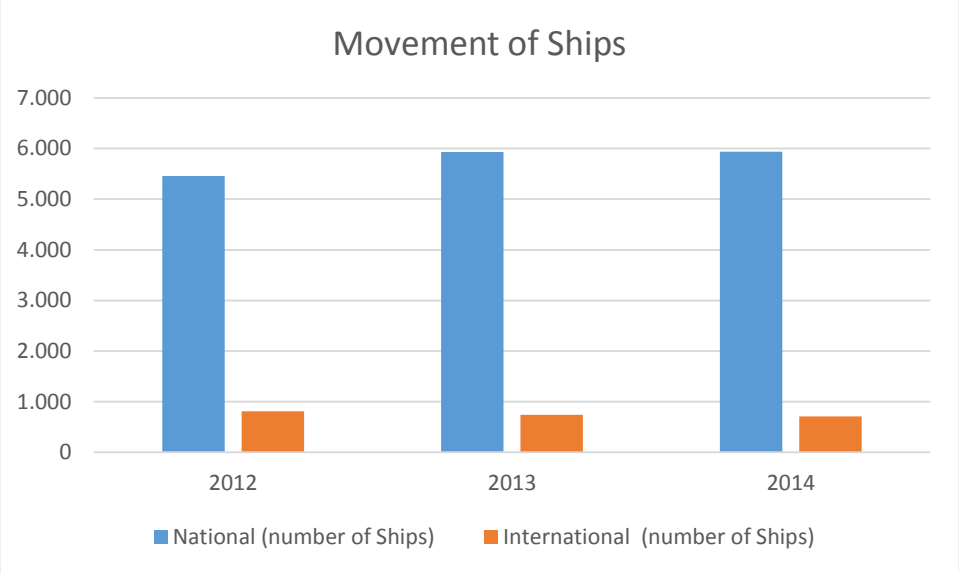


Figure 38: Ship movement by number

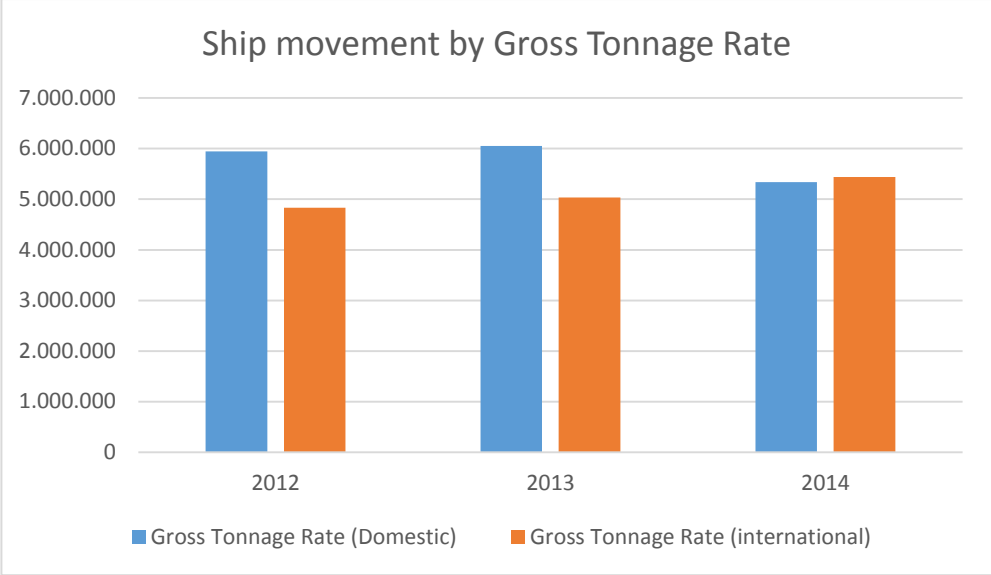


Figure 39: Ship movement by GT

The international cargo (92%) is moved essentially through the three main Ports in Praia, Mindelo and Palmeira with 1,011,942 tons in 2014. However, data shows that all the ports received international cargo and the three smaller ports (Maio, Brava and São Nicolau) moved 1,24% of the total, or 13.549 tones.

(In ton)

Island	International Cargo movement by port	2012	2013	2014
São Vicente	Porto Grande	389,005	459,638	441,659
Santiago	Porto Praia	469,682	404,542	439,196
Sal	Porto Palmeira	120,321	98,229	131,087
Boa Vista	Porto Sal-Rei	2,175	40,593	35,092
Santo Antão	Porto Novo	17,469	10,572	15,328
Fogo	Porto Vale Cavaleiros	21,279	17,015	18,880
São Nicolau	Porto Tarrafal	8,888	7,029	11,944
Maio	Porto Inglês	313	5,034	800
Brava	Porto Furna	1,433	425	805
Cabo Verde	**Total**	**1,030,565**	**1,043,077**	**1,094,791**

TABLE 59: INTERNATIONAL CARGO MOVEMENT BY PORT. SOURCE: ENAPOR

International cargo is frequent, predictable and increasingly cheaper.

Routing	Main Carrier	Frequency	Transit Time	Cost/kg	Reefer Capacity	Distance (km)	Cost per Kg-Km
Rotterdam-S. Vicente	Maersk	1 x Week	18 Days	39$78	RF4 20	4858	0$008
Lisbon-S. Vicente	Maersk	1 x Week	8 Days	39$22	RF4 20	2992	0$013

8.3.1.3 Passenger Transport Services

Regarding transportation of passengers, the official data is aggregated, which omits the number of passengers that embarked and disembarked in each port.

The best estimates were made by the maritime transportation study, sponsored by the former Ministry of Infrastructure and transport in 2013, about the maritime inter islands

transportation system that made a characterization of the economic, social and demographic level of the market and presented a very decent estimation of the internal flows.

The study concludes that the maritime transportation is responsible for 390.000 trips between the islands and that the large majority (78%) was between Santo Antão and São Vicente with 300.000 trips a year. Trips between the Island of Santiago, Fogo, Maio and Brava were much less important.

TOTAL MOVEMENT OF PASSENGERS	2012	2013	2014	2015	2016
DISEMBARKED	387,187	381,576	399,864	377,866	408,768
EMBARKED	387,244	380,411	397,823	379,049	404,919
TRANSIT	51,763	80,799	80,257	77,684	89,440
TOTAL	826,194	842,786	877,944	834,599	903,127

TABLE 60: MOVEMENT OF PASSENGERS – SOURCE: ENAPOR AND INE

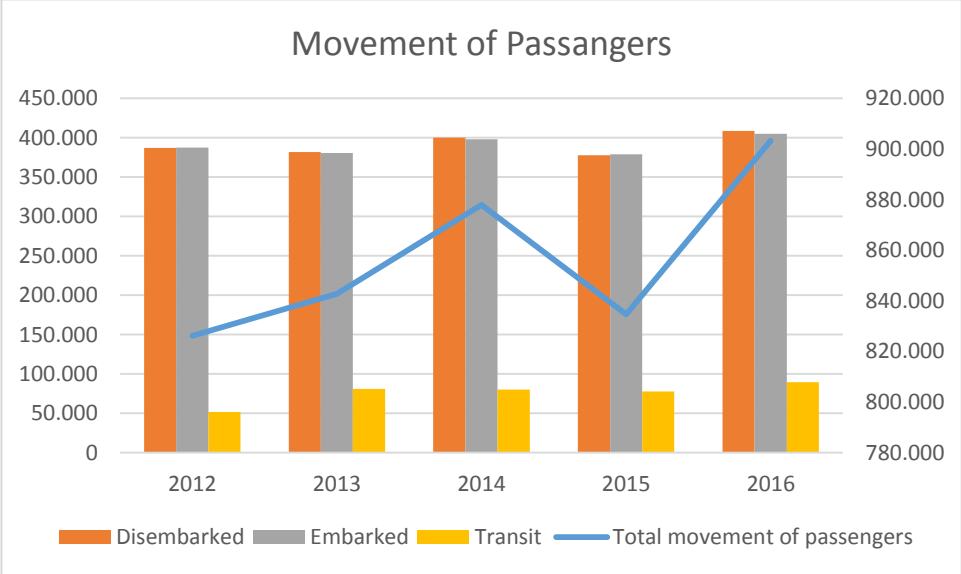


Figure 40: Movement of passengers

These findings reveal a much weaker bargain power of the buyers in relation with every other player in the maritime sector, as ticket prices are stipulated by AMP.

In 2016, passenger traffic in Cabo Verde's ports totaled 903,127 passengers, an increase of 68,531 passengers (+8%) compared to 2014 and a growth of 9% compared to 2012.

8.3.2 Maritime Transportation Services for Tourism in Sal and Boa Vista

Interview conducted with TUI representative in Sal confirmed the interest on enabling tourist circulation between the islands by maritime means but so far there is no safe, reliable and cheap alternative to move tourist from Sal and Boa Vista to other neighboring island for a day trip.

Apparently, CVFF vessels have proper means to transport people safely but the ports of Palmeiras and Sal Rei are not adapted for the operations of these kinds of ferries.

Besides these, being under the AI regime means that the offer for tourist circulation to the other islands via maritime transportation should be included, in advance, in the travel packages, but has not been the case so far.

8.4 Maritime Service Offer

The maritime service offer is deficiently organized and the islands are mostly underserved in terms of proper and regular connections.

8.4.1 Maritime service connection

The port of Sal and Boa Vista are mainly connected from Santiago and São Vicente but also receive domestic cargo from São Nicolau and international cargo.

Routing	Main Carrier	Frequency	Transit Time	Distance (km)
Fogo-Santiago	CV Fast Ferry	3 x Week	7 Hrs	102
Santiago-Boa Vista	Verdelines	1 x Week	10 Hrs	138
Santiago - Sal	Verdelines	1 x Week	12 Hrs	198
Santiago-S. Nicolau	Ocean Verdelines	1 x Week	14 Hrs	198
Santiago-S. Vicente	Verdelines	1 x Week	21 Hrs	267
Santiago - Maio	Polar	3 x Week	3 hrs	38
S. Nicolau-S. Vicente	Ocean	1 X Week	5 Hrs	73
Sto. Antao-S. Vicente	Armas Polar	4 x Day	1 Hr	13
Santiago - Sal	Verdelines	1 x Week	12 Hrs	198
S. Vicente-Santiago	Verdelines	1 x Week	21 Hrs	267

Table 61: Schedule and non-regular weekly cabotage. Souce: Crossing several sources

Currently, through the main companies, there are regular connections only between Santo Antão and São Vicente, and between Santiago, Fogo and Brava. Even though the most reliable connection is between Santo Antão and São Vicente with 4 daily trips.

In the scenario of the implementation of concessional routes a new private company (Transportes Maritimos de Cabo Verde) was recently constituted (September 2015) through a joint venture between 10 ship company, members of ACAMM - Cabo Verdean Merchant Marine Ship-owners Association.

This company intends to operate with 12 ships to connect all the islands. The representative of the joint venture reported that they have submitted a feasibility plan for operate the company to the government and they are waiting for a response. Up to the release of this study the joint venture had not started operations.

Interview conducted with Mr. José Fortes, head of the Maritime Reform Project in the Ministry of Economy and Employment revealed that the government decided the reverse the prior directive of multi concessional routes to establish only one concessional company operating as a regulated monopoly.

In order to do so, the government intends to restructure CVFF, guarantee an agreement for transportation services in the deficient routes and leave their stake at the company, to give space to a partnership, preferably with an international partner.

8.5 Maritime Services Value Chain Analysis

Until recently, there were no incentives for significant investments in the maritime transportation system. The supply chain is disrupted by an absence of an integrated and comprehensive maritime transportation system. The operators rely on an outdated inter-island transportation model that became increasingly risky, unsecure and unreliable.

Scale is a barrier for every other activity in the maritime sector. For instance, Cabo Verde's international maritime trade in goods/containers is highly unbalanced between imports (unloaded ships) and exports (loaded ships), which adds to freight costs. Freight costs (including air transport) amount to around 10% of the import value, which is slightly higher than the world average (8%), according to UNCTAD estimates.

In the international cargo operation, there are few alternatives in the market and operators rely on a short list of freight agents and dispatchers. The alternative to the regular cargo is chartering, so in fact there are few and costly switching options for this service.

Direct and regular connections between Cabo Verde and other ports in the region is limited. Theoretically due to the lack of scale and minimal capacity to export, the maritime operations are expensive and less attractive for larger maritime operators.

In cabotage the alternatives are limited and considering that for some of the islands regular connections are scarce, irregular, and sometimes inexistent, coupled with the regulated prices it is safe to assume that consumers have no alternatives in the maritime sector.

Independently of the number of people that exists in each island, currently more than 2/3 of the maritime passengers' transit occurs between the closest islands. The rest of the market is scattered and irregular.

Due to the market size and characteristics, established fuel companies (ENACOL and VIVO) have agreed to integrate their resupply chain and storage, in order to have access to better prices per volume. Even though the current import level of fuel may not be sufficient to make visible impact in the consumer end price.

The control of existing distribution channels for maritime cargo and passenger transportation is also a leverage for the established operators, because they are already familiar with domestic markets, the dynamic between each port, including securing advantageous operating locations in or near the ports.

Entrance in the maritime transport sub-sector of goods or passengers have a multitude of specificities that require considerable analysis. Theoretically the market may be open to new players but it may be small for more than 1 or 2 operators in the main domestic routes.

8.6 SWOT Analysis

The SWOT analysis is presented in the perspective of the Cabo Verde internal maritime transportation system, where the forces are analyzed considering the local operators in one side (representing the Strengths and Weaknesses) and the tourism value chain and the national market in another side (representing the Opportunities and Threats).

8.6.1 Opportunities and threats Analysis

OPPORTUNITIES	THREATS
1. Growth of tourism worldwide, of about 10%; 2. The rate of tourism growth in Africa, of about 5% per year 3. Cabo Verde is among the top ten destinations with prospects of development 2014/2024 - information from the World Travel Tourism Council; 4. Geostrategic position in the Atlantic Ocean; 5. Increase in inflows of tourists to the country, either by air and by sea (cruises); 6. Increase of night stays by tourists; 7. Cabo Verde destination is still not saturated, and has growth margins; 8. Existence of business opportunities due to lack of competition in many areas of activities and complementary services Tourism;	1. High operational costs in the country, reflecting on the price of products; 2. Weak technical and financial capacity of tourism administration to develop and implement policies and procedures; 3. Limitation and congestion of air and maritime economic infrastructure; 4. Lack of coordination/integration between different means of transport (air, sea and ground), to maximize and extend tourist visit and stay; 5. Complex Code of Fiscal Benefits, generating constraints for national and foreign investors; 6. Heavy capital industry;

8.6.2 Strengths and Weaknesses Analysis

STRENGTHS	WEAKNESSES
1. Political commitment to improve the sector; 2. Existence of regulator “Agência Marítima e Portuária (AMP)” defining the prices for movement of goods and people and of the ports operations; 3. Availability of the state to subsidize less profitable routes; 4. Fuel costs for cabotage traffic subsidized by the state; 5. 01 port in each of the nine inhabited islands; 6. Existent legal framework to concede port services administration to private enterprises; 7. Existent proposal (AMP) to update and harmonize port tariffs; 8. Existent company for ship maintenance and repair;	1. High prices and low quality of internal transport services; 2. Technologically outdated, unsecure and risky national fleet; 3. Inefficient (High cost) fleet; 4. Insufficient and unreliable offer of transportation services and routes; 5. Port infrastructures have limited capacity to receive current and future traffic from the region; 6. Port infrastructures have limited performance on service delivery; 7. Port infrastructures have limited performance on shipping; 8. Port infrastructures have limited cycle operation through the day. Most ports are not operational in a 24h cycle; 9. Port infrastructures have noncompetitive tariffs; 10. The administration of port infrastructures is governmental; 11. Ship maintenance and repair company is public, outdated and not profitable;

8.7 Conclusions and Recommendations

After the identification of the main forces (Strengths, Weaknesses, Opportunities and Threats) and through a SWOT exercise, the following strategic actions were generated as a set of recommendations for the stakeholders, to further boost the maritime transportation

sector in Cabo Verde. The authors ranked these recommendations based on their perception of the country priorities, resulting from the analysis of the available information and data:

Offensive strategy (to use strengths to seize the opportunities) - should enable the country to take advantages of the current strengths to seize the current existent opportunities:

1) Develop an urgent route concession plan and open bid for national and international operators.
2) Proceed with urgent privatization of ship maintenance company Cabnave.

