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Report No: PAD4788

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 21.8 MILLION

(US\$30.0 MILLION EQUIVALENT)

CO-FINANCED BY A GRANT

IN THE AMOUNT OF US\$5.0 MILLION

FROM THE GLOBAL PROGRAM FOR THE BLUE ECONOMY MULTI-DONOR TRUST FUND

TO THE

REPUBLIC OF CABO VERDE

FOR A

RESILIENT TOURISM AND BLUE ECONOMY DEVELOPMENT IN CABO VERDE PROJECT

May 9, 2022

Finance, Competitiveness and Innovation Global Practice
Western and Central Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2022)

Currency Unit = Cabo Verde Escudos (CVE)

CVE 99.623 = US\$1

US\$1 = SDR 0.723

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ASA	Advisory Services and Analytics
CERC	Contingent Emergency Response Component
CPF	Country Partnership Framework
CTD	Competitiveness for Tourism Development
DPF	Development Policy Financing
ECV	Cabo Verde Roads (<i>Estradas de Cabo Verde</i>)
ENAPOR	Cabo Verdean port authority (<i>Portos de Cabo Verde</i>)
ERR	Economic Rate of Return
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standards
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FM	Financial Management
FSST	Social Sustainability Tourism Fund
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoPEDS	Sustainable Tourism Development Strategy (<i>Grandes Opções do Plano Estratégico de Desenvolvimento Sustentável do Turismo em Cabo Verde</i>)
GRID	Green, Resilient, and Inclusive Development
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
ICIEG	Cabo Verde Institute for Gender Equity (<i>Instituto Cabo-verdiano para a Igualdade e Equidade de Género</i>)

ICV	Infrastructures of Cabo Verde (<i>Infraestruturas de Cabo Verde</i>)
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Report
IMAR	Institute of Sea and Maritime Research (<i>Instituto do Mar</i>)
IMF	International Monetary Fund
INE	National Institute of Statistics (<i>Instituto Nacional de Estatística</i>)
INGT	National Institute for Territorial Management (<i>Instituto Nacional de Gestão do Território</i>)
IPF	Investment Project Financing
ITCV	Tourism Institute of Cabo Verde (<i>Instituto do Turismo de Cabo Verde</i>)
M&E	Monitoring and Evaluation
MPA	Multiphase Programmatic Approach
MSMEs	Micro, Small, and Medium Enterprises
NDC	Nationally Determined Contribution
NPV	Net Present Value
PNIA	National Plan of Blue Economy Investments (<i>Plano Nacional de Investimentos para a Economia Azul</i>)
POT	National Tourism Operational Plan (<i>Plano Operacional do Turismo</i>)
PPSD	Project Procurement Strategy for Development
PTC	Project Technical Committee
RETF	Recipient-Executed Trust Fund
RSSAT	Road Safety Screening and Appraisal Tool
SEP	Stakeholder Engagement Plan
SMEs	Small and Medium Enterprises
SoE	State-Owned Enterprise
TICV	Cape Verde Interisland Transport (<i>Transportes Interilhas de Cabo Verde</i>)
UGPE	Unit for the Management of Special Projects (<i>Unidade de Gestão de Projetos Especiais</i>)
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Trade Organization

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Cabo Verde	Resilient Tourism and Blue Economy Development in Cabo Verde Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P176981	Investment Project Financing	Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input checked="" type="checkbox"/> Small State(s)
<input checked="" type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
31-May-2022	30-Jun-2027
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination



Proposed Development Objective(s)

To increase diversity and resiliency in the tourism offering and small and medium enterprise (SME) participation in tourism-related value chains in targeted destinations.

Components

Component Name	Cost (US\$, millions)
Component 1: Development of integrated and resilient tourism and blue economy infrastructure	21.58
Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy	12.64
Component 3: Project Implementation Support	0.78
Component 4: Contingent Emergency Response Component (CERC)	0.00

Organizations

Borrower:	Republic of Cabo Verde
Implementing Agency:	Ministry of Finance and Business Development Ministry of Infrastructure, Territorial Planning and Housing Ministry of Culture and Creative Industries and Ministry of the Sea Ministry of Tourism and Transports

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	35.00
Total Financing	35.00
of which IBRD/IDA	30.00
Financing Gap	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	30.00
IDA Credit	30.00

Non-World Bank Group Financing

Trust Funds	5.00
PROBLUE MDTF	5.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Cabo Verde	30.00	0.00	0.00	30.00
National PBA	30.00	0.00	0.00	30.00
Total	30.00	0.00	0.00	30.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2022	2023	2024	2025	2026	2027
Annual	0.00	5.82	8.04	9.99	9.47	1.68
Cumulative	0.00	5.82	13.86	23.85	33.32	35.00

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Environment, Natural Resources & the Blue Economy, Transport, Urban, Resilience and Land



Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Low
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Low
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Low
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	● Low
10. Overall	● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

The Recipient, through UGPE, shall, no later than three (3) months after the Effective Date, or such later date as agreed by the Association:

- (a) customize the accounting software to include the bookkeeping of the Project;
- (b) include the Project in the internal auditor scope of intervention; and
- (c) recruit a Project manager, an engineer and an external auditor with qualifications, experience and terms of



reference satisfactory to the Association.

Sections and Description

1. The Recipient, through UGPE, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient, through UGPE, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient, through UGPE, shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
- (b) sufficient funds are available to cover the costs of implementing the ESCP;
- (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
- (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	The Recipient, through UGPE, has adopted the Project Operational Manual in form and substance satisfactory to the Association.

Type	Financing source	Description
Effectiveness	IBRD/IDA	The PROBLUE Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

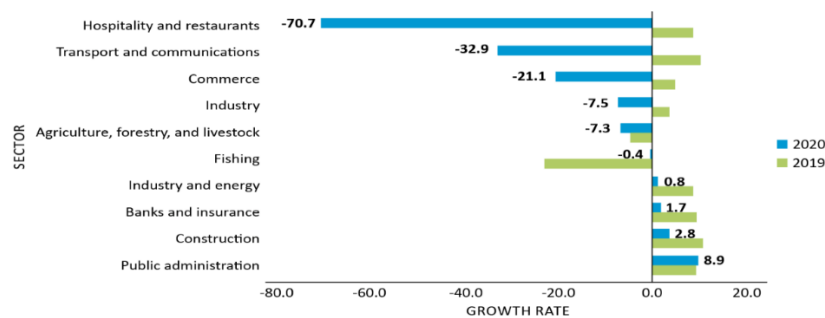


I. STRATEGIC CONTEXT

A. Country Context

1. **Cabo Verde’s stable political and macroeconomic environment allowed for significant economic and social development in the last three decades.** Cabo Verde is an archipelago of ten islands (nine of which are inhabited) located 500 kms off the west coast of Africa. The country’s estimated population is 556,000;¹ 68 percent of which live in urban areas. Only about 10 percent of the territory is classified as arable with limited mineral resources. However, despite the arid climate, mountainous terrain, vulnerabilities to climate change, rising sea levels, and natural disasters (including an active volcano on Fogo Island), the country has developed rapidly. Largely due to the growth of the tourism sector, gross domestic product (GDP) per capita almost quadrupled from 1989 to 2017, rising from US\$800 to US\$3,000 with annual average GDP growth rates of about 6.7 percent. In the same period, the poverty rate fell from nearly 50 percent to 35 percent. The positive track record led the country to graduate to middle-income status by 2008.²

Figure 1. Annual Growth Rates per Sector 2019–20



Source: World Bank Cabo Verde Economic Update 2021.

2. **The COVID-19 pandemic brought the trend of economic and social advances to a halt.** The growth track had remained stable between 2016 and 2019, averaging 4.7 percent (3.4 in per capita terms). With the onset of the COVID-19 crisis from March 2020 onwards, the ensuing international travel bans as well as domestic lockdowns caused an estimated 14.8 percent contraction in GDP for 2020 (15.7 percent in per capita terms), representing the largest reduction on record in the country’s history. The effects of the crisis were estimated to have pushed 100,000 people into temporary poverty, and the sectors dependent on tourism have been especially affected³ (figure 1). The main channels through which the exogenous economic shock affected the country were the crash in demand in the tourism sector, which represented an estimated 25 percent of GDP, and the halt in foreign direct investment (FDI), a critical source of external finances and key driver of growth.⁴

¹ World Bank Open Data 2020 estimate.

² World Bank. 2019. *Cabo Verde Public Expenditure Review: Revisiting the Efficiency of Public Spending to Reduce Debt and Improve Education and Health Outcomes*. Washington, DC: World Bank.

³ World Bank. 2021. *Cabo Verde Economic Update: Rebounding from the Crisis: Restoring Fiscal Sustainability and Leveraging the Private Sector for a More Resilient and Sustainable Recovery*. Washington, DC: World Bank.

