

Terms of Reference

Strategic Environmental and Social Assessment

Cabo Verde Competitiveness for Tourism Project

A. Introduction

1. The Government of Cabo Verde has requested World Bank assistance to prepare a Competitiveness for Tourism project (CTDP) which aims to create the conditions necessary to increase investment into and diversification of the tourism sector. The project activities comprise technical assistance and capacity building and as such are not expected to directly give rise to significant negative social or environmental impacts. However, it is recognized that putting in place conditions with a view to encouraging increased tourism sector investment and diversification could give rise to potential negative impacts in the future. For this reason as required by National EIA legislation and World Bank Safeguard Policies, a Strategic Environmental and Social Assessment (SESA) will be prepared to identify and recommend how to address any associated negative and positive social and environmental impacts.

2. The SESA will consider the potential environmental and social issues associated with the development of the tourism sector as a whole, and particularly those which might specifically arise directly or indirectly as a result of the project activities. The SESA will be prepared in a participatory manner, and its findings will inform the ongoing development of tourism sectoral policy, as well as the tourism strategy and other activities to be undertaken as part of the project.

B. Context

Country Background

3. The Republic of Cabo Verde is an island country, covering an archipelago of 10 volcanic islands located off the coast of West Africa, and covering an area of about 4,000 square kilometers. The country has an estimated population of about 500,000, with its capital city Praia accounting for a quarter of that. Cape Verde is religiously and culturally homogeneous. Its climate is influenced by its location in the geographic band of the Sahel. The country has a limited natural resource base; its poor soil for agriculture and serious water shortages aggravated by long-term droughts creates a heavy reliance upon imports, including 82% of food.

4. The Republic of Cabo Verde experienced robust economic growth and poverty reduction during the beginning of the new millennium. Between 2002 and 2008, extreme poverty (at US\$1.25 per day) dropped by 7.3 percentage points to 13.7 percent. The share of income of the bottom 40 percent increased from 12.4 percent to 15.3 percent over the same period. Moreover, Cabo Verde is one of the few countries on track to achieve all

Millennium Development Goals by 2020. Strong institutions have supported these achievements. Cabo Verde continues to share the highest Country Policy and Institutional Assessment score (3.9) among IDA countries. Strong democratic institutions are arguably Cabo Verde's most precious asset, having both facilitated accountability—important for pro-poor policies—and attracted considerable foreign direct investment (FDI).

5. Sustaining and building on these achievements has turned increasingly difficult for this small open island economy, vulnerable to persistent global economic headwinds and natural disasters. Cabo Verde's rapid economic ascent that had facilitated immense poverty reduction between 2002 and 2008 came to a sudden halt with the global financial crisis, given the country's close linkages with European economies and persistent economic weakness in the Eurozone. Economic growth in real terms fell from an average of 7 percent between 2002 and 2007 to 2 percent between 2008 and 2013, as FDI dropped from a peak of 13 percent of gross domestic product (GDP) in 2007 to 2 percent in 2013. Growth in 2014 was 1.8 percent and the estimate for 2015 is 3.5 percent. Expansionary fiscal policy, focusing exclusively on public investment, provided some support to the economy but, given the small multiplier, its short-term stimulus effect was limited, although it increased macro fiscal vulnerabilities as public debt surpassed 100 percent of GDP in 2014. Despite a high level of credit to GDP (58 percent relative to the Sub-Saharan Africa (SSA) average of 29 percent), growth of credit to the private sector has stalled and the cost of finance is high, with average interest rate spreads in 2014 of 8.5 percent relative to 4.4 percent in advanced economies. Given continued economic weakness, unemployment remains high, at 15.8 percent. In 2014, Cabo Verde experienced a drought, negatively affecting the harvest. Moreover, on November 23, 2014, Cabo Verde declared a national emergency when a volcano erupted on Fogo island, the country's second poorest and home to about 8 percent of Cabo Verde's population of approximately 520,000.¹

Tourism Sector

6. The GoCV's third Growth and Poverty Reduction Strategy Program (GPRSP III) introduces a private sector driven approach to renew growth, in which tourism plays a key role. Based on a recent World Bank report, the islands where tourism is concentrated experienced significant declines in poverty during 2000–2010, with poverty decreasing in Sal by 59 percent and in Boa Vista by 52 percent, showing that tourism growth—driven till recently by large FDIs—has the potential to lift people out of poverty. Furthermore, the tourism sector has become Cabo Verde's most important economic sector, responsible for around 20 percent of GDP and 14 percent of employment, with the majority of these workers located in resorts. While these resorts have significantly contributed to growth and employment, they have scant linkages with the local private sector, composed mainly of micro, small, and medium enterprises (MSMEs). This is a missed opportunity for Cabo Verde, which can potentially increase these linkages. On one hand, this will allow the resorts and their foreign direct investors to access local inputs and on the other, provide local MSMEs with the opportunity to grow, create jobs, and lift more people out of poverty. The next phase of Cabo Verde's tourism growth must thus be more inclusive if it is to fulfill its vision to alleviate poverty. Therefore, the country's vision is to develop a

¹Source: National Institute of Statistics, Cabo Verde. Projection for 2015.

competitive and sustainable tourism sector with high value added, focusing on the medium/high end of the market, while linking with local enterprises and services that will expand the benefits of this growth to the lower levels of the economic pyramid.

Environmental and Social Management Capacity

7. Cabo Verde has the right to a healthy environment granted by its Constitution and reflected in a Framework Law of Environment and its Regulations. The country has a policy, institutional and legislative framework to integrate environmental and sustainable development considerations into the development process and to promote good environmental governance. At the policy level the two principle guiding documents are the Cabo Verde Poverty Reduction Strategy Paper (GPRSP) and the National Action Plan for Adaptation (PANA), the implementation of which are achieved through integration into sectoral and municipal action plans and implemented by a diverse set of actors. Integration of environmental concerns into planning has also been reinforced by the ongoing spatial planning reform.

8. National legislation and international obligations assumed by Cabo Verde provide a fair protection of environment. An array of legislation has been enacted addressing sector specific environmental management concerns as well as governing the following basic environment components: air, water, waste and chemicals and soils. However lack of regulations impedes implementation and enforcement of the general rules and guiding principles. Similarly, the obligations under the Multilateral Environmental Agreements are reflected in national law but have not in many cases been reflected in national policies and regulations, making them difficult to implement.

9. The primary institutional responsibility for ensuring sound environmental management and protection lies with the Direccção Geral do Ambiente (DGA), situated within the Ministry of Environment, Housing and Spatial Planning. The DGA currently has three departments focused on EIA, legal issues and inspection; environmental information and environmental quality; and natural resources management (excluding biodiversity conservation and protected area management). While staff are largely concentrated at the central level, environmental staff are also hosted within the delegations of the Ministry of Rural Development.

10. The process of decentralization of environmental responsibilities to municipalities has not yet been fully achieved. Municipalities, although often small are nevertheless responsible for ensuring environmental management as part of the Municipal Action Plans (PAMs) and common issues include solid waste management, public health, territorial planning (including increasing green urban spaces), and environmental training, information and awareness (IEC). Human and financial resources for these efforts are a challenge.