Reinforcement strategy (to decrease the weaknesses to seize the opportunities) – should enable the country to level up and compete internationally:

3) Develop a financing plan to update the national fleet.
4) Transfer the management of port infrastructure to national and/or international private sector operators.
5) Study the possibility for main ports to operate 24 hours per day.

Confrontation strategy (to use strengths to confront/decrease the impacts of the threats) – should enable the country to face the threats and dissolve deadlock barriers:

6) Develop incentives for commercial banks to develop suitable credit solutions for the private sector.
7) Simplify the interface of the Code of Fiscal Benefits and develop a communication plan to mainstream it.

Defensive strategy (to tackle the weaknesses to minimize the impacts of the threats) – should enable the country to develop new strengths and eliminate old weakeness in order to increase competitiveness:

8) Determine the minimum acceptable level of services and price for port infrastructure, aligned with competition.

8.7.1 Opportunities for Private Sector Development

The tourism value chain is sophisticated and the operators that supply the AI hotels are necessarly competitive players with reliable performance and able to respond to the strictest requirements regarding guest's safety and supply chain management.

Due to the tourism development model in the island with low population density, there are pleanty of business opportunities to explore in Sal and Boa Vista. The authors suggest the following business opportunities for FDI:

1) Participate in the competitive process to manage port infrastructures;
2) Develop a partnership or acquisition of the national ship maintenance company Cabnave;
3) Investment in new smaller scale ship maintenance operators;
4) Investment in enterprise to supply modern equipment and other inputs to existent ship companies;
5) Invest in new, or partnerships with local, domestic maritime transportation operators;

9 Energy and Renewable Energy

9.1 Introduction

This chapter is a general review of the energy sector in Cabo Verde. This analysis is made in a perspective of offer and demand relation between the energy and the tourism sector. The objective is to understand the dynamics between the stakeholders and identify measures that could trigger the potential of growth of the sector, when linked to the national tourism sector, which is the current key driver of Cabo Verde economy.

Figure 44: Cabo Verde have a range of renewable energy sources such as solar, wind, maritime and geothemal

The information presented is a collection of data on the main stakeholders, energy producers, including renewable energy producers, the consumers, and the infrastructures for storage and distribution. It is also analyzed the public policy & sector governance.

An overall value chain analysis, including SWOT, is made with the aim to identify the sector forces. The chapter ends with a set of recommendations to the main stakeholders, to further boost the sector in order to seize the current market opportunities.

9.2 Energy and Renewable Energy System Development

Due to the archipelagic nature of the country, the nine inhabited islands are isolated energy systems with specific supply and demand energy characteristics.

The Cabo Verde commitment to renewable energies is considered to be structuring for the country, allowing greater energy independence and access to energy at competitive costs for families and companies. On the other hand, the ambitious goals pursued constitute a proposal for a profound transformation of the energy sector, involving changes in technologies, procedures, markets and their agents.

In the renewable energy sector Cabo Verde has a natural potentiality to develop the following mainstream sources: wind power, solar energy (350 days of sunshine), biofuel, geothermal (archipelago of volcanic origin, active volcanoes) and wave power. Currently there is installed capacity for wind power and solar energy.

Besides renewable potential, the energy consumed in Cabo Verde mainly consists of petroleum products (Liquefied Petroleum Gas (LPG), gasoline, oil, diesel, fuel oil and Jet A1), all refined products, and secondary energy. Only biomass, solar energy and wind energy, weighing about 15% of gross consumption, can be considered primary energy[40].

[40] Cabo Verde Base Report, DGE, ECREEE, 2014

The petroleum and derivatives consumed in Cabo Verde follow a complex system of import and redistribution. Two companies operate in the fuel market[41].

In less than one decade, the renewable energy sector has advanced significantly in Cabo Verde. There are policies, targets and measures to be implemented and some already achieved.

The existence of a Master Plan for Renewable Energy (MPRE) provides coherence and guides the actions to achieve the proposed objectives and the Sector Strategic Plan for Renewable Energy (SSPER), analyses and identifies areas of high interest for the exploitation of the country's renewable energy potential.

Of the identified Special Zones for Renewable Energy Development (SZRED), 20 are of wind power and 15 of solar energy. In terms of area, the wind has 38.5% of the total reserved area and solar 15.9%. Taking into account the specifics of the operation of the energy of the oceans, it was reserved 21.3% of the SZRED area in coastal areas.

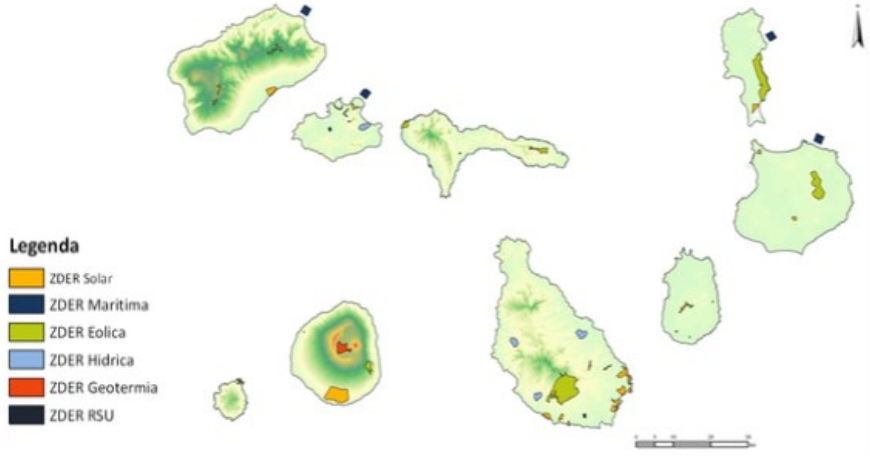


Figura 22 – Mapa das Zonas Reservadas para o Desenvolvimento das Energias Renováveis em Cabo Verde. (Fonte: PESER - MECC.2011)

Figure 41: Special Zones for Renewable Energy Development - SZRED

As a result of the perception of the importance of energy in the economy and society, various Cabo Verdean universities offer courses related to the subject, including the University of Cabo Verde, Piaget University and the University of Mindelo. Some professional schools, e.g. School of Business and Technology, also offer training courses in the energy field.

On the side of civil society and some non-governmental organizations (NGOs) working with themes related to energy and development, an important actor to note is the Association for Consumer Protection (ADECO), a private association of civic intervention and social solidarity for the protection consumers, promoting citizenship, sustainable development and environmental preservation.

The entry into force of Decree-Law No 1/2011 did not induce to a creation of a real renewable energy market. The situations of the islands of Sal, and, to a lesser extent, in the

[41] ENACOL, national company (with shareholder participation of the Angolan company Sonangol and Portuguese company GALP) and VIVO Energy that markets products of Shell International.

island of São Vicente, where there is are over-production of wind and solar power compared to the absorption rate of the grid, raise important questions of technical nature.

Moreover, the introduction of wind energy in the energy mix had no significant impact on the consumer energy bill. And a main reason for the investment in renewable energy is precisely the reduction of such bills and the increase of competitiveness of the national economy.

The main factors contributing to this situation are the current difficulties of the main operator, ELECTRA, the chronic inefficiency of the electricity distribution system and the immaturity of the electricity market, still dominated by a single agent.

Existing isolated Rural Networks should be, where it is technically and economically possible, connected to the public grid. Where this is not possible, or where maintaining an isolated network is a reasoned choice (to promote sustainable rural tourism for example), it should be exclusively used renewable energy sources. For dispersed rural housing it is proposed autonomous individual systems based on renewable energy sources.

The Microgeneration Incentive Strategy will be restricted to self-consumption, so as to avoid, in a first phase and for technical reasons, electricity injection into the public grid. This will be based on financial incentives for investment.

The strategy for 100% Renewable Energy in the electric grid by 2020 is based on prudent steps, with a strong exploration component, learning, knowledge generation and demonstration.

The renewable energy sector is the one that has developed faster in Cabo Verde since 2010. But to achieve the high penetration of renewable energy targets, it will require a qualitative leap in the level of infrastructure, institutional and legal framework, at the level of the relation between the different actors, particularly the entry process of new agents in the market, the approval of projects and attraction of funding.

The ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE) has its headquarters in Praia.

In 2014, the Center for Renewable Energy and Industrial Maintenance – “Centro de Energias Renováveis e Manutenção Industrial (CERMI)” was established in Praia, with the support of Luxembourg, aimed at improving training and qualification of professionals in the area of renewable energy.

9.2.1 Energy Producers

There is a handful of players in the Cabo Verde energy sector, operating from inputs import and distribution, energy production, to output distribution to end consumers. They are listed as following:

ENACOL S.A.	Import and Distribution of Fuel	Fuel
VIVO Energy	Import and Distribution of Fuel	Fuel
ELECTRA S.A.R.L	Public company of electricity and water	Production and Distribution of Electricity
Águas e Energia de Boa Vista	ELECTRA Sub concessionary	Production and Distribution of Electricity

Águas de Ponta Preta	Independent Producer	Electricity Production
Cabeólica, S.A.	Independent Producer	Wind Power Electricity Generation
ELECTRIC WIND	Independent Producer	Wind Power Electricity Generation

FIGURE 42: MAIN OPERATORS IN ENERGY SECTOR

a. ENACOL - Empresa Nacional de Combustíveis, SA (www.enacol.cv), is a private company with two foreign shareholders, Galp Energia and Sonangol, operating in the import and distribution of fuels.

b. VIVO Energy (www.vivoenergy.com), which since 2010 has acquired the assets of Shell Cabo Verde and imports and distributes Shell international products.

c. ELECTRA S.A.R.L. (Www.electra.cv), is a public company electricity and water with 85% of the capital owned by the Government of Cabo Verde and the remaining 15% to municipalities, has since 2000 granted the distribution network and operates the largest electricity production plants except Island of Boa vista.

d. Águas e Energia de Boa Vista (AEB), is a public-private company functioning as an ELECTRA sub concessionary of the public service on the island of Boa Vista.

e. Águas de Ponta Preta (APP) (www.aguaspontapreta.cv), is a private water and energy treatment company in Sal island, has been operating since 2005 and is associated with an urbanization, whose main objective is to guarantee basic services such as energy, water and sanitation to the inhabitants of the said urbanization. The company has installed capacity to produce 5MW.

f. Cabeólica, SA (www.cabeolica.com), in the area of renewable energy, is the largest wind power producer, and is a public-private partnership that started its activity in Cabo Verde in 2009 with the installation of 4 wind farms, totaling 25.5 MW, on the islands of São Vicente, Sal, Boa Vista and Santiago. In addition to the Cabo Verdean State and ELECTRA, with a minimum shareholding, are also shareholders InfraCo Limited, Africa Finance Corporation and Finnish Fund for Industrial Cooperation Ltd. (Finnfund). Of the approximately 56 million euros of required investment, 45 million came from development banks, after a long negotiation. The project is therefore exemplary not only from a technical point of view, but also in its design as bankable project.

g. ELECTRIC WIND (www.electric.cv), is a privately-owned company and has developed and operated a 2 x 250 kW wind farm in the island of Santo Antão, in a joint venture with the Dutch company MAIN WIND. The first Cabo Verde government independent producer is ELECTRIC WIND, which installed and operates a wind farm of 2 x 250 kW in Santo Antão. A second phase expects doubling the power, with the installation of 2 x 250 kW. The project, with an investment of 110 million CVE, was supported by the Government of the Netherlands by a grant in the amount of 50% of the total investment. The remaining 50% were divided between a Dutch partner, the Green Energy Services, (25.5%) and ELECTRIC Ltd (24.5%).

h. The SESAM-ER project, Sustainable Energy Services for Rural Isolated Settlements by Micro-Networks with Renewable Energy, in the island of Santo Antão aims to satisfy the basic needs of electrification of isolated communities of Tarrafal and Monte Trigo, initially by installing two hybrid electric micro grids (diesel-solar and diesel-hydro). After the cancellation of the Micro Hydro project, access to 24 hours a day electricity in Tarrafal will be achieved through the extension of the public ELECTRA network. The photovoltaic plant of Monte Trigo has a nominal power of 27.3 kilowatts peak (kWp). The SESAM-ER, which investment was about 150 million CVE has a co-funding by the European Union (9th EDF Energy Facility program) of 75% of the total, with the remaining 25% to the Municipality of Porto Novo.

Competition exists in the fuel (petroleum derivatives) supply subsector between ENACOL and VIVO ENERGY, and according to the its annual report ENACOL had a 60,9% market share in 2015[42]. ENACOL reported profits of 68,341 thousand of CVE in 2015, from 136,566 thousand in 2014, a decrease of 50%.[43]

[42] RELATÓRIO E CONTAS, ENACOL, 2015
[43] Relatórios de Contas ENACOL 2014 & 2015

Regarding renewable energy production, the indication is that Cabeólica is the leading operator, according to the company's website, the company has the capacity to produce 25% of the country electricity needs[44]. Cabeólica reported profits of 152,767 thousand of CVE in 2015, from 70,221 thousand in 2014, an increase of 117%.[45]

In this category of renewable energy, the different producers are operating in different regions, not competing for the supply of electricity.

In terms of mainstream electricity production (thermal fossil fuel sourced) ELECTRA is the bigger producer, with close to 100% market share. ELECTRA reported profits of 818,541 thousand of CVE in 2015, from 225,856 thousand in 2014, an increase of 262%.[46]

9.2.2 Energy and Renewable Energy Production

In the energy sector, heavy investments have been to tackle the bottlenecks in electricity-generating capacity and the distribution network by the state-owned enterprise ELECTRA, which is the main enterprise operating in the electricity sector. The company is responsible, since 2000, for the management of the distribution network and operates the main and major production plants.

Year	Diesel (GWh)	Fuel Oil (GWh)	Efficiency %	Total Electricity w/Diesel (GWh)	Electricity w/ Renewables (GWh)	Electricity w/ Renewables %
2010 (Base)	250.4	621.0	39.2%	341.6	4.1	1.2%
2011	230.9	640.3	38.6%	336.7	24.6	6.8%
2012	210.1	573.9	38.4%	301.3	68.9	18.6%
2013	164.0	615.5	40.1%	312.7	78.0	20.0%

TABLE 62: ELECTRICITY PRODUCTION IN CABO VERDE

The installed power capacity has been increasing at a rapid pace, with a jump from 109.2 in 2011 to 156.5 MW in 2012. This increase was mainly due to the strengthening of power in the plants of Santiago and Boa Vista. However, due to the deactivation of some generators, the total power was 141 MW in 2013.

Year	Power Capacity (MW)
2010 (Base)	101.9
2011	109.2
2012	156.5
2013	141.0

Table 63: Installed capacity in Cabo Verde

In addition, there are still several small decentralized municipal networks, mainly in the islands of Santo Antão (530 kVA installed), Fogo (1,678 kVA) and also in São Nicolau (150 kVA), Boa Vista (640 kVA) and Santiago (207 kVA). These small networks usually run a few

[44] http://www.cabeolica.com/site1/home/ , 2016
[45] Relatórios de Contas Cabeólica 2014 & 2015
[46] Relatórios de Contas ELECTRA 2014 & 2015

hours at night (from 6:00 p.m. to midnight). The powers of each individual generator oscillate between 20 and 105 KVA (DGE[47], 2011).

Power Capacity (MW)	2010	2013
Santo Antão	6.0	6.0
São Vicente	19.4	19.4
São Nicolau	2.2	3.2
Sal	16.9	20.4
Boa Vista	4.5	17.0
Maio	1.4	1.0
Santiago	46.9	69.7
Fogo	3.8	3.2
Brava	1.1	0.9

TABLE 64: INSTALLED CAPACITY PER ISLAND

Electricity production has grown at an annual rate of 4%. Of the approximately 345,680 MWh produced in 2010, production reached more than 390,700 MWh in 2013, corresponding to an increase of 13%.

