CAPE VERDE business report

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Gearing up to increase services in the Atlantic
Cape Verde ranks third on the Ibrahim index of African governance, coming in just behind Mauritius and Botswana, and the country’s economy has been growing at an average rate of 5% since 2000. It also ranks fourth best in Africa in terms of Information and Communication Technologies and in 2008 was removed from the Least Developed Countries list to become a Middle Income Country. The question now on everybody’s lips is how a small island nation in the Atlantic Ocean and totally lacking in natural resources came to be a model for development in the region.

The answer is good governance. Cape Verde gained its independence in 1975 and after 15 years of single-party rule it became clear to the country’s leaders that its future prosperity would rely on its people. Only by investing in education and healthcare, by fighting poverty and strengthening democracy could a country with barely half a million inhabitants and reliant on imports for practically all its needs take its place among modern nations.

In ten years, Cape Verde has almost doubled its number of secondary school teachers. Life expectancy has risen from 48 years in the 60s to a current high of 71 years, and the African Development Bank now defines Cape Verde as a “regional model of good governance, political rights and civil liberties”. This development owes mainly to tourism, a sector which now accounts for 21.7% of GDP and for 65% of service sector revenues.

However, not all is rosy for this little country. Foreign investment has plummeted since the outbreak of the financial crisis in 2008, and the volume of international aid received has declined steadily since 1999, putting the continuity of social policies at risk. Unemployment now stands at 16.8% and 26% of the population lives in poverty.

Wagering on its strategic position between Europe and South America, and with a keen eye on the United States, the archipelago aims to become a gateway to Western Africa. The country’s international stability and governance ratings should also help to convince investors that Cape Verde is an attractive place to do business. As Finance Minister Cristina Duarte says, “At the end of the day, institutions do matter”. 

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Overcoming natural obstacles

Lacking in natural resources and with a mere half a million inhabitants scattered over nine inhabited islands, Cape Verde has always encountered obstacles to the growth of a local industry. The country’s economic activity, based mainly on light manufacturing, depends heavily on imports and contributes only moderately to the country’s wealth. A combination of insularity and reduced market size neither provides the necessary scale for foreign industrial investment.

Natural constraints are such that, before the independency, many doubted of the viability of the country. The future proved them wrong. Cape Verde gained international credibility and bet on the services sector development. Tourism now accounts for almost one quarter of the country’s GDP.

Only four of the archipelago’s ten islands have sufficient arable land for agriculture, and their combined production accounts for less than 10% of the national economy. In response, the Government has built four dams and, in the coming years, up to 17 more will contribute to enhanced self-sufficiency. This will lighten the load of imports, which currently account for almost 75% of all food consumed in the country.

The Government is striving to make the country self-sufficient as soon as possible. The people of Cape Verde, in order to reverse the tendency and make the country self-sufficient as soon as possible, have always encouraged obstacles.

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The “sea cluster” and, in particular, the construction of a container terminal in Porto Grande is one of the strategic pillars of the country. What do you expect from it? We would like to become a maritime transportation hub, not only in terms of cargo transportation but also passenger. We are building some cruise terminals but we also want to have cargo container terminals. When speaking of a deepwater port we are basically referring to a container platform. The project is moving forward and, whilst the “sea cluster” is not limited to this container platform, this is a fundamental cornerstone for the development of the sector.

An important initiative of this government is the water collection programme. What is its impact? Water mobilisation is the most important programme we currently have in progress: the construction of dams and reservoirs, drilling, water desalination or the treatment and collection of wastewater. We want to move millions of cubic meters of water to supply to farmers. This will allow, on the one hand, the public private partnership between the government and the municipalities, and, on the other, the development of new activities. Particularly, we point to the processing of agricultural products and ensuring better participation in the tourism market and also in the international market. With the cluster of agribusiness, on which we are stubbornly working, with the mobilisation of water, we also expect to develop the livestock and food industries.

Another important programme is “Casa para todos” (“Home for All”). “Home for All” is an ambitious programme. In our first phase we are building 8,500 houses. More than 6,500 are already built or in the final phase and we are also establishing a set of financial instruments for the continuity of this process. And with the sale of the flats at controlled costs, we will form an investment fund to build new homes.