⁴ World Bank. 2021. *Cabo Verde: First Sustainable, Equitable and Green Recovery DPF (P174754) Program Document*.



3. **The economic shock and subsequent response measures aggravated the fiscal situation and erased recent gains in reducing the public debt burden.** To support vulnerable households and businesses, authorities implemented cash transfers and support for hard-hit sectors by granting temporary tax exemptions, deferring tax payments, and providing Government-backed credit lines and partial credit guarantees to help businesses secure working capital. Authorities also legislated a temporary layoff regime, partially subsidized by the pension fund. Driven by the impact of the crisis on tax collection in addition to the tax deferrals granted to affected firms, fiscal revenue declined by 23.8 percent in nominal terms in 2020. As current expenditure expanded and capital investment contracted, the overall deficit (including grants) increased from 1.8 percent in 2019 to 8.9 percent in 2020. With the onset of the crisis, debt escalated to 152.2 percent of GDP in 2020. Public and publicly guaranteed debt is still assessed as sustainable, yet the risk of external and total debt distress is high, according to the latest joint World Bank/International Monetary Fund (IMF) Debt Sustainability Assessment conducted in September 2020.

4. **The high rate of COVID-19 vaccination and recent progressive resumption of tourism flows are grounds for cautious optimism.** Gross national income per capita is projected to return to the 2019 pre-crisis level by 2024. Based on the latest estimate (April 2022) provided by the National Directorate of Planning in the Ministry of Finance and Business Development, GDP growth is projected to have reached 7.2 percent in 2021, supported by the progressive reopening of borders and gradual resumption of tourism flows. For 2022, added uncertainty related to the conflict in Europe and strong inflationary pressures are placing current GDP growth estimates at 4 percent, subject to continuous assessment. A key contributing factor to the pickup in growth was that, according to the Ministry of Health data, as of March 27, 2022, about 85.7 percent of the eligible population (above 18 years of age) were vaccinated with the first dose of vaccine, and about 73.7 percent had received the second dose. In addition, authorities enacted a sanitation seal training and certification program mostly targeted at hotels and restaurants, providing comfort to tour operators as they resume operations.

B. Sectoral and Institutional Context

5. **Cabo Verde's tourism sector is a key driver of growth and job creation but is overconcentrated on two islands.** The sector has witnessed impressive and sustained growth for two decades. In 2019, the country attracted almost 820,000 tourists (up from 145,000 tourists in 2000), and the Government had anticipated reaching 1 million by 2021. Before the pandemic, tourism accounted for about 25 percent of GDP, driving about 40 percent of overall economic activity, employing more than 93,000 people (39 percent of total employment, 40 percent of whom are women) and bringing in substantial exports (66 percent of total exports) and FDI flows (26 percent of total investment). The main tourism segment is sun and sand, anchored on the all-inclusive package model dominated by foreign-owned large resorts and operators. Despite notable diverse cultural and natural resources across the archipelago, the tourism industry is overconcentrated on two islands, Sal and Boavista. They combine for more than 80 percent of bed-night stays, attracting mainly European sunseekers. The main assets are the country's ideal year-round climate, beautiful beaches, proximity to Europe, and political stability and security.

6. **COVID-19 devastated the tourism and ancillary sectors.** Following the closure of Cabo Verde's international borders in March 2020, tourism arrivals collapsed by about 75 percent on par with the global average. Hospitality operations and restaurants were the hardest hit segment (figure 1), and the nine-



month closure further compounded negative spillovers in upstream sectors. Despite a partial reopening in October 2020, the slowdown in arrivals continued into the first half of 2021 as first quarter figures show a decrease of about 94 percent in guest movements with respect to the same period in 2020. The second quarter of 2021 showed a slight uptick reflecting the progressive reopening, although still only about 12 percent of what had been recorded in the same period of 2019 pre-pandemic. The figures for the third quarter confirmed the uptrend in resumption with about 42,396 guest arrivals (about 23 percent of what had been recorded in the same quarter of 2019).

7. **The firm-level impact of the crisis has threatened a large swath of the economy.** Small and medium enterprises (SMEs) are the backbone of the Cabo Verde economy, representing about 98 percent of formal companies and 40 percent of formal jobs. There is a strong concentration of companies in the commerce (45 percent) and hospitality (16 percent) sectors, which are particularly vulnerable to external shocks. As in many developing countries, the informal sector is large, possibly as high as 59 percent of the number of formal establishments. According to the latest available data gathered by the National Institute of Statistics (*Instituto Nacional de Estatística*, INE) on COVID-19 impact, early in the crisis, about 20 percent of surveyed firms fully suspended activities following the state of emergency declaration in March 2020. In addition, 83 percent of firms reported suffering a reduction in business turnover during the second quarter of 2020, and 43 percent reduced their effective workforce.

8. **The COVID-19 crisis exposed several legacy structural challenges in the sector brought on by the rapid burst of tourism FDI in just two islands.** Despite having good climate and many miles of pristine beaches, international tourism only started in earnest in the mid-1990s when authorities began buying large plots of land in high potential areas, mostly in the Sal and Boavista Islands, for selling or private concession. Thereafter, large resort-type projects were approved and developed,⁵ first in Sal Island (which had the single international airport until 2005), and then in Boavista (which opened its international airport in 2008). The small critical mass of population (both islands combined had less than 10 percent of the national population), as well as residual support services, led to the prevalence of an all-inclusive package model where a few international brands developed vertically integrated supply chains to satisfy overwhelming needs for food and beverage, with limited links to local supply chains. In 2019, 81 percent of tourists traveled through a tour operator package, out of which 94 percent were on all-inclusive packages. This concentration on Sal and Bovista left the other islands unable to benefit from the larger flow of tourism.

9. **This geographical and segment concentration affects tourism expenditure negatively and is also noticeable in source markets, where seven European countries combine for over 70 percent of tourist arrivals.** Tourists' average length of stay and expenditure had been stable pre-COVID with an average length of stay of about nine nights and US\$300 of expenditure per tourist per trip. When compared to some of its peers, Cabo Verde fares poorly with just €41 average expenditure per day in 2019 versus €91 in the Azores, €124 in Madeira, or €238 in the Canary Islands, primarily due to reliance on the all-inclusive resort model which is designed to minimize tourist spending outside the resort.

⁵ World Bank. 2013. *Tourism Development in Cabo Verde: Is it Time to Abandon the All-inclusive Model?*



10. **Local SMEs have been unable to fully reap the benefits of the growing tourism value chain.** The large all-inclusive units affiliated with big international brands, dominant in Cabo Verde’s tourism context, typically have group-wide corporate policies and a risk-adverse approach to local sourcing versus independent hotels, which have more autonomy of purchase. The subsequent concentration and specialization of the wholesale trade supplying the hotels has had a strong impact on purchasing dynamics, such as avoiding non-accredited suppliers and understanding the importance of quality, certification, and traceability. Despite the interest expressed by managers from large hotels and import wholesalers in increasing local sourcing, especially for fresh produce, only an estimated 5–10 percent of hotels’ food demand is sourced locally. A broad set of production and logistics constraints, including lack of scale, poor landing facilities, substandard sanitary procedures, lack of proper handling, and inefficient inter-island logistics, are preventing the penetration of local products and services, particularly primary sector fisheries and agriculture; sectors which have a relatively low input to the formal economy and a large proportion of workers (artisanal fishers and fish traders) being poor.⁶

11. **Another challenge is accessibility of the islands.** Limited inter-island connectivity and lack of a connectivity policy to improve access to all islands by air and sea hinders decentralization of tourism arrivals. Inter-island maritime services for the transport of passengers and cargo have been operated by the concessionaire *Cabo Verde Interilhas* since August 2019. All islands are connected through maritime services but at varying frequencies. Infrastructure varies across islands, and some do not yet have a maritime passenger terminal. Cabo Verde has seven airports, four of them international—located in Praia (Santiago Island), Sal Rei (Boavista Island), Espargos (Sal Island), and Mindelo (São Vicente Island)—and well connected to source markets by regular and charter international carriers. However, some islands (Santo Antão, São Nicolau, Maio, Fogo, and Brava) have limited or no airport infrastructure. Before COVID-19, domestic air services were provided by a single operator dubbed TICV (*Transportes Interilhas de Cabo Verde*), co-owned by a foreign carrier (Binter Canarias) and the Government (70 and 30 percent owned respectively). The pandemic led to a temporary stop of operations which progressively resumed. In June 2021, a new foreign company (Bestfly) replaced Binter Canarias a majority-shareholder of TICV which is progressively reestablishing a network of domestic routes. There is also a need to improve intra-island connectivity on Sal Island to facilitate tourism activities.