	Production MWh	Water Desalination MWh	Internal Consumption MWh	Sales MWh	Losses MWh
2010 (Base)	345,681.3	19,560.4	12,289.1	228,634.8	84,428.7
2011	361,260.9	17,684.2	13,795.4	239,844.3	89,033.0
2012	370,198.7	18,585.9	12,676.9	241,049.6	97,202.0
2013	390,707.7	19,108.6	14,659.5	252,684.8	102,136.9

TABLE 65: ELECTRICITY PRODUCTION AND COMMERCIALIZATION

The production of drinking water by seawater desalination is the only option in the main urban centers in Cabo Verde. In recent years, it was opted the reverse osmosis which requires large quantity of electricity, so usually the drinking water production process follows the production of electricity. The energy consumed in the process, as well as the energy required for pumping the produced water to storage tanks are considered statistically internal consumption of the electricity production sector.

Energy losses correspond to the sum of technical losses and commercial losses. The theft of energy is considered one of the main problems of the sector, as it reaches high values in certain zones, leading to heavy losses for the operator.

Private company Águas de Ponta Preta (APP), in Sal island has the capacity to produce 5 MW of electrical energy via its park of generators (2 x 1.540 kW + 3 x 650 kW)

In 1994, ELECTRA proceeded to the installation of three wind farms in São Vicente, Praia and Sal, with a total installed capacity of 2.4 MW, being 2x300 kW Nordtank wind turbines on the island of Sal and 3x300 kW Nordtank in the islands of São Vicente and Santiago. According to ELECTRA report of 2015, the park in São Vicente is still operational.

[47] Directorate General of Energy

The performance and success of the first wind farm in 1994 paved the way for larger projects. By which came the second stage of the project, in 2009, with the installation of Cabeólica, SA wind power parks, this time with a total installed capacity of 25.5 MW on the islands of São Vicente, Sal, Boa Vista and Santiago.

ELECTRA also have two solar parks for electricity production, one in Sal island with a capacity of 2,250 kW and one in Santiago island with a capacity of 4,500 kW

Cabo Verde's energy policy is directed at further promoting renewable energy (20% of electricity generation in 2013 to 100% in 2020)[48], to reduce Cabo Verde's dependence on imported fuel. Regulatory reforms (including the tariff mechanism) will address the loss-making performance of public company ELECTRA.

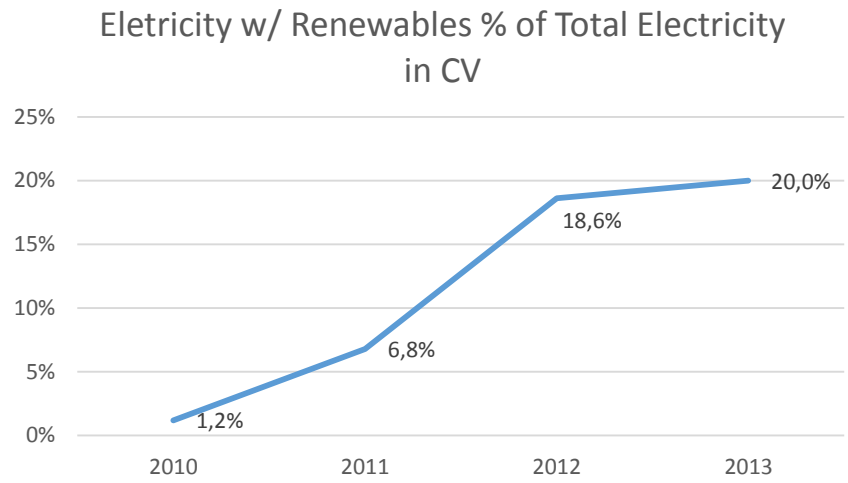
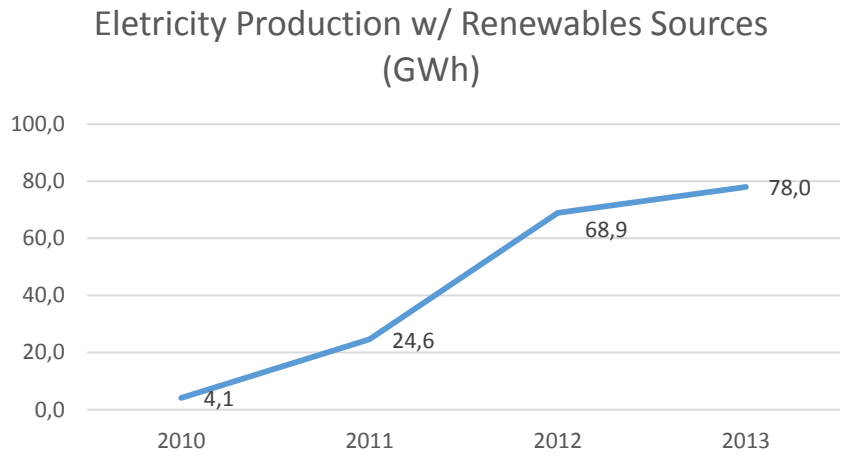


Figure 43: Eletricity w/ Renewables % of Total Electricity in CV

The penetration of renewables in the ELECTRA network reached 7% in 1998 declining to 2% in 2010, due to increased demand and diesel production. Renewable energy sourced production is gaining momentum, increasing its market participation from 1.2% in 2010 to 20% in 2013, and to and estimated 25% in 2016.



[48] 2015 Plano Nacional de Energias Renovaveis_PNAER_CBV,

Figure 44: Eletricity Production w/ Renewables Sources (GWh)

The renewable energy sector has advanced significantly in less than 1 decade. The aim is to substitute the source of energy, for electricity production, from fossil (petroleum derivatives) input to renewable sources.

9.2.3 Infrastructure and Logistics

Since most of the energy produced in the island Is based on fossil fuel, and due to the islands characteristics, there is major concerns related to storage.

Cabo Verde is currently importing 142.472 tons of fuel per year (2015) and the main storage infrastructures are unevenly distributed across the different islands, have a combined capacity of more than 100,000 MT of storage capacity (35.000 of Fuel Diesel and 43.000MT of Fuel oil).

The main fuel storage infrastructures are in the islands of São Vicente, Sal and Santiago. The fuel storage capacity as well as the logistic resources are inadequately distributed between the islands. The island of Santiago represents about 60% of the national fuel consumption and holds approximately 24% of the storage capacity.

Product	Island	TM
Fuel Diesel	São Vicente	35.000
Fuel Oil	São Vicente	43.000
Jet A1	Sal	20.000
Gasoline	Sal	
Butane	Santiago	1.500

Table 66: Storage capacity of fuel

Storage and distribution of fuel in Cabo Verde is a complex and expensive activity. From the import and storage points, liquid bulk or packaged fuels are distributed by sea to the rest of the islands. For the more isolated regions, the transportation of packages or liquid fuels in 200-liter drums is used.

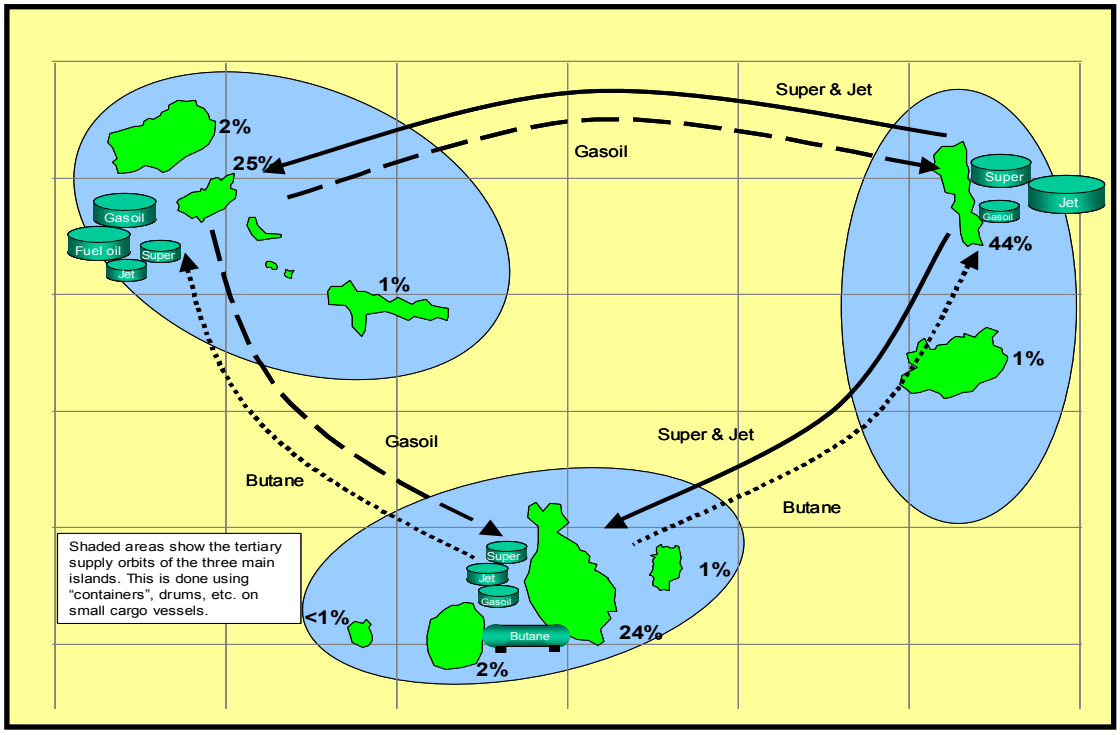


Figure 45: : Storage and distribution of fuel between the Islands

Storage infrastructures follow the historical vocations of each island:

a) Fuel Diesel is mostly imported and stored on the island of São Vicente;

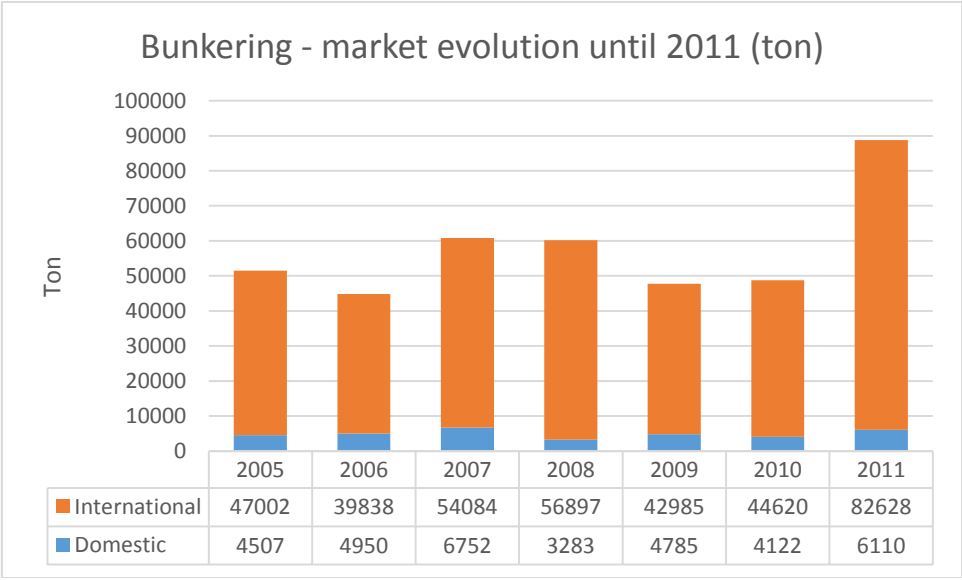
b) Fuel oil is imported and stored on the island of São Vicente;

c) The JET A1 for aviation is mostly imported and stored on the island of Sal;

d) Butane is imported and stored on the island of Santiago.

9.2.4 Bunkering

The business of supplying fuel and other goods and services to ships is becoming a major subsector with clear potential for development. The market evolved slowly until 2011 when international supply almost doubled in relation to 2010 and reached 89.000 ton



From 2010 to 2015 bunkering become increasingly attractive and, besides being somewhat irregular, the market sales recorded an annual average growth of 19% until 2014. In 2015 both companies exceeded 89.000 tones sold in 2011 and in 2016 evidences suggest that this activity is continuing to have strong trend toward sales increase.

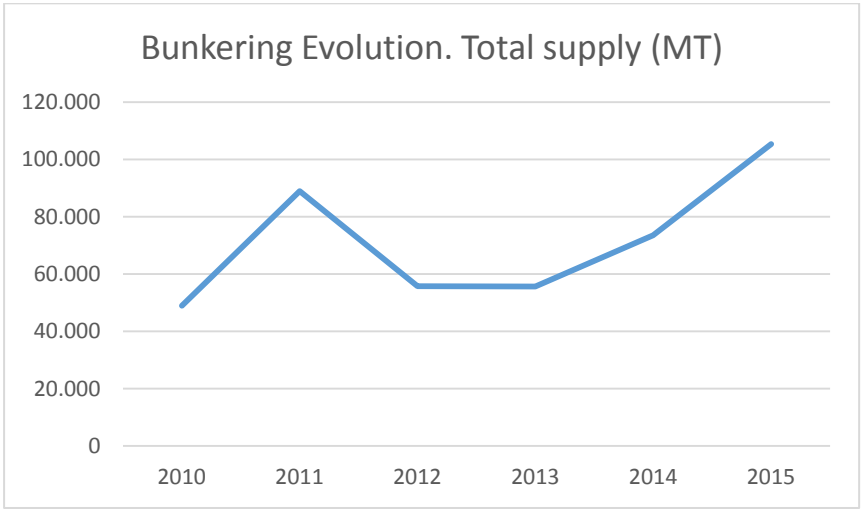


Figure 46: Bunkering Evolution - Total Supply

In 2015, ENACOL held 68% of the market share while Vivo Energy held 32% of the bunkering activities, which are becoming increasingly more important for the fuel companies that were used to solely rely on the domestic market growth. Essentially this market is concentrated in Porto Grande, São Vicente.

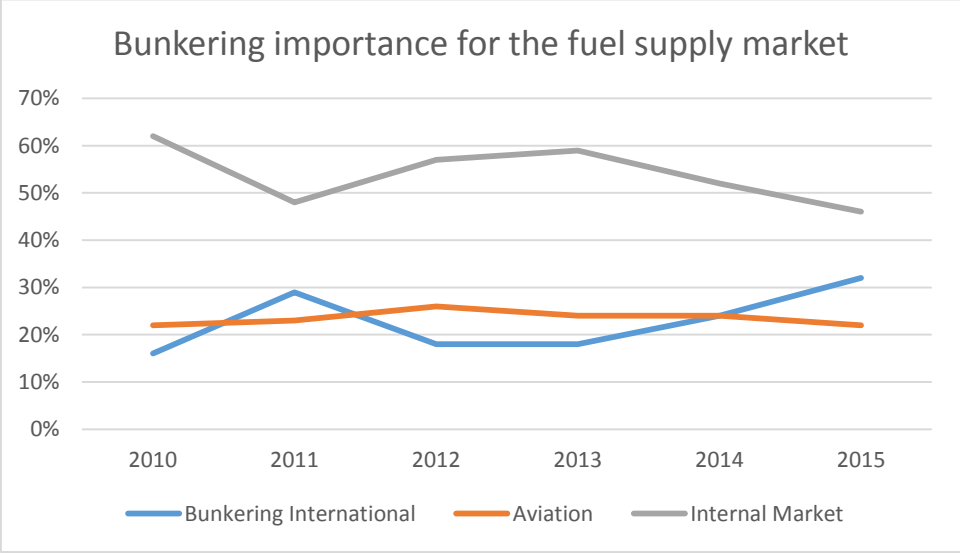


Figure 47: Share of Bunkering in the fuel supply market

In fact, it's worth to mention that the bunkering market potential for Cabo Verde is estimated in 3.6 million tons/year, which exceeds in more than 40 times to total domestic sales made in 2011. This estimate considers that the total ships movement in Porto Grande represents about 2 million tons of fuel supply per year and ships that are half a day away from Cabo Verde represents another potential of 1.6 million tons per year.

Moreover, government authorities and maritime specialists believe that there are several other comparative and competitive advantages that Cabo Verde can make use to attract more traffic to our shore. These are essentially the following:

a) Geographic location near to the major navigation routes of the Atlantic;

b) Deep water port in Mindelo with excellent navigability conditions and no traffic congestion prospects;

c) Credible operators, involved with best practices and certified with ISO 8217 : 2010;

d) Existence of a reputable marine science teaching institution;

e) Good safety conditions in the country and a stable political environment and safety in maritime operations.

f) The overall cost of bunkering (including product price, port and customs costs and cost of route deviation);

g) Waiting time for supply;

h) The availability of the product;

i) The quality of fuels.