The 2008 financial crisis has resulted in a decrease in international financing. What is the impact of this decline and what is the financial stress on Cape Verde? The impacts have been great, but fortunately we have managed to withstand this crisis due to the increase in unemployment and some pressure on social indicators. Even prior to the actual classification of Cape Verde as a middle-income country, we were taking a set of measures. Particularly, we initiated a substantial reduction of Official Development Assistance, but we must make an effort. There is no setback in the achievements made in education, health and the fight against poverty. Of course, the big challenge is growth, job creation and poverty eradication.

The Middle East, unlike the rest of the world, finds itself in a situation of excess of capital and seeks to invest more in Africa. What is the extent to which the government of Cape Verde directs its economic diplomacy towards these markets? We have a strong interest in developing economic and business relations with the Middle East. Cape Verde has established contacts; we have begun a process of accreditation of companies; we have several countries in the Middle East and we continue these efforts so that we can arrive at having closer relations with the Middle East.

You are in your last term, with two years still ahead. What are your main objectives for this period? Our goals are to ensure the stability of economic fundamentals, have an environment conducive for business, have more investment opportunities here in Cape Verde, lead the country to growth, create jobs, and have the conditions to carry out a successful post-2015 agenda.

Cape Verde bets on the strategic location of its territory and the development of its infrastructure to face its growth challenges

José Maria Neves
The Prime Minister talks to South Com. on his great ambitions for the transformation of the country.

"We want to become a maritime transportation hub, not only in terms of cargo transportation but also passenger." - José Maria Neves

CAPE VERDE BETS ON THE STRATEGIC LOCATION OF ITS TERRITORY AND THE DEVELOPMENT OF ITS INFRASTRUCTURE TO FACE ITS GROWTH CHALLENGES

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Looking seaward

THE PORT OF SÃO VICENTE ISLAND, PORTO GRANDE, IS THE SPEARHEAD OF A PROJECT AIMED AT TRANSFORMING THE COUNTRY INTO A MARINE HUB

The ‘sea cluster’ is held in such importance in Cape Verde that a Ministry for Infrastructures and Marine Economy has been created to supervise the running of ports, fisheries, ship repair, transport and other marine-related activities. In recent years, Cape Verde has invested in expanding and modernising seven of the archipelago’s nine ports. The already implemented upgrade of the network of ports. The country has the potential of Cape Verde. Fisheries employ around 5,000 people (1% of the population of the country) and Enapor represents an additional 1,300 employees, directly or indirectly. The cluster has a holistic perspective and offers unexplored opportunities for investment: scientific research, energy production, water sports. We also started work on the development of cruise tourism. The port of São Vicente now handles about 300,000 passengers per year.

Improvements in Praia

The port of Praia, the country’s capital, supplies the entire island of Santiago, home to over half of the Cape Verdean population. Investments here have included the construction of a breakwater to protect the bay from the ‘calema’, a heavy swell that rendered half of the port’s facilities unusable during approximately 10 months of the year. The effects of the improvements are already being felt on the island. Recently, for the first time in the history of the port, three mid-sized cruise ships were docked in Porto da Praia at the same time. The occasion also provided ideal conditions to test coordination between the port and the capital’s airport, and over 1,500 tourists were moved smoothly in just a few hours.

The Netherlands will fund 35% of the construction of a cruise terminal at the port of Mindelo estimated at $40 million.

Recently, the concession to exploit the national shipyard Estaleiros Navais de Cabo Verde (Cabnave), serving fleets operating in the international waters, was given to a Chinese operator. Under the deal, Cabnave should repair annually 10 to 15 times more ships than at present.

Besides, the Netherlands is funding the construction of a cruise terminal in Mindelo. The project, considered strategic for the country to increase its presence in that segment of the tourism market, is estimated at around $40 million and the Dutch partner will provide $13.4 million. The remaining funding should be achieved through public-private partnerships.

The cruise terminal will have a quay 250 metres long and 11 metres deep, and train stations and multi-car parks will be built. For its size, the facility will have capacity to receive about 95% of the vessels on Cape Verde’s cruise tourism market. The strategy is to become a regular stop on the route of the cruisers and take a bigger share of this juicy market.

Revitalising artisan fishing

Even though fishing accounts for only around 1% of the Cape Verdean GDP, fish and shellfish still account for almost 40% of the country’s exports and, most of all, are a livelihood for many families. Developing the marine market is key to the future welfare of a country with no natural resources on land.

Instead of a clear action to support local fishermen, since 1990 Cape Verde has chosen to open the exploitation of the waters to foreign fleets, securing a stable source of revenues for the country. The current agreement with the EU, valid until August 2014, is worth $881,500 and allows Portuguese, Spanish and French fleets to fish for the region’s prized tuna, among other species. European ships are allowed to fish up to 5,000 tonnes per year.