12. **The pre-COVID-19 tourism boom highlighted significant gaps in coastal management, environmental sustainability, and climate resilience.** Coastal development has been largely opportunistic, without adequate strategic vision, planning, and enforcement, thereby increasing pressure on natural resources and ecosystems and climate vulnerability. The country is recognized for its rich marine biodiversity, with more than 5,000 species identified in terrestrial and marine environments. This is reflected in the National Network of Protected Areas,⁷ consisting of 47 land and territorial sea protected areas that represent support for key economic activities, including fishing, beach, nautical, and ecotourism/nature tourism. The rapid growth of the tourism sector has brought severe threats to Cabo Verde’s rich yet fragile coastal and marine ecosystems, ranging from excessive construction of hotels and accompanying surge in water demand and waste generation to overfishing, illegal fishing, unregulated

⁶ World Bank. 2019. *Local Sourcing in the Cabo Verde Tourism Food Supply Chain: Opportunities and Challenges*. Washington, DC: World Bank.

⁷ Decree-Law no. 3/2003, of February 24, amended by Decree-Law no. 44/2006, of August 28.



marine tourism activities, capture of turtles, and growing plastic pollution,⁸ leading Cabo Verde to be considered one of the world's 10 most endangered marine biodiversity hotspots.⁹

13. The country is also exposed to climate shocks, including extreme weather events, desertification, and sea level rise. Nearly 30 percent of the country's population is exposed to flash floods, while on average, about US\$2 million of the income is expected to be lost due to agricultural drought annually. The sea level is projected to rise from 0.26 m to 0.98 m over the next 60–80 years, increasing coastal submersion, erosion, and salinity. In 2020, the country updated its Nationally Determined Contribution (NDC), through which it seeks to achieve substantial mitigation outcomes, at an 18 to 24 percent reduction in economy-wide greenhouse gas (GHG) emissions below business as usual by 2030, as well as a lasting adaptation impact in terms of food, water, and energy security.

14. A recent gender assessment¹⁰ showed considerable gains in gender-related policies and programs, yet the country continues to face challenges in achieving gender equality and women empowerment in tourism and other ocean economy sectors. Even though women represent 60 percent of the people working in the accommodation and restaurant businesses' labor force, they earn 50 percent less than their male counterparts¹¹ and more than half work under short-term contracts and informal working conditions.¹² In the fisheries sector, women represent a large part of the labor force in the post-harvest sector, in particular for processing landed catches;¹³ however, they also operate in informal and poor conditions. Women led only 33 percent of active enterprises in Cape Verde in 2019. In the tourism and fisheries sectors, women-owned businesses often suffer from significant education and training barriers (such as lack of advanced business planning and management skills) and lack of childcare solutions.¹⁴ In addition, access to finance is perceived as one of the most significant challenges for tourism enterprises. According to Africa Gender Data Book only 5.1 percent of women had access to credit in 2017 (compared to 7.3 percent of men). Anecdotal evidence also shows that women-owned businesses suffered more during the pandemic and that gender-based violence (GBV) in tourism occurs, including sexual exploitation of children, mostly in Sal, Praia, and Mindelo.¹⁵ Similarly, women working in the sector, particularly in the hospitality sector were largely affected by the COVID-19 crisis. For example, Sal, Sao Vicente, and Santo Antão suffered an important reduction of women working in tourism (job reduction of 4,408 women versus 3,064 men).

15. Authorities are looking to pursue a post-COVID-19 'build-back-better' vision for the tourism sector, anchored in a new Tourism Operational Plan (*Plano Operacional do Turismo, POT*) covering 2022–

⁸ Ministry of Finance. 2018. *Environmental and Social Assessment Study of the Tourism Sector in Cabo Verde*.

⁹ WriMS (World Register of Introduced Marine Species), at marinespecies.org (consulted December 16, 2021).

¹⁰ A diagnostic on Gender Responsive Tourism in Cabo Verde assessing existing gaps and opportunities in the sector has been carried out to feed into the design of the project. Annex 8 includes a final summary of the diagnostic.

¹¹ UNWTO (United Nations World Tourism Organization). 2019. *Second Global Report of Women in Tourism*.

¹² Moreno, D. 2016. *Plano de ação para a transversalização da abordagem de género no turismo, ONU Mulheres Cabo Verde*. UN Women.

¹³ About 1,500 women fish sellers are registered, of which 1,425 are female heads of household. About 90 percent of workers in the canning sectors are women.

¹⁴ At the national level, women spend 43.7 percent of their time in paid labor versus 68.3 percent in unpaid work (for men, those figures were 56.3 percent and 31.7 percent, respectively).

¹⁵ According to data from the Ministry of Family and Social Inclusion and Cabo Verde Institute for the Child and Adolescent.



26, to diversify and leverage other high-potential demand segments. As part of the Grand Options for the Sustainable Tourism Development Strategy (*Grandes Opções do Plano Estratégico de Desenvolvimento Sustentável do Turismo em Cabo Verde*, GoPEDS) long-term tourism vision and under the umbrella of the Second National Strategic Plan for Sustainable Development (PEDS II, covering 2022–2026), in April 2022, the Government officially approved and published the POT to accelerate medium-term investments and reforms to promote tourism diversification across more demand niches and islands. The POT cross-sector action plan aims for a more sustainable, inclusive, and resilient development model, expanding beyond the current ‘sand and sun’ segment in the islands of Sal and Boavista. With the objective of diversifying the tourism sector, both geographically and in terms of offering, and increasing local capture of the sector, the POT builds on island-specific tourism master plans (supported by the World Bank Competitiveness for Tourism Development [CTD] Project [P146666]) that provide an asset inventory and recommendations to leverage the respective tourism potential and related local economic development. The POT prioritizes new demand segments such as nature-based tourism in the mountain islands of Santo Antão, São Nicolau, and Fogo, as well as cultural/blue economy-related activities in the São Vicente and Santiago Islands.

16. Complementing the POT, Cabo Verde’s recently integrated blue economy vision and strategy provides a holistic view on value-chain link potential while safeguarding the preservation of key tourism assets associated with coastal areas. Recognizing the potential and preservation needs of its coastal and marine assets as critical to sustain economic diversification and resilience, Cabo Verde recently adopted a dedicated blue economy strategy and action plan. The umbrella blue economy¹⁶ concept seeks to promote economic growth and diversification by exploring and maximizing comparative advantages while ensuring environmental sustainability in the marine and coastal sectors.

C. Relevance to Higher-Level Objectives

17. The proposed intervention is intended to support the economic recovery phase, aiming at investments, policies, and institutions that will enable a resilient and sustainable recovery. The operation supports the national strategies—expressed under the umbrella of the *Ambição 2030* Vision, POT, and National Investment Plan for the Blue Economy—to provide the enabling environment for more private investment and diversification in and outside of the tourism sector. Geographical diversification and complementarity of investments is a key pivot point to unlock more positive spillovers from tourism across the islands. The project aligns with the World Bank Group’s Country Partnership Framework (CPF) 2020–25 for Cabo Verde (report number 127164) Objective 4 on improving the foundations for private sector growth.

18. To support the above mentioned action plans, the project will tackle infrastructure and operational barriers in the selected destinations. The proposed scope of interventions is calibrated to create a supportive enabling environment for more tourism flows and private sector investment, concurrently improving the attractiveness and scope of economic opportunities. Substantial public sector

¹⁶ According to the *Ambição 2030* National Strategic Vision, the blue economy sector includes maritime transport, ports and logistics, shipbuilding and repair, nautical and recreational tourism, nautical sports, entertainment and leisure, security and surveillance, pharmaceutical industry, fisheries, aquaculture and fish industry, research and exploitation of biological resources, blue energy, marine ecosystems, wrecks for diving, and geothermal energy.



investments are necessary to overcome current gaps in accessibility, safety, and enhancement of key infrastructure in emerging nature and cultural/blue economy-themed destinations, as well as safeguarding the sustainability and attractiveness of the main tourism hub (Sal Island). In addition, heightened participation by local SMEs will require policies and interventions to increase tourism flow and stimulate more and better products and services, all within a framework of environmental and social sustainability.

19. **The proposed operation will proactively leverage and complement the World Bank Group's current pipeline of lending projects to increase its development impact.** Complementary operations include: (a) CTD IPF (P146666, ending in May 2022), which supported the strengthening of the governance framework of the tourism sector and strategic planning, in addition to creating structured programs for support to SMEs in the hospitality sector; (b) Cabo Verde Access to Finance for Micro, Small, and Medium-Sized Enterprises Project (P163015, ending in January 2023), which supports the establishment of the first partial credit guarantee public company and associated fund, facilitating SME access to credit in addition to supporting the first public venture capital fund; (c) State-Owned Enterprises Related Fiscal Management Project (P160796), which supports investment promotion in priority sectors and reforms in the housing sector; (d) the Cabo Verde -Transport Sector Reform Project (P126516), which provided technical assistance on the climate resilience of the road infrastructure; and (e) Cabo Verde Human Capital Project (P175828), which will contribute by aligning and developing the professional training programs necessary for tourism and fisheries value chain development. Additionally, the project is supported by the private sector pillar of the Cabo Verde: First Sustainable, Equitable and Green Recovery DPF (P174754), which is promoting sustainable private sector investments, the Digital Cabo Verde Project (P171099), which is enabling enhanced digitally served public services and business environment reforms, and the Harmonizing and Improving Statistics in West Africa (P169265), which is providing general cross-sector support in enhancing national statistics capacity for informed policy decision-making.