Based on this perspective, many suggest that Cabo Verde should position as a safe and high quality service for ships that demand offshore bunkering.

However, it's also important to consider the constraints and limitation of the islands to compete in the bunkering market. For instance, bunkering activity in Cabo Verde is still onshore.

Oil companies are supplying mainly with oil derivatives such as Fuel Diesel LSMGO Max 01% S, Fuel HSFO Max 3.5% S, IFO (various grades) and lubricants. Evidences suggest that many other goods are demanded by oil platforms and large tankers, beyond basic supplies such as water.

Another major concern is related to storage distribution. Cabo Verde is currently importing 142.472 tons of fuel per year (2015) and the main storage infrastructures are unevenly distributed across the different islands, have a combined capacity of more than 100,000 MT of storage capacity (35.000 of Fuel Diesel and 43.000MT of Fuel oil).

Cabo Verde is highly dependent on fuel and derivatives which represent on average 14% of total imports from 2010 to 2015. Fuel imports have strong impact in the balance of payments and its one of the main engine for the economic activities in the islands.

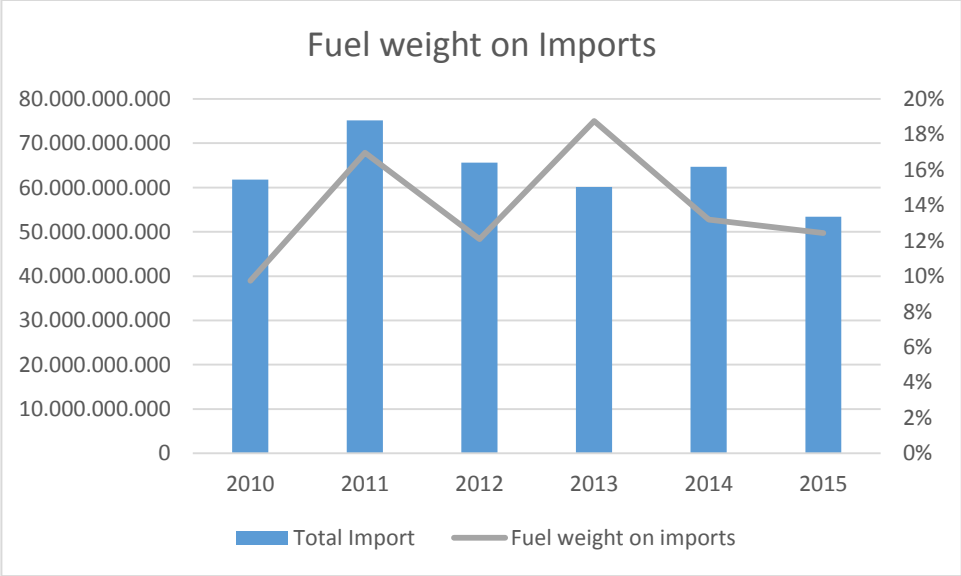
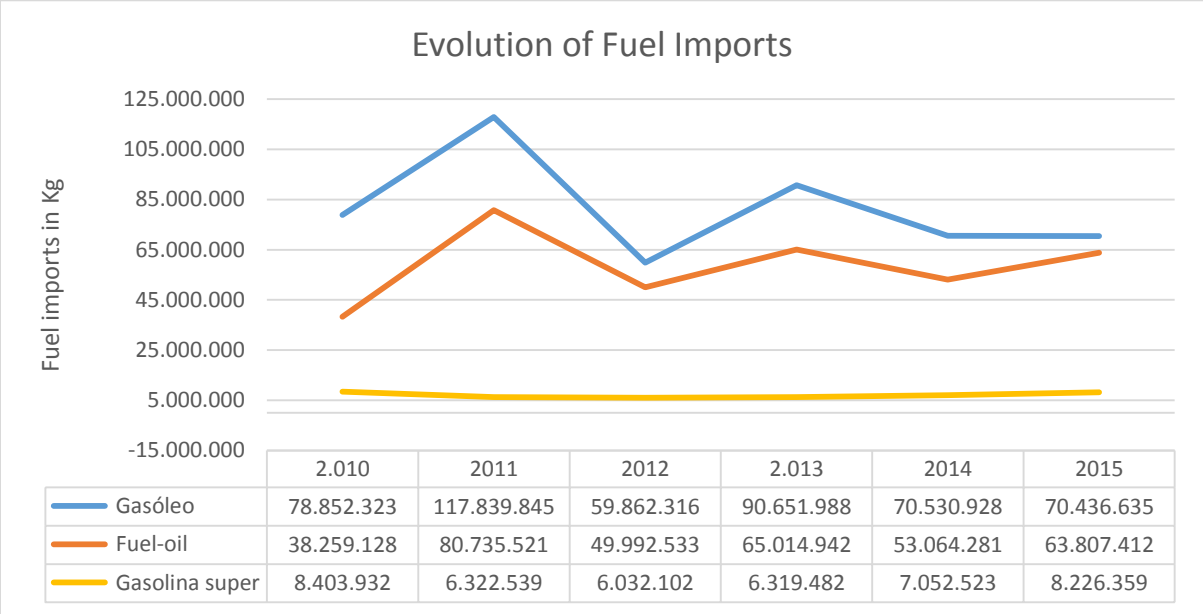


Figure 48: Fuel Weight on Imports

Fuel import is subjected to the international market fluctuation and internal impacts are inevitable. Due to the market size, transport and storage limitation, fueling in Cabo Verde is considered expensive.



	2.010	2011	2012	2.013	2014	2015
Gasóleo	78.852.323	117.839.845	59.862.316	90.651.988	70.530.928	70.436.635
Fuel-oil	38.259.128	80.735.521	49.992.533	65.014.942	53.064.281	63.807.412
Gasolina super	8.403.932	6.322.539	6.032.102	6.319.482	7.052.523	8.226.359

Figure 49: Evolution of Fuel Imports

It is noted, however, that many more constraints are already identified as pre-requisites for bunkering development. This is a highly risky activity that demands investments in appropriate means and ways, such as oil tankers, fire equipment, adequate infrastructure, international certification, safe and rescue system,

Regarding the business environment for bunkering development, it is also noted, through several sources, the need of an articulated policy, regulation and strategy to address several issues related to international trade, special economic zones for industry and trade, and export promotion.

Specialists in the sector infomrs that international bunkering in Cabo Verde is also constrained by the fact that fuel and services prices in the country are higher than those charged in competitor countries. Among the main factors that have led to uncompetitive prices, the Cabo Verdean authorities highlight the high import costs due to the still limited size of the market and the high port charges applied in the discharge, product delivery and handling in ports.

Despite all, the established operators have been profitable for years. As a means of reference the analysis of ENACOL's financial indicates the sub-sector as a large-scale operation with low and strict margins but significant results in volume.

ENACOL's Financial Indicators (in thousands)	**2014**	**2015**
Turnover	14,074,053	12,345,472
Operational Costs	13,851,567	12,277,479
EBITDA	642,365	359,099
Operational Profit	222,486	67,994
Net Profit	136,566	68,341

Gross Margin	14,3%	15,2%
Operational Profitability	1,6%	0,6%
Operating profitability of the sale	1%	0,5%
ROI (RL/AL)	1,7%	1%

Source: ENACOL

Table 67: ENACOL's Financial indicators

9.2.5 Public Policy and Sectoral Governance

Reform efforts in the electricity sector began in the late 1990s with the enactment of a new legal framework for electricity[49]. The law is aimed, inter alia, at stimulating competition and attracting domestic and foreign investment, including independent power producers (IPPs).

The Energy Sector in Cabo Verde is heavily regulated and is supervised by the Ministry of Economy and Employment. The General Directorate of Energy is the executive body responsible for the design and proposal of strategies, regulation and coordination of the execution of the policies and directives of the government in the area of energy.

The electricity and fuel market has been regulated since 2004 by the ARE. Currently, the agency has the power to set the tariffs applied to the supply and distribution of electricity to final customers, as well as the maximum selling prices of petroleum products to final consumers.

Electricity tariffs are subject to price cap legislation, with adjustments of the price made by ARE. In October 2011, ARE adopted a new price cap formula for prospective five-year periods. Cabo Verde has a national (pan-territorial) tariff with a block tariff for households, and two industrial tariffs depending on installed capacity. ELECTRA does not offer discounts to industrial users. The tariffs for industrial users were adjusted following a VAT change made in the State Budget Law 2013.[50]

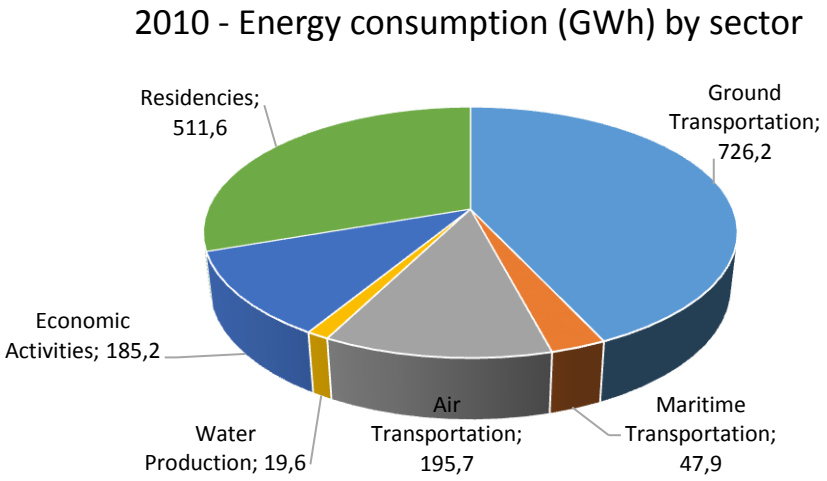
In 2011, a legal framework for renewable energy and IPPs was established[51]. The law provides for the establishment of a feed-in tariff regime, which has not yet been implemented (as of May 2015).

The incentives in the Renewables Law (Articles 13 and 14) were repealed in 2013 pursuant to Article 59(g) of the Code of Fiscal Benefits (CFB), and replaced by articles 12(a), 43(d).

9.3 Energy Demand

Regarding the overall energy sector buyers, in 2010, the transportation sector, particularly ground transportation, was by far the largest energy sector consumer/buyer (more than 40% of total consumption), followed by the residential sector with 30% of total consumption. Economic and productive activities consumed only 11% of the total energy supplied. Altogether, firewood and diesel accounted for more than half of the type of energy consumed.

[49] Decree-Law No. 54/1999 of 30 August 1999, as amended by Decree-Law No. 14/2006 of 20 February 2006.
[50] S322 - TPR CV - Relatorio do Secretariado, WTO, 2015
[51] Decree-Law No. 1/2011 of 3 January 2011.



2010	Butane (GWh)	Petroleum (GWh)	Gasoline (GWh)	Diesel (GWh)	JET A1 (GWh)	Eletricity (GWh)	Firewood (GWh)	Charcoal (GWh)	Total /Sector (GWh)
Ground Transportation	0.0	0.0	87.8	638.4	0.0	0.0	0.0	0.0	**726.2**
Maritime Transportation	0.0	0.0	0.0	47.9	0.0	0.0	0.0	0.0	**47.9**
Air Transportation	0.0	0.0	0.0	0.0	195.7	0.0	0.0	0.0	**195.7**
Water Production	0.0	0.0	0.0	0.0	0.0	19.6	0.0	0.0	**19.6**
Economic Activities	61.9	0.0	0.0	0.0	0.0	107.6	11.0	4.6	**185.2**
Residencies	72.1	7.5	0.0	0.0	0.0	95.9	335.4	0.7	**511.6**
Total	**134.0**	**7.5**	**87.8**	**686.3**	**195.7**	**223.1**	**346.4**	**5.3**	**1686.2**

TABLE 68: ENERGY CONSUMPTION BY SECTOR AND BY CATEGORY IN GWH FOR THE YEAR 2010 IN CABO VERDE

Comparatively, in 2013, the different economic and residential sectors consumed close to 1,715 GWh, mainly diesel (641 GWh) and firewood (370 GWh). In 2013, there was a drop of diesel consumption, compared to 2010, especially for ground transport, which slightly changed the relative weight of the different sectors, with the residential sector and economic activities increasing their weight in the total.

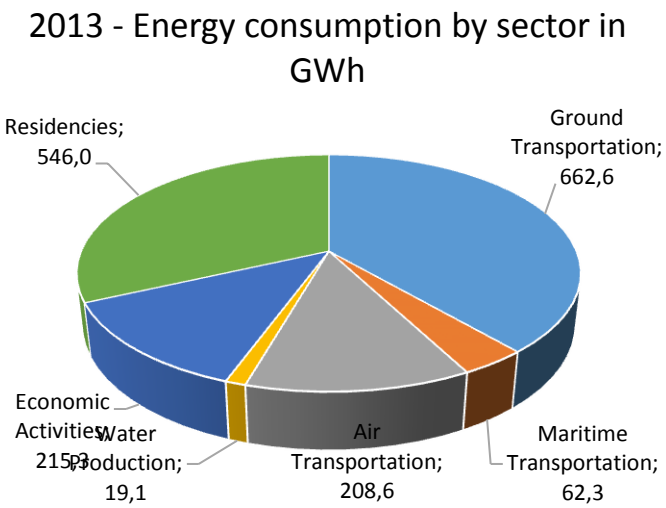


Figure 50: Energy Consumption by Sector - 2013

2013	Butane (GWh)	Petroleum (GWh)	Gasoline (GWh)	Diesel (GWh)	JET A1 (GWh)	Electricity (GWh)	Firewood (GWh)	Charcoal (GWh)	Total /Sector (GWh)
Ground Transportation	0.0	0.0	84.1	578.5	0.0	0.0	0.0	0.0	**662.6**
Maritime Transportation	0.0	0.0	0.0	62.3	0.0	0.0	0.0	0.0	**62.3**
Air Transportation	0.0	0.0	0.0	0.0	208.6	0.0	0.0	0.0	**208.6**
Water Production	0.0	0.0	0.0	0.0	0.0	19.1	0.0	0.0	**19.1**
Economic Activities	54.4	0.0	0.0	0.0	0.0	142.7	11.8	6.4	**215.3**
Residencies	79.8	5.7	0.0	0.0	0.0	101.5	358.1	0.9	**546.0**
Total	**134.2**	**5.7**	**84.1**	**640.8**	**208.6**	**263.3**	**369.9**	**7.3**	**1713.9**

Table 69: Energy consumption by sector and by category in GWh for the year 2013 in Cabo Verde

Energy products (petroleum and derivatives, and electricity) prices are regulated by an independent administrative authority, and therefore the buyers have no bargain power.

9.4 Energy Offer

In recent years, the total domestic supply of raw energy evolved from 2,340.7 GWh in 2010 to 2,311,0 GWh in 2013 and reached a peak of 2,477,2 GWh in 2011 (Table 58). Between 2010 and 2013 there was a drop of nearly 14% in the consumption of diesel fuel, mainly because of the introduction of renewable energy production parks.

Year	Butane (GWh)	Petroleum (GWh)	Gasoline (GWh)	Diesel (GWh)	Fuel Oil (GWh)	JET A1 (GWh)	Eolic (GWh)	Solar (GWh)	Firewood (GWh)	Total Gross Energy Supply (GWh)
2010 (Base)	134,0	7,5	87,8	936,8	621,0	195,7	2,0	2,1	353,9	**2340,7**

2011	136,0	7,5	87,7	990,2	640,3	228,4	5,6	9,0	362,6	**2477,2**
2012	133,3	6,2	83,1	909,1	573,9	226,1	61,4	7,5	371,4	**2371,9**
2013	134,2	5,7	84,1	804,8	615,5	208,6	70,7	7,3	380,1	**2311,0**

TABLE 70: TOTAL GROSS ENERGY SUPPLY

To these values of energy supply for internal consumption, the re-exported energy in aviation and international navy is added. The re-export market has a significant weight in the global fuel market in Cabo Verde, reaching a weight of more than 40% in 2011 and around 38% in 2013.

