



Unlocking competitiveness, diversification and private sector potential through value-chains in the tourism sector in Cabo Verde

Concept note prepared for the European Union

The context

The touristic model of Cabo Verde has developed so far with the prevalence of a hotel/resort “all inclusive” model. The tourism industry is predominantly based on the highly fungible attraction of sun, sea, and sand, provided mainly by European operators and it is geographically concentrated in the islands of Boa Vista and Sal. In 2013, the islands of Sal and Boa Vista had about 75 percent of all the hotel rooms in the country, with most of those located in large resorts. Whereas this sector has significantly contributed to the overall economic and employment growth of Cabo Verde, and is still rapidly expanding, it has not been sufficiently inclusive. Some smaller ecotourism-type activities are being developed on the islands of Fogo and Santo Antão. However the recent opening of -and pipelines for- new large hotels in Cabo Verde are signs that the current large scale-all inclusive model will continue to dominate Cabo Verde’s tourist market for the foreseeable future.

Cabo Verde is also increasingly part of the cruise tourism with all the major international players Fred Olsen Cruises, Costa Cruises, Aida Cruises, MSC Cruises, Oceania Cruises, and others having frequent stopovers in the ports of Mindelo, in São Vicente and Praia, in Santiago. Cruise Tourism is the fastest growing tourism sector worldwide and Cabo Verde should take greater advantage of it. Indeed, thanks also to work undertaken by ENAPOR, the number of passengers in Cabo Verde has already double since 2012 and it has now reached around 80,000 passengers per year. Being Cabo Verde now firmly inscribed in the world cruise tourism, a yearly stopover schedule is known in advance and, accordingly, travel support services that could include also cultural events and attractions, could be easily planned to greatly benefit from this growing sector.

The challenge and opportunities

There is no reliable data in Cabo Verde on the precise amount of resources spent by tourists outside their hotels. However, everything seems to indicate that local spending in Cabo Verde is very low. Most spending occurs within the hotel especially on food and beverages, basic personal items, and



souvenirs. a WB study, from 2013, using surveys from large hotels indicate that average spending per tourist per day is just between €7 to €13 and typically between one third and one half of this spending takes place outside the hotel. So there is considerably scope for retaining additional value added locally. A 2014 survey by INE shows that in Cabo Verde the number of operators working on culture, leisure, excursion and sports was just 76, although these are high on demand to support the increasing number of tourists. The entertainment options outside hotel, including visits to historical and cultural attractions, are often pointed as a downside of the national tourism chain. Indeed, despite Cabo Verde being known worldwide for its rich cultural expressions linked to music, festivals, and cultural events, the current main tourism product of Cabo Verde reflects very little, or nothing, of its culture and soul, and this needs to be changed to further differentiate the product.

Similarly, whereas cruise passengers find the destination of Cabo Verde as «safe, authentic and virgin» they equally find limited diversity in the tourist attractions, with excursions in Cabo Verde scoring poorly by tourists on every criterion compared other destinations (source). As a result, similar to the hotels/resort model, in Cabo Verde the average excursion spending per arrival was just €21 per tourist (2011-2012 period). This figure is half of the excursion spending in the same period in Morocco and Egypt. Here again there is a considerable untapped demand that could be greatly exploited.

In terms of supply, largely because of standards and scale, most AI hotels utilizes their integrated supply chains, where most of the food and drink necessities (with the exception of certain beverages) are imported. This is even more the predominant business model used for cruises. Estimates by Cabo Verdean Government set at around US\$ 60 Million per year the value of such imports from hotels. It is well known that access of local products to all domestic market is seriously constrained by the insularity costs and the limitations of the maritime inter-islands transportation systems and costs. Yet there are a number of interesting and potentially profitable value chains that have been already identified through studies and surveys over the past years (see for example the DTIS 2013)

However, they remain largely untapped because a combination of limited knowledge of the sectors needs and requirements as well as low and unarticulated (as a system) capacity of the domestic private sector to respond to those needs. In turn, the private sector receives minimal support and promotion from the country's tourism institutions, which generally lack the capacity required to increase sector diversification and competitiveness. In the case of cruise tourism, expand opportunities for value added also requires an optimal time management, as tourists have short



stopovers, so the logistics and leisure organization needs to be well organized, and this is something that require great improvement.

Promising value chains within the tourism sector

The abovementioned context clearly shows that there is an immense untapped potential in the tourism sector, which could be unlocked by relatively simple, time-bound and practical actions to identify specific value chains and invest on specific market operators who can test the market with an innovative package of services and products, based on local capacities and materials.