Two years ago, with the objective to increase the yield of artisanal fisheries, the Government installed around the islands more than one hundred fish aggregating devices (FAD). These devices tethered to the ocean floor act as breeding sites for plankton, a mooring for small fishes that attract in turn larger fish species. The positive results of the system have convinced the fishermen, who have enjoyed bigger catches and reduced workloads. On Maia Island, yields have increased up to 30% thanks to the FADs, which also allow local fishers to operate closer to the coast. Nevertheless, problems in keeping up with maintenance are now endangering the continuity of a system that measurably improves the quality of life for a large part of the local population.

The cluster has a holistic perspective and offers unexplored opportunities for investment

The cold storage complex is already 25% complete and will be ready in June 2014, with a capacity to store 2,000 tonnes at -22ºC. The north entrance to Porto Grande should be finished in February 2014 and will provide new services for receiving, storage and delivery of goods: a new super-modern structure in 2014-2015.

How will you face these investments? Nowadays, the ports serve as industrial platforms. We built the infrastructure and now it is time for the private sector to come in and provide the added value: products, services, leisure. Since 2004, Cape Verde has been determined to sign all activities. Enapor owns and manages the infrastructures, while private alternatives are to be found for the operation of commercial services.

Who would be the ideal partner? We are looking for a partner with ‘know-how’, financial ability and, above all, capacity to cut away other investors for stimulating the development of the port sector at a much higher rhythm than what we have seen.

Do you think the Middle East could become a partner? The Middle East has positioned itself as a connection between Asia and Europe; we are located the same distance between Europe, South America and the United States. Our strategy is to leverage the same advantages as the Emirates for Cape Verde and we are in the position to do so because we offer excellent conditions for business development. Our main shortcoming will be at the level of financial products but, in this too, they can be partners.

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What is the relevance of the ‘sea cluster’?

The sea is the most talked about economic potential of Cape Verde. Fisheries employ around 5,000 people (1% of the population of the country) and Enapor represents an additional 1,300 employees, directly or indirectly. The cluster has a holistic perspective and offers unexplored opportunities for investment: scientific research, energy production, water sports. We also started work on the development of cruise tourism. The port of São Vicente now handles about 300,000 passengers per year.

What are the strengths of Cape Verde?

Besides, the Netherlands is funding the construction of a cruise terminal at the port of São Vicente island, Porto Grande, to supply ships operating between Africa, America and Europe. Occupying 19.4 hectares, the new facility will handle a flow of 1 million twenty-foot equivalent units each year.

FRAKIM SPENCER
The president of ENAPOR explains to South Com. the competitive advantages and new challenges of the network of ports.
Cape Verde’s airport management company, Empresa Nacional de Aeroportos e Navegação Aérea (ENA), has invested over $55 million to upgrading existing infrastructures in the period 2009–2014. The Union has set out a new ‘roadmap’ for the small island of São Nicolau in 2013 marked the completion of the country’s airport network. Nevertheless, further investment is yet to come, especially in the upgrade of the passenger terminals, in order to provide an enhanced experience to travellers.

In spite of the world financial crisis, in the first half of 2013 international flights in and out of Cape Verde increased 8.8% over the same period last year. The possibility to fly direct to any of the archipelago’s four international airports has undoubtedly contributed to this success. However, deficiencies in domestic flights connections, handled exclusively by loss-making national airline Transportes Aéreos de Cabo Verde, are still an issue to be solved.

In addition to passenger services, ASA also continues to invest in state-of-the-art air traffic control systems. Because of the country’s insularity, here more than anywhere else aviation is both a necessity and a development opportunity. Along with domestic airports on the islands of Maio, Fogo and São Nicolau, Cape Verde now boasts four international airports, on Sal, Santiago, São Vicente and Boa Vista. This last one was practically deserted until the opening, in 2007, of the international terminal. Since then, it became the favourite destination for foreigners and the hotel resorts installed here have created hundreds of jobs.

Existing infrastructures are evolving to meet the new challenges. Proof of the tourism success, Lonely Planet, a tourism guide publisher, has ranked Cape Verde amongst the world’s best destinations for 2014. Easing passenger congestion is the priority foreign tour operators, the airports’ biggest clients, claim right now for.