Year	Diesel	Fuel Oil	JET A1	External Market	Total Fuel Market
	(GWh)	(GWh)	(GWh)	(GWh)	(GWh)
2010 (Base)	344.9	163.5	540.2	**1048,6**	**3031,3**
2011	452.3	478.4	551.4	**1482,1**	**3572,2**
2012	351.2	216.5	639.9	**1207,6**	**3139,3**
2013	381.2	188.9	594.8	**1164,9**	**3017,8**

TABLE 71: CABO VERDE RE-EXPORT MARKET

Cabo Verde's energy policy is directed at further promoting renewable energy (20% of electricity generation in 2013 to 100% in 2020)[52,] to reduce Cabo Verde's dependence on imported fuel. Regulatory reforms (including a tariff mechanism) will address the loss-making performance of public company ELECTRA.

However, with the exception of wind power electricity, other forms of renewable energy (including solar thermal) are still residual. Since 2010 there has not been any significantly new large scale projects in the field of renewable energy, worthy of the proposed objectives.

The electricity consumed in each island is locally produced, mainly by converting diesel or fuel oil. The fuel oil is used in the main plants of the islands of São Vicente, Sal and Santiago (Praia) while smaller plants use diesel.

The main supplier operating in the electricity sector in Cabo Verde is the public electricity and water company - ELECTRA S.A.R.L.

The exceptional operators are located in the island of Boa Vista where the public-private company Águas e Energia de Boa Vista (AEB) operates as a sub-concessionaire of the public service, and in the island of Sal, where the company Águas de Ponta Preta (APP) operates.

Summarizing, with few players in the Cabo Verde renewable energy production market, not competing regionally (supplying different islands), with only one distribution network it would be safe to assume that suppliers have a big bargain power towards the end consumer.

However due to Cabo Verde's legislation, with an existent regulatory authority, Agência de Regulação Económica (ARE), stipulating the prices of end products (petroleum derivatives and electricity) to end consumers, the direct bargain power of suppliers over buyers is

[52] 2015 Plano Nacional de Energias Renovaveis_PNAER_CBV,

practically nil. The bargain power struggle in Cabo Verde is between the suppliers and the government.

9.5 Energy Sector Value Chain Analysis

In urban areas, the availability of electricity is widespread, and in 2010 almost 90% of families already had access to this modern form of energy. This figure was somewhat lower in rural areas where, in the same year, access to electricity reached almost 64% of households.

Households		Households with access to electricity
Total	116,872	80.8%
Urban	77,127	89.6%
Rural	26,229	63.8%

Table 72: Households with access to electricity in 2010

According to data from the 2010 census, 80% of Cabo Verdean households had access to electricity. This figure increased to around 86.9% in 2013[53], divided by a little more than 90.5 % of families living in urban centers and 79% of families in rural areas.

According to the same census, 97.5% of households had access to electricity through the public grid and 1.5% from small generators. Only 0.4% reported using solar or wind energy.

Access to distribution channels is not a barrier for the new suppliers. Regarding electricity distribution, the country possesses only one network and network manager (ELECTRA), and according to available information, the different island grids can be accessible to all suppliers.

The public electricity distribution network has developed a lot in recent years, covering areas that were previously served by small municipal power stations or were simply not electrified.

The distribution of energy is carried out in most of the islands through a medium voltage network of 20 kV, with a total of 297.6 km of overhead lines and 538.7 km of underground lines. Santiago is the only island with 43 km of 60 kV line. In some islands, the grid is being reinforced to withstand greater penetration of energy from renewable sources.

Established operators may also have, due to the scale of their ongoing operation, supply agreements, preferential prices and conditions from input suppliers and other advantages like geographical position for sales points that can act as barrier (extra costs to compete) to new entrants.

9.6 SWOT Analysis

The SWOT analysis is presented in the perspective of the Cabo Verde energy sector, where the forces are analyzed considering the production and distribution capacity in one side (representing the Strengths and Weaknesses) and the tourism value chain and the national market in another side (representing the Opportunities and Threats).

[53] Multi-objective Continuous Household Survey - Statistics on Households and Living Conditions, INE, 2013

9.6.1 Opportunities and threats Analysis

Opportunities	Threats
1. Growth of tourism worldwide, of about 10%; 2. The rate of tourism growth in Africa, of about 5% per year 3. Cabo Verde is among the top ten destinations with prospects of development 2014/2024 - information from the World Travel Tourism Council; 4. Increase of FDI in Cabo Cabo Verde, particularly to Tourism sector, prospect of tourist increase; 5. Cabo Verde destination is still not saturated, and has growth margins; 6. Increase in inflows of tourists to the country, either by air and by sea (cruises); 7. Increase of night stays by tourists; 8. Existence of business opportunities due to lack of competition in many areas of activities and complementary services Tourism;	1. Structural challenges due to archipelagic nature of country (distance between urban centers, producing regions); 2. The fragility of the ecosystem; 3. High operational costs in the country, reflecting on the price of end products; 4. Complex Code of Fiscal Benefits, generating constraints for national and foreign investors;

9.6.2 Strengths and Weaknesses Analysis

Strengths	Weaknesses
1. Natural potentiality to develop the following renewable energy sources: wind power, solar (350 days of sunshine), geothermal (archipelago of volcanic origin, active volcanoes) and biofuel; 2. Political commitment to improve the sector, particularly towards introduction of renewable energy for electricity production; 3. Existence of Fiscal benefits for new investments in the sector of renewable energy (RE); 4. Existence of a Master Plan for Renewable Energy (MPRE); 5. Existence of Special Zones for Renewable Energy Development (SZRED); 6. Heavy public investment in electricity production; 7. Existence of Center for Renewable Energy and Industrial Maintenance (CERMI), for training in the renewable energy; 8. Existence of ECOWAS Centre for Renewable Energy & Energy Efficiency (ECREEE) in country; 9. Existence of regulation agency “Agência de Regulação Económica (ARE)” covering the sector; 10. Electricity distribution grid covering all major urban centers (86.9% households in 2013); 11. Successful track record of RE sourced electricity production, implying technical capacity in some sources (wind power, solar); 12. Increasing demand of electricity;	1. Stagnation of renewable energy sector investments since 2010; 2. Single electricity distribution operator - ELECTRA; 3. Elevated technical and commercial energy losses of ELECTRA; 4. ELECTRA has a weak capacity to manage and respond to the increasing demand of electricity; 5. Chronic inefficiency of the public electricity distribution networks; 6. Non-integration of distribution networks; 7. Inappropriate infrastructure, institutional and legal framework for renewable energy; 8. Inadequate storage capacity and of logistics means: a fuel storage capacity and logistical means are inadequately distributed between the islands; 9. Elevated energy theft in certain zones; 10. Lack of appropriate regulations, standards and rules: the lack of adequacy of specific regulation or lack of harmonization preclude the penetration of new technologies, for lack of a clear framework for both investors and for potential customers; 11. Weak institutional capacity and skills within the sector, especially with regard to the formulation and implementation of policies and regulation; 12. Non-availability of detailed statistical data prevents making relevant decisions, particularly

	in relation to access to energy and the definition of the most appropriate energy efficiency measures; 13. The size of the market is not attractive to large investors which prevents sufficient competition to generate gains for the consumer; 14. Non-integration of distribution networks;

9.7 Conclusions and Recommendations

After the identification of the main forces (Strengths, Weaknesses, Opportunities and Threats) and through a SWOT exercise, the following strategic actions were generated as a set of recommendations for the stakeholders, to further boost tourism sector in Cabo Verde.

The authors ranked these recommendations based on their perception of the country priorities, resulting from the analysis of the available information and data:

Offensive strategy (to use strengths to seize the opportunities) - should enable the country to take advantages of the current strengths to seize the current existent opportunities:

1) Update the renewable energy legal framework and organize and operate the Special Zones for Renewable Energy Development (SZRED);
2) Opening production to new operators, national and international;
3) Privatize the electricity distribution network or transfer its management to private sector, national or international;
4) Develop updated studies on the demand and offer of energy, and prepare production expansion plans accordingly.

Reinforcement strategy (to decrease the weaknesses to seize the opportunities) – should enable the country to level up and compete internationally:

5) Improve and/ or update the electricity distribution network to receive production from multiple sources.
6) Study the integration of the electricity distribution network, where is possible and implement it.
7) Strengthen the institutional capacity and skills within the energy sector, especially with regard to the formulation and implementation of policies and regulation.

Confrontation strategy (to use strengths to confront/decrease the impacts of the threats) – should enable the country to face the threats and dissolve deadlock barriers:

8) Simplify the interface of the Code of Fiscal Benefits and develop a communication plan to mainstream it.

Defensive strategy (to tackle the weaknesses to minimize the impacts of the threats) – should enable the country to develop new strengths and eliminate old weakeness in order to increase competitiveness:

9) Implement mechanisms to prevent and control electricity theft.

9.7.1 Opportunities for Private Sector Development

The tourism value chain is sophisticated and the operators that supply the AI hotels are necessarily competitive players with reliable performance and able to respond to the strictest requirements regarding guest's safety and supply chain management.

Due to the tourism development model in the island with low population density, there are pleanty of business opportunities to explore in Sal and Boa Vista. The authors suggest the following business opportunities for FDI:

1) Investment in new enterprises for sales and distribution of solar panel and power storage (Inverters & UPS);
2) Investment in new enterprises for bio-fuel production and bio-fuel vehicles adaptation (there has been a recent success story for collective transportation - Ecobus);
3) Investment in new enterprises for sales and distribution of residential wind energy solutions;
4) Investment in new enterprises for sales and distribution of solar water pumping systems, particularly to remote rural areas;
5) Investment in new enterprises for sales and distribution of solar refrigeration systems, particularly to remote rural areas;

10 Identified Case Studies

After analysis of the intermediate report, the Dutch Embassy and RVO's representatives decided to focus on the following 5 case studies for further investigation in the second phase of the sectoral study.

10.1 Improve the banana and papaya value chains to serve the tourism sector.

Global Objective

a. Improve the banana and papaya value chains to serve the tourism sector.

1. Demand

a. Name and contact of potential clients and what is their consumption potential – Market size;

b. Specific requirement of potential clients regarding local banana and papaya (scale, frequency, quality…)

c. Current willingness/interest of working with local products;

Tourism operation in Sal and Boa Vista islands is concentrated in a small number of large all-inclusive luxury establishments, representing about 91% of the market share in the two islands'. Of the 11 AI's, 04 are owned by RIU Resorts, and 03 by The Resort Group. They have an average size of 721 rooms and represent about 44% of the national accommodations stock.[54]

As reference, the market size (demand) will use the baseline of the combined number of night stays in upscale hotels in Sal and Boa Vista in 2016, according to INE's[55] report, setting the minimum size of demand at 3,278,567 night stays per year or an average of 8,982 tourists per day. The average consumption in grams per night stay was calculate based on the consumption pattern of a reference hotel in Sal island (Hotel Odjo D'água) in the year 2016.

	# upper scale hotel night stays	banana (122 g) per night stay
Sal	1,727,510	210,942,524
	Year Minimal Potential for Sal, in Kg	210,943
	Market value (110 CVE/Kg)	CVE 23,203,678
		EUR 210,436
	Improve 25% of supply in Kg	263,678
	Market value (110 CVE/Kg)	CVE 29,004,597
		EUR 263,044
	Doubling night stays by 2021	
	Year Minimal Potential for Sal, in Kg	*527,356*
	Market value (126.5 CVE/Kg)	*CVE 66,710,573*

[54] Reference data from 2016, INE.
[55] INE, National Institute of Statistics.

		EUR 605,002
	# upper scale hotel night stays	**papaya (104 g) per night stay**
Sal	1,727,510	179,127,507
	Year Minimal Potential for Sal, in Kg	179,128 CVE
	Market value (200 CVE/Kg)	35,825,501 EUR 324,904
	Improve 25% of supply in Kg	223,909
	Market value (110 CVE/Kg)	44,781,876.81 406,130
	Doubling night stays by 2021	
	Year Minimal Potential for Sal, in Kg	*447,818.77 CVE*
	Market value (230 CVE/Kg)	*89,563,754 EUR 812,259*
	# upper scale hotel night stays	**banana (122 g) per night stay**
Boa Vista	1,551,057	189,396,142
	Year Minimal Potential for Sal, in Kg	189,396
	Market value (110 CVE/Kg)	CVE 20,833,576 EUR 188,941
	Improve 25% of supply in Kg	236,745
	Market value (110 CVE/Kg)	CVE 26,041,970 EUR 236,176
	Doubling night stays by 2021	
	Year Minimal Potential for Sal, in Kg	*473,490*
	Market value (126.5 CVE/Kg)	*CVE 59,896,530 EUR 543,205*
	# upper scale hotel night stays	**papaya (104 g) per night stay**
Boa Vista	1,551,057	160,830,818
	Year Minimal Potential for Boa Vista, in Kg	160,831 CVE
	Market value (200 CVE/Kg)	32,166,164 EUR 291,717
	Improve 25% of supply in Kg	201,039
	Market value (110 CVE/Kg)	40,207,704.58 364,646
	Doubling night stays by 2021	
	Year Minimal Potential for Boa Vista in Kg	*402,077.05 CVE*
	Market value (230 CVE/Kg)	*80,415,409 EUR 729,292*

In terms of frequency the demand varies from low and high season, fresh vegetables and fruits, produced in Santiago, São Nicolau, and Santo Antão, reaches the islands of Sal and

Boa Vista through a fragmented, long and unpredictable chain that lacks planning, proper packaging and correct conservation methods, and, as consequence, the intermediaries lose competitiveness with severe losses in quantity and the quality of the products becomes highly questionable on delivery due to poor packaging and appearance.

Fruits such as banana and papaya arrive in the islands of Sal and Boa Vista beyond proper maturation point, and usually have black spots that diminishes the attractiveness of the products to the end consumers.

There is a big interest of the hotel groups in buying local products but since the offer is not reliable in terms of price, quality and frequency, and additional requirements such as HACCP, most of their food must be imported to attend the demand and to mitigate supply chain risks.

Due to these identified constraints of the local supply chains, the food supply is guaranteed through large and established supplier groups such as Emicela, Benito Alvarez and others companies that are installing in Sal and Boa Vista to serve specific hotel chains.

2. Offer

    a. Current cumulated production

    b. Constraints for reaching sufficient scale

    c. Constraints related to quality

The country has an annual production estimate (reference 2014) of 10,534 tons of banana and 3,473 tons of papaya.

Estimates for particular producer islands are as following:

    a. Santiago (3,000 tons of banana and 1,050 tons of papaya);

    b. Santo Antão (900 tons of banana and 450 tons of papaya);

At country level there is sufficient production scale to supply the tourism chain, however the constraints are mainly related to production fragmentation, logistics and quality of end products.

The agriculture production in Cabo Verde is disorganized from the onset and without proper production planning, organization of the domestic value chains and proper logistics, local operators will be unable to match standards and scale requirements and attend the annual FFV procurement plan of the hotels.

Frequent shortages of supply, losses and other factors (traders' behavior) have direct impact on the price deals with the informal intermediaries, who usually apply a margin up to 3 times the price that is charged regularly for FFV in the central market in the capital city Praia. During the frequent shortages, fresh product prices usually go even higher to become unbearable.

The main challenge is the maritime transportation, lacking assiduity and punctuality, and proper means to transport fruits and vegetable, from the producers' island to the consumer island, and thus limiting the current business potential.

The underlining reasons for poor quality of these specific products (papaya and banana) 203) are:

    a. Agriculture a sector is family based, being the land divided in small parcels, with 70% of

arable area (443.589 ha) divided in 0.1 to 1 ha small farms, the production is micro scale, non-harmonized and calibrated, and with irregular production schedule;

b. Packaging and distribution centers for agriculture and livestock products in the main producer islands exist, but are not fully operational because they lack a business model and standard operational procedures;

c. Given the inexistence of an efficient logistics system for distribution of products to the consumer markets, the informal intermediaries (Rabidantes) for distribution of agricultural products play a critical role in placing production in the market;

d. The Rabidantes are small scale distribution operators that depend on the maritime connections and other means of transportation throughout and within the islands, with poor storage conditions. The logistic chain from farms in the producers' islands to the consumer market of Sal and Boa Vista is tortuous and unrefrigerated, leading to substantial losses of quantity and quality.