20. **A series of ongoing Advisory Services and Analytics (ASAs) are also providing key analytical support to inform subcomponent activities.** These ASAs include (a) Coastal Fisheries Initiative Challenge Fund in Cabo Verde, which is supporting the identification of a set of sustainable private sector investment opportunities in coastal fisheries, including in sites adjacent or in the project investment sites themselves; (b) Programmatic Private Sector Development, Trade and Investment Climate in Cabo Verde ASA (P175220), which is focusing on investment policy and business regulation reforms capacity building, a trade competitiveness diagnostic, the piloting of tourism destination-level public-private dialogue mechanism, and a pilot tourism experience development program; (c) the Programmatic Aquabusiness Advisory Platform ASA (P175786), which is supporting best practices for economic and environmental sustainability in the development of aquaculture niches; and (d) the regional PROBLUE Project on Sustainable and Resilient Tourism in Small Islands and Coastal Destinations, which is contributing analytical work on tourism source markets and best practices on private sector-led sustainability and circular economy. Finally, there is an active dialogue and collaboration with the International Finance Corporation (IFC), particularly regarding Component 2 in areas such as gender-sensitive work in the accommodation sector, supply development program, or green standards/certification.



21. **The project will contribute to global and regional commitments to support and scale up climate action.** The proposed activities offer several avenues to assist Cabo Verde in implementing the commitments outlined in its NDC, on both adaptation and to a lesser extent, mitigation (see annex 7).

22. **In addition, the proposed project is consistent with the World Bank Group's Green, Resilient, and Inclusive Development (GRID) framework.** In line with GRID, this project systemically and simultaneously addresses the challenges of urban poverty and climate change through targeted investments in sustainable urban development works to increase the quality of life of the most vulnerable urban residents. In particular, the project is helping drive transitions toward low-carbon, sustainable urban development, through green, nature-based, and resilient investments to prevent and prepare for climate change. Additionally, the project incentivizes urban management to tackle exclusion and inequality, mobilize private sector capital, and build the foundations for shared prosperity in Cabo Verde.

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

PDO Statement

23. The PDO is to increase diversity and resiliency in the tourism offering and SME participation in tourism-related value chains in targeted destinations.

24. **The project will support the Government of Cabo Verde's goal to promote sustainable tourism and conservation of natural resources with benefit to local communities.** Through a series of integrated and cross-sectoral interventions, the project will seek to catalyze tourism flows across more islands and market segments beyond the current core all-inclusive offering, enabling greater participation of local communities in tourism-related value chains and supporting the SME sector and women-led enterprises to provide demand-driven and sustainable services for tourism. In addition, the envisioned tourism and blue economy related infrastructure investments, particularly in coastal areas, will consider medium- and long-term challenges associated with climate change thus increasing resilience.

PDO-Level Indicators

25. Progress toward the PDO will be measured by four results indicators:
- (a) Increase in average daily tourist spending at destination islands (percentage)
 - (b) Increase in total tourist overnight stay at destination islands (percentage)
 - (c) Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and sector) (percentage)
 - (d) Infrastructure rehabilitated, upgraded or established integrating climate resilience practices (number)

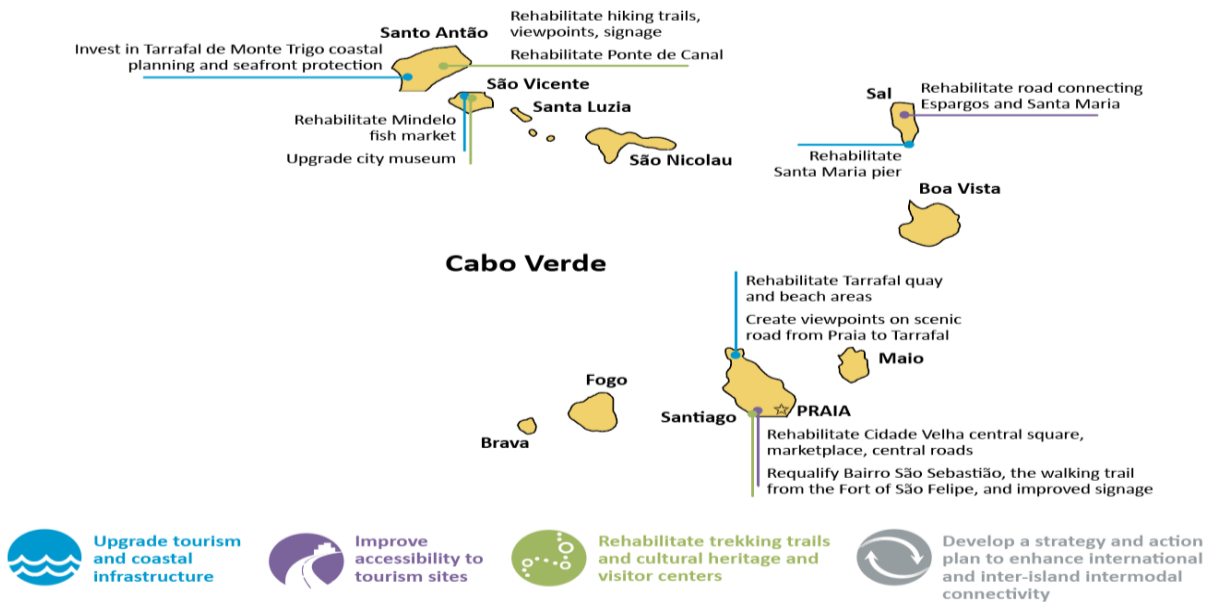
B. Project Components

26. **The project proposes to develop a new integrated development model addressing key constraints to unlocking tourism and blue economy potential in selected destinations in Cabo Verde,**



The project will focus on segments with higher involvement of communities and sustainable protection of natural assets. The destinations have been selected for their potential impact, investment and diversification readiness, increasing tourism demand, vibrant private sector, local community interest, and environmental or social challenges that need addressing. The three priority geographical areas selected are Santiago Island, the northern Islands of São Vicente and Santo Antão, and Sal Island.

Figure 2. Examples of Component 1 Infrastructure Activities across Cabo Verde Islands



Component 1: Development of integrated and resilient tourism and blue economy infrastructure (US\$21.58 million equivalent)

27. **Component 1 consists of subprojects designed to improve the quality of tourism-relevant infrastructure in selected sites.** Proposed infrastructure upgrades will focus on strengthening and upgrading infrastructure to better preserve existing assets and build their resilience to natural hazards and climate change as well as broadening the tourism offering and create a conducive environment for future private sector investment. Investments will target the development of key tourism assets and sites in emerging high-growth segments in selected destinations. All proposed investments will include climate and gender criteria in planning, prioritization, and design.

- (a) **Upgrade integrated tourism and fisheries coastal infrastructure.** Key investments will include the rehabilitation of two fishing piers, one fish market, and interventions in two seafront promenade areas integrating tourism and fisheries activities. The proposed upgrades, which aim to address coastal erosion, storm surges, and environmental degradation, will be designed to integrate tourism and fisheries activities and better preserve existing infrastructure by building resilience, promoting efficient use of resources, reducing carbon emissions, and enhancing the inclusion of women and vulnerable communities.



- (b) **Improve accessibility to tourism sites.** Key investments will include financing the rehabilitation of a section of the Espargos-Santa Maria Road on Sal Island and preparatory studies for improved accessibility to emerging tourism sites.¹⁷ These investments will consider resilient designs for rehabilitation and enhanced sustainability features, such as solar-powered lighting and bike/pedestrian pathways.
- (c) **Rehabilitate trekking trails and cultural heritage and visitor centers.** Key investments will include rehabilitating hiking trails and selected viewpoints, selected historical/heritage sites, and improving signage and interpretation. Each site investment will include a business plan to be developed or co-managed with the community or through a public-private partnership model.
- (d) **Develop a strategy and action plan to enhance international and inter-island intermodal connectivity.** The project will develop an integrated international and intermodal inter-island transport strategy to promote connectivity links to and from Cabo Verde, between islands and between different modes of transport (air, sea, and land).

Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy (US\$12.64 million equivalent, of which US\$5 million PROBLUE Recipient-Executed Trust Fund [RETF])

28. **Component 2 will support local SMEs to increase participation in the tourism and blue economy value chains while also supporting a better enabling environment and policies to stimulate additional private sector investment in these segments.**

- (a) **Support entrepreneurship and SME development in the tourism and fisheries value chains.** Through a mix of technical assistance, capacity building, and access to finance support, this subcomponent will aim to increase the quality, reliability, and scale of services and products provided by local SMEs, particularly women-led businesses, to better capture business opportunities in the target destinations. The technical assistance will include a demand-led supplier development program to improve products and services provided to larger hospitality firms. The fisheries sector will receive a special focus, with support across the supply chain (from sustainability of fishing practices to certification and point of sale development), in addition to identification of new, high-potential, business-viable fisheries and scoping to develop origin labeling.
- (b) **Support enabling policies and programs to increase sustainable private sector investment in tourism and other blue economy sectors.** This subcomponent will facilitate integrated and sustainable tourism development and enhance the quality of tourism promotional efforts targeting higher market segments. It will include enhancing digital marketing and promotion in key source markets; strengthening the tourism national statistic system; improving tourism planning and regulation; enhancing the sustainability of tourism sites, activities, and services; and implementing gender mainstreaming by leveraging gender-sensitive approaches, notably updating the Action Plan for Gender Mainstreaming in Tourism (2016–18) to help close the gender gaps.

¹⁷ The road is one with the most traffic in the country and an artery for local and tourism flows. Built 20 years ago, it needs to be rehabilitated to accommodate the rapid increase in traffic and to offer a better level of service.



Component 3: Project Implementation Support (US\$0.78 million equivalent)

29. **Component 3 will provide support to the Unit for the Management of Special Projects (*Unidade de Gestão de Projetos Especiais*, UGPE) for the management and implementation of the project.** This component will provide support to the UGPE for the management and implementation of the project. It will support incremental expenses related to the hiring of staff for the UGPE as well as capacity building and technical assistance to relevant ministries and implementing agencies as described in the detailed project components section. This component will be subject to retroactive financing regarding the operational cost incurred by the UGPE between project negotiations and signature.

Component 4: Contingent Emergency Response Component (CERC) (US\$0 million)

30. **A CERC will be included in the project in accordance with IPF policy, paragraphs 12 and 13, for Situations of Urgent Need of Assistance and Capacity Constraints.** This will allow for rapid reallocation of loan uncommitted funds in the event of an eligible emergency as defined in OP 8.00 (Rapid Response to Crisis and Emergencies).¹⁸ For the CERC to be activated and financing to be provided, the Government of Cabo Verde will need to (a) submit a request letter for CERC activation and the evidence required to determine eligibility of the emergency, as defined in the CERC Annex to the Project Operational Manual; (b) have an Emergency Action Plan, including the emergency expenditures to be financed; and (c) meet the environmental and social requirements as agreed in the Emergency Action Plan and Environmental and Social Commitment Plan (ESCP).

Table 1. Project Cost and Financing Sources (indicative, US\$, millions)

Component	Project Costs	Financing Sources	
		IDA Financing	Trust Funds
Component 1: Development of integrated and resilient tourism and blue economy infrastructure	21.58	21.58	—
(a) Upgrade integrated tourism and fisheries coastal infrastructure	7.50	7.50	—
(b) Improve accessibility to tourism sites	8.00	8.00	—
(c) Rehabilitate trekking trails and cultural heritage and visitor centers	5.12	5.12	—
(d) Develop a strategy and action plan to enhance international and inter-island intermodal connectivity	0.96	0.96	—
Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy	12.64	7.64	5.00
(a) Support entrepreneurship and SME development in the tourism and fisheries value chains	5.74	3.04	2.70
(b) Support enabling policies and programs to increase sustainable private sector investment in tourism and other blue economy sectors	6.90	4.60	2.30
Component 3: Project Implementation Support	0.78	0.78	—
(a) Provide support to UGPE for the management and implementation of the project	0.48	0.48	—

¹⁸ An eligible emergency is defined as an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or manmade crises or disasters. Such events include a disease outbreak.



Component	Project Costs	Financing Sources	
		IDA Financing	Trust Funds
(b) Technical assistance to relevant line ministries and key implementing agencies	0.30	0.30	
Component 4: Contingent Emergency Response Component (CERC)	—	—	—
TOTAL PROJECT COSTS	35.00	30.00	5.00

C. Project Beneficiaries

31. This project will aim to increase the geographic scope and depth of tourism’s contribution to the economy in a sustainable manner, thus involving a wide range of beneficiaries across the civil society, private, and public sectors in Cabo Verde. The investments proposed in Component 1 will affect target communities, individuals, and businesses by ultimately improving economic opportunities in targeted destinations. The investments under Component 2 will benefit policy makers and businesses, whether by upgrading the regulatory framework to enable sustainable and well-balanced investments, providing the tools to better link the local value chains (such as fisheries to the new sources of tourism demand), creating conditions to better promote the destination abroad, tapping into higher spending niches of potential visitors, and accessing more data for better policy making.

- (a) **Communities.** The inhabitants of the investment target areas will benefit, among other things, from more facilitated and secure mobility and accessibility to their areas by land or sea, as well as more opportunities for employment brought on by more tourists visiting the enhanced tourism assets. Fishers and fish workers will benefit from improved landing infrastructure and dedicated investments, such as in fish markets, enabling a better connection to retail and wholesale buyers. More broadly, the population and tourists will have better access to locally and sustainably caught fish handled under good sanitary conditions.
- (b) **Private sector.** Investments in better air and maritime mobility are key to unlocking more efficient supply chains, lowering the cost of accessing source markets, and reducing transaction costs in obtaining input materials or services, as well as demand from individual or wholesale clients. Businesses in the hospitality, restaurant, and entertainment sectors will benefit by capturing the increased flow and volume of leisure expenditure of visitors and exploring new or concession opportunities adjacent to the revamped tourism assets. Fishers and fish workers will benefit from better landing and sale infrastructure and better connections to market. They will also benefit from the potential opening of new fisheries (that is, technical assistance on accessing demersal deep-sea resources) and from continued support on co-management (that is, technical assistance on lessons and scoping of new communities for co-management).
- (c) **Public sector.** Policy makers in the tourism and blue economy sectors will benefit from additional tourism-related foreign and domestic direct investments and tax revenue that infrastructure investments in Component 1 are expected to unlock and catalyze. In addition, Component 2 will also enable the development and leveraging of the country brand destination across new potential visitor segments, improved regulatory overview of the sector, access to better data to feed into decision-making, and targeted SME support to emerging local businesses in key niches.



- (d) **Citizen engagement.** The integrated design of the project requires a participatory approach through the implementation of citizen engagement interventions to enhance beneficiaries' voice and participation. Integrating citizen engagement mechanisms will allow for better access to services such as the fishing pier, the Mindelo fish market, the rehabilitation of tourist sites and museums, and the rehabilitation of a section of the road in Sal. The communities will be consulted to provide their input in the design of these tourism and community infrastructures. The Government of Cabo Verde prepared and will implement an inclusive Stakeholder Engagement Plan (SEP). Throughout the project life cycle, inclusive consultations targeting stakeholders and beneficiaries will be implemented, ensuring that all beneficiaries participate in planning and decision-making processes and that project activities promote opportunities equally to men, women, and youth as well as vulnerable groups or at risk of exclusion. These consultations will also address the findings of the social and environmental assessment, including impacts and benefits derived from project-financed activities and measures identified to avoid, minimize, and mitigate potential risks of exclusion and/or adverse impacts on vulnerable groups. In addition to periodic consultations, the project will conduct a satisfactory survey to be conducted at project midterm, as well as an accessible and transparent grievance redress mechanism (GRM). The feedback will inform subsequent project activities and if necessary, address implementation issues. Citizen engagement activities will be captured in the Results Framework through monitoring the percentage of grievances received and addressed in the project GRM time frame. The Results Framework includes an indicator of beneficiary satisfaction (that is, share of local tourism and blue economy value chain beneficiaries satisfied with the project interventions) to track progress on this front throughout the life of the project.