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In addition to passenger services, ASA also continues to invest in state-of-the-art air traffic control systems and pilot training, to guarantee flight safety. Along with the International Air Transport Association, the company has also implemented the I-Flex program, which shortens air routes to reduce fuel burn and carbon emissions. With these measures, Cape Verde aims to leverage even further the enormous potential of the aviation sector.

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The sky is the limit

**The story of Cape Verde could be told through its airports. Today new challenges is to meet the needs of a growing tourism volume.**

The sky is the limit

**“In 2012, we had 2 million passengers and we will invest $88 million in our terminals”**

We built a new passenger terminal in São Nicolau, to complete our national network.

**How would you assess the concept of an aviation hub for western Africa?**

Our poets defined the islands as small and lost in the middle of the Atlantic, but the world of today recognizes the importance of the Cape Verde in the region and its successful development. Africa is very poorly served in terms of aviation, all civil aviation international organizations have commented on the issue. The business is inefficiently organized so far and here lies an opportunity for us. We belong to ECOWAS (Economic Community Of West African States) and we have privileged relations with the European Union and the United States. There is an enormous business potential and it is worth betting on.

ASA manages a strategic airspace. What responsibility does it carry?

We manage the Europe-South America corridor that is travelled by over 10 million passengers per year. We were pioneers in implementing the CNS/ATM, a new air traffic control system, in 2004, with considerable upgrades. The Air France crash in 2009 awakened everyone to the issue of surveillance. After that, we implemented the ADS-CPSDLC, a system of satellite data communication, allowing to control air-planes from origin to destination. Our mission is to ensure safety, that’s why we say: “When you travel, we take care of you”. We invest in new technology, air traffic controllers and pilot training for a better global security.

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Island-hopping in Cape Verde

Visitors to Cape Verde are immediately struck by the harsh majesty of its mountains. Nevertheless, large flat expanses of arid land, beaten by the sun, also form part of the landscape, as if nature, moved by strange whims when moulding the archipelago, wished to assign different designs to each of the ‘enchanted isles’ of the Atlantic. Unitting the entire mosaic, the sea, blue and warm all year round, forms the perfect backdrop to the white or black coastal sands. Magnificent long beaches and clear, calm waters await those who explore the islands.

Tourism first came to Cape Verde in the 60s, when a Belgian couple, Gaspard Vynckier and Marguerite Massart, built the first vacation homes on the Island of Sal, little more than uninhabited desert. Up to then, the island had served only as a refuelling stop for trans-Atlantic flights. Shortly afterwards, South African Airways asked the couple to provide improved accommodation for its crew members, and thus the hotel Morabeza, today one of the most luxurious and welcoming places ready to surprise the visitor. Known as ‘turtle island’, its shores are the main spawning ground of the loggerhead sea turtle, which lays its eggs on the beaches of Ervatas, Cural Velho, Lucaca and Santa Monica. More than three thousand animals are estimated to visit the northern part of the island each year, making Boa Vista the world’s second largest nesting site for these creatures, after Florida, in the United States.

The Island of Fogo is home to Cape Verde’s most impressive natural feature, the Pico do Fogo volcano, which last erupted in 1995 and forced the evacuation of the entire population of Chã das Caldeiras, a village standing within the crater. At 2,829 metres high, the peak rises majestically from the 20-kilometre long and almost 1,000 metre high semi-circular rocky ridge that protects the town. Visitors will also fall in love with its power, the island’s coffee and its wine, made with the particularly tasty local grapes. And, of course, with the local inhabitants, whose features are a result of the different peoples who have contributed to the variety of the Cape Verdean population.

The Ocean of the Atlantic also testifies to Cape Verde’s historical heritage, particularly in the old city of Mindelo. Formerly called Cidade Velha, this is where Cabo Verde’s first Catholic church was built, as headquarters for the mass evangelization of Africa and the Americas.

Windward or leeward, hilly or flat, desert or coastal… the Cape Verde islands can be described in many different ways, but all of them have one common element: they will never cease to captivate visitors.

The price of success

The tourist sector is the major provider of employment in Cape Verde, and has created more than 9,000 jobs over the last few years. In 2012, for the first time, the number of visitors to the islands (533,877) surpassed the local population (521,586), and tourists spent $413,000 during the 3,184,524 nights they enjoyed on the archipelago.

The contribution of tourism to total GDP jumped from 15.9% in 2010 to 24.3% only two years later and in the first trimester of 2013 hotel sector activity increased by 18.5% over the same period of previous year.

