
CREDIT NUMBER 6824-CV

Financing Agreement

(Additional Financing for COVID-19 Response to the Social Inclusion Project)

between

REPUBLIC OF CABO VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6824-CV

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF CABO VERDE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the scale-up of activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Preamble or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to seven million Special Drawing Rights (SDR 7,000,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV —EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has provided evidence, that Cash Transfers financed under Part 2(a) of the Original Financing Agreement, up to November 30, 2020, were paid by payment providers to eligible beneficiaries, as per the list provided by the Recipient, all in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its minister responsible for finance.
- 5.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:
- Minister of Finance
Ministry of Finance
Avenida Amilcar Cabral
C.P. 30, Praia
Cabo Verde; and
- (b) the Recipient's Electronic Address is:
- E-mail:
- Gilson.g.pina@mf.gov.cv; and
Malaquias.lopes@mf.gov.cv
- 5.03. For purposes of Section 11.01 of the General Conditions:

- (a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

- (b) the Association's Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF CABO VERDE

By:

H.E. Dr. Olavo Avelino Garcia Correia

Authorized Representative

Name: H.E. Dr. Olavo Avelino Garcia Correia

Title: Minister of finance

Date: 27-jan-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Nathan M. Belete

Authorized Representative

Name: Nathan M. Belete

Title: Country Director

Date: 27-Jan-2021

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient's efforts in building an effective social protection system that promotes social and productive inclusion.

The Project consists of the Original Project as modified below:

Part 1. Strengthening the Recipient's Social Protection Systems

Enhancing the capacity of MFIS and Participating Municipalities to implement, monitor, and evaluate safety nets programs as an integrated and permanent safety net system, through:

- (a) Building permanent systems to implement Social Protection programs.
 - (i) provision of technical assistance to build the technical capacity in social protection of MFIS, DGIS, DGPOG, and Participating Municipalities;
 - (ii) enhancing the Recipient's geographical and household targeting system, payment system under the RSI Program, a M&E system, the Management Information System ("MIS") of the RSI program, a Grievance Redress Mechanism ("GRM"), a communications system and strategy for the RSI Program and the USR, and a referral system for safety net beneficiaries to access productive opportunities supported under Part 2 of the Project; and
 - (iii) providing Project implementation support to MFIS through the recruitment of technical experts to support MFIS or Participating Municipalities.
- (b) Expanding the Unified Social Registry (USR).
 - (i) conceptualizing the USR: defining the business processes for the USR by promoting an open consultation between MFIS and the Participating Municipalities;
 - (ii) defining outreach processes: developing a communications strategy for the USR;
 - (iii) assessing needs and conditions to determine eligibility of potential beneficiaries for social programs: collecting information on categorical characteristics and socio-economic factors pursuant to the criteria set out in the POM, transforming the information

collected into measures of welfare and then comparing it to pre-defined eligibility criteria to determine potential eligibility for beneficiaries of social programs;

- (iv) improving and maintaining the information technology system (hardware and software) of the USR at the central and decentralized levels; and
- (v) Municipality Grants to Scale-up the USR: financing the operational costs to register 8,000 additional households in additional Participating Municipalities.

Part 2. Expansion of the RSI Program

Scaling up and improving the targeting and efficiency of the RSI Program through:

- (a) Cash Transfers: Scaling-up the provision of cash transfers to poor households selected in accordance with the criteria set forth in the POM.
- (b) Productive Inclusion: Supporting productive inclusion of beneficiaries of the RSI Program in Participating Municipalities, including through the financing of Municipality Grants for Productive Inclusion to the benefit of eligible households pursuant to the criteria set out in the Grants Manual and the Productive Inclusion Manual, for the payment of tuition fees, technical, and vocational training in areas specified in the Grants Manual and/or initiating Income Generating Activities.