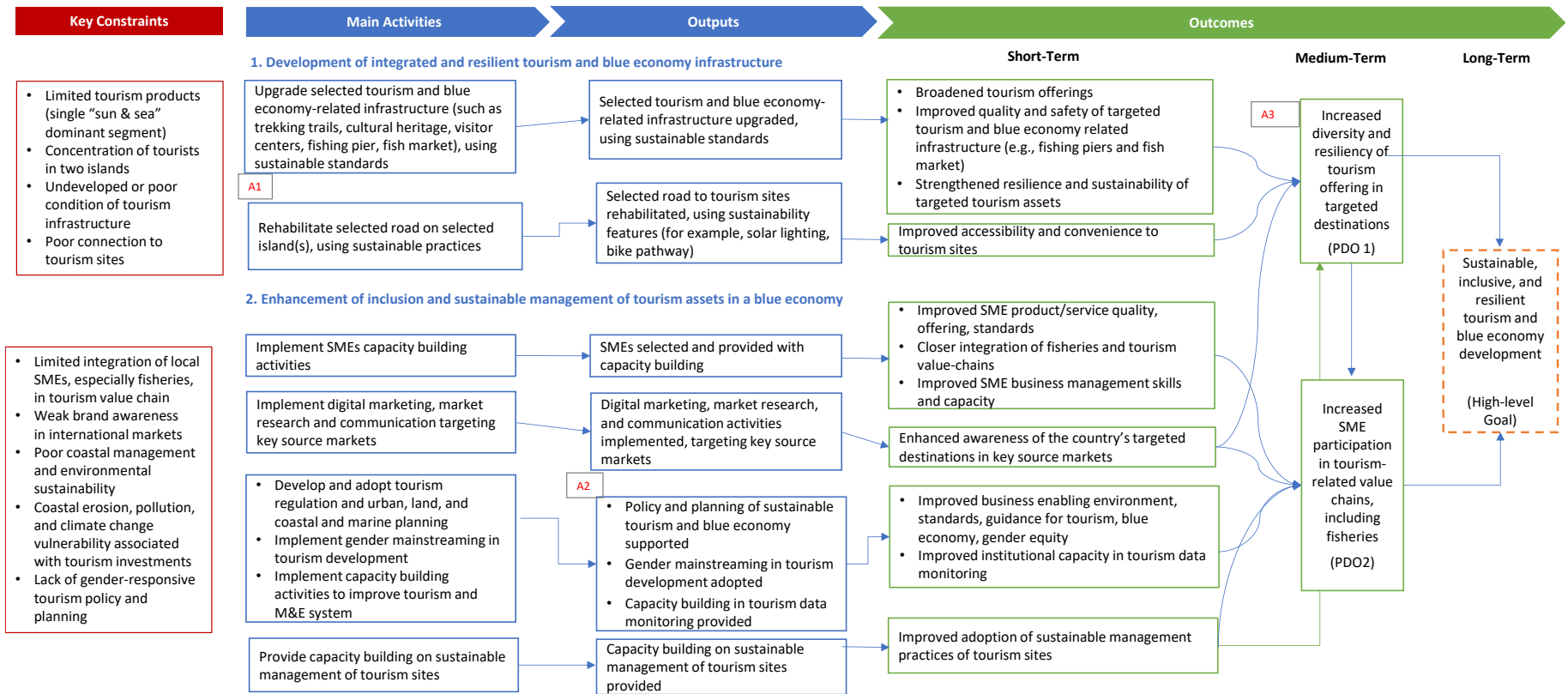
32. **Gender.** The project has been designed to specifically address gender gaps and constraints faced by women across the tourism value chain. To address the identified gender gaps, the project embedded gender-sensitive solutions across proposed interventions, notably by (a) incorporating gender mainstreaming activities as part of the planned policy support activities, including support to updating and resuming the Action Plan for Gender Mainstreaming in Tourism and the inclusion of GBV standards ensuring; (b) ensuring infrastructure upgrades are designed considering specific needs of women and women beneficiaries are actively involved the planning and decision-making steps and supporting dialogue for childcare facilities; (c) supporting women-led SMEs in the tourism and blue economy value chains through customized technical assistance aiming at strengthening women's skills, knowledge, confidence, and access to finance support; and (d) supporting the collection of gender-sensitive statistics in tourism sector currently missing (annex 8 details identified gender gaps, activities to address these gaps, and relevant indicators).

D. Results Chain

33. **The project's theory of change with activities, outputs, and outcomes is outlined in Figure 3.**



Figure 3. Theory of Change



Assumptions:

- A1 - Favorable conditions for implementing infrastructure upgrade/rehab
- A2 - Political supports from central and local governments in adopting/implementing new regulations, strategies, and so on
- A3 - Favorable conditions for traveling and tourism



E. Rationale for World Bank Involvement and Role of Partners

34. **The World Bank has deep experience supporting tourism around the world with relevant experience in Cabo Verde and integrated approaches globally.** Through its global engagement, the World Bank can provide international experience on tourism sector recovery. The value added of its support includes (a) sharing implementation experience from similar World Bank-financed projects; (b) understanding of integrated approaches to sustainable tourism development that combines infrastructure improvements with local economic development; (c) support for the Government of Cabo Verde in ensuring that its tourism investments yield the maximum benefits for communities, especially women and vulnerable populations, in an environmentally sustainable and resilient manner; and (d) the ability to convene national agencies, implementing agencies, development partners, and the private sector in a model for engagement for sustainable tourism development.

35. **The project supports the World Bank's selective and long-lasting engagement in the tourism sector.** The World Bank has supported the Government in developing the tourism sector for close to a decade through a series of instruments: technical assistance (ASAs), financial (IPFs), and more recently budget support (DPFs). The World Bank's sustained engagement and commitment to the agenda was also reflected in the last CPFs. The World Bank supported assessing and addressing constraints to the competitiveness, growth, and diversification of the sector.

36. **While other development partners are active in the blue economy, their role and integrated support to core issues in the tourism sector is ancillary.** On the blue economy front, partners were essential to help the Government formulate their vision. The three-core blue economy strategic documents for Cabo Verde were developed over the last few years, with funding from the African Development Bank and assistance from the Food and Agriculture Organization (FAO). United Nations Development Programme (UNDP) provides technical assistance on resource mobilization and innovative financing for the blue economy. In addition, development partner support for fisheries is mostly technical assistance to fishing communities or to improve governance in the sector. Thus, this project will be one of the few initiatives to provide investment financing for fisheries landing and commercialization infrastructure. In the tourism sector, UNDP supported the management of protected biosphere areas to increase sustainable tourism flows and income to adjacent communities. The European Union supported tourism development at the community level. The Luxembourg Development Cooperation was directly engaged through dedicated support to the Hotel and Tourism School. The Spanish Agency for International Development Cooperation supports the Government on socio-environmentally sustainable guidelines for the private sector.

37. **The PROBLUE multidonor trust fund co-financing will strengthen and intensify the operationalization of the blue economy in the country in line with the National Plan of Blue Economy Investments (*Plano Nacional de Investimentos para a Economia Azul, PNIA*).** Through PROBLUE, the project will focus on integrated investment that combines key ocean-economy sectors, including tourism and fisheries, to diversify the local economies and create jobs while maximizing cross-sectoral links between the sectors and the sustainable use of coastal and marine resources.



III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

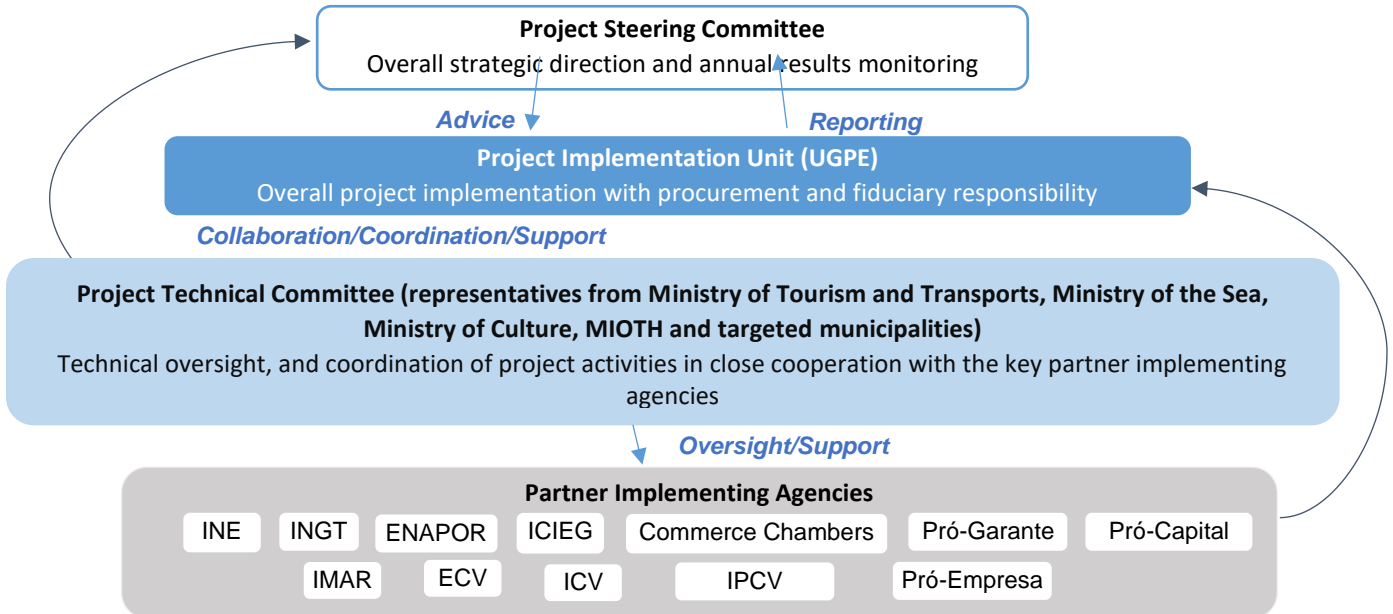
38. **The key implementation partner for the proposed project will be the Ministry of Finance and Business Development, particularly the UGPE, closely supported by the Ministry of Tourism and Transports; Ministry of Infrastructure, Territorial Planning, and Housing; Ministry of the Sea and Ministry of Culture and Creative Industries.** The UGPE is the centralized Project Implementation Unit in the Ministry of Finance and Business Development, managing the majority of the World Bank projects in Cabo Verde with a solid and satisfactory track record. The UGPE's responsibilities will include (a) managing procurement, financial management, disbursements, and safeguards; (b) coordinating the preparation, adjustments, and use of the project management tools, annual workplan, procurement plan, and disbursement projections; (c) monitoring the progress of achieving the PDO and intermediate results indicators, as established in the Results Framework; (d) being the main contact for fiduciary matters; and (e) serving as secretariat of the Project Steering Committee.

