

MAT17KV01 Terms of Reference
Economic feasibility and tourism study of Cruise Terminal project Cape Verde

Background

ORIO encourages public-infrastructure development in developing countries, contributing to the realisation of a functional public infrastructure that is relevant to development. In this way, ORIO aims to contribute to human development and private-sector development. It is untied aid. The Netherlands Enterprise Agency is supporting 65 ORIO-projects. In the coming years the 65 projects will be completed in accordance with the agreements made. The Dutch Ministry of Foreign Affairs has commissioned the Netherlands Enterprise Agency to carry out ORIO.

One of the projects proposed for financial assistance by ORIO is the Cape Verde Cruise Terminal project. The economic feasibility of this project has been assessed, but this study is deemed inadequate and incomplete. A second opinion is required, identifying the socio-economic costs and benefits according to international appraisal standards as are applicable for ORIO. The socio-economic costs and benefits should be identified as far as they concern the society of Cape Verde, but may also include benefits to foreign cruise passengers and operators, if applicable.

The economic feasibility study needs to present an objective picture of the costs, benefits, risks and opportunities of the project. It should be independent and unbiased. For this reason the previous economic feasibility study will not be made available. Moreover, the fulfilment of the conditions on tourism development needs to be studied.

Context

- The Cruise Terminal project is part of the ORIO facility as described in the background. Please view Annex 1 for more information on the project.
- July 1st, 2013 the Grant Arrangement was signed for the development phase for the Cruise Terminal project.
- The project is at the end of the development phase yet not ready for implementation as additional information is needed to appraise whether the implementation of this project will be financed under the ORIO facility.
- Available information includes tourism plans and a draft government strategy which can be made available upon approval by the Cape Verde government.
- For the purpose of the assignment an overview of project costs and a cruise market study carried out in 2014 will be made available. The contents of this market study should be reviewed and may lead to an update of the forecasts of the number of cruise calls/passenger needed for assessing the economic feasibility.
- Additional information comprises of a project plan, basic design for a cruise destination development plan, as well as the landside and marine works (will not be provided – only on request).
- During the development phase the following conditions were set regarding tourism developments on both São Vicente and Santo Antão:
 - o A clear strategy of Cape Verde as a cruise tourist destination should be submitted at the end of the development phase together with the project plan, including:
 - The development of soft and hard infrastructure in the destinations throughout the Cape Verde Islands inclusive of Mindelo should be grounded in a cruise tourism strategy that creates the proper levels of cruise facility needs on each island (berths and reception facilities) and lays the foundation for private investment into the tourism support network of venue and tour development, hotel, shopping and restaurant.
 - A focused strategy on resident education, job skills development, entrepreneurship and tourism development that can be used for land based and cruise visitors.
 - A strategy that encompasses the key civil infrastructure of the islands and Mindelo. This included roadway and sidewalk work; linkages from airport and cruise facilities to local tourism venues and commercial hubs; recycling and waste management; and accessibility of key places of interest.

These are pre-conditions for financing by ORIO. In this assignment it needs to be studied whether or not these pre-conditions are fulfilled.

- This assignment will be procured by RVO.nl following a restricted tender procedure (a maximum of 5 parties will receive a request for proposal).

Objectives

The aim of the economic feasibility and tourism study is twofold:

1. To evaluate the financial viability of the cruise tourism terminal development on the islands of São Vicente and Santo Antão to enable a full appraisal of the Cruise Terminal project in October 2017.
2. Analyse the boundary conditions within which the project operates to give a complete overview of all relevant aspects of the Cruise Terminal project.