Part 3. Support Project Management

Support the MFIS and UGPE in carrying out Project implementation, monitoring and reporting activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest primary technical responsibility in carrying out the Project onto its Ministry of Family and Social Inclusion (“MFIS”). In particular, the Recipient shall ensure that MFIS is adequately supported by the relevant directorates responsible for the sector areas that are targeted under the Project, including: (a) the Direction for Social Inclusion (“DGIS”) in connection with the implementation of the RSI Program; and (b) the General Directorate of Planning, Budget and Management (“DGPOG”) in connection with the activities relates to the USR.
2. The Recipient shall vest primary Project coordination and fiduciary management (procurement and financial management) functions for the Project on the UGPE within the Ministry of Finance. The Recipient shall ensure that UGPE is responsible for managing the Project’s fiduciary and independent verification aspects, monitoring and evaluation of Project implementation, and financial reporting, as further detailed in the POM.

B. Municipality Grants

1. For purposes of implementing Parts 1(b)(v) and 2(b) of the Project, the Recipient, through MFIS, shall:
 - (a) enter into an agreement with each Participating Municipality (“Municipality Agreement”), on terms and conditions satisfactory to the Association, as set out in a form agreement to be appended to the Grants Manual, setting forth, *inter alia*:
 - (i) the obligation of the Recipient to transfer an amount determined on the basis of criteria, conditionality and targets set forth in the Grants Manual to the relevant Participating Municipality to finance the Municipality Grants; and
 - (ii) the obligation of the relevant Participating Municipality to:
 - (A) provide the appropriate resources to all beneficiaries of Municipality Grants under terms and conditions acceptable to the Association and set forth in the Grants Manual; (B) keep records of the funds provided, and progress reports including specifically achievement of set targets and milestones; and (C) comply with

the provisions of the Grants Manual and the Anti-Corruption Guidelines;

- (b) exercise its rights and carry out its obligations under each Municipality Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.
- 2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Municipality Agreement or any provision thereof.
- 3. In case of any conflict between the terms of the Municipality Agreement and those of this Agreement, the terms of this Agreement shall prevail.

C. Cash Transfers

- 1. The Recipient shall provide Cash Transfers to poor households selected in accordance with the criteria set forth in the POM, in an amount acceptable to the Association.
- 2. The Recipient shall keep records of the Cash Transfers disbursed and provide periodic reports to the Association on the implementation of this activity, as part of the Project Reports, or as requested from time to time by the Association.

D. Project Operations Manual, Grants Manual and Productive Inclusion Manual

- 1. The Recipient, through the MFIS and the UGPE and with the support of Participating Municipalities, shall carry out the Project in accordance with a project operations manual (“Project Operations Manual”), which shall contain detailed work flow, methods and procedures for the implementation of the Project, including but not limited to: (a) administration and coordination arrangements, including placement of necessary human resources for Project implementation; (b) performance indicators of the Project; (c) monitoring and evaluation; (d) financial management guidelines and procedures; (e) anti-corruption and anti-fraud measures; (f) implementation modalities for each Part of the Project; (g) roles and responsibilities of various agencies and stakeholders in the implementation of the Project; and (h) a Cash Transfers and stipend handbook setting forth the detailed criteria, processes, methods and procedures for the Cash Transfers under the Project.
- 2. For implementation of Parts 1(b)(v) and 2(b) of the Project, the Recipient, through MFIS, and the Participating Municipalities shall prepare and adopt in form and manner acceptable to the Association a Grants Manual (“GM”) which shall contain details on the selection criteria, performance targets and indicators, conditionality

on disbursements based on performance of the Municipalities, and overall implementation of all Municipality Grants, as well as a form Municipality Agreement which shall be the basis for all Municipality Agreements to be entered into under the Project.

3. For implementation of Part 2 (b) of the Project, the Recipient, through the MFIS and the UGPE and with the support of Participating Municipalities, shall carry out Productive Inclusion activities in accordance with a manual (“Productive Inclusion Manual”), which shall contain detailed work flow, methods and procedures for the implementation of Productive Inclusion activities, including but not limited to: (a) administration and coordination arrangements, including placement of necessary human resources for Project implementation; (b) performance indicators of Productive Inclusion; (c) monitoring and evaluation; (d) implementation modalities; and (e) roles and responsibilities of agencies and stakeholders involved in the implementation of Productive Inclusion activities.
4. The Recipient shall not amend or waive or permit to be amended or waived any provision of the POM, the GM or the Productive Inclusion Manual, without the written agreement of the Association.
5. In case of conflict between the provisions of the POM, GM or the Productive Inclusion Manual and this Agreement, the provisions of this Agreement shall prevail.

