

TERMS OF REFERENCE SPECIAL ECONOMIC ZONE STUDY

I. CONTEXT

One of Cabo Verde's main strategic objectives, defined by Strategic Sustained Development Plan (PEDS II) is to transform Cabo Verde into an International Business Platform, taking advantage of its strategic location in the Middle Atlantic, among the main markets in Europe, Africa, North America and South America.

It is an ambitious goal and one that requires creating an attractive, competitive and credible business ecosystem, capable of massively attracting foreign direct investment in the sectors of air transport, tourism, international distribution logistics industry, processing for export and supply of various specialized support services for companies that come to operate in Cabo Verde or that intend to take advantage of the favorable conditions that the country can offer. Air transport, due to its worldwide dynamics in terms of passenger and cargo, is one of the crucial drivers of the success of this objective.

Due to its strategic location and its insularity, Cabo Verde has become a country with a strong vocation in terms of civil aviation, with emphasis on Sal Island, where there is an important airport infrastructure and a credible international air navigation system (FIR-Flight International Region), with enormous expansion potential, capable of transforming Sal airport into a crucial and strategic Aviation Hub in the Atlantic region.

Significant changes have been taking place in the air transport system in Cabo Verde, namely: (i) The experience gained by Cabo Verde Airlines in operating hub-and-spoke in Sal airport, offering in 2019 flight connection to Ghana, Senegal, Portugal, France, Italy, Brazil, United State of America; (iii) Concession Agreement with Vinci Airports to operate Cabo Verde airports; (iv) relaunching of TACV operation, after a long stop period, due to the pandemic of covid 19, as well the decision of the Government to stabilize and to reprivatize the company; (v) actions aimed at attracting new airlines (above all those of low cost) to operate in Cabo Verde; (vi) Start the review of the civil aviation legal and regulatory framework, in order to become Cabo Verde air transport more competitive; (vi) Government initiative to privatize the CV Handling. All these changes, verified or in progress, are ingredients, which added to other conditions, may contribute greatly to the transformation of Sal Island airport into an important Aviation Hub in the middle Atlantic.

Cabo Verde has around half a million inhabitants. The economy has grown on average at a rate of 5% per year. In 2022 Cabo Verde grew more than 17%, which demonstrates a strong recovering of its economy, after the Covid 19 pandemic. In 2023, GDP grew by 5.1%, driven mainly by a record of more than 1 million tourists.

The strong growth in investment in the tourism sector in recent years has contributed to a rapid growth in the international flow of tourists, with an average growth of 8%, between 2010 and 2019. In 2023, the number of tourists (guests) grew by 20.29% compared to 2022 and 23.4% face to 2019. The tourism represents about 25% of GDP and together with air transport it is the lever for the country's development. A strong investment in the construction of international hotels and resorts is planned for the next three years, placing a further 7,175 rooms on the market.

In the period from 2014 to 2019, international passenger and aircraft traffic at Cabo Verde airports had an average annual growth of 10% and 6% respectively. In 2019, international traffic at Cabo Verde airports reached 1,95 million passengers and 19,11 thousand aircrafts. More than 30 cities in 17 countries were connected to Sal airport through daily or weekly flights. Of these cities more than 20 were European and the rest were from United States, Brazil and Africa.

Due to the severe impact of the covid 19 pandemic, there was a significant drop in air traffic at Cabo Verde airports during 2020 and 2021. However, this air traffic has been recovering since 2022. In 2023, the international passenger traffic exceeded that of 2019, going from 1.95 million to 2.03 million.

Amilcar Cabral International Airport, located in the island of Sal, has a runway of 3,270 meters, suitable for ICAO class 4E aircraft (B747/400 and A340/600), it is considered an alternate airport to NASA space shuttle ships. The airport has seen significant improvements in the past in terms of infrastructure and equipment and air navigation. Recently, Cabo Verde's airports were concessioned to Vinci Airports, which began managing them from July 2023. As a result of the concession agreement, Vinci began implementing important investments to be made over the next few years..