11. At the sectoral level, capacity for environmental management is variable. Specifically in the tourism sector, progress has been made over the past few years towards integrating environmental considerations into the tourism sector, including the publication

of the Tourism Master Plan² containing a program on environment and the publication of legislation (including the framework law) addressing environment protection and value, code of conduct towards environment. Eco-tourism and rural area tourism legislation has also been adopted. However tourism inspection is understaffed and enforcement of these is a challenge. Similarly, collaboration between DGT, which has the mandate for developing and overseeing implementation of the tourism policy and vision for the country, and the two institutions previously responsible for on-the-ground planning, promotion and management of the Integrated Tourism Development Zones³ (ZDTI), has been extremely limited. Nevertheless, Sociedade de Desenvolvimento Turístico das Ilhas de Boa Vista e Maio's (SDTIBM) approach to ZDTI management did attempt to integrate environmental aspects into its planning and development.

C. Project Description

12. The proposed project comprises three components summarized below. A detailed project description is presented in Annex 2.

Component 1: Enhancing the governance framework of the tourism sector

13. The objective of this component is to prepare the GoCV to better attract, facilitate, retain, and grow investment and to carry out the country's tourism diversification agenda effectively. This will be accomplished through support to the start-up of operations of CI-ATIC, born out of the restructuring of the Cabo Verde Investimentos Agency. The activities of this component will be divided in two subcomponents:

Subcomponent 1.1: Strengthening the institutional framework for tourism management and diversification: The project will carry out a program of technical assistance activities to strengthen the Recipient's institutional framework for tourism management and diversification, including through: (a) advice to CI-ATIC to start its operations, including development of a business plan; (b) support for drafting the legal and regulatory reform instruments for the tourism sector; (c) carrying out capacity-building sessions for staff and management of CI-ATIC and other relevant tourism stakeholders; (d) preparing and applying a SESA for the tourism sector; (e) design of a tourism strategy for the period 2017–2027 and an associated action plan for the period 2017–2019, including development of a comprehensive supply-demand market intelligence study for tourism; and (f) development of an online communications strategy.

Subcomponent 1.2: Improving the ability to attract tourism investment: The project will carry out a program of technical assistance activities to improve the ability of the Recipient to attract tourism investment, including through: (a) design of a tourism investor outreach strategic plan, consistent with the tourism strategy under Part 1 (e) of the Project; (b) support for the design of a POT for a designated tourism zone; (c) carrying out of capacity building activities to design new or improve existing information packages for tourism

² Plano Estratégico para o Desenvolvimento do Turismo em Cabo Verde 2010-2013 (2009). PDConsult. Cabo Verde

³ ZDTI is an area foreseen for tourism use, administered by a specific entity and which according to the law should be managed according to a Tourism Management Plan, by a specific entity. Municipalities do not have jurisdiction on ZDTI.

development opportunities for hotels/resorts; (d) carrying out marketing and outreach campaigns to attract potential tourism investors; (e) design and implement an investor relationship management system and provision of relevant software for analysis of investment proposals; (f) development of standard operating procedures for investor promotion, facilitation and aftercare; and (g) carrying out workshops on effective investment promotion, including on investor outreach, facilitation, and aftercare.

Component 2: Diversify the sector and increase the inclusiveness of tourism-led growth by strengthening the competitiveness of local MSMEs

14. The objective of this component is to increase the competitiveness of MSMEs to benefit from tourism growth. The component will support both sides of the value chain through a small accommodation quality label as well as support to private sector organizations and address access to finance constraints for MSMEs.

Subcomponent 2.1: Designing and implementing a quality label for small accommodation establishments and support to private sector organizations: This subcomponent will design and implement a quality label for small accommodation establishments and support private sector organizations. Support provided in this subcomponent will include: (a) design and implementation of a quality label for small accommodation establishments; and (b) support for private sector organizations and MSMEs through: (i) carrying out capacity building activities for private sector organizations to improve capacity for conducting technical training for MSMEs; and (ii) provision of technical training to MSMEs to enhance capacity to respond to market opportunities in the tourism value chain.

Supporting private sector organizations with training and capacity building: The Chambers of Commerce (Northern and Southern), the Chamber of Tourism, and the Cabo Verdian Community for Cruise Tourism (3C) are tasked with organizing, building capacity, and advocating for the inclusion of the local private sector in the growth agenda, especially as it is driven by the tourism sector.

Subcomponent 2.2: Improving the business environment to increase access to finance for MSMEs: the business environment to increase access to finance for MSMEs, including through: (a) support for the review and update of the legal and regulatory framework on insolvency; (b) carrying out an outreach campaign on insolvency procedures; (c) support to *Camara de Comercio de Sotavento* in identifying, training and certifying arbitrators and mediators for its alternative dispute resolution center; (d) creation of a pilot committee with technical experts to lead the public-private dialogue on insolvency procedures; (e) provision of training to relevant stakeholders on insolvency procedures; (f) drafting a legal and regulatory framework for a moveable collateral registry; (g) developing and launching an electronic centralized registry for moveable collateral; (h) evaluating and proposing reforms for a secured lending regime; and (i) carrying out capacity building activities and outreach campaigns on secured lending.

Component 3: Project implementation

15. This component will provide support to UGPE in managing and coordinating the Project and building its procurement, financial management, safeguards management, monitoring and evaluation capacity, through the provision of technical advisory services, Training, Operating Costs, Goods and audits.

16. The SESA findings and recommendations will primarily support activities of subcomponents 1.1, 1.2 and 1.2, such that they be integrated into the tourism strategy, and guide the approach to preparing both the tourism management plans of special tourism zones (POT) and the information packages for tourism development opportunities for hotels/resorts.

D. Objective

17. The objective of this SESA is twofold, namely to:

- a. **at the sectoral level**, in the context of the preparation of the National Tourism Strategy (2017-2027) and action plan (2017-2019): (i) identify the positive and negative social and environmental impacts and the risks associated with the likely evolution of the tourism sector, (ii) assess the policy, legal and institutional framework and capacity to manage these issues, (iii) to propose a set of actionable recommendations by which these issues can be addressed so as to enhance environmental sustainability and social equity of sector development, and
- b. **at the project level**: (i) prepare a set of detailed environmental and social guidelines specifically for use in project activities related to tourism planning with ZDTIs (POTs) and during the preparation of the Tourism Development Information Packages and related investments.

E. Approach

18. The SESA seeks to ensure that environmental and social issues are taken into consideration during the development and implementation of sectoral policies and programs, as well as in the implementation of the Competitiveness for Tourism Development project activities. Specifically, in the project context, its findings and recommendations will: (i) be a core input to the development of the National Tourism Strategy and Action Plan, (ii) inform the design and content of capacity building and training activities, and (iii) provide concrete guidelines for identifying and addressing environmental and social issues while undertaking tourism planning with ZDTIs (POTs) and while preparing Tourism Development Information Packages, thus ensuring that environmental and social concerns are appropriately addressed by any further projects in the sector. The SESA and the associated guidelines will reflect, among others, the World Bank Group Performance Standards, Safeguard Policies, the General EHS Guidelines, and the Tourism and Hospitality Development Guidelines as well as international best practice.

SESA recommendations and associated guidelines will be applied by the GoCV in the above mentioned project activities.

19. The SESA will be prepared via a participatory process involving consultations with the main stakeholders along the entire tourism value chain (including disaggregate gender data). It should also help establish a platform for stakeholder dialogue, including those from key sectors that may be impacted by or influence the policy and institutional reforms of the tourism sector such as *inter alia* tour operators, accommodation providers, food and retail suppliers (fisheries, agriculture, etc.), transport operators, land use planners, biodiversity conservationist, occupational health and safety, water and sanitation, service providers, construction, etc. Its preparation should be closely coordinated with that of the Tourism Strategy, with joint consultations conducted to the extent possible.