3. Public Sector Intervention

a. Mapping of existing public interventions and private operations (per island);

b. Public sector limitations

The public interventions are supported by several international cooperation partners through bilateral agreements, international entities (UN System) or groups of donors such as the Budget Support Group (GAO). Most of these initiatives are delivered through the Annual State Budget but others are delivered directly through agencies created to manage implementation. These efforts must be negotiated by the Ministry of Foreign Affairs and the Ministry of Finance. The mapping requires deeper level of mining of the central planning system to identify the detailled interventions. Exceptional information on larger projets such as "Water" and "Land" from the MCC are publicly available.

The Government's agricultural policy aims to increase productivity, enhance food security and mitigate rural poverty. Public sector investments are targeted mainly towards irrigation; greenhouses; agricultural research and knowledge transfer (such as artificial insemination of livestock); and environmental measures.

However, lack of performance of central and local administration along with the ineffective coordination of several agencies, institutions and other stakeholders involved with agriculture development can potentially undermine market profitability.

For instance, underdeveloped services such as quality standards, regulations and certification systems, information services about the quality/price ratio of agricultural products, research programs that do not respond to the challenges of the sector (soil management, seed and improved varieties, irrigation systems, water management, etc.), post-harvest logistics, marketing, certification, marketing and business, characterization of the products (trademark registration and the seals of denomination of origin) in the value chains and several bottlenecks in the logistics and distribution chain, difficulties of access between the agricultural production zones and the domestic and international markets, poses significant threat to the sector development and the inefficiencies in the sector potentially discourages further investments.

Interview conducted with senior staff of the Ministry of Agriculture and Environment, confirmed that the Phytosanitary Department has the capacity to certify agriculture products if requested by producers but this is not a common practice. The process would require presentation of a production plan to the department, inspection and follow up of

production until harvest. Since farms are operated individually, in small land parcels, with mixed cultures, there is no planning of agricultural production and the State lacks capacity to supervise the use of pesticides and make the sanitary control in all producing islands. In this sense, the State acts in the prevention, information, training and dissemination of good practices among farmers.

*Full ist of private operators and stakeholders per island and activity attached.

4. Stakeholders Analysis

a. (Public + private) (per island / per value chain/product): a description of their needs, their experience related to the specific objectives, their ambitions, their resources to contribute to achieve it and their vision regarding how to face the problem that should be solved. Stakeholders preferably with names and contact details of the first point of contact

Stakeholder type	**Location**	**Description of needs**	**Ambitions (goals)**	**Resources to contribute to achieve goals**	**Vision to solve the problems**
Producers	Santo Antão, São Nicolau, Santiago, Fogo	Access to financing, access to technology, access to water, increase scale (production planning,...) and quality (product certification), expansion of monoculture and diversification of cultures, producer association (cooperatives, joint ventures, etc.), access to cold and storage infrastructures, sufficient and adequate transportation/logistics, market knowledge.	Increase productivity (quantity and quality), transformation, substitute imports, supply domestic and tourism market.	Farm lands, manpower, traditional farming know how.	Lack of consensual vision and strategy.
Producers Class Representatives	Santiago, Santo Antão,	Increase technical capacity to formulate and implement a strategic agenda, small number of associates, limited financial resources, limited leadership bodies, limited bargain power with central and local administration.	Develop cooperatives, develop business classes, increase capacity to support businesses, increase bargain power towards the government.	Limited financial, technical and infrastructure resources.	Development of agribusiness, local tourism, attract local direct investment, local development.
Intermediaries	Santiago, Sal, Boa Vista, São Vicente	Development of intermediaries' associations, access to credit, sufficient and	Supply domestic and tourism market.	Manpower, producers' network, limited	Lack of consensual vision and strategy.

		adequate transportation/logistics, packaging solutions, best practices on food safety systems, market knowledge		financial liquidity, high risk propensity.	
Customers (Hotels and AIs)	Sal, Boa Vista	Reliable supply chains (scale, frequency, price, quality).	Management of the supply chain risks and mitigation of problems.	Financial capacity, integrated supply chain management, risk management and mitigation measures, industry and market knowledge.	Establishment of global and centralized risk management frameworks.
Public Administration	São Vicente, Santiago and regional representations	Limited technical capacity, weak inter sectoral policies coordination, fragmented (different islands) and uncoordinated structures (with uneven technical capacity), limited financial resources for management and investment.	Integration of domestic market, strengthen private sector, substitute imports, supply the tourism value chain, increase exports.	Limited technical and financial resources, SOEs, limited economic infrastructure (management, equipment).	Development and capacity building of the private sector, establishment of PPPs, privatization of SOEs, FDI attraction, business environment improvement.

5. Objectives

A description of the **specific objectives**, including potential solutions to be applied.
This includes indications regarding the best way to collaborate with each stakeholder.

a. Organization of small producers in cooperatives and develop their technical capacities to improve production;

b. Capacity building of class representatives to develop and implement a strategic agenda;

c. Develop logistic and distribution centers' capacity for product selection, classification, packaging, conservation and certification;

d. Organization of intermediaries in cooperatives and develop their logistics skills;

e. Improve market knowledge of producers and intermediaries;

f. Improve technical capacity of public sector to develop and coordinate policies and manage economic infrastructures;

6. Specific Business opportunities for Dutch companies, if applicable

- Agribusiness companies for production of FFV;
- Agribusiness companies introducing new technologies such as greenhouses to tackle seasonality, hydroponics, etc.;

- New packaging, processing, quality certification companies;
- New companies for logistics/distribution;
- Agribusiness inputs intermediaries;

10.2 Improve the local business climate for investment in agricultural land.

Global Objective

a. Improve the local business climate for investment in agricultural land.

1. Offer

a. Current available land (Government, municipalities, privates);

b. Situation of available land;

Most of the arable lands are already taken by privates, which implies direct negotiations for acquisition, subjected to market price fluctuations and speculation. Established agriculture operators are already located in the main sites, with privileged access to water and other infrastructures. Land access may be a big constraint to new operators. The available public lands are subjected to a significant bureaucratic and lengthy process for acquisition.
The situation regarding access to land in Santiago, Fogo, Santo Antão and São Nicolau was reported to be critical. There isn't a list of available lands and it was reported that such data needs to be produced.
It is known that in rural areas there was historically large proprieties that were divided into smaller parcels and subdivided sub sequentially until such point that there is no precise definition of the current owners.
After the independence in 1975, the situation got even more complicated, when vacant lands were occupied and explored for many years and now the current occupants are claiming for ownership recognition. These cases are very common and it was reported that there are many complaints involving the State, municipalities and private citizens.

2. Public Sector Intervention

c. Mapping of existing public interventions and private operations (per island) – Project Land;

The public interventions are supported by several international cooperation partners through bilateral agreements, international entities (UN System) or groups of donors such as the Budget Support Group (GAO). Most of these initiatives are delivered through the Annual State Budget but others are delivered directly through agencies created to manage implementation. These efforts must be negotiated by the Ministry of Foreign Affairs and the Ministry of Finance. The mapping requires deeper level of mining of the central planning system to identify the detailled interventions. Exceptional information on larger projets such as "Water" and "Land" from the MCC are publicly available.
The ongoing Properties Management Project for Investment Promotion – LAND (USD$ 18M), by the program Millennium Challenge Account (MCA), financed by the bilateral United States foreign aid agency Millennium Challenge Corporation (MCC, is the single public intervention to improve the legal, institutional and procedural systems and create conditions to increase the credibility of the information about the land property). The MCA compact will terminate on November 30th 2017 and until then the current projects must be concluded.
The implementation of project LAND started after a long process of preparation, legal necessary institutional reform, training and development of a multifunctional property register that integrates all the major players, conservatory, notary, municipalities and the land management services in one single platform that compiles all the legal information, limits and value of the lands.
Project LAND is currently executed in Sal (reaching 100% completion), Boa Vista, Maio and in the Island of S. Vicente - excluding the city of Mindelo, where it was considered to be already relatively well documented. The implementation of project LAND will enable equal access to land, transparency, more security and guarantees to investors, integration and faster services provided over one single platform with multi points of access.
It was reported that the larger concern regarding the expansion of the project to the 5 other inhabited islands, with strong agriculture tradition (Santiago, Santo Antão, Fogo and S. Nicolau) will be a challenge in terms of financial resources.
It was confirmed, that all the necessary reforms have been made, the system has been introduced, the capacity building has been made and, due to these reforms, many other municipalities benefited from the training and initiative to update the municipalities development plans. This initiative reveals to be a critical for improvement of the investment climate in Cabo Verde.

3. Stakeholders Analysis

Assess the current situation of land management (at central level INGT and regional level – municipalities) in

CV, in order to identify the strengths and weakness of the municipalities and determine the next phase of the intervention project (Project Land), which will assure that the municipalities, which have agriculture prone lands, have the technical and financial capacity to map and manage them.

Stakeholder type	Location	Description of needs	Ambitions (goals)	Resources to contribute to achieve goals	Vision to solve the problems
Public land Management Institution	Santiago	Geodetic Network, Mapping update, Altimetry, provide technicians with technical capacity to carry out GIS projects, Remote Detection, GNSS and other necessary resources.	Provide all municipalities with technical and technological (Computers, Printers, Plotters, GNSS antennas) resources to manage the land and support the economic and sectoral development. To map all islands through an integrate Information System for land and property management.	Technical capacity and multifunctional property register that integrates all the major players, notary, municipalities and the land management services in one single platform that compiles all the legal information, limits and value of the lands in Sal, Boa Vista, Maio and rural areas of São Vicente. Limited financial resources via MCA Land project.	Proceed with territorial planning policies, cartography, land registry and georeferenced data management of Cabo Verde.
Municipalities	Santo Antão, São Nicolau, Santiago, Fogo, Brava	Clarification of property and land limits.	To have the technical capacity and adequate instruments for land and property management in rural and urban areas.	Lack of available and skilled technical staff. Limited financial resources, strong dependency of central government.	Enable the available land for investment, attract FDI. Economic, social and agriculture development.

4. Objectives

A description of the **specific objectives**, including potential solutions to be applied.
This includes indications regarding the best way to collaborate with each stakeholder.

a. Resource mobilization to finance project continuity;

b. Thematic technical capacity building to expand Land Project to other islands;

c. Develop technical capacity of municipalities to manage the systems (technical assistance from Dutch agency Kadaster);

d. Insert Cabo Verde in the global geodetic reference;

5. Specific Business opportunities for Dutch companies, if applicable

6) Specific technical equipment supply;

10.3 Improve the capacity of local fishery sector to serve the touristic sector

Global Objective

a. Improve the capacity of local fishery sector to serve the touristic sector.

1. Demand
    a. Name and contact of potential clients and what is their consumption potential – Market size;
    b. Specific requirement of potential clients regarding local fishery products (scale, frequency, quality,…)
    c. Current willingness/interest of working with local products;

Tourism operation in Sal and Boa Vista islands is concentrated in a small number of large all-inclusive luxury establishments, representing about 91% of the market share in the two islands'. Of the 11 AI's, 04 are owned by RIU Resorts, and 03 by The Resort Group. They have an average size of 721 rooms and represent about 44% of the national accommodations stock.[56]
As reference, the market size (demand) will use the baseline of the combined number of night stays in upscale hotels in Sal and Boa Vista in 2016, according to INE's[57] report, setting the minimum size of demand at 3,278,567 night stays per year or an average of 8,982 tourists per day.
In Sal and Boa Vista the fish is handled manually and there is no existent facility to support fresh fish processing, packing and storage. The situation has been evaluated and a certification project, based in good practices, have been designed to support the supplying of fishing products to the hotels and restaurants but the project has not been implemented yet.

Due the food security risks the main AI supplier Emicela reported their option of not working with local fresh fish. This position was also confirmed with the larger hotel chains, which giving the large scale of their operation, have no intention to work with fresh fish. To mitigate health and safety risks, these hotel chain choose to work with frozen and canned products. Some of the frozen and canned fish are imported but also supplied by local companies such as Frescomar and Antulo, based in São Vicente.
Other AI and non-AI hotels interviewed showed that fresh fish bought locally are subject to previous inspection to evaluate freshness and afterward, properly processed and stored.
Considering that phytosanitary risks are mitigated, the potential average consumption in grams per night stay was calculate based on the consumption pattern of a reference hotel in Sal island (Hotel Odjo D'água) in the year 2016.

	# upper scale hotel night stays	Fresh Fish (442 g) per night stay
Sal	1,727,510	764,343,741 g
Boa Vista	1,551,057	686,271,089 g
SC 01	**Year Minimal Potential for Sal and Boa Vista, in Kg**	1,450,615
	Market value (550 CVE/Kg)	CVE 797,838,157
		EUR 7,235,643
SC 02	**Improve 25% of supply in Kg**	1,813,269
	Market value (550 CVE/Kg)	CVE 997,297,696
		EUR 9,044,554
SC 03	***Doubling night stays by 2021***	
	Year Minimal Potential for Sal and Boa Vista, in Kg	2,901,229.66
	Market value (632.5 CVE/Kg)	CVE 1,835,027,760
		EUR 16,641,979

UNIDO reports that a kilo of imported fish has an average price of 15 euros while local fish can be purchased at 5 euros, but is still noncompetitive for the overall tourism market due to technical barriers. It is assumed that if investment in improving the post-catch fish handling process and certifying the quality of the fish in the islands of Sal and Boa Vista, health risks will be mitigated and potentially enhance the current interest of the tourist

[56] Reference data from 2016, INE.
[57] INE, National Institute of Statistics.

market in local fresh fish.

2. Offer

    c. Current cumulated production

    d. Constraints for reaching sufficient scale

    e. Constraints related to quality

According to INDP data, annual captures averages 9.445 tons by year, being 47% by artisanal fishers' fleet and 53% by semi industrial fleet. Information regarding catch by landing site or by Island were request near INDP but seems this information is not yet organized.

There are 92 landing sites in the country and many of these small facilities are not currently functioning due to lack of demand, maintenance and technical support functionality problems and other serious management deficits. It was reported that management of these facilities is problematic. Located in remote regions, or far from the main cities, these facilities are constrained with energy needs for ice production and maintenance of proper hygiene conditions. It was reported that soon after inauguration the facilities started to have problems and sometimes these are related to the lack of technical capacity of the people in charge (usually fishermen) or related to the subsistence mentality.

The national supply chain of fresh fish is short and geographically limited because the product is highly perishable. The shelf life extension of fish products depends on adequate handling and the preservation practices along the supply chain. Local traders rely on the use of isotherm boxes, flexible containers and ice flakes to enhance the value chain of high value fish species to the local markets.

The fishery value chain report that access to the international market is constrained by additional aspects including:

a. The fisheries seasonality and its effects on productivity, greatly limiting the responsiveness of the export agents in terms of quantity, regularity and predictability;
b. The shortcomings in terms of the ground support service adequate infrastructure, particularly for certain islands and regions of the country;
c. The comparatively high cost of onshore support services, including ice, containers for packaging, cold storage services, processing and air transportation;

Scale and quality are severely constrained across the country by the need to implement the fish landing and auction centers (Lotas de Pesca) where fisheries products are first marketed or registered at an auction center or to registered buyers or producer organizations. These could be implement in current landing sites and assume different roles such as fisheries data gathering and information dissemination, training of fishers and enhancing the management and quality of small scale fisheries value chain.

3. Public Sector Intervention

    d. Mapping of existing public interventions and private operations (per island);

The public interventions are supported by several international cooperation partners through bilateral agreements, international entities (UN System) or groups of donors such as the Budget Support Group (GAO). Most of these initiatives are delivered through the Annual State Budget but others are delivered directly through agencies created to manage implementation. These efforts must be negotiated by the Ministry of Foreign Affairs and the Ministry of Finance. The mapping requires deeper level of mining of the central planning system to identify the detailled interventions. Exceptional information on larger projets such as "Water" and "Land" from the MCC are publicly available.

Fisheries policy is governed, inter alia, by the framework law for fisheries of 2005, the Fisheries Management Plan for 2014-15, and the Fisheries Charter, a long-term plan for the fisheries sector in 2013-2018.

The framework law for fisheries reserves all fishing within the territorial waters (a 12-nautical mile zone) for domestic vessels. The definition of domestic vessel was amended in 2014 to include vessels owned by a partnership between Cabo-Verdean and foreign nationals, irrespective of the share of foreign ownership; and vessels owned by "collective persons" with a seat in Cabo Verde.