From the above, in addition to a positive world recovering of passenger and tourism flow, Sal airport and the island itself have the following favorable initial ingredients for its transformation into a Special Zone Economic Zone (SEZ), in which the development of an Aviation Hub and an Airport City stand out: (i) Cabo Verde's strategic location in the Middle Atlantic, as central to the 3 Atlantic continents (Africa, Europe and the Americas). (ii) positive recovering of passenger air traffic to Cabo Verde and tourism; (iii) Resumption of TACV operations and good prospects for continuing the air hub from Sal, aiming to connect to some airports in Africa (Senegal, Guinea Bissau), Europe (Portugal, France, Italy, Holland) and the Americas (Brazil, United States); (iv) attracting other low cost airlines and those that are going to feed the Sal Air Hub for distribution to other destinations

In this context, Ilha do Sal, with its 219,8m2 and a long tradition in terms of airport activity and civil aviation in general, has a high potential and vocation in airport and tourism

development, capable of generating investment and business opportunities that make it an international platform for passenger distribution and air cargo distribution logistics. To enhance this vocation, the Government of Cape Verde intends to develop a Special Economic Zone in the Sal Island with the Air Hub and the Airport City as its main anchor. The Special Air Economic Zone (SEZ) would be a special economic area, being able to cover the whole island, one or more spaces delimited on the same island, for the development of activities of an economic nature defined in the respective Strategic Plan, with special tax, parafiscal and customs regimes, special labor regimes, among others, aimed at taking advantage of Cabo Verde's strategic location and creating competitive advantages, for the promotion of economic and business development, namely through the attraction of foreign direct investments, the promotion of exports and the promotion development of the private sector, as well as to promote Cabo Verde's insertion in the regional and global economy

II. OBJECTIVE

Propose a short, medium and long-term Development Plan for the Special Economic Zone, with its epicenter on Sal Island and anchored to the air hub at Sal airport, with a special tax regime that offers an attractive and favorable environment for business development. For this purpose, the consultant must **design the Special Economic Zone (Masterplan), prepare the Business Plan, Implementation Plan and Operation Plan.**

III. TASKS TO BE DEVELOPED

Considering the recent study on the air transport connectivity in Cabo Verde made by ALG, as well other studies on civil aviation regulatory framework, the consultancy should focus on the following tasks

1. Assess the Cabo Verde ecosystem of the air transport and of the country. Evaluate the existing airport infrastructure and the efficiency of service provision, particularly at the airport on the Sal island, the competitiveness of airport fees, the efficiency and competitiveness of the Sal FIR service, the regulatory system for civil aviation in Cabo Verde, the international and domestic air connectivity, as well as the country's tax incentive regime.
2. Evaluate the current aircraft, passenger and cargo traffic (2023 and 2023) and the traffic projection made by ALG until 2035, taking into account the potential development of tourism, of the international and domestic air connectivity, of the aviation hub in Sal Island and of the impact of the Special Economic Zone development.
3. Carry out a SWOT analysis on the prospects for the development of the Air Hub at Sal airport and the transformation of Ilha do Sal into a Special Economic Zone, anchored to the air hub;
4. Identify and evaluate the main air hubs in Africa, Europe, North America and South America, with which the Sal air hub could be interconnected with the objective of reinforcing

its potential in terms of hub-and-spoken, extend Cabo Verde's air connectivity with the rest of the world and boost the development of the Special Economic Zone on the Sal Island.

5. Propose a set of actions that can encourage and attract more airlines (low cost, tourism charters, business charter, regional and international cargo) to fly to Cabo Verde or to create subsidiaries to operate from the Sal airport, in order to boost the flow of passengers and the development of the Air Hub.

6. Design the concept and business model of the Special Economic Zone of Sal Island, which takes into account the potential and business opportunities that may be offered and developed inside and outside the airport perimeter and throughout the island, in terms of:

(i) Value Chain, linked to civil aviation: supply chain, under special tax regime, of goods and services related to civil aviation, namely executive and recreational aviation, aircraft parking, maintenance and supply of aircraft consumables, training centers, aircraft lease and charter companies;

(ii) Airport City. Real estate, business hotels, entertainment service centers (gastronomy, cultural and leisure activities, international shows), duty free shopping centers, financial services, offices/headquarters of companies and regional and international organizations, digital nomad world, health service, financial and insurance services, etc;

(iii) Tourism and Events: resort hotels, tourist real estate (condo-hotel, second home), international events and convention centers (international summits, corporate retreats, beach sports, international nautical events);

(iv) International Center for Logistics and Distribution: duty free logistic and supplying companies, export processing zone (distribution and redistribution of goods).