F. Reporting Arrangements

20. The SESA team will report administratively to the UGPE's safeguard specialist. Technical oversight will be provided by the multi-sectoral Project Technical Committee, and in particular DGT, CI-ATIC and DGA. It will also work closely with the team preparing the National Tourism Strategy.

G. Scope of Work

(a) Situation Analysis

(i) Sectoral analysis

21. The consultant will undertake a comprehensive biophysical, social and socioeconomic data gathering exercise using existing credible sources, and review this data to establish a baseline, including an assessment of sectoral vulnerability to climate change, as well as to identify data gaps or weaknesses. To the extent possible the consultant will address these gaps/weaknesses through field visits and interviews and meetings with stakeholders and custodians of such data.

22. Based upon this, the consultant will use appropriate methodologies⁴ to describe and analyze the existing and potential key beneficial and adverse environmental and social issues related to the likely development of the tourism sector in Cabo Verde, including the potential for cumulative impacts. The identification of likely sectoral development scenarios should be informed by the studies and analyses being undertaken for the preparation of the National Tourism Strategy, which aim to calibrate current tourism supply and demand, and decide on new target markets (tourists, travel aggregators/intermediaries, tour operators, and investors), products and services to be offered, and assets to be developed, hotels and resorts in particular, among other strategic aspects.

⁴ In Addition to national relevant legislation and policies/strategies, the consultant should draw on the WB Group policies and guidelines (Bank safeguard policies, IFC performance standards, General EHS Guidelines and the Tourism and Hospitality Development Guidelines, etc.) and any replicable international standards or best.

23. These issues may include but are not limited to: impacts on the quality of the natural environment including biodiversity, natural habitats and ecosystems (terrestrial and marine), soil, water, air; and on social aspects such as impacts on food security, livelihoods, income generation; likelihood of involuntary resettlement; threats to physical cultural resources, intangible cultural assets, such as local customs, potential for conflicts; gender effects (disaggregate gender data); employment potential; occupational health and safety and impacts on poverty and vulnerability.

24. The analysis must include a trend analysis of the development of the tourism sector in the short, medium and long-term and its environmental and social impacts (both sub-sector specific and cumulative) in the assumption of both with and without implementation of the National Tourism Strategy. Cross-sectoral linkages must be taken into account to analyze the influence of other sectoral policies or strategies.

(ii) Institutional and Legislative Framework Analysis

25. The analysis will include but not be limited to the sector's institutional and legislative framework, including the existing and proposed institutions that may influence or be responsible for the implementation of the sector strategy and the management of environmental and social impacts. Furthermore, an overview will also be given to sector policy framework, environmental and social regulatory framework and the wider policy framework related to the sector strategy. The consultant will assess the existing institutional and human capacity to manage the selected environmental and social priorities in the context of the political economy of the sector.

26. The role of institutions should be considered for all stages and aspects of tourism development from service provision, promotion, investment and governance, at the national and municipal/local levels, and not only institutions involved in environmental and social management.

(iii) Stakeholder Assessment and Analysis

27. The SESA consultant, to the extent possible in collaboration with the team preparing the National Tourism Strategy, will identify the key stakeholders, being sure to differentiate data by gender, analyze their interests in and influence over the tourism sector including reviewing the role, mandate and linkages of the various institutional stakeholders, the planning agencies, local agencies and civil society organizations. NGOs and CBOs, private operators and specific interest groups (fish and fruit/vegetable suppliers, handicraft associations, hiking/biking/diving/cruise associations, transport operators, sand miners, builders, etc.) that are likely to benefit or be affected by developments in the tourism sector should be also included. Specific attention will be paid to identifying local communities and analyzing their structure and organization and to assessing possible changes in income dynamics, and possible trickle down effects from the tourism sector.

28. Taking into account stakeholder interests and power to affect the formulation and implementation of the main policies proposed in the tourism strategy, the consultants will

in addition consider how best to include specific stakeholders such as women and youth into the SESA during the situation analysis, selection of priorities and validation of results.

(b) Identification and Evaluation of Environmental Opportunities and Risks

29. Based on the environmental, social and institutional analyses, the consultant will identify the priority environmental and social opportunities and risks facing the tourism sector. This priority setting exercise will be done in consultation with key stakeholders. The consultant will discuss how these priorities are likely to be influenced, positively or negatively, by the continued development of the tourism sector and its associated sub-sectors, and will suggest appropriate and proportional institutional and policy adjustments for the sector to take advantage of these opportunities or to mitigate against the risks. Any suggested institutional and policy adjustment must be justified by its benefits relative to its cost.

30. Using the information gathered during the study, the consultant will develop detailed and specific guidelines that will set out how environmental and social issues will be integrated into the technical assistance activities to improve the ability of the Recipient to attract tourism investment, especially the support for the design of POTs for tourism zones, and the capacity building to design new or improved information packages for tourism development opportunities. There will be one set to guide the preparation of the POTs and one set to guide the preparation of the Investment Packages.

31. The guidelines will describe the measures that will be required to be followed during the planning and preparation of the POTs and Investment Opportunity packages to ensure that subsequent implementation of the POT or investment opportunities by others will accord with World Bank Environmental and Social Safeguard requirements, including the relevant World Bank Group EHS requirements. To this aim, as a minimum they will provide:

- description of the key pertinent issues to be considered;
- details of sources of appropriate environmental and social information, as well as any gaps in that information baseline that will need to be filled;
- the approach and methods for undertaking surveys or studies that are required to filling any gaps in baseline information;
- guidance on identifying and presenting the relevant constraints and opportunities;
- advice on how to interpret the information and incorporate into the proposals; and
- clearly set out what if any steps would be appropriate to be undertaken as part of or prior to the implementation of the POTs or investment opportunities (for example to confirm or update environment or social baseline information, or to accommodate design changes) to ensure as far as practical that the implementation of the plans remain consistent with the advice provided in their preparation.

32. The consultant's findings will be discussed and validated together with key stakeholders.

(c) SESA Recommendations

33. The consultant will propose concrete recommendations to address the technical, institutional, governance and policy gaps and capacity building needs identified, with suggested timeframe and estimated costs to be incorporated into the proposed Tourism Strategy and Action Plan. The consultant will set out clear guidelines for the preparation of the POTs and Investment Packages that will ensure environment and social issues are considered and incorporated to accord with World Bank Safeguard requirements.

H. Public participation and dissemination

34. The consultant should describe the different public participation activities that they plan to undertake for the identification and selection of SESA's priorities, including but not limited to surveys, interviews, focus groups, workshops, etc. Any potential seasonality issues which might affect access to key stakeholders should be identified in discussion with the UGPE and its technical partners and addressed in the proposed work plan.

35. The SESA draft report and recommendations (including the guidelines) will be validated in a workshop that will convene sectoral and area wide stakeholders. A final dissemination meeting will be carried out to present to the stakeholders the SESA final report, recommendations and guidelines. The final report will be subject to review by the World Bank, then adopted/approved by the Government and publically disclosed in-country.