E. Safeguards

1. **Technical Assistance.** The Recipient shall ensure, that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Safeguards Policies and EHS Guidelines.
2. **Grievance Redress Mechanism.** The Recipient shall maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project, except for Cash Transfers and Municipality Grants	0	
(2) Cash Transfers under Part 2(a) of the Project	7,000,000	100% of amount disbursed
(3) Municipality Grants to Scale-up the USR under Part 1(b)(v) of the Project	0	
(4) Productive Inclusion under Part 2(b) of the Project, including through Municipality Grants.	0	
TOTAL AMOUNT	7,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is October 31, 2022.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing July 15, 2031, to and including January 15, 2041	1%
commencing July 15, 2041, to and including January 15, 2061	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05(b) of the General Conditions.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Cash Transfers” means any of the cash payments made under Part 2(a) of the Project.
4. “DGIS” means *Direção Geral de Inclusão Social*, the Directorate of Social Inclusion under the MFIS.
5. “DGPOG” means *Direção de Planeamento, Orçamento e Gestão*, the Directorate of Planning, Budget and Management under the MFIS.
6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
7. “Grants Manual” or “GM” means the manual referred to in Section I.D of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.
8. “EHS Guidelines” means the World Bank Group Environmental, Health and Safety Guidelines published on www.ifc.org/ehsguidelines, as said guidelines are updated from time to time.
9. “Income Generating Activities” means those activities proposed and approved for financing out of the proceeds of a Municipality Grant for Productive Inclusion as set forth in an approved family plan and in accordance with the Grants Manual.
10. “Municipality Agreement” means the agreement referred to in Section I.B.1(a) of Schedule 2 to this Agreement.
11. “Municipality Grants” means Municipality Grants for Productive Inclusion, and Municipality Grants to Scale-up the USR.
12. “Municipality Grants for Productive Inclusion” means grants made to Participating Municipalities under Part 2(b) of the Project.

13. “Municipality Grants to Scale-up the USR” means grants made to Participating Municipalities under Part 1(b)(v) of the Project.
14. “Original Financing Agreement” means the financing agreement for the Social Inclusion Project between the Recipient and the Association, dated February 13, 2019 (Credit Number 6355-CV).
15. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.
16. “Operating Costs” means the reasonable and incremental expenses incurred by the MFIS or UGPE on account of Project implementation, based on periodic budgets acceptable to the Association, for the maintenance and leasing of vehicles and equipment, for fuel, office supplies and other consumables, vehicle and equipment insurance, office rent, internet connection and communications costs, support for information systems, translation costs, bank charges, utilities, and travel, transportation, *per diem* and accommodation costs (other than for Training), and other reasonable expenditures directly associated with implementation of Project activities. Incremental expenses will not include salaries of officials of the Recipient’s civil service.
17. “Participating Municipalities” means those municipalities in the Recipient’s territory which meet objective criteria set out in the POM or the Grants Manual, as the case may be, for participation in the Project activities.
18. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
19. “Productive Inclusion” means a set of activities, including payment of tuition fees, technical, and vocational training in areas specified in the Grants Manual and aimed to promote opportunities for income generation, professional training, and entrepreneurship of targeted beneficiaries, under Part 2(b) of this Agreement.
20. “Productive Inclusion Manual” means the Recipient’s manual referred to in Section I.D of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
21. “Project Operations Manual” or “POM” means the Recipient’s manual referred to in Section I.D of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
22. “RSI Program” means the Recipient’s *Programa de Rendimento Social de Inclusão*, included in the Recipient’s Government Program (*Programa do Governo*) 2016-2021 published on July 2016.

23. “Safeguards Policies” means the Operational Policies (OPs) and Bank Procedures (BPs) of the Association, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) as published at <https://policies.worldbank.org> and as the same may be updated by the Association from time to time.
24. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
25. “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, local travel, *per diem* costs of trainees and trainers’ fees, and interpretation and translation services.
26. “UGPE” means *Unidade de Gestão de Projetos Especiais*, the Recipient’s Management Unit for Special Projects under the Recipient’s Ministry of Finance.
27. “Unified Social Registry” or “USR” means the National Social Registry established and operating pursuant to Decree No.7/2018 of September 20, 2018.