39. **The UGPE will be supported by a Project Technical Committee (PTC) to facilitate smooth implementation of the project.** The PTC shall be led by the National Planning Directorate of the Ministry of Finance and Business Development, with the UGPE acting as its secretariat, and it shall be composed of representatives of the Ministry of Tourism and Transports and Tourism Institute of Cabo Verde (*Instituto do Turismo de Cabo Verde*, ITCV); Ministry of the Sea; Ministry of Infrastructure, Territorial Planning, and Housing; Ministry of Culture and Creative Industries; and targeted municipalities. The PTC members will be appointed by the Vice-Prime Minister and Minister of Finance and Business Development. Additionally, the PTC will co-opt representatives from the key implementing agencies and island-level municipality coordinators, particularly in the target islands of Sal, São Vicente, and Santo Antão. If required, the project may support hiring of two or three additional local municipality coordinators. The PTC will meet on a quarterly basis during project implementation and will be responsible for (a) reviewing progress reports; (b) providing strategic guidance and recommendations to the UGPE; (c) monitoring project implementation; and (d) resolving any implementation bottlenecks.

40. **To ensure proper high-level coordination, a Project Steering Committee will ensure overall strategic guidance through the approval and review of the annual workplan.** The Vice Prime-Minister and Minister of Finance and Business Development (or relevant delegate) will chair the committee, which will include ministers (or their relevant delegates) from all the line ministries implementing activities supported by the project (that is, the Ministry of Tourism and Transports; Ministry of Infrastructure, Territorial Planning, and Housing; Ministry of the Sea; and Ministry of Culture and Creative Industries). In addition, the committee will include private sector representatives with relevant experience and qualifications. The committee can co-opt other representatives as necessary. The project coordinator in the UGPE will serve as secretary to the committee. The committee will meet once a year to discuss and review the annual workplan and budget for the following year, as well as review annual progress reports.



Figure 4. Project Institutional Arrangements Flowchart



Note: ENAPOR = Cape Verdean Port Authority; ICIEG = Cabo Verde Institute for Gender Equity (*Instituto Cabo-verdiano para a Igualdade e Equidade de Género*); INGT = National Institute for Territorial Management (*Instituto Nacional de Gestão do Território*).

41. **The M&E system is designed to assess whether implementation of the proposed project is on track to achieve its objectives and expected results.** Measurement of the progress in carrying out the proposed project activities will be documented in progress reports. The responsibility for the preparation of these reports lies with the UGPE in the Ministry of Finance and Business Development. To collect all relevant data, this unit will coordinate with the INE (which will receive project support to increase quality and frequency of tourism statistical outputs) and key project implementing agencies, including the Ministry of Tourism and Transports and ITCV; the Ministry of Infrastructure, Territorial Planning, and Housing, including ICV, ECV, and INGT; the Ministry of the Sea, including the Institute of Sea; the Ministry of Culture and Creative Industries, including the Institute of Cultural Heritage; and the Ministry of Family, Inclusion and Social Development, including the Cabo Verde Institute for Gender Equity. Progress reports will be prepared on a semiannual basis and submitted to the World Bank for review. In addition to reporting on the project results indicators, progress reports will include information on disbursements, financial management, procurement, and social and environmental policies and guidelines, as well as an updated annual plan of works and activities. The reports will also include information on women’s participation and contribution to the implementation and success (quality, cost, and time) of completed and ongoing activities. The M&E system will be based on the Results Framework and monitoring arrangements described in Section VII.

42. **As part of its reporting requirements, the PROBLUE Secretariat will need to be informed of the progress of specific indicators in the Results Framework.** These are the indicators where PROBLUE



support fully or partially finances the activities and they include the following indicators from the PROBLUE Results Framework: ‘Men and women in coastal areas with increased economic opportunities in traditional and/or new economic sectors (number), of which women (percent)’, ‘Value increase from improved handling from fisheries under improved management (USD)’, ‘National policy reform in coastal tourism informed (number)’, and ‘National policy reforms in fisheries & aquaculture informed (number)’. Details on data collection and calculation of targets are included in the Results Framework in Section VII: Results Framework and Monitoring. Reporting on these indicators requires that data collection including the beneficiary survey to be undertaken in Year 1. Also, the conversion factor between volume and value in improved handling of fish and fish products needs to be established in the first year of implementation.

B. Sustainability

43. **The tourism and blue economy development agendas are a high priority for the Government of Cabo Verde, championed at the highest level of Government and supported by line ministries and local authorities.** The Government’s commitment to these agendas is reflected in its efforts, particularly over the past five years, to conduct strategic planning, identify and prioritize tourism and blue economy-relevant public investments, plan necessary budgets, and deepen the coordination between line ministries and with local authorities. The selected tourism destinations supported by the project align with the Government’s recovery and longer-term sustainable tourism development agenda, which aims to (a) ensure the adoption of sustainable practices in tourism destinations; (b) develop efficient governance and management of destinations; and (c) ensure the development and diversification of the tourist offer based on international compliance standards.

44. **The project’s impact is expected to continue well beyond the life of the project.** Through its components, the proposed project is expected to lead to improved infrastructure, enhanced tourism destination assets, and increased capacity for tourism-based local economic development in selected tourism destinations in Cabo Verde, all of which will have a long-lasting impact. The longevity of the Espargos-Santa Maria Road in Sal will be ensured through good asset management and maintenance. Cabo Verde has a functional road maintenance mechanism with a road fund and annual programming and maintenance activities. The road is part of the core network and is expected to be maintained and be kept in good or fair condition, with satisfactory safe driving conditions. The project also finances the strengthening of tourism sustainability monitoring and community engagement to help ensure that, both during the project period and in the longer term, destination development is managed in a manner that (a) includes and economically empowers the local communities in the destinations and (b) protects and preserves the natural and cultural assets that attract tourism. For instance, design to facilitate separation of waste for recycling and reuse will be considered in the infrastructure to be built or renovated under Component 1 and in a spatial tourism planning exercise under Component 2. Under Component 2, tourism operators and tourists will be sensitized to resource efficiency, waste management, and circular economy. In addition, the PTC established for the project’s implementation will serve as the foundation for the Government to maintain development efforts in the selected destinations beyond the project period and replicate and scale up the project’s approach to future destinations.



45. **The Social Sustainability Tourism Fund (FSST), also known as the Tourism Fund, will be key to sustain programmatic activities in the tourism sector in the medium and long term.** Created in 2013, the FSST derives its revenue from a bed-night tax and is one of the main public funding sources for many tourism-related activities in Cabo Verde, distributing its resources evenly between central government and municipality-led initiatives in the context of a four-year planning cycle. In the context of close coordination under the umbrella of the POT, the FSST is expected to provide critical follow-on support to programmatic activities derived from the project (for example, marketing and promotion). Although tourism revenue decreased dramatically during the pandemic, the progressive recovery in number of tourists in the short and medium term (as supported by project investments) will allow for more recurrent funding for the POT, enabling concurrent additional POT and blue economy-related activities and investments, including by potentially scaling up project interventions in other destinations.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

(i) Technical Analysis

46. **The project design was informed by the Government of Cabo Verde’s strong strategic and planning vision and analytical work largely conducted through the ongoing World Bank CTD Project.** Between 2018 and 2019, the World Bank CTD Project supported the development of tourism development plans (island masterplans) for each island. In consultation with local stakeholders, these masterplans made a thorough diagnostic of cultural, environmental, and infrastructure assets and suggested a series of detailed and sequenced investments and activities to develop concurrent sustainable tourism offerings aimed at specific higher-spending tourism segments. In 2021, under the umbrella of the larger national strategic vision of *Ambição 2030* and based on the masterplans, authorities developed the cross-sector POT, covering 2021–26. The plan prescribes infrastructure and technical assistance activities across five subprograms budgeted at about US\$85 million in a first phase, including (a) requalification of tourism supply (upgrading tourism-related infrastructure and supporting new product and event development); (b) sustainability in tourism (regulating and stimulating sustainable environmental practices among sector operators); (c) tourism promotion (implementing a new brand and destination strategic marketing plan); (d) governance (improving all stages of planning, particularly territorial zoning and regulatory action); and (e) human resource qualification (upgrading professional and vocational training in the sector).