I. Deliverables

36. The key deliverables will include:
- Inception report, including the proposed analytical framework, stakeholder consultation process, and detailed report outline, 1 month after the start of the consultancy
 - Intermediate report, 4 months after the start of the consultancy
 - Draft SESA, 5 months after the start of the consultancy
 - Final SESA, 6months after the start of the consultancy

J. Key Staff and Required Skills

37. The assignment is expected to be completed by a consulting firm. The firm must specify the qualifications and experience of each specialist to be assigned to the SESA study. It is proposed that the team be comprised of both international and local expertise, and that the team leader should be an experienced international consultant with, at a minimum, a Master's degree in a relevant area and at least 10 years of experience in strategic environmental and social assessments and tourism planning, including the

assessment of cumulative impacts. Experience in the country and sector concerned will be an asset, as well as knowledge of World Bank's Safeguard Policies and EHS guidelines.

38. The consultancy team would be led by an experienced international SESA consultant and comprised of a mix of international and national expertise in the following specializations: (i) environmental assessment with particular experience in tourism/sustainable tourism, (ii) social assessment/resettlement specialist, (iii) tourism management and planning, with a thorough knowledge of Cabo Verdian land governance issues; (iv) national gender and community relations, and (v) a consultant with GIS skills.

39. The firm will be able to demonstrate - through the curriculum vitae of its team (local and international) – its experience with the professional preparation of SESA/environmental assessments in different sub-sectors of the tourism/ecotourism/sustainable tourism sector. More specifically this should include *inter alia*: (i) regional and sectoral and cumulative impact SESA methodologies; (ii) tourism development externalities; and (iii) social assessment and protection issues.

K. Duration

40. The task is expected to be completed within a six (6) month period, during the first year of implementation of the project (expected start date is: (TBD) 2016).

41. The consultant is expected to submit ten (10) hard copies as well as a copy in electronic format of each of: (i) an inception report, (ii) interim (draft) report, and (iii) the final report of the SESA to GoCV.

L. Proposed schedule:

Start Month 1	Start of Consultancy & signing of the contract
End Month 1	Submission of the inception report (Literature review, Methodology and Table of Content for the final SESA report)
Month 2-3	Launch Workshop, data gathering, field visits, consultations and analysis
Early Month 4	Consultation Workshops and presentation of the Draft Report
Mid-Month 5	Final Draft report
End-Month 6	Final Report

M. Recommended background documents

42. The following documents are recommended for background reading and can be provided to the consultants upon request.

Sectoral background

- Plano estratégico para o desenvolvimento do turismo em Cabo Verde 2010-2013 (Resolution 34/2010 of 06/06)
- Formulation of the Strategic Plan for Tourism Development in Cabo Verde
- 2014-2024 Tourism Value Chain Analysis (July 2011). ACBF - African Capacity Building Foundation and ONE-Program - United Nations System in Cape Verde. Public Expenditures Management and Financial Accountability Report (PEMFAR) in the Environment Sector in Cape Verde (2012)
- Nature tourism law (Law Decree 42/2-14 of 14/08)
- Legal framework for rural tourism
- Code of Conduct for Providers of Nature Tourism Services
- Centre for Skills Development and Equations. (2013). Developing local employment.
- Increasing Linkages for Pro-poor Tourism Development in Cape Verde (March 2013). World Bank

Project background

- Competitiveness for Tourism Development Project Appraisal Document, Integrated Safeguard Data Sheet
- ESMF for the original CTD project, publically disclosed on April 01,2015 at Infoshop
- RPF for the original CTD project, publically disclosed on April 01,2015 at Infoshop
- Draft UNWTO project document (TORs for formulation of national tourism strategy)
- Draft POT terms of references
- Proposta do Esquema Regional de Ordenamento do Território da Ilha de S.Vicente, DGOTDU, Praia, Setembro de 2012
- Proposta do Esquema Regional do Ordenamento do Território da Ilha do Sal. DGOTDU, Praia, Setembro de 2012
- Lei n.º 75/VII/2010 de 23 de Agosto
- Decreto Legislativo No 2/93 de 1 de Fevereiro
- Inventory of potential tourism products
- World Bank Safeguard Policies
- World Bank Group Performance Standards
- World Bank Group Environmental, Health and Safety Guidelines from April 2007

Annex I

Illustrative Table of Contents for SESA

ACRONYMS

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

1. INTRODUCTION –Set the stage for the SESA: explain and justify why an environmental and social analysis is required and why a SESA is the appropriate instrument. Outline methodological approach, report structure and participatory approaches to be used.

- 1.1 Background
- 1.2 Objectives of the Assessment
- 1.3 Approach
- 1.4 Structure of the Report
- 1.5 Process for participatory dialogue and analysis

2. ANALYSIS OF THE TOURISM SECTOR IN CABO VERDE – Describe and analyse the tourism sector, sub-sectors and cross-sectoral linkages in the overall context of Cabo Verde, including the relationship between the likely evolution of this sector with and without implementation of the National Tourism Strategy and environmental, social and economic opportunities and risks.

3. ASSESSMENT OF INSTITUTIONAL, LEGAL AND POLICY FRAMEWORK AND CAPACITY– Assess the current and proposed policy, legal and institutional framework governing the sector including identification of institutional and legislative gaps, and an assessment of existing institutional and human resource capacity to manage the identified environmental and social opportunities and risks.

- 3.1 Policy, Legal and Regulatory Framework
- 3.2 Institutional Roles and Responsibilities
- 3.3 Public participation and consultation mechanisms
- 3.4 Political economy of the tourism sector
- 3.5 Environmental and Social Management capacity for the sector

4. ASSESSMENT OF POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS– Identify potential positive and negative environmental and social impacts for the sector, including those which may be cumulative in nature.

- 4.1 Key environmental and social issues, potential for cumulative impacts
- 4.3 Consultation process to identify issues and select priorities
- 4.4 Validation of findings and recommendations

5. FINDINGS AND RECOMENDATIONS - Propose a set of actionable recommendations by which these issues can be addressed at both a policy and project level so as to enhance environmental sustainability and social equity of tourism sector development.

- 5.1 Summary of key findings
- 5.2 Recommendations for actions to be included in the Tourism Strategy and Action Plan
- 5.3 Political economy challenges
- 5.4 Critical success factors

6. COMMUNICATIONS PLAN – Recommended strategy for dissemination of findings to the stakeholders.

7. ENVIRONMENTAL AND SOCIAL GUIDELINES.

7.1 Guidelines for undertaking tourism planning in ZDTIs (POTs)

7.2 Guidelines for the preparation of Tourism Development Information Packages and for the preparation of ESIA/ESMPs for tourism investments

REFERENCES

ANNEXES

- Stakeholder analysis
- Matrix Environmental and Socioeconomic Issues, Gaps, and Recommendations
- SESA Consultations and Validation Workshop Reports
- List of people met
- Etc.

Annex II

Detailed draft project description

1. The project addresses the goal of the GoCV to promote a new phase of inclusive growth of the economy, catalyzed by a competitive tourism sector. On one hand, this implies the attraction of medium to large investments that bring employment and growth to the economy at large. On the other hand, this must be complemented by efforts to diversify the tourism sector's offerings, helping the lower rungs of the economic pyramid to access the income and opportunities for upward mobility that this growth can bring. Both of these implied actions are currently impeded, however, by the regulatory and institutional environment for the tourism sector, as well as internal constraints to firms in the tourism value chain.
2. The project addresses key constraints that inhibit the competitiveness of the tourism sector: (a) the low capacity to proactively attract, facilitate, retain, and grow investment; (b) the lack of coordination and a strategic vision for the development of the sector; and (c) the limited ability of local firms to participate in the tourism value chain. In doing so, the project will raise true capacity to increase investment by enhancing the governance of the tourism sector (Component 1) and increasing the inclusiveness of tourism growth by strengthening the competitiveness of MSMEs (Component 2).