The Fisheries Management Plan for 2014-15 specifies, inter alia, the restrictions and licensing requirements for the most important fisheries, and foreign vessels.

Domestic vessels must be registered in the Conventional Register of ships (Registo Convencional de Navios) administered by Maritime and Ports Agency (AMP). All fishing vessels (artisanal, industrial and

recreational/sport fishing) require licenses, valid for one year and non-transferable.
The licensing fees for domestic fishing vessels are provided for in Decree-Law No.45/2008. Industrial fishing licenses are issued by the Directorate-General for Marine Resources.
The majority of State's interventions in the sector are located in São Vicente where the currently installed fishing and maritime infrastructure gives the island a comparative advantage for industrial fishing, enabling the operation of the industrial fleets and of fishing processing operators and cold facilities.

4. Stakeholders Analysis

Public + private) (per island / per value chain/product): a description of their needs, their experience related to the specific objectives, their ambitions, their resources to contribute to achieve it and their vision regarding how to face the problem that should be solved. Stakeholders preferably with names and contact details of the first point of contact

Stakeholder type	**Location**	**Description of needs**	**Ambitions (goals)**	**Resources to contribute to achieve goals**	**Vision to solve the problems**
Producers	Santo Antão, São Vicente, São Nicolau, Sal, Boa Vista, Maio, Santiago, Fogo, Brava	Access to financing, access to technology, quality (product certification), producer association (cooperatives, joint ventures, etc.), access to cold and storage infrastructures, sufficient and adequate transportation/logistics, market knowledge, information regarding existing fishing grounds and available stock.	Traditional Fishery: means of survival and domestic market supply Industrial Fishery: Supply of the canned industry and domestic market.	Traditional Fishery: manpower, traditional know how of fishing grounds; Semi -Industrial Fishery: manpower, knowhow of fishing grounds, existing fleet with limited conditions.	Lack of consensual vision and strategy.
Traditional Producers Class Representatives	Santo Antão, São Vicente, São Nicolau, Sal, Boa Vista, Maio, Santiago, Fogo, Brava	Increase technical capacity to formulate and implement a strategic agenda, small number of associates, limited financial resources, limited leadership bodies, limited bargain power with central and local administration.	Develop cooperatives, develop business classes, increase capacity to support businesses, increase bargain power towards the government.	Limited financial, technical and infrastructure resources.	Development of fishery activity as a modern business.
Intermediaries	Santo Antão, São Vicente, São Nicolau, Sal, Boa Vista, Maio, Santiago, Fogo, Brava	Intermediary associations, access to credit, sufficient and adequate transportation/logistics and packaging solutions, best practices on fresh fish safety systems, market knowledge.	Supply domestic and tourism market.	Manpower, producers' network, limited financial liquidity, high risk propensity.	Lack of consensual vision and strategy.
Transformation Industry	São Vicente	Reliable internal maritime	Domestic and export	Financial capacity,	Develop and operate

		transportation system and logistics.	market.	investment in processing and cold infrastructure, access to international market and internal touristic market.	through integrated supply chains.
Customers (Hotels and AIs)	Sal, Boa Vista	Reliable supply chains (scale, frequency, price, quality).	Management of the supply chain risks and mitigation of problems.	Financial capacity, integrated supply chain management, risk management and mitigation measures, industry and market knowledge.	Establishment of global and centralized risk management frameworks.
Public Administration	São Vicente, Santiago and regional representations	Limited technical capacity, weak inter sectoral policies coordination, fragmented (different islands) and uncoordinated structures (with uneven technical capacity), limited financial resources for management and investment.	Integration of domestic market, strengthen private sector, substitute imports, supply the tourism value chain, increase exports.	Limited technical and financial resources, SOEs, limited economic infrastructure (management, equipment).	Development and capacity building of the private sector, establishment of PPPs, privatization of SOEs, FDI attraction, business environment improvement.

5. Objectives

A description of the **specific objectives**, including potential solutions to be applied.
This includes indications regarding the best way to collaborate with each stakeholder.

a. Organization of small producers in cooperatives and develop their technical capacities to improve production;

b. Capacity building of class representatives;

c. Develop logistic and distribution centers' capacity for product conservation and certification;

d. Organization of intermediaries in cooperatives and develop their logistics skills;

e. Improve market knowledge of producers and intermediaries;

f. Improve technical capacity of public sector to develop and coordinate policies and manage economic infrastructures;

6. Specific Business opportunities for Dutch companies, if applicable

- Fresh fish supplying companies for domestic market, AI and export;

- New packaging, processing, quality certification companies;
- New companies for logistics/distribution;
- Fishery inputs suppliers/intermediaries;
- Fleet and fishing equipment maintenance companies;
- Development of aquaculture companies for production of native species;

10.4 Increase the quantity and quality of local service providers active in the Tourism industry.

Global Objective

a. Increase the quantity and quality of local service providers active in the Tourism industry.

Demand

a. Name and contact of potential clients and what is their consumption potential – Market size;

b. Specific requirement of potential clients regarding local support services (nature, scale, frequency, quality,…)

Tourism operation in Sal and Boa Vista islands is concentrated in a small number of large all-inclusive luxury establishments, representing about 91% of the market share in the two islands'. Of the 11 AI's, 04 are owned by RIU Resorts, and 03 by The Resort Group. They have an average size of 721 rooms and represent about 44% of the national accommodations stock.

As reference, the market size (demand) will use the baseline of the combined number of night stays in upscale hotels in Sal and Boa Vista in 2016, according to INE's report, setting the minimum size of demand at 3,278,567 night stays per year or an average of 8,982 tourists per day.

Particularly, in Sal and Boa Vista, the information collected points that the current tourism value chain has a specific dynamic where the more profitable links of the chain, i.e. the travel organization and booking, international air transportation and accommodation are mainly explored by established international operators. A negligible market share of the accommodation link is nationally owned, and non-official information points that even the nationally owned share in the food and beverage link is decreasing.

Official data points that Air Transport (29%), Hotels and similar (43%) represents the larger concentration of activities that contributed to the economy of tourism. Restaurants and similar with 9%, Ground transportation with 5% and real state with 6% are in a second ground and in a third group comes activities such as Maritime transportation of passengers (1%), Cultural, sports and entertainments (1%), Rent a Car (1%), activities related with transport (3%).

It is estimated that the tourists´ expenses are distributed between accommodation (26,02%), international air transport (23,04%) and fees/taxes (14,43%). If tourists do not perform extra expenses these 3 elements represent 100% of the cost of the tourist.

Aside accommodation and transfer the "extra expenditure" is where local service providers could aim to take advantage of the tourist stay. Tourist daily extra expenses are calculated between EUR 7 to EURO 40 where 1/3 to ½ occurs outside the hotel.

The main services out of the AI's hotels are transfer and tour circuits, provided by TUI and other International tour operators. Uniformed tour agents are seen in the hotel lobbies scheduling and attending tourists. Long line of brand busses departs from the hotel in the early hours, just after breakfast, to do the long circuit or short rides along the islands. Local and international tour guides provide service to the Tour Operators.

Tour guide service is a key vehicle to introduce the tourists to the local communities and enable experience and trade exchange.

Due to health and safety risks, the tour operator appears to have strong bargain power to determine the conditions of service delivery. There is a thin margin for error and losses.

Offer

f. Mapping of main service providers (nature of products)

g. Constraints for reaching sufficient scale

h. Constraints related to quality

Currently there are 294 tour guides registered with the Tourism Authority, and of these, 211 have a professional card/license to carry out tourist guide services. 25% of these professionals are located in Sal and Boa Vista.

Since the legislation misses a complementary regulation, it was reported a series of mismatching problems related to the current labor situation of the tour guides employed by the tour operators, competition with foreign tours guides operating in the country, informal services provided by non-registered tour guides, and problems related to the role and importance played by these professionals regarding the quality of the touristic information provided and sustainability of the destination.

Interviews conducted point that the organization of tour guide services has been a concern for the major stakeholders, along the years, and, despite some efforts, the initiatives to solve the constraints have produced minor results.
In Boa Vista, the assessment of local services providers revealed a problematic situation where tourists' daily tour buses arrive in the countryside villages and, despite local particularities and potential, there are no specific (products or services) offer, and due to health and safety risks, the exchange with the local population is minimum or nil.
In Sal, the tour guide service is more organized and supported by several key players, which have established an action plan that included priority lines of actions such as awareness, entrepreneurship, valorization of tourism resources and capacity building of stakeholders.
Local Tourism and Travel agencies are key players in the value chain of tourism. Without their effective participation to lead the selling offer its unlikely that the local players in the value chain will increase their participation. Travel agencies offers includes air reservation and ticketing, incoming and transfer, tours circuits, and tourism activities such as niche segments of nature and culture.
It was reported that the local travel agencies did not develop any entry barriers and when the larger players arrived in the country the local agencies lost access to the outbound market.
Other services (accommodation, tour guides, events companies, ferry, airline and bus operators, restaurants, rental boat agencies, rental vehicle operators, online travel agents) are available to tourist but since they don't participate in the e-commerce tourism value chain, they have no visibility outside Cabo Verde, in many cases even outside their specified location. A global mapping of these services has not been made by the authorities, despite the ongoing effort by Travel Agency Associations and others players, to map the existent services and make them available online through a tourism transaction and booking systems to deliver a comprehensive range of information about Cabo Verdean tourism products and destination;

Public Sector Intervention

e. Mapping of existing public interventions and private operations (per island);

The public interventions are supported by several international cooperation partners through bilateral agreements, international entities (UN System) or groups of donors such as the Budget Support Group (GAO). Most of these initiatives are delivered through the Annual State Budget but others are delivered directly through agencies created to manage implementation. These efforts must be negotiated by the Ministry of Foreign Affairs and the Ministry of Finance. The mapping requires deeper level of mining of the central planning system to identify the detailled interventions. Exceptional information on larger projets such as "Competitiveness for Tourism development projet" from the World Bank are publicly available.
This current project is on early stage of implmementation and is aimed at a) enhancing the governance framework of the tourism sector, and b) diversify the sector and increase the inclusiveness of tourism led growth by strengthening the competitiveness of MSMEs. Cost: USD$5M Closure date: May 31st, 2021.
In Cabo Verde, there are at least eight different government ministries that directly intervene in the formulation, implementation and oversight of tourism policies and investments. In addition, a number of Ministries also have significant roles and oversight over different links of the sector. In addition to public sector / central government institutions, there are also local government institutions, and a number of quasi-government and private sector actors that influence and shape the institutional environment.
A Tourism Development Fund was established to finance the tourism promotion activities by the Directorate-General for Transports and Tourism. The fund, CVE 890 million in 2017, is sourced from the tourist tax, introduced on 1 May 2013.
In 2014, Cabo Verde modernized its regime for travel agencies and tour operators, which dated from 1994. Establishments are subject to minimum capital requirements (CVE 1 to 5 million depending on the type of activity), licensing and registration in the Tourism Information System (Sistema de Informação do Turismo), managed by the Directorate-General of Tourism.
License fees are CVE 30,000 and valid for one year, renewable at CVE 10,000. According to Cabo Verde's commitments under the GATS, travel agencies and tour operators with more than 50% foreign ownership may be subject to limitations on commercial presence in terms of the number of service suppliers.
New legislation on tour guides was introduced in 2011, including licensing and registration requirements. Foreign tour guides require professional recognition in Cabo Verde. There are currently no restrictions on foreign tour guides, including Portuguese-speaking tour guides, according to the authorities. An implementing regulation is still pending.
Urban planning in Cabo Verde is undertaken with zones earmarked for tourism development. The STZ - Special

Tourism Zones are administered by a managing body in the form of a joint stock company owned by the State with a minority participation of a private partner (Article 7 of the Law on Special Tourist Zones). The managing body has the right of refusal in case of onerous property transfers of STZ land.
In 2014, special legislation was introduced to establish the minimum requirements for establishments engaged in rural tourism, including agro-tourism. Licensing fees range from CVE 10,000 to 40,000, of which 70% revert to the municipality in which the establishment is located.
The current government intends to develop a new strategic plan for tourism development and intends to partner with private sector representatives to share specific roles, such as tourism promotion, with the Chamber of Tourism.

Stakeholders Analysis
Public + private) (per island / per value chain/product): a description of their needs, their experience related to the specific objectives, their ambitions, their resources to contribute to achieve it and their vision regarding how to face the problem that should be solved. Stakeholders preferably with names and contact details of the first point of contact

Stakeholder type	**Location**	**Description of needs**	**Ambitions (goals)**	**Resources to contribute to achieve goals**	**Vision to solve the problems**
Local tourism and Travel Agencies	Santiago, Sal, São Vicente	Access to credit, market knowledge, update commercial practices.	Share of the international outbound tourism market, increase operation scale, increase customer base.	Manpower, local operators network, limited financial resources, low risk propensity.	Lack of consensual vision and strategy.
Operators Class Representatives	Sal, Santiago, São Vicente	Increase technical capacity to formulate and implement a strategic agenda, small number of associates, limited financial resources, limited leadership bodies, limited bargain power with central and local administration	Develop a new offer to international outbound tourism market, develop business class, increase capacity to support businesses, increase bargain power towards the government.	Limited financial, technical and infrastructure resources.	Development of a tourism transaction and booking system; development of a country destination marketing strategy.
Local Tour Operators	Sal, Boa Vista	Access to credit technical training, operator association (cooperatives, joint ventures, etc.), professional recognition, adequate/independent transportation means, market	Lead the local guided tour market, increase operation scale, increase customer base.	Manpower, knowhow of history, culture and locality, limited financial, technical and technological resources.	Lack of consensual vision and strategy.

		knowledge.			
Local restaurants and cafés	Sal, Boa Vista	HACCP certification, best practices for handling food, recognized international standards, access to credit.	Participation in the local tourism value chain, increase operation scale, increase customer base.	Limited financial, technical and infrastructure resources, manpower, genuine product to offer, local cuisine (traditional experience), diversified product offer.	Lack of consensual vision and strategy.
Customers (Hotels and AIs)	Sal, Boa Vista	Reliable supply chains (scale, frequency, price, quality).	Management of the supply chain risks and mitigation of problems.	Financial capacity, integrated supply chain management, risk management and mitigation measures, industry and market knowledge.	Establishment of global and centralized risk management frameworks.
Public Administration	Santiago, regional representations	Limited technical capacity, weak inter sectoral policies coordination, fragmented (different islands) and uncoordinated structures (with uneven technical capacity), limited financial resources for management and investment, update labor laws.	Integration of domestic market, strengthen private sector, substitute imports, supply the tourism value chain, increase exports.	Limited technical and financial resources, SOEs, limited economic infrastructure (management, equipment).	Development and capacity building of the private sector, establishment of PPPs, privatization of SOEs, FDI attraction, business environment improvement.

Objectives
A description of the **specific objectives**, including potential solutions to be applied.
This includes indications regarding the best way to collaborate with each stakeholder.

a. Capacity building of local tour operators to develop updated business models;

b. Develop financial services to strengthen local travel agencies;

c. Mobilize financial resources to support the development of the Cabo Verde tourism transaction and booking system;

d. Provide technical assistance to develop a country destination international marketing plan;

e. Capacity of local tour guides (multiplication of the Sal experience and lessons learned);

f. Develop technical capacity of local restaurants and cafés in HACCP, or similar best practices, including a quality certification seal upon achievement of goals;

g. Develop a marketing plan for local restaurants and cafés, and mobilize hotel groups support, to

attract tourists;

h. Improve technical capacity of public sector to develop and coordinate tourism policies;

7. Specific Business opportunities for Dutch companies, if applicable

- Residential and vacation real estate development for Dutch retired citizens;
- Input supply intermediaries for local HORECA channels;
- Restaurants and cafés investments;
- Excursion and other leisure services;
- Tour operators' partnerships to explore Dutch market;
- Support services (land transportation, etc.);
- Maintenance services to existent hotels;

10.5 Improve the business and technical capacity of local ship owners for maritime transportation

Global Objective

a. Improve the business and technical capacity of local ship owners for maritime transportation.