7. Identify a set of business opportunities that can generate value chains and complementary activities that interact and feed the air hub, transforming Sal Island into a Special Economic Zone and specifically the area surrounding the airport into a Airport City, taking advantage of the strong existing synergy between air transport, tourism and trade.

8. Identify business opportunities that can attract investments in renewable energies (solar and wind energy) and Sustainable Aviation Fuel (SAF), with a positive impact on energy efficiency and the environment, contributing to the reduction of CO₂ and protection of the planet earth.

9. Work and propose a package of special tax incentives and facilities, to be in force in the Special Economic Zone of Sal, which will attract and makes foreign direct investment, endogenous investment and Cabo Verdean diaspora investment competitive.

10. Survey of available land in Sal and its mapping in potential business areas;

11. Propose a conceptual design for the future expansion of Sal airport, to support the development of the air hub, the airport city and the Special Economic Zone of Sal.

12. Work on a Master Plan for Land Development (Greenfield Development Plan) to be acquired within the scope of the Special Economic Zone, which includes the urban concept and the necessary infrastructure. The Master Plan should take into account a perspective of

phased development, considering the dynamics of the market, competitiveness and sustainability of the Sal SEZ;

13. Work and propose legal diplomas that create and define the operating regime of the Sal Special Economic Zone.

14. Propose a business organization model for the Sal Special Economic Zone (for example, economic group, holding company, private equity firm), from a public-private partnership perspective.

15. Propose potential investors, specialized in development and management of the SEZ, to be strategic partner of the Government.

16. Prepare, depending on the potential business opportunities that are offered and the necessary investments for the short-, medium- and long-term development for the Special Economic Zone, a Business Plan, which includes the investment plan and the financial projection, based on different scenarios.

17. Work and propose a Real Estate Management Plan, which aims to promote the Special Economic Zone, the sale of land for business deployment and support the ownership objectives.

18. Propose, considering the objectives sought with the SEZ, the profile of investors to be attracted at an international and local level and who can invest directly in the business opportunities that are offered, either within the scope of the Real Estate Development Plan or the own businesses that will be able to develop directly, in the context of the Special Economic Zone.

19. Work and propose an Operational Plan for the implementation of the Special Economic Zone, which includes the promotion and marketing plan to attract investors in the different business domains.

20. The consultancy must, under the articulation of the Ministry of Tourism and Transport, work with the main stakeholders, namely Ministry of Finance, Ministry of Infrastructure, Cabo Verde Trade Invest, Cabo Verde Airlines, Cabo Verde Airports and business private organizations.

IV. DURATION AND PRODUCTS TO BE DELIVERED

The consultancy will be carried out within a maximum period of 180 days, taking into account the objective and tasks defined above and the following products must be delivered:

Deliverables	Minimum Content	Delivery timing	Pyament (%)
D1 – Inception Report	Work plan with methodology, task detail, execution schedule and detail of the technical consulting team to be affected	2 weeks after signing the contract	10% with D1 approval
D2- Interim Report	Diagnosis on the potential of the strategic location, the business ecosystem and the Cape Verde air transport system; present, in an analytical way, the results, conclusions, recommendations and proposals arising from the work carried out within the scope of tasks 1 to 5 of this ToR.	8 weeks after signing the contract	15% with D2 approval
D3- Draft of the Conceptual Plan of the Special Economic Zone	The Conceptual Plan must have details with concrete proposals that reflect tasks 6 to 14 to be developed within the scope of this ToR.	16 weeks after signing the contract	20% with D3 approval
D4. Draft of Business Plan for Special Economic Zone	The Business Plan should develop a detailed business model for the Special Economic Zone, based on assumptions of previously identified business	20 weeks after singing the contract	25% with D4 approval

	opportunities and their dynamics, and make a financial projection that points to its economic and financial sustainability. Must reflect the task 15 reflected in this ToR		
D5. Final Report Draft	The Final Report should include deliverables D1 to D3, as well as concrete proposals with all ZEEA management and implementation instruments, in accordance with tasks 16, 17 and 18 of this ToR, including the main conclusions and recommendation, taking into account the development of the ZEEA in the short, medium and long term	24 weeks after signing the contract	25% with the D5 approval