Component 1: Enhancing the governance framework of the tourism sector

3. The objective of this component is to support the start-up of operations of CI-ATIC to effectively carry out the country's tourism diversification agenda and to prepare the GoCV to better attract, facilitate, retain, and grow investment. The recently created agency, CI-ATIC, based on a broad restructuring of the previous CVI, faces several challenges in fulfilling its mandate. The agency will be one of the key actors in promoting economic growth through its main driver in Cabo Verde, tourism. On the one hand, it will be responsible for increasing tourism by diversifying its supply and generating demand for its tourism destination product. To fulfill this, it will need to develop a long-term strategy for the sector and oversee its implementation. On the other hand, it will be responsible for promoting investment into the sector.
4. Cabo Verde has suffered a decline in FDI since 2008, when net inflows reached 12 percent of GDP. It decreased sharply to 7 percent in 2009 and 2010, 5 percent in 2011, 4 percent in 2012, and 4.5 percent in 2013, and is slowly rising, reaching 6.5 percent in 2014. The government must be proactive in attracting, managing, and retaining both FDI and DDI, through both institutional and regulatory reforms. As most of Cabo Verde's FDI is received from European investors, the downward trend mirrored that of the global financial and economic crisis and the slow recovery that has characterized FDI flows around the world. However, an indicator of world economic recovery is that FDI in the hotels and tourism sector increased by 36.3 percent in 2013 worldwide⁵. In that time frame, Cabo Verde has bucked this trend, including the regional one in SSA, where FDI inflows have

⁵ According to the FDI Report 2014, Global Greenfield Investment Trends, an indicator of world economic recovery is that FDI in the hotels and tourism sector increased by 36.3% in 2013. See: http://ftbsites.ft.com/forms/fDi/report2014/files/The_fDi_Report_2014.pdf

risen from 2012 (US\$39 billion) to 2013 (US\$41 billion) and 2014 (US\$42 billion), or that of the Small Island Development States, including Caribbean nations such as Antigua and Barbuda or Saint Kitts. Being a small open economy without significant natural resources, Cabo Verde cannot afford to sit on the sidelines to be left behind this trend. The government must be proactive in attracting and managing FDI to continue promoting growth and job creation. To achieve this, it must increase its understanding of the tourism market in which it competes, including perceptions from its current and potential tourists, tour operators, and current and potential investors—as will be conducted by CI-ATIC. Based on this demand knowledge, CI-ATIC can develop a more grounded National Tourism Strategy, including the development and promotion of the destination and of investment opportunities that resonate well with potential investors. To fulfill their role, CI-ATIC and other agencies involved in the tourism sector need to build their capacity to develop, manage, and promote the destination, while at the same time identifying investment opportunities for tourism/hotel projects and a value proposition for tourism investment, building target investor databases, reaching out to them, making the pitch in favor of investing in Cabo Verde, facilitating the decision-making process, evaluating proposals, and negotiating and closing deals.

Subcomponent 1.1: Strengthening the institutional framework for tourism management and diversification

Institutions: CI-ATIC and tourism-related agencies

5. The newly established joint tourism and investment promotion agency within the MTIBD, CI-ATIC, faces challenges in launching its operations. Its broad mandate—to promote both tourism and investment as the drivers of growth of the economy—requires a strategy for the sector, an action plan, and implementation support in the form of capacity building and marketing, among others.

6. The roles and responsibilities of the tourism sector have been split between the Central Tourism Authority and CI-ATIC. This subcomponent will provide technical assistance and capacity building for the development and implementation of CI-ATIC's business plan and the consolidation of its governing structure. An expert will support the agency's implementation. Capacity building will also be provided to the Central Tourism Authority and other entities related to the tourism sector. A long-term National Tourism Strategy and a short-term action plan will be developed to provide the sector with strategic priorities and direction to increase growth and make it sustainable, including the findings and recommendations from the SESA. Key activities to be supported include:

- (a) **Advice to CI-ATIC to start its operations, including development of a business plan.** A short-term consultancy will help guide the MTIBD through the decision-making processes required during the implementation of the newly established agency. The resulting business plan should detail the operating procedures of the governing structure, its secretariat, and other bodies aimed at promoting a robust PPD. It should also outline the agency's organizational structure with specific roles and responsibilities, including those that relate to environmental protection and risk mitigation. KPIs should be formulated to enhance the agency's performance and accountability. Once CI-ATIC's staff is in place, further technical assistance will

- be provided to help it execute its tourism action plan and at the same time build staff capacity. This will be delivered by a highly experienced consultant who will be an advisor to the agency for a period of 18 months. This can potentially be provided by the same consultant who had worked on the business plan, depending upon the MTIBD's assessment of his/her performance.
- (b) **Support for drafting the legal and regulatory reform instruments for the tourism sector.** This activity will be primarily geared toward the Central Tourism Authority, which holds the mandate for tourism policy within the MTIBD. Qualified specialists, both in tourism policy and Cabo Verdean law, will help review the current tourism legislation, identify key gaps, and propose solutions to fill those gaps; the findings and recommendations from the SESA will also be considered. This will include recommendations on which current laws need to be updated/expanded, what new legislation needs to be created, and how some current laws can be better implemented.
 - (c) **Carrying out capacity-building sessions for staff and management of CI-ATIC, and other relevant tourism stakeholders.** Beyond the day-to-day capacity-building opportunities that will be available through the advisor, several other targeted support activities will be provided as needed. These can include, for example, ongoing language training (primarily English and French) for staff, as well as a course on environmental and social risk identification and management, M&E techniques, among others. Such activities will be available not only for CI-ATIC, but also entities such as the Central Tourism Authority and ADEI.
 - (d) **Carrying out a SESA for the tourism sector.** To inform the National Tourism Strategy, the Government will prepare a SESA for the tourism sector. It will be prepared during the first year of the project and its findings will inform and guide project activities. The SESA will propose measures to optimize potential positive impacts or mitigate potential negatives ones, to inform the development of a sustainable tourism strategy. In line with this, the SESA will directly inform the capacity building efforts supported under the project, help to identify specific environmental and social management training needs and thus informing the on-the-job and training activities to be delivered under the various project components. Additionally, as part of the SESA detailed guidelines for assessing and addressing environmental and social implications of the tourism management planning efforts to be piloted under subcomponent 1.1, and for the tourism development concepts prepared under subcomponent 1.2, will be prepared. These guidelines will reflect World Bank safeguard standards and international best practice.
 - (e) **Design of a tourism strategy for the period 2017–2027 and an associated action plan for the period 2017–2019.** Cabo Verde's previous strategic plan for tourism expired in 2013. As such, it is currently operating without strategic guidance on how to develop the sector. A new strategy is particularly important in light of the new institutional structures for tourism and the desire to focus on diversification beyond the prevalent resort model of accommodation including long-term environmental and social sustainability. This activity shall start with gathering

comprehensive supply-demand market intelligence for tourism to determine how Cabo Verde can leverage current international trends and stand out with a differentiated tourism product. The strategy shall calibrate current tourism supply and demand, and decide on new target markets (tourists, travel aggregators/intermediaries, tour operators, and investors), products and services to be offered, and assets to be developed, hotels and resorts in particular, among other strategic aspects. The Government will also prepare a SESA for the tourism sector, further described under subcomponent 1.1, to inform the tourism strategy. The national tourism strategy will likely cover a period of six to ten years (to be determined by the MTIBD), with a specific action plan covering a period of two to three years and shall be built through intensive consultation with both public and private sectors. UNWTO has already provided a project document outlining how the national tourism strategy could be formulated. The process will likely take at least six months to complete.