Expected results from the study

- A problem analysis specifying the present situation with respect to:
 - The navigation / berthing of cruise vessels in the port of Mindelo and the implications for other vessels using the port;
 - The disembarkment procedure for passengers, including security checks and passenger safety;
 - The presently available supply of tourism services to cruise passengers.
- A description of the likely future development of these aspects in case the cruise terminal project would not materialise. To this end the following information is requested:
Analysis of context within which the project operates:
 - Map the tourism services, facilities and activities (available; foreseen) available to cruise passengers
 - Evaluate present and future level of services in view of the needs of cruise passengers.
 - Assess whether the cruise terminal project is sufficiently embedded in the wider policy strategy of Cape Verde as described earlier in the pre-conditions. Analyze how the cruise terminal project fits in with this wider strategy and make reference to available (market study) or additional documentation.
- Review the cruise market study and develop forecasts for the number of cruise vessel calls and cruise passengers to be expected in Cape Verde in the period 2018-2050, for the situation without the cruise terminal project and for the situation with the cruise terminal project.
- A projection of future revenues for the port authority resulting from cruise vessel calls, for the situation with the project and the situation without the project (up to 2050).
- An identification and assessment of economic costs and benefits of the project including, but not necessarily restricted to, those related to:
 - Investments costs for the terminal project, additional annual costs (operations, maintenance, etc.) for providing the project services;
 - Revenues for the port related to the cruise terminal operations (e.g. port dues, services, etc.);
 - Tax income from cruise passengers;
 - Spending by the cruise passengers on products and services in Cape Verde;
 - Spending by cruise vessel crew on products and services in Cape Verde;
 - Operational benefits for other port traffic (i.e. non cruise vessels);
 - Safety, comfort of passengers
- An assessment of the socio economic feasibility of the project on the basis of a socio-economic cost benefit analysis, applying the appropriate CBA methodology. Calculate the Net Present Value of the project using a discount rate of 10%, as well as the Economic Internal Rate of Return (EIRR) over the relevant project period (at maximum 30 years).

Determine the effect of the cruise terminal on private sector development (PSD) in terms of additional investments and employment generated by the project, by type of employment (skilled, semi-skilled, unskilled labour).

- An analysis of the fulfillment of the following conditions:
 - The development of soft and hard infrastructure in the destinations throughout the Cape Verde Islands inclusive of Mindelo should be grounded in a cruise tourism strategy that creates the proper levels of cruise facility needs on each island (berths and reception facilities) and lays the foundation for private investment into the tourism support network of venue and tour development, hotel, shopping and restaurant.
 - A focused strategy on resident education, job skills development, entrepreneurship and tourism development that can be used for land based and cruise visitors.
 - A strategy that encompasses the key civil infrastructure of the islands and Mindelo. This included roadway and sidewalk work; linkages from airport and cruise facilities to local tourism venues and commercial hubs; recycling and waste management; and accessibility of key places of interest.
- Lastly, the consultant is requested to be available for answering questions arising from the appraisal of the project with a view to its suitability for ORIO financing. The appraisal will start as soon as the draft final report has been submitted.

Activities to be carried out

- Desk research and field work, missions to Praia and Mindelo to interview all stakeholders
- Describe the problem analysis, the present situation and the future developments in case no cruise terminal will be realized
- Analyse the context: map services, facilities, activities and evaluate services
- Develop forecasts both with and without the terminal
- Assess embeddedness of Cruise Terminal project in the wider tourism policy development strategy
- Map all tourism planned and implemented activities of the island of São Vicente and Santo Antão by liaising between multiple Cape Verdean Ministries (align with WB study) and 3C organisation. Incorporate plans of the central government, local government agencies, and a number of quasi-government and private sector actors that influence and shape the tourism developments
- Assess the fulfilment of the tourism conditions as mentioned on page 1.
- Assess the level of tourism services provided on São Vicente and Santo Antão, in relation to the needs of cruise passengers
- Assess the economic viability of the project as described above
- Develop and elaborate on alignment possibilities with World Bank, if possible. In May 2016, the World Bank started their '[Competitiveness for Tourism Development](#)' project. The project development objective of this World Bank project is to create the conditions necessary to increase investment into and diversification of the tourism sector in Cape Verde.

Reporting

- An interim report should be submitted by mid-August 2017. The interim report needs to contain at least the following aspects:
 - Problem analysis
 - First assessment of the tourism service infrastructure in Cape Verde
 - Preliminary forecast for cruise vessel calls and cruise passengers in the future situation without the Cruise Terminal Project and with the Cruise Terminal
 - Description of the main economic benefits that are anticipated
- A draft final report be submitted end of October.
- A final report in which the comments of RVO.nl have been processed, two weeks after having received these comments.
- All reports need to be submitted in the English language

Confidentiality

- All provided information is to be handled strictly confidential.

Indicative timeline (in months)

- Commissioning assignment (S)
- Submission of interim report (S+1,5)
- Submission of draft final report (S+4)
- Availability for Q&A during appraisal of the project by RVO.nl (S+5)
- Submission of final report (S+5)

Note that the date of the submission of the draft final report is fatal. Submission may no be postponed without written approval from RVO.nl. This approval should be acquired before the fatal date.