One promising value chain is certainly linked to *creative industries*. This industry is being recognized as a strategic priority sector for growth and poverty reduction in Cabo Verde. Cabo Verde has a lot of potential in music, crafts, festivals and popular celebrations. A study by UNCTAD has listed a number of challenges that currently hamper a full development of this sector, including limited training opportunities in entrepreneurship, management and technical areas necessary for the development of productive value chains in the creative sectors. Developing the creative economy value chains and adapting them to the specific needs of the tourism sector is an interesting opportunity which would make use of the already existing, extremely rich and diverse artistic and cultural offer in the country. Linked to this is the local culture «immersion» experience excursions, which could be easily arranged through collaborations with small entrepreneurs and community associations.

Another very promising value chain is the *eco-tourism, sustainable tourism and adventure tourism* activities, which could be explored in itself as an alternative offer, that is a diversification of the current mass tourism offer (such as in the UNDP project on biodiversity and tourism looking at touristic valorization of the country's protected areas), or as an add-on to the all-inclusive existing offer, expanding the excursion and local experience offer, linked to high-volume resorts. Linked to this and similar, in that it can be developed on its own as well as an added offer in the context of mass tourism destinations, is the value chain of sports and wellness tourism (e.g. yoga vacations, trekking vacations, bicycling vacations), as well as extreme sports activities.

Another promising opportunity for developing a value chain to serve the touristic sector is found in the production of *arts and crafts and other niche local products*, such as very selected natural herbal cosmetic products and specialty foodstuff. There are also at least two examples of medium-high end retailers of local products and crafts, which are based in the city of Praia. These type of



business ventures have a potential of serving as models for the promotion of local products within the mass tourism industry.

Approach

The programme will focus on organizing and expanding, through an improvement of competitiveness, of these abovementioned value chains both linked to -and that can be pulled by- the tourism sector, based on a practical assessment of potential in specific islands.

In the case of creative industries, adventure tourism, and sports tourism, the idea is to develop a business model to provide a wide array of services by funding start ups and support them in the early stage of their operation. This will require a minimum a technical and financial capacity to move the first steps based on offers and demands that could be identified in partnerships with tourist operators.

In the case of production of local artifacts/products, the idea is to develop and/or strengthen existing producers cooperative to achieve a minimum of variety, standard and scale of products. The main constrain however will remain the logistics, particularly on maritime inter-island connection/transport that requires a heavy investment. Hence, these particular value chains should benefit from a good articulation with the services responsible for transport, and/or from a focus on producing as much as possible locally to serve specific territories.

These two value chains explicitly target, perhaps, the easiest and most concrete entry point to penetrate the tourism sector and are both self reinforcing as both could rapidly expand and as trust operators growths and visible gains could start to play a catalyst role for additional value chains. Geographically the proposals is designed to focus on two distinct targets: supply the islands of Sal and Boa Vista with both creative, adventure/sport and other products as these islands concentrate the vast majority of large hotels/resort and will continue to remain so in the foreseeable future; the island of Santiago/Praia and Sao Vicente/Mindelo mainly on creative products as these islands are the recipient of tourist cruises, but not necessarily confined to them, with the possibility to extend some of the expected benefits to both the island Sao Antao and Fogo. This could happen directly with organized visits and tour (both possible by a relative short travel by boat, at least for the island of Sao Antao) or indirectly through the delivery of products and creative services to the main target islands. This clearly pending a suitable solutions for maritime transport. Over time, both the number of value chains and target islands could be expanded (for example by including São Nicolau) and in turn that could also have an impact on the profitability (and thus availability) of transport services and level of logistics in the medium-to-long run.



Given the nature of the value chains, it is anticipated that most of the people involved, either directly or indirectly, will be the youth (at the least for the creative segment as well as sports/adventure segment) and women (for both the creative, cultural and local products segment). The approach also encourages the development of small-scale goods and services that privilege a better distribution of income, quality of life of its population, and the desire of insertion of its young people into the contemporary world of entrepreneurship, without underestimating the recognition of its memory and ancestral culture, especially in relation to creative products.

The development of these value chains will be achieved by increasing scale production and better distribution through creation of synergies between local producers/operators and by establishing business partnerships. In the case of creative products, attention will have to be given also to identify operational capacity of business agents and how the civil society could be involved.

One critical aspect will be to ensure a minimum level of quality and scale, and the logistics that fits the requirement of the “all inclusive” hotels, depending on their needs. This could take the form of specific certification (quality control) process to build trust from hotels towards producer and that should go along with an improvement of the logistic centers and services.

Implementation arrangements

The implementation of the project will be supported by UNDP, in articulation with national authorities particularly at the municipal level, as well as with private sector and civil society actors. It will build important synergies with the ongoing UNDP projects «Tourism and biodiversity», particularly in the island of Sal, Boavista, Maio and Santiago, and «Territorial networks for local economic development», particularly active in Fogo, S. Antao and Santiago, as well as with other UN agencies activities in the country.

Resources required

Euro 5,000,000

Implementation period:

3 years