- (f) **Online marketing and communications support.** Effectively managed online marketing and communications efforts can produce high returns, even with limited budgets. First, it will be necessary to create an Online Communications Strategy that will guide CI-ATIC's efforts in this area. Next, it will be important to provide training to relevant CI-ATIC staff on how to engage successfully in online and social media marketing.

Subcomponent 1.2: Improving the ability to attract tourism investment

7. While the levels and growth of FDI are slowly recovering, a more proactive role by the government, led by CI-ATIC, is critical to proactively attract, facilitate, retain, and expand investments to Cabo Verde, particularly in tourism. Cabo Verde lacks a brand that international investors can recognize and distinguish from other 'sun, sea, and sand' destinations. Such a branding and marketing strategy is a key pending task for the country. Moreover, the former agency, CVI, was not able to evaluate effectively the economic and financial benefits of investment proposals and had limited capacity to prepare information packages for tourism development opportunities that could be attractive to foreign investors or to reach out to them. It also lacked sufficient capacity and knowledge to engage in investor aftercare, thereby missing important opportunities to count on fully satisfied investors to generate positive testimonials and expand their existing investments. These challenges will be inherited by ATIC.

8. This subcomponent will provide technical assistance and capacity building mainly to ATIC, but also to the MTIBD and its tourism-related agencies, to develop comprehensive market intelligence and a coherent tourism investor outreach strategic plan, and build their capability to proactively engage in investment outreach, facilitation, and aftercare with the purpose of attracting, retaining, and expanding FDI and DDI, mainly focused on tourism/hotel investments. To increase the effectiveness of these institutions, support will be focused on building capacity to attract investment into undeveloped zones, selected opportunistically. In doing so, the project will provide technical assistance for the POT and build capacity in the creation and refinement of information packages for tourism development opportunities consistent with previous points, while taking into account

environmental and social aspects, described in the SESA. Moreover, the subcomponent will provide training in investment promotion, support the design and implementation of IRMS, and support proactive investment outreach. These activities should contribute to generating higher investment in tourism, while diversifying the source, destination, and types of investment into smaller hotels located in other geographical areas from various origin countries and companies. More specifically, this subcomponent will include the following activities:

- (a) **Tourism investor outreach strategic plan, investors' database, and promotion materials.** The project will provide Technical Assistance in the development of a coherent investment outreach strategic plan for the sector, underpinning the National Tourism Strategy (as discussed above) and the diversification of the sector. Guided consultations shall leverage Cabo Verde's National Tourism Strategy developed in Component 1.1, to determine the best investment opportunities to promote proactively among domestic and foreign investors. The strategic plan shall specify target markets (source countries, investor profiles, and specific investors), explain how to prepare project profiles for hotels and resorts that could be developed, set out the country's renewed value proposition, marketing mix, and outreach plan, among other strategic aspects. Creating a competitive and compelling value proposition (marketing message) for tourism FDI (hotel and resort) is key to be able to talk the language of the investors. It should build on the strengths and opportunities that Cabo Verde has, with particular focus on specific undeveloped tourism development zones. It shall also indicate the specific responsibilities of each of the involved players (that is, CI-ATIC, the Central Tourism Authority, Tourism Chamber, Ministry of Foreign Affairs, and others) and budgets, and place an emphasis on the most promising marketing channels to acquire target investors. Moreover, support will include a database of qualified target hotel/resort investors for the new product options (to be procured as part of the research for the outreach plan). This list will include those firms or individuals that actually put down money for hotels/resorts—not necessarily the hotel/resort brands or operators—and should screen out any questionable investors (for financial, reputational, social, or environmental issues). The project will also provide assistance to understand how to develop corresponding materials, namely a focused presentation, brochure and website content, and online communications designed strategically to target investors, to subsequently be implemented as described under point (d) below. The development of these strategic aspects will be framed as an iterative process among research, consultation, and strategic activities and guided by international marketing and tourism investment experts.
- (b) **Support for the design of a POT for one of the designated tourism zones.** In the first phase, this support will include (i) collection of documentation and identification of problems; (ii) studies on the biophysical characterization; physical, social, economic, and environmental characteristics; urban infrastructures; and equipment; (iii) development of diagnostic reports in biophysical fields, physical, socioeconomic, socio-urban, and environmental aspects, infrastructure and equipment, and tourism development; (iv) development of maps; (v) studies/elaboration of development scenarios; (vi) preparation of the preplan, based

on the selected setting, containing the reports and the graphics; (vii) consultation with all stakeholders, including public and private agencies and civil society; and (viii) development of the design proposal of the chosen scenario. In accordance with national legislation and the detailed guidance to be prepared and adopted under the SESA. The second phase of this activity includes, among others presentation of: (i) the development plan, containing the reports, any necessary safeguards instruments, the planning letter, and all the supporting surveys and legislation and (ii) inputs from stakeholders including public agencies and tour operators. The Bank Safeguards specialists will review and clear the ToR for the consultancies to design the POT to ensure that they are consistent with Bank safeguard policies.

- (c) **Consultancies to build capacity to design new or improve existing information packages for tourism development opportunities.** To attract effectively new investment in tourism, identifying specific investment opportunities is necessary. Otherwise, investors may not perceive the value proposition of Cabo Verde and its destinations. Thus, in parallel to previous activities, the project will finance a firm to provide technical assistance to build CI-ATIC's capacity to prepare and refine concept-level information packages on potential hotel and resort development opportunities in undeveloped zones. This may involve building capacity to take available properties (public or private) or current project concepts and present them to the market, including relevant information (e.g. maps, pictures, financial data, graphs, text) in a brief, aiming to persuade investors about the benefits of investing in such locations/projects. Capacity building will also be provided on how to undertake and present in the conceptual information packages that will also include a preliminary screening for potential environmental and social issues, and guidelines as to what the environmental and social issues would mean for a potential investor. These guidelines will be developed and adopted by the GoCV as part of the SESA activity supported under subcomponent 1.1 described above. TORs for these consultancies will be subject to review and clearance by the WB safeguards team, prior to the Bank issuance of a non-objection.
- (d) **Direct marketing and outreach campaigns to attract potential tourism investors.** The project will finance direct marketing (mailers, telemarketing, and networking) for several outreach campaigns, using the outreach strategic plan as a guide.
- (e) **Design and implementation of an investor relationship management system (IRMS) and provision of relevant software for analysis of investment proposals.** As a key complement to technical assistance and capacity building, the project will support the design and implementation of a comprehensive IRMS, including acquisition of its CRM software licenses for four years, for CI-ATIC, and for selected commercial diplomats (Ministry of Foreign Affairs) in strategic markets. These systems will help involved entities to professionally contact investors and follow up on their specific needs to make a decision, establish, operate, and expand. This system should become the backbone for CI-ATIC to facilitate teamwork among all the staff dealing with investors and effectively attract investment (either foreign or domestic). This system should link well with that of

the one stop shop at CI-ATIC (formerly CVI). Furthermore, software for investor aftercare and project analysis will be provided.