So much Cape Verde’s public investment strategy is directed at this sector in the form of new airport terminals and improvements in cruise traffic handling, with the aim of making the archipelago a more attractive tourist destination. As a result from October to December 2013, Cape Verde hopes to welcome a further 38,000 passengers from the 54 liners scheduled to dock at the islands’ ports.

However, so much tourist activity also has its downside. In Sal, the main destination for foreigners since the 80s, large hotels and resorts have taken over the island’s coastline. This is particularly evident in Santa Maria, where tourism clashes with the local way of life. Some experts believe that irreversible damage has already been done to the fragile ecosystem by the unchecked construction of hotels and the heavy demands of a growing tourist populace. If tourist numbers continue to increase at the current rate, they will soon exceed the number of persons the islands can ecologically sustain.

Whatever the case, Cape Verde needs tourism if it wants to secure the future of its lands and ensure the welfare of its society. However, the island that has virtually no natural resources beyond its landscape. The challenge to Cape Verde is how to develop the sector in an environmentally friendly and sustainable manner, to ensure that today’s bounty is not merely a short-term bubble. Otherwise, it will leave a trail of ashes, when what Cape Verde needs is a solid source of long-term revenues and a business-model that traces a path towards an environmentally friendly and sustainable tourism if it wants to secure the future of the islands.

From its first Catholic church, the nation’s capital, Praia, has grown from a small fishing village with 150,000 inhabitants, Praia is home to almost one-third of the entire population of Cape Verde, praia is home to almost one-third of the entire population of Cape Verde and the country’s capital, Praia. With more than 850,000 tourists, Praia is home to almost one-third of the entire population of Cape Verde and the country’s capital, Praia.

Tourism Organisation, Cape Verde enjoyed the largest increase in tourism arrivals in all of sub-Saharan Africa, an enviable 27%.

The biggest and most colourful carnivals in the northern part of the country’s capital, Praia. With more than 850,000 tourists, Praia is home to almost one-third of the entire population of Cape Verde, Praia is home to almost one-third of the entire population of Cape Verde, Praia is home to almost one-third of the entire population of Cape Verde.

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Visitors to São Vicente will take away the memory of its Creole cosmopolitanism, its buoyant cultural life and its welcoming people. In Mindelo, they will be impressed by the massive bay and the curious profile of Monte Cara, a mountain like a face staring up at the sky. The singer Cesaria Evora, possibly Cape Verde’s most international and beloved person, was from São Vicente, and every February, Mindelo hosts one of the biggest and most colourful carnivals in the archipelago, a truly tropical display of colour and dancing and partying.

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In 1975, the leaders of the newly independent Cape Verde found themselves with empty public coffers and an unemployment rate of over 50%. Illiteracy stood at 63% and droughts aggravated an already delicate situation. With no major resources and a society to be built from the ground up, the country survived on international aid, on which it has relied for decades.

Since those difficult years, Cape Verde has always believed that its greatest development option lay in its people. Human capital was the only tool available to compensate for the archipelago’s natural deficiencies, and has been the country’s main focus throughout almost 40 years of independence. Nowadays, with almost 15,000 teachers in the country’s educational system, illiteracy has dropped to 17% and some 13,000 students are enrolled in the archipelago’s public and private universities. Another 5,000 young people are studying abroad, thanks to university cooperation agreements with Portugal, Brazil, Cuba, China, Russia and other countries.

Over the past four decades, Cape Verde’s leaders have also striven to provide the country with a healthcare system capable of attending the needs of its people. Child vaccination rates for diphtheria, whooping cough and tetanus have risen from 23% in the 80s to 90% at present. Over the same period mortality in children aged less than 5 years has dropped from 12% to close to 2%. Per capita public spending on healthcare has more than doubled this millennium, from less than $60 in 2000 to almost $150 in 2012.

With an unemployment rate of 16.8%, the government is also fighting a war on poverty. The poverty rate has more than halved from 49% in 1990, while per capita income has grown from $1,700 in 2000 to almost $3,700 at present. These advances go hand-in-hand with government programmes to ensure the welfare of the population, such as the ‘Home for All’ project. Conceived to give the poorer classes access to affordable housing, the plan is implemented jointly with a housing insurance fund, providing surety for those who need to take out loans.

Thanks to these and other progressive social policies, Cape Verde is now a stable, peaceful democracy, another advantage when seeking international partners. Since the outbreak of the international financial crisis in 2008 there’s an increased pressure to control public expenses, but the underlying philosophy remains the same: In Cape Verde, people come first.

People come first
While you travel
we take care of you.