1. Demand

a. Name and contact of potential clients and what is their consumption potential – Market size;

b. Specific requirement of potential clients (scale, frequency, quality,…)

Tourism operation in Sal and Boa Vista islands is concentrated in a small number of large all-inclusive luxury establishments, representing about 91% of the market share in the two islands'. Of the 11 AI's, 04 are owned by RIU Resorts, and 03 by The Resort Group. They have an average size of 721 rooms and represent about 44% of the national accommodations stock.[58]

As reference, the market size (demand) will use the baseline of the combined number of night stays in upscale hotels in Sal and Boa Vista in 2016, according to INE's[59] report, setting the minimum size of demand at 3,278,567 night stays per year or an average of 8,982 tourists per day.

Currently, due to the lack of regular inter island maritime transport there is no registered traffic of tourists from Sal and Boa Vista to the other islands. According to an interview conducted to a large tourist outbound operator representative there is interest in working with inter island maritime transport but no reliable and secure offer exists. In this sense, it's not expected that tourist in Sal and Boa Vista will extend vacation to the other Islands.

2. Offer

a. Mapping of main service providers (ship owners);

b. Constraints for reaching sufficient scale;

c. Constraints related to quality;

The internal market supply chain is secured by 11 maritime companies which provides services of cargo and passenger transportation with a fleet of 17 operational vessels. These consists of different generation of vessels and diverse types of general cargo freighters, mixed cargo and passenger ships, RORO ships and oil and chemical tanker vessels.

The state of inter-island maritime transport is mostly visible through the fleet condition. In general, the fleet is considered to be outdated, unsecure and risky. Since 2008 the local press registered 11 major accidents involving national vessels. Most of them accounted only for material losses but the shipwreck of "Vicente" ship, in January 2015, victimized 15 people. Since then, the public opinion and authorities are on alert regarding the maritime transport operation conditions.

It is known by the authorities that in addition to the age of the vessels, which is quite high, the technology is diverse and completely outdated in the majority of the vessels. This scenario induces inefficiencies that have high costs for the ship owning companies, reducing the results, derailing the activities, and keeping ship owners in a state of dependency from the State.

The supply chains are disrupted by an absence of an integrated and comprehensive transportation and cold chain and logistic system.

Currently, the islands of Sal and Boa Vista are connected irregularly with the main urban centers and producers' islands. Despite the schedule, frequencies are disrupted frequently by different sorts of events, such as amount of cargo available, profitability and interest of ship companies and other factors such as traditional events or other constraints such as ship maintenances.

[58] Reference data from 2016, INE.

[59] INE, National Institute of Statistics.

Routing	Main Carrier	Frequency	Transit Time	Distance (km)
Fogo-Santiago	CV Fast Ferry	3 x Week	7 Hrs	102
Santiago-Boa Vista	Verdelines	1 x Week	10 Hrs	138
Santiago - Sal	Verdelines	1 x Week	12 Hrs	198
Santiago-S. Nicolau	Ocean Verdelines	1 x Week	14 Hrs	198
Santiago-S. Vicente	Verdelines	1 x Week	21 Hrs	267
Santiago - Maio	Polar	3 x Week	3 hrs	38
S. Nicolau-S. Vicente	Ocean	1 X Week	5 Hrs	73
Sto. Antao-S. Vicente	Armas Polar	4 x Day	1 Hr	13
Santiago - Sal	Verdelines	1 x Week	12 Hrs	198
S. Vicente-Santiago	Verdelines	1 x Week	21 Hrs	267

On the other hand, the ports of Sal and Boa Vista are sufficiently equipped to receive international cargo regularly.

3. Public Sector Intervention

    a. Mapping of existing public interventions and private operations (per island);

The public interventions are supported by several international cooperation partners through bilateral agreements, international entities (UN System) or groups of donors such as the Budget Support Group (GAO). Most of these initiatives are delivered through the Annual State Budget but others are delivered directly through agencies created to manage implementation. These efforts must be negotiated by the Ministry of Foreign Affairs and the Ministry of Finance. The mapping requires deeper level of mining of the central planning system to identify the detailled interventions. Exceptional information on larger projets such as "Transportation Sector Reform" from the World Bank are publicly available.
This project has 4 components of which the fourth component is a technical assistance in support of the Government inter-island transport strategy. Cost (USD $3.92M) Closing Date: June 30th, 2019.
The current government's vision for the sector is to "build a maritime economy focused on fishery, transshipment of goods and maritime services such as bunkering and offshore services supply.
The maritime transport policy is under a transition phase, where prior decisions regarding the role of institutions, concessional routes, logistical centers are being reviewed by the new government, through the Ministry of Economy and Employment, which is in charge of the sector.
Information point that these reviews seem to take into account the following principles:

a. The assumption that maritime transportation between the islands is a public service that meets strategic objectives of the national economy;
b. The assumption of acceptance of subsidization of services;
c. The understanding that public service means public service obligations;
d. Transport concessions to create the legal and regulatory framework that may be applicable;
e. Admission of the principle of co-financing of investment - PPP;

The current government intends to reorganize the domestic maritime transport system through one concession with several routes. According to official sources, the government intends to launch international bids where nationals will have the opportunity to participate through joint ventures with international

companies.

4. Stakeholders Analysis

Public + private) (per island): a description of their needs, their experience related to the specific objectives, their ambitions, their resources to contribute to achieve it and their vision regarding how to face the problem that should be solved. Stakeholders preferably with names and contact details of the first point of contact

Stakeholder type	Location	Description of needs	Ambitions (goals)	Resources to contribute to achieve goals	Vision to solve the problems
Shipping Companies	São Vicente, Santiago	Access to financing, increase technical capacity to manage the industry, update fleets and technological means to operate in Cabo Verde sea, adequate port infrastructures, improve ground logistic means, supply of good cost benefit inputs, market knowledge.	Increase scale and profitability of operations, offer of reliable and secure transportation services.	Knowhow to operate in regional sea and in local ports' conditions, ageing and outdated fleets, limited financial resources.	Lack of consensual vision and strategy.
Shipping Companies Class Representatives	São Vicente	Increase technical capacity to formulate and implement a strategic agenda, small number of associates, limited financial resources, limited leadership bodies, limited bargain power with central and local administration.	Increase capacity to support business class, increase bargain power towards the government.	Limited financial and technical resources.	Develop a national joint shipping company (Joint venture of local shipping companies).
Ship Dock	São Vicente	Access to financing, increase technical capacity to manage the industry, investments to update technic	Serve the domestic and international fleets. Increase scale and profitability of operations, offer of reliable	The company is public, outdated and not profitable, however the dockyard is a valuable asset for the domestic fleet, providing	The ship maintenance and repair company is a SOE and the Government has reaffirmed its commitment towards its

		and technological resources to operate in Cabo Verde, market knowledge.	services.	maintenance and large reparations onshore. It has limited technical and financial resources for operation.	modernization, expansion and privatization.
Ports Administration	Santo Antão, São Vicente, São Nicolau, Sal, Boa Vista, Maio, Santiago, Fogo, Brava	Increase the industry management capacity, increase the infrastructures' capacity to receive current and future traffic (cargo, domestic passengers, cruises) from the region, increase the performance to deliver services. Increase ports' operational cycle to 24h.	Provide adequate port services at competitive prices, increase operation scale and profitability, increase regional market share of port services.	01 port in each of the nine inhabited islands. Existent legal framework to concede port services' administration to private enterprises. Limited economic infrastructure (management, equipment).	The new legal framework for port operations (Lei dos Portos) involves a transition from a largely self-regulated port services, operated by ENAPOR, towards a landlord port system, whereby the State retains ownership of the basic port infrastructure and port services are to be privatized.
Regulator	São Vicente	Increase the technical capacity to regulate and supervise maritime operations, increase access to technology, improve investment capacity.	To be able to implement technical and economic regulation of the maritime and port sectors, and increase capacity to manage the shipping register.	Two representations in Praia and Mindelo, Maritime Delegation in each island and a technical staff of 44 persons. Limited technical, technological and financial capacity, provided by the state budget and...	Update the regulation, Implement effective maritime sector administration, increase maritime security, increase efficiency on management and regulation of the costal area.
Public Administration	Santiago, São Vicente and regional representations	Limited technical capacity, weak inter sectoral policies coordination, fragmented (different islands) and	Integration of domestic market, strengthen private sector.	Limited technical and financial resources to regulate the sector, maritime sector SOEs and institutions.	Development and capacity building of the private sector, establishment of PPPs, privatization of SOEs, FDI attraction,

		uncoordinated structures (with uneven technical capacity), limited financial resources for management and investment.			business environment improvement.

5. Objectives

A description of the **specific objectives**, including potential solutions to be applied.
This includes indications regarding the best way to collaborate with each stakeholder.

a. Capacity building of ship owners to increase efficiency of operation and manage updated business models;

b. Capacity building of class representatives to develop and implement a strategic agenda;

c. Support the government in the modernization, expansion and privatization of the dockyard;

d. Develop maritime economic infrastructure management studies;

e. Support the government in the development and implementation of a maritime infrastructure concession plan;

f. Develop the technical capacity of maritime agencies and their regional representations to regulate and supervise maritime operations;

g. Improve technical capacity of public sector to develop and coordinate maritime policies and manage economic infrastructures;

6. Specific Business opportunities for Dutch companies, if applicable

- Management of port infrastructures;
- Partnership or acquisition of ship maintenance company;
- Ship maintenance services;
- Supply of modern equipment and other inputs to ship companies;
- Partnership with existent transportation operators;
- New transportation/logistics operators;

11 ANNEX

11.1 Bibliography

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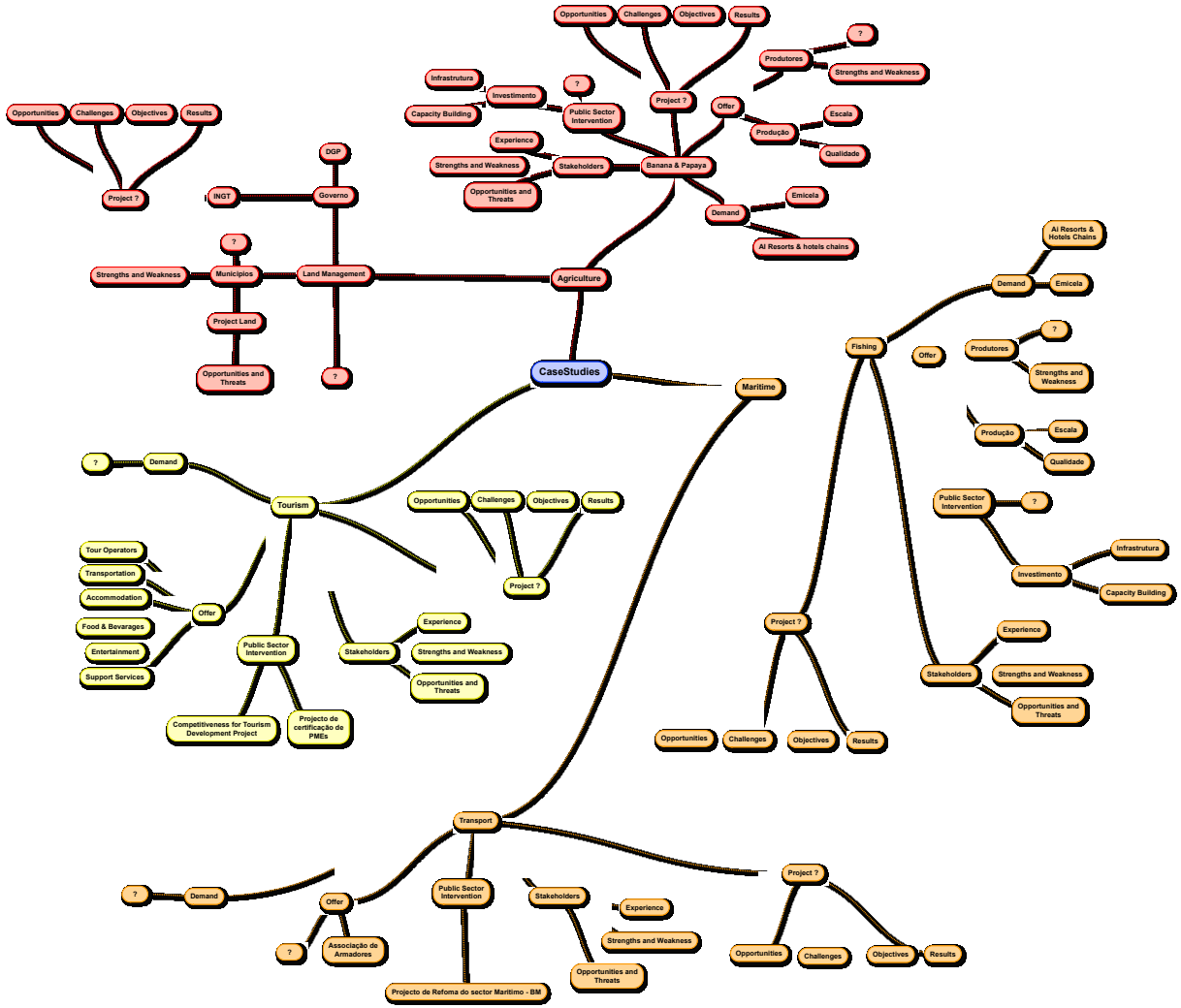
11.2 Table and Figures

FIGURES

11.3 Agriculture – Production records map

	2008	2009	2010	2011	2012	2013	2014
Horticulture, Roots and tubercles – (ton)	**57 890**	**57 471**	**54 391**	**66 507**	**70 456**	**78 429**	**78 637**
Horticulture	**45 095**	**44 450**	**41 799**	**46 570**	**48 785**	**51 266**	**52 544**
Tomato	14 544	15 965	15 193	17 399	14 045	16 684	15 611
Pepper	2 559	2 243	2 018	2 109	3 849	3 683	3 842
Cabbage	5 939	7 236	5 668	6 323	8 508	9 028	9 962
Carrot	5 485	5 135	4 208	5 592	5 573	5 266	6 078
Watermelon	1 761	2 127	2 362	2 185	1 252	1 278	1 537
Lettuce	1 200	881	692	709	1 215	1 302	1 856
Cauliflower	2 347	1 615	2 335	2 689	2 270	2 293	3 551
Onion	5 789	4 518	4 471	4 548	6 822	6 548	4 842
Diverse	5 471	4 730	4 852	5 016	5 251	5 184	5 265
Roots and tubercles (ton)	**12 795**	**13 021**	**12 592**	**19 937**	**21 671**	**27 163**	**26 093**
Fruit Culture (ton)	**10 363**	**10 363**	**10 363**	**15 190**	**15 950**	**16 639**	**17 470**
Banana	7 000	7 000	7 000	**9 100**	**9 555**	**10 033**	**10 534**
Mango	1 700	1 700	1 700	2 040	2 142	2 140	2 247
Papaya	1 130	1 130	1 130	**3 000**	**3 150**	**3 308**	**3 473**
Others	533	533	533	1 050	1 103	1 158	1 216
***CULTURAS DE RENDA* (ton)**	**24 743**	**24 743**	**24 804**	**28 470**	**28 740**	**28 783**	**28 812**
Coffee	26	28	33	62	88	62	52
Vineyard	106	104	160	248	277	346	385
Sugar cane	24 611	24 611	24 611	28 160	28 375	28 375	28 375
Rain fed Culture (ton)	**13 439**	**12 065**	**11 735**	**11 232**	**12 174**	**12 008**	**1 941**
Corn	8 039	7 383	7 047	5 569	6 001	5 785	1 065
Beans	5 400	4 682	4 688	5 463	5 950	5 943	650
Peanuts				200	223	280	226
Livestock products (ton)							
beef, goats, sheep, swine (ton)	4 149	4 200	4 254	4 304	4 358	4 412	4 468
Chicken meat (ton)				677	753	929	943
Milk (Lt)	9 933 896	10 124 727	10 320 708	10 521 985	10 728 778	10 941 109	11 159 131
Eggs (unit)		26 371 250	35 999 742	41 151 757	47 501 580	45 992 694	42 233 489
Forestry Production (ton)	**0**	**0**	**0**	**961 138**	**960 430**	**962 349**	**961 582**
Forage biomass				290 724	290 016	291 935	291 168
Stock of carbon in biomass				402 500	402 500	402 500	402 500
Wood				267 914	267 914	267 914	267 914

11.4 Multisector Study Mapping



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