Requirements

The study team should avail of the following experience and competences:

- Extensive knowledge of tourism governance and private sector development to be proven by projects carried out by the team members;
- At minimum 10 years working experience in socio economic cost benefit analysis of public infrastructure projects;
- At minimum 10 years working experience in the context of emerging economies;
- Excellent writing skills (English);
- Very good active knowledge of both the English and Portuguese language;
- Preferably experience with studies relating to cruise tourism and port operations.

Annex 1: Background on ORIO project

Project rationale

The worldwide cruise industry has been developing rapidly with passenger growth rates of almost 8 percent per annum over the last 20 years. Cruise companies are continuously looking for destinations that can be included in existing or new itineraries and that offer opportunities to attract passengers and maximise yields for the cruise company from passenger spending on board as well as on shore in ports (e.g. through excursions). The possibility for cruise companies to maximise yields from passenger spending and passenger satisfaction of cruise destinations are key factors in determining cruise itineraries.

Although the number of cruise passengers visiting Porto Grande has been growing, it is still considered relatively low. In 2014 some 42,000 passengers visited Porto Grande and the cruise passenger capture rate of cruise ships that sail in the Atlantic regional market ranged from 1.96% to 2.58% per annum from 2004 to 2014.

The cruise tourism infrastructure (hard and soft) on São Vicente and Santa Antão has not been developed sufficiently to attract more cruise tourism. The number and quality of tourist attractions and services that are currently offered on the islands is too low and the hard infrastructure, including the cruise port and terminal, is considered inadequate to attract more cruise tourists and cruise calls. It is feared that current cruise tourism levels may even drop in the future as a result of increasing demand for high quality tourism infrastructure and services and increasing competition from other cruise ports.

In order to deal with above-mentioned shortcomings, the project aims to maintain and develop cruise tourism on the islands of São Vicente and Santa Antão by developing a dedicated cruise ship terminal and auxiliary facilities in Port Grande in Mindelo ('hard infrastructure') as well as the execution of a Cruise Destination Development Program, which aims at institutional development, B2B and B2C marketing, capacity building and awareness training in order to develop 'soft infrastructure'.

By improving the cruise port infrastructure, building capacity to deliver improved tourist services and better promote São Vicente (and Santa Antão) as cruise destination, it is expected that the cruise tourism to the island will grow; bringing more first time visitors as well as return visitors to the islands. The increased tourism will spur the development of economic activities, providing additional income and employment for the islands and as such for Cape Verde as a whole.

The improved cruise port infrastructure is considered a necessity in order to handle larger cruise vessels, since there is a clear trend in the cruise industry to deploy larger vessels. The quality of the port infrastructure is also considered one of the elements determining passenger satisfaction. Port Grande in Mindelo, which is the only deep water port on both islands and the historical centrepiece and cultural capital of Cape Verde, is considered to be the only viable option to develop the cruise terminal. Therefore no alternative locations have been considered.

In addition, in order to improve the marketing of the islands as cruise destination and support the development of tourism services, the proposed Cruise Destination Development Plan (CDDP) is considered an absolute necessity and only option to assure a coordinated effort to effectively market the cruise destination and provide additional capacity building strategies to improve provision of tourism services and products on the isles.

Project definition

The project has been defined conform the OECD Consensus as the realisation, operation and maintenance of a dedicated cruise terminal facility in Porto Grande, Mindelo, Cape Verde. This includes a berth with a length of 325m and depth of 11m, and all on shore facilities in an area of 2ha (see also Annex P).

The project also includes training of on-site personnel; evaluation of the onshore supply of services and the design and implementation of a capacity and awareness building programme aimed at private suppliers in the Cape Verde tourism sector; and an awareness campaign to promote Cape Verde as a cruise destination.