- (f) **Development of standard operating procedures (SOPs) for investor promotion, facilitation and aftercare** The project will support the design and implementation of the SOPs to promote, facilitate, support, establish, retain, and expand investment. The SOPs will include detailed description of each activity done by each person in the organization, or elsewhere, in a flow, using tailored templates and seamlessly integrated with the IRMS (e).
- (g) **Consultancies to design and deliver training/workshops on effective investment promotion, investor outreach, facilitation, and aftercare.** From the early stages, the project will finance technical assistance to build investment promotion abilities at CI-ATIC and other key partners/stakeholders dealing with investment. This will help build a common understanding about investment promotion best practices, while encouraging collaboration. The technical assistance will prepare and implement a broad effective investment promotion workshop, followed by more specific workshops and coaching sessions about proactive outreach to investors, facilitation of investment decisions, due diligence screening (including verification of the investors' environmental and social record), evaluation of investment proposals, drafting, and negotiation of investment contracts. Lessons learned will be applied to attract investment into the existing tourism zones. Lastly, training will be also provided to design and establish an aftercare program. Such training will be held in Cabo Verde and utilize systems such as the IRMS and SOPs.

Component 2: Diversify the sector and increase the inclusiveness of tourism-led growth by strengthening the competitiveness of local MSMEs

9. The objective of this component is to increase the competitiveness of MSMEs to benefit from tourism growth. The majority of firms in Cabo Verde (over 95 percent) are MSMEs. While there is great potential for them to benefit from investment in the tourism sector, they are constrained by internal limitations, as well as those in the institutional and regulatory environment, particularly in terms of access to finance. Internally, they lack technical skills such as marketing, FM, compliance with health, regulatory and environmental standards, and sector-specific competency. As of 2009, only 16.6 percent of firms—about half of the SSA regional average—were offering in-house training to address some of these issues. About one-third of firms (31.3 percent) had their annual finances externally audited and 15.9 percent had an internationally recognized quality certification.⁶ Without such skills and the ability to articulate their business or idea in a viable plan, MSMEs have difficulty competing.

⁶ World Bank. Enterprise Surveys for Cabo Verde, 2009.

Subcomponent 2.1: Designing and implementing a quality label for small accommodation establishments and support to private sector organizations

10. The government's strategy of diversification beyond resort tourism will be difficult to achieve without significant improvement and expansion of the supply of small-scale accommodations. International best practice indicates that quality labels can be an effective means of improving the performance of such businesses. This will have important economic impacts in Cabo Verde, where a Bank study has demonstrated the relatively strong local supply-chain linkages of small-scale accommodations.

11. A well-designed quality label program will bring several other key benefits to Cabo Verde. It will help position Cabo Verde as a multifaceted destination that extends well beyond the resort market. It will also likely encourage unlicensed operators to become official, thus broadening government quality control and expanding its tax base. The initiative can also improve local perceptions of tourism, dispelling the notion that it only benefits large, foreign operators. It will also introduce sustainability practices that help limit the sector's environmental footprint while saving money for businesses. Finally, it can help promote better coordination and collaboration among the country's small accommodations establishments.

12. A strong model for the quality label, which will be voluntary and eventually require matching contributions from participants, comes from the 'Seychelles Secrets' initiative. Cabo Verde public and private sector stakeholders learned about this program through the South-South Knowledge Exchange and felt it would fit well within the context of their country's tourism sector. Other quality label initiatives have been benchmarked from Australia, Egypt, and the Réunion Island. The development and implementation of the quality label in Cabo Verde will be led by the MTIBD's IGQPI in collaboration with the Chamber of Tourism and CI-ATIC, once it becomes operational. The program will target accommodations establishments on all nine inhabited islands, both in urban and rural areas, and will make a concerted effort to include female-run establishments. The process of creating the quality label in Cabo Verde will involve four principal stages, as detailed below.

- (a) **Development of standards/criteria and operational procedures.** These will be based on a review of international benchmarks and adapted to the Cabo Verde context. An international consultant will facilitate the process, while decisions will be made by a steering committee consisting of the IGQPI, CI-ATIC, Central Tourism Authority, the Chamber of Tourism, the two chambers of commerce, and ADEI. International best practice suggests that the program utilizes two sets of criteria. The first is 'service', which includes subcategories such as reservations, welcome, checkout, and dining. The second is 'physical', which includes subcategories such as location and access, general appearance, rooms, restaurant, kitchen, and responsible environmental and social business practices. Once the standards/criteria and operational procedures have been finalized, a program manual will be developed and disseminated.
- (b) **Recruitment, selection, and training of evaluators.** Evaluators will first need to be recruited and selected. Then they will need to be trained. A consultant will be

contracted to support both the development of the curriculum and delivery of the training.

(c) **Training of small accommodations' owners/managers.** This will be the core component of the project and should significantly expand participants' capacity to provide high-quality service to clients. First, a short training course will be delivered. It will cover international best practices in customer service as well as provide an orientation on the label's various criteria. Then personalized technical assistance will be provided to help prepare establishments for evaluations. The process will be led by an international consultant, working in close collaboration with a counterpart from the IGQPI.

(d) **Development of promotional channels.** First, the visual identity of the label will be created. Establishments that pass the evaluation will get the electronic version of the logo to place on their websites and marketing materials. The logo will also be printed onto stickers that owners can place at their storefront. Another important mechanism to promote accommodations that have earned the label will be the development of a high-quality website. Additionally, brochures will be created for dissemination at trade fairs, visitor information centers, and so on.

13. **Support to private sector organizations and MSMEs.** This activity will improve MSMEs' ability to respond to market needs, focused on those in the tourism value chain. The support will be guided by market needs as identified in the tourism strategy supported in Component 1.1, as well as the existing inventory of tourism products retained by the MTIBD. For example, should the Sao Vicente Carnival be identified as a priority product to develop, then MSMEs associated with this event (event planners, costume vendors, and so on.) will be offered business skills and technical training. The support to MSMEs will be materialized in two avenues: (a) direct assistance to private sector organizations and associations (chambers of commerce, Chamber of Tourism, 3C, and others) to increase their capacity to provide these types of trainings, thereby making it a sustainable form of support to MSMEs and (b) direct support to MSMEs in the form of business skills and technical trainings, as well as workshops during the lifetime of the project.

14. Two of the main capacity building activities will be:

(a) **Building capacity for MSMEs to implement a Cruise Tourism Action Plan for 2016–2017.** The Cabo Verde cruise ship tourism market is booming, both on the port of Mindelo and in the capital, Praia. The stakeholders involved have responded by creating a Cabo Verde Cruise Ship Community (dubbed 3C—*Comunidade Cabo-Verdiana de Cruzeiros*) as a public-private body that has developed an extensive action plan geared toward promoting the country as an attractive cruise tourism destination, as well as advocating for additional measures to boost this market niche. The action plan includes elements related to supporting the development of the cruise ship market in collaboration with the 3C, including undertaking market research on cruise tourism, conducting market outreach and other promotional activities, training MSMEs to develop and package compelling experiences for cruise tourists, and collecting data on cruise tourism visits to the country. Through this activity, technical assistance

and capacity building will be provided to help 3C implement elements of the action plan that are deemed to be of the highest priority.