D6. Workshop with the different stakeholders to present, in power point, to present the Special Economic Zone Development Plan.	During the Workshop, the consultant must present the main development axes of the SEZ	25 weeks after signing contract	5% with D6 approval
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V. CONSULTANT PROFILE

The Consultant must be a firm or a consortium of firms with strong knowledge and international experience in the development of models of special economic zones, air transport sector, financial set-up, promotion and marketing to attract investors and relationship capacity with International Funds and Investment Banks. The firm/consortium must present a portfolio, demonstrating similar works, especially in the last 10 years.

The team should consist of five key-staff, with the qualifications and experiences indicated below:

- 1) **Senior Expert in the design of strategic development models for special economic zones**, with strong knowledge and more than 10 years of experience. Experience with models of special economic zones anchored in the air hub is an asset.
- 2) **Senior Expert in real estate and urban development**, with strong knowledge and more than 10 year of experience. Experience in the development of airport cities is an asset.;
- 3) **Senior Expert in air transport**, with strong knowledge and more than 10 years of experience in forecasting passenger and cargo flows, as well as in strategic planning and development of the air transport, particularly in the air hub development model. Experience in airport management is an asset. ;

4) **Local legal expert**, with over 10 years of experience in drafting legal and regulatory diplomas. Experience in the preparation of legal diplomas related to the Special Economic Zone is an asset.

5) **Senior Financial Expert**, with strong knowledge and more than 10 years of experience in the elaboration of business plans related to the development of models of special economic zones.

In addition to the key staff, the Consultant may wish to present acceptable **non-key staff**, preferably professionals of Cabo Verde nationality, with knowledge and experience in the study-related fields, to assist in stakeholder consultations, field observations, data collection and logistical work. This recommendation should ensure and facilitate data collection, coordination with local counterparts and insight into the local context.

VI. WORKING LANGUAGE AND PRESENTATION OF DELIVERIES

The language of the work with the national technical team must be Portuguese, so the Consultant must have members of the key-staff who are fluent in Portuguese and who ensure the bridge with the entity responsible for the technical follow-up of the study. Deliverables shall be submitted in Portuguese and English for allowing consultation and dissemination among stakeholders. They may be translated from originals in English if the Consultant finds it more appropriate.

VIII. REPORTING

The Consultant will report directly to the Ministry of Tourism and Transport. For matters related with the execution of the contract, the consultant reports to the UGPE (Unidade de Gestão de Projetos Especiais), a government entity mandated to oversee public development programs-projects, in articulation with national authorities.

IX. ADMINISTRATION AND LOGISTICS

All traveling and allowance costs related to the Consultant's field missions/stakeholder consultations/workshops are the Consultant's responsibility. For workshops and alike, if there are operational costs to be incurred, those shall also be of the responsibility of the consultant, and therefore should be part of the Consultant's financial proposal. Meeting rooms and facilities for workshops will be made available by the MTT.

X. CONTRACT TYPE

A lump-sum form of Contract shall be signed. Thus, payment to the Consultant of remuneration are linked to the approval, by the MTT, of products delivered. Payment of reimbursable expenses are made by the Client, via wire transfer to the consultant's bank account, upon presentation and verification of receipts of expenses incurred at real cost.

XI. OTHER INFORMATION

The reports must be objective and refer to the activities carried out, in accordance with the present terms of reference and work schedule established in the technical proposal and in the contract, so that they can be evaluated, both with regard to the degree of progress of the activities and in regarding possible operational difficulties.

All studies, reports, research, information or other materials produced, including graphics, files, documents and electronic data, regardless of the means of information in which they are found, will belong exclusively to the State of Cabo Verde and may / will be incorporated into the collection of stakeholders with direct involvement in the civil aviation sector.