The main components of the project are:

- **The marine facilities:**
 - Berth: Cruise jetty with 2 berths for design vessel LOA=350m and design vessel LOA=250m. depth alongside of 11m, Jetty approx. 400m x 12m (oblique, seaward)
 - Quay wall 80m including jetty abutment
 - Revetment 50m
 - Dredging volume about 100,000m³,
 - Navigational aids (navaids): 3 light buoys at the south side of the basin; navigation light at the tip of the jetty; electronic navigation Chart.
 - Apron
 - Fenders and bollards
 - Utilities and services (fuel, water, sewerage, drainage, oily water, solid waste)
- **The landside facilities:**
 - Passenger Processing Areas: 430 m² plus an exterior annex 165 m²
 - Office area: 100 m²
 - Luggage area: 80 m²
 - Retail facilities: 80 m²
 - Transport zone (bus and taxi stands, walkways to town and ferries): 830 m²
 - Access to main road system
 - Landscaping: 6150 m²
 - Secure area landscaping: 700 m²
 - X-ray scanners: 2
- **The Cruise Destination Development Program (CDDP):**
 - Design Cruise Tourism Action plan, Marketing Plan B2B and B2C, and Awareness development plan
 - Management support for PGCT and CDDP execution (5 years)
 - B2B marketing and promotion materials
 - Capacity building and training, including:
 - Cruise line internship programme
 - Best practice visits
 - Public workshops
 - Training for tour guides and taxi/bus drivers
- **Monitoring through annual surveys**

Project lifetime

The project lifetime is 30 years, which is equal to the lifetime of the terminal buildings. Within this time frame the infrastructure will be and stay 'fit for purpose', both in technical, financial and economic sense. It is foreseen that 5 years of external Project Management of the Execution of a Cruise Destination Development Program (CDDP) will be supplied.

The design life of the marine structures is 50 years, whilst the design life of installations such as lighting, fenders and related fender hardware (except cast-in items) is 15 years.

Project surroundings

The cruise terminal is to be developed on the location of a former fishing berth and its adjoining brownfield area (where formerly a freezing facility was located that burnt down) in the port of Port Grande in Mindelo located on São Vicente, Cape Verde.

Mindelo is the largest city of São Vicente and considered the cultural capital of Cape Verde. With some 30,000 to 40,000 passengers a year on average over the last decade Mindelo is the main cruise destination in Cape Verde, Praia follows second. The population of São Vicente in the 2010 census was 76,140. According to projections of the National Statistics Institute (INE) this number has risen to 81,000 in 2015. Approximately 95% of the population lives in Mindelo and the remainder in rural areas.

São Vicente is one of the Northern Cape Verdean islands. It measures 16 by 24 km and is near major trade and tourism routes along the coast of West Africa. It is the second most populous island of Cape Verde. It enjoys a mild, but very dry tropical climate with an average annual temperature around 23 °C.

The economy of the island has always been based almost exclusively on commerce and services and fishing. Due to lack of rain, agriculture is at a subsistence level. According to the 2010 census, the island of São Vicente has the highest unemployment rate of the country — 14.8% — while the national average is 11%.

The Republic of Cape Verde is made up of nine inhabited islands and nine uninhabited island and islets, located in the Atlantic Ocean, Some 450 km west of Senegal. The country has a population of 525,000 people of which some 55 percent live on Santiago Island¹.

In 2007 Cape Verde was no longer classified by the UN as 'least developing country' (LDC) and reached the status of 'lower middle- income country' (LMIC). The economy of Cape Verde has been one of the fast growing economies in the Sub-Saharan African region. The real GDP growth rate of Cape Verde averaged 6.6 percent between 2000 and 2008. Following the economic recession in 2008 growth rates have dropped to as low as 0.8% in 2013². Cape Verde's poverty rate fell from 37 percent in 2002 to 27 percent in 2010, with the proportion of the population living in extreme poverty decreasing from 21 percent to 12 percent over the same period³. A comprehensive household income expenditure survey was completed in spring 2016 and data are currently being prepared for analysis to provide updated figures on poverty. Economic growth recovered to around 3.6% in 2015 and tourism continues to be the main engine of growth⁴.

Tourism and tourism-related foreign investments, including in construction have been the driver of economic growth in Cape Verde. The tourism sector accounts for as much as 60 percent of total exports, 44.5 percent of GDP and 58 percent of foreign direct investments (FDI). It is also one of the main drivers of employment (estimated 53,000 people, compared to a total labour force of around 200,000 people).

¹ Source: INE (2015)

² World Bank (2015) and AfDB, OECD, UNDP (2016) African Economic Outlook.

³ World Bank 2016, Cabo Verde Country overview, Oct 06, 2016.

⁴ AfDB, OECD, UNDP (2016) African Economic Outlook