(b) Building capacity for MSMEs to develop new tourism products. The Central Tourism Authority, formerly the Directorate General of Tourism, recently conducted an extensive inventory of the country's existing tourism assets. Many of these assets, however, cannot be considered yet as products that can be experienced by tourists. Through this activity, training and technical assistance will be provided to help local stakeholders to convert some of the highest potential assets into true tourism products. The support for the development of new tourism products will be provided through the Chamber of Tourism and the Chambers of Commerce (Northern and Southern). To this end the chambers will receive training, (e.g. train the trainer initiative). This will raise their capacity to provide training for the MSME sector, including inter alia, business skills, finances, and environmental and social risk identification and mitigation, for them to train and support MSMEs with the development and/or improvement of tourism products and businesses. One example is the development of cultural events, such as the Sao Vicente Carnival, which has a strong potential to attract new tourists (particularly during low season), provide economic opportunities for local MSMEs, and enhance the destination's brand.

Subcomponent 2.2: Improving the business environment to increase access to finance for MSMEs

15. This subcomponent of the project will support reforms for an improved and predictably implemented regulatory environment to improve access to finance. Activities under this component are aimed at implementing measures contained in the recently produced *Cabo Verde: Strategy for Increasing Access to Finance for Micro, Small, and Medium Enterprises* facilitated by the Finance & Markets Global Practice. The two key areas of reform identified in the strategy are (a) the implementation of a modern insolvency framework to facilitate firm exits at the end of the business cycle and (b) the establishment of a movable collateral registry for secured transactions.

16. Regarding the first area, the government has identified the new draft Recovery and Insolvency Code, recently approved by the National Assembly in general form in December 2015, and its implementation as a priority. Currently, the lack of clear and well-established insolvency procedures means that losses in the event of bankruptcy are likely to be greater for all parties, as legal challenges to competing claims on assets of insolvent firms can exhaust a substantial proportion of the firm's remaining resources. Insolvency reforms introduce clarity that reduces risks for secured and unsecured creditors as well as investors in the firm, thereby contributing to greater access to credit. This is especially important for MSMEs, which are often seen as the most risky borrowers because of their relatively higher rate of insolvency.

17. To further underscore the underdevelopment of the insolvency system in Cabo Verde, Doing Business 2016 ranks Cabo Verde at 189 among 189 countries for the Resolving Insolvency indicator. Cabo Verde is listed as a no-practice country for

insolvency. In the more detailed Doing Business questionnaire, Cabo Verde received 0 out of 3 points for reorganization provisions and 0 out of 4 for creditor participation in insolvency proceedings, under the existing legislation. The insolvency and liquidation of companies in Cabo Verde is governed by the Civil Procedures Code, which provides for a single bankruptcy procedure (*falência*). Company rescue or re-organization procedures are not available in the country.

18. Reorganization, or rescue of financially distressed businesses, is one of the most important benefits of a modern insolvency system. Instead of automatically liquidating businesses that run into financial difficulty, a modern insolvency framework allows them to reorganize through agreements with creditors that reschedule debt and adjust operations to reach and maintain solvency. Business rescue leads to higher recovery for creditors and saves viable businesses, and in doing so preserves jobs and economic activity. The recent economic slowdown in Cabo Verde provides an opportunity to introduce an insolvency code that can help businesses to recover and thus support ongoing commercial activities by businesses that were affected by the economic slowdown.

19. Currently, insolvency and liquidation are governed by the Civil Procedure Code including priority in payment to creditors when assets are insufficient to satisfy all claims. A new Recovery and Insolvency Code has been drafted under the auspices of ADEI and proposed to the National Assembly in December 2015, and was passed in general form.

20. The project will support the new insolvency legislation that deals with companies' liquidation and reorganization, as well as a modernized, personal bankruptcy regime for individuals and unincorporated businesses. This will allow a coherent, streamlined insolvency framework in line with best practices. The following activities will be financed under this subcomponent:

- (a) **Review and update the legislative framework related to the Recovery and Insolvency Code and related legislation and subsequent drafting of implementing regulations.** To implement the new diploma, a review of the law and related legislation needs to be done for conformity, such as those on the organization of the courts, judicial fees, and others. Furthermore, implementing regulations are required to make the law effective.
- (b) **Outreach campaign on the approved insolvency law for all stakeholders.** Due to the lack of practice of insolvency procedures in Cabo Verde, an outreach campaign is needed to educate the public and all stakeholders on its uses and benefits.
- (c) **Support to *Camara de Comercio de Sotavento* in identifying, training and certifying arbitrators and mediators for its alternative dispute resolution center.** The draft insolvency law provides for an extra-judicial process of creditor-debtor negotiations in cases of imminent insolvency that will then be approved by the court. It is contemplated that this process will be conducted through the newly established Alternative Dispute Resolution (ADR) Centers at the chambers of commerce. The chambers have recently obtained licenses for the establishment of two ADR centers—one in Barlavento and one in Sotavento. The ADR center in

Barlavento has been reported to have already started operations with the launch of rules on arbitration and mediation and the first 20 neutrals being trained. The Sotavento Center, however, does not yet have a roster of arbitrators and mediators. Once arbitrators and mediators have been identified, they will need extensive training and certification, to be able to provide quality services.

- (d) **Create a pilot committee with technical experts to lead the PPD on the insolvency implementation (*equipa de acompanhamento*).** It is crucial for all interested stakeholders to have the opportunity to actively participate in the consultation process to ensure that the applicability of the proposed framework to reality in Cabo Verde is well-addressed. While some workshops were held to develop the draft code, a PPD platform should be established to monitor implementation and correct any gaps.
- (e) **Training of judges and court staff; lawyers; administrators; auditors and accountants; and chambers of commerce.** There is neither experience with insolvency in Cabo Verde, nor is there any trustee/insolvency profession. Stakeholders have limited knowledge of insolvency and its practice. Implementing a system as complex as insolvency, with multiple parties, and the need to safeguard and distribute assets to parties with different priorities, will pose challenges to authorities and the judiciary. Training of the professionals involved will help to ensure that all those involved are fully aware of the new system and are inclined to use it appropriately.
- (f) **Drafting the legal and regulatory framework for the Recipient's proposed moveable collateral registry.** See below, points 22.a and 22.b for description.

21. **The project will also support the review and diagnosis of the reforms necessary for the introduction of a modern secured transactions system in the country.** While land and buildings are widely accepted as collateral, the absence of clear property rights and deficiencies in the legal framework and enforcement limit the ability of businesses—particularly MSMEs—to leverage their assets into capital for investment and growth through secured lending from banks and other lenders. The absence of an electronic and centralized movable collateral registry also makes it impossible to register assets such as inventory, accounts receivables, crops, and equipment as collateral for loans. Research has demonstrated that well-established movable collateral registries increase the availability of credit and reduce the cost of credit. The following activities will be financed under this subcomponent:

- (a) **Diagnostic to assess current secured lending regime** in Cabo Verde and provide recommendations on how to implement the reform including a tentative action plan.
- (b) **Legal and regulatory framework.** Advice to the GoCV on the necessary improvements to the legal and regulatory framework through the drafting of a new Secured Transactions Law and collateral registry regulations.
- (c) **Design, development, and launch of an electronic centralized moveable collateral registry** for security interests in movable property.

- (d) **Capacity building.** Provide training and awareness raising on the new system to government officials as well as to financial institutions, the legal community, and businesses.
- (e) **Outreach and publicity campaigns.** Outreach and publicity is necessary to inform the public about the new system and its importance in increasing opportunities to access finance using movable collateral.

Component 3: Project Implementation

22. This component will finance project implementation costs of the UGPE. This PIU is housed within the MTIBD and has been selected by the government to implement this CTD project. This component will strengthen the capacity of UGPE for Project management, coordination, monitoring and evaluation, including fiduciary (i.e. financial and procurement management), environmental, and social safeguard compliance, and reporting.