47. **The project was also informed by the PNIA.** The plan includes strategic integrated investment packages that combine interventions across key blue economy subsectors—including tourism, fisheries, and transport—to revitalize local economies and create jobs while maximizing cross-sectoral links and promoting a rational and sustainable use of coastal and marine resources. The total investment planned



under the PNIA is €76.99 million, of which €18.12 million is for coastal infrastructure and €58.87 million is for strengthening and expanding the seafood value chain,¹⁹ including in connection with tourism.

48. **In addition to the POT and island-level masterplans, a series of in-depth sector studies were completed during preparation to inform project design.** The studies included (a) a gender-responsive tourism analysis in Cabo Verde; (b) a needs assessment of tourism-related value chain businesses, particularly in terms of access to finance; and (c) a diagnostic and action plan for increasing local sourcing of goods and services by the tourism sector funded through the World Bank’s Competitiveness for Jobs and Economic Transformation Trust Fund. Moreover, the team leveraged strategic and diagnostic work conducted by the Government on the blue economy agenda; territorial planning, such as the Municipal Master Plan of Ribeira Grande de Santiago; and the tourism regulatory framework and strategic national marketing plan funded by the World Bank CTD Project.²⁰ On statistical intelligence and capacity building, the team leveraged a diagnosis note funded by the United Nations World Tourism Organization (UNWTO).

49. **The above due diligence formed the basis for sustained discussions with the Government and led to the definition of project sites and activities.** While the POT provides an overview of priorities for tourism development across all islands, discussions with authorities led to a range of possible destinations that were prioritized according to a set of criteria, including investment readiness and diversification potential, local community and private sector interest, growing tourist demand and potential, and environmental or social challenges that need addressing. The geographical areas selected were (a) Santiago Island, with a focus on Cidade Velha and Tarrafal; (b) São Vicente and Santo Antão Islands, with a focus on Mindelo, São Pedro, and an integrated package spanning all three municipalities of Santo Antão; and (c) Sal Island, with targeted investments in accessibility to Santa Maria in addition to investment in key landmarks inside the small town. These locations were selected due to their high potential for promoting economic recovery, encouraging diversification, and facilitating a transition to sustainable and inclusive tourism and blue economy. In addition, the prioritization of infrastructure investments in selected sites included sustainability and resilience criteria. For instance, interventions in Cidade Velha follow a sequential list of projects that have been implemented since 1960 that aim to revitalize the historic center. For the preservation and rehabilitation of cultural heritage, the prioritization of interventions was also guided by the greater or lesser urgency of the interventions to be carried out. Prioritization criteria included the historic and heritage value of buildings; state of conservation; the aesthetic and technical-scientific value of the building; and the interest of the building as a testimony of experiences, memories, or historical facts.

50. **Participating Financial Intermediary Institutions under the SME support subcomponent will leverage from the existing due diligence and institutional support under an ongoing World Bank-funded project.** Both Pró-Garante and Pró-Capital are currently licensed and accredited financial institutions by

¹⁹ Fishing is the largest exporting sector of goods in Cabo Verde, with canned fish (63 percent) and frozen fish (18 percent) being, according to the (combined) statistics of the Bank of Cape Verde, the most exported goods in 2018. The fishing activity has been important for boosting the ports, namely in São Vicente, through the transshipment of fish.

²⁰ The World Bank CTD Project recently supported the drafting of a Tourism Code White Paper assessing the legislative gaps and opportunities in the sector, which is a key milestone in supporting the tourism legislative reform agenda. In addition, it developed the Cabo Verde Strategic Tourism Marketing Plan.



the Bank of Cabo Verde (licenses issued respectively on March 27, 2018, and May 18, 2018), complying with the recurrently verified mandatory “fit and proper” requirements, compliance regulations and financial soundness indicators. Pró-Garante and Pró-Capital are financial intermediaries and beneficiaries of the ongoing World Bank-funded Cabo Verde Access to Finance for Micro, Small, and Medium-Sized Enterprises Project (P163015) since 2018 and 2021 respectively. Both financial intermediaries were assessed as having the necessary staffing, system of budgeting, accounting, financial reporting and auditing (both internal and external with an auditing firm). These are receiving technical assistance for institutional development, possessing satisfactory operational guidelines, corporate governance and internal controls, as well as an external auditor with the required qualifications, experience and terms of reference. In addition, both financial intermediaries have standing subsidiary agreements with the Government governing the terms and guidelines for transfer and management of proceeds from the ongoing World Bank project (on grant terms), ensuring also compliance with World Bank operational and safeguards norms and procedures. The project will thus build from the existing due diligence, assessment and flow of funds as well as from the institutional support to both these institutions. The Project Operational Manual will include specificities related to the implementation of activities under the SME support subcomponent.

(ii) Economic Analysis

51. **An economic analysis was conducted to determine the value of the anticipated benefits relative to the costs associated with this project.** The total net present value (NPV) is estimated at US\$404.1 million at a 12 percent discount rate, and the economic rate of return (ERR) is estimated at 42 percent based on total project investments. The economic analysis of this project is based on increased revenues for SMEs and individual beneficiaries through the project’s activities and investments that result from tourist spending. Annex 4 details the assumptions and methodology.

- (a) **Component 1.** Component 1 NPV is estimated at US\$402.1 million with an ERR of 43 percent. The economic analysis of this component is based on projections for growth of the tourism sector, including a longer length of stay and higher spending per tourist as a result of the project.
- (b) **Component 2.** Component 2 NPV is estimated at US\$1.3 million with an ERR of 16 percent. This component analysis includes increased revenues for SME beneficiaries within the tourism and fisheries sectors as a result of project support.

B. Fiduciary

(i) Financial Management (FM)

52. **A Financial Management Assessment was conducted to determine whether the financial management arrangements in place are acceptable.** The assessment complied with the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010, and was last revised in September 2021. These arrangements would ensure that the UGPE uses project funds only for the intended purposes in an efficient and economical way, prepares accurate and



reliable accounts as well as timely periodic financial reports, safeguards assets of the project, and has acceptable auditing arrangements. The FM assessment concluded that the arrangements in place at the UGPE are adequate for the new project and satisfy the World Bank's minimum requirements under World Bank Policy and Directive on IPF effective in 2017. The overall financial management risk is Moderate.

53. The financial management arrangements for the project will rely on existing fiduciary arrangements in place for nine ongoing World Bank-funded projects. The UGPE's overall financial management performance is satisfactory. The fiduciary arrangements in place include books of accounts and supporting documents kept for all expenditures; the UGPE financial management team familiar with World Bank financial management requirements; the unaudited interim financial reports (IFRs) for the ongoing projects submitted on time, acceptable to IDA; an unqualified opinion on the 2021 financial statements of active projects issued by external auditors; and the UGPE having a Financial Management Manual of Procedures that needs to be updated to include the project's specificities.

54. To accommodate the project in the existing financial management system, the following measures should be taken:

- Update the UGPE Financial Management Manual of Procedures to include the project's specificities within the update and adoption of the Project Operational Manual by project effectiveness.
- Customize the accounting software to include the bookkeeping of the project no later than three months after effectiveness.
- Include the project in the internal auditor scope of intervention no later than three months after effectiveness.
- Recruit an external auditor with qualifications satisfactory to the World Bank to conduct an annual audit of the project's financial statements no later than three months after effectiveness.

(ii) Procurement

55. The Borrower is procuring under the proposed project in accordance with the World Bank Procurement Regulations for IPF Borrowers dated November 2020; 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 July 2016; and other provisions stipulated in the Financing Agreement.

56. The UGPE will have fiduciary responsibility for implementing the project. The UGPE has implemented several development projects with adequate fiduciary arrangements. The UGPE has experience with World Bank procurement rules and procedures, including the New Procurement Regulations. The UGPE implements these projects with three procurement specialists and an assistant. An assessment of the UGPE's capacity to implement World Bank procurement determined that the UGPE has the experience and qualifications to carry out procurement under this project. The specialists have acceptable knowledge of World Bank procedures and experience in using World Bank Standard Bidding Documents. Given the nature and complexity of the project, the UGPE procurement team will need to be reorganized to better manage the workload.



57. **The UGPE prepared the Project Procurement Strategy for Development (PPSD), which describes how fit-for-purpose procurement activities will support project operations for the achievement of PDOs and deliver value for money.** The PPSD considers the institutional arrangements for procurement, roles and responsibilities, thresholds, procurement methods, and due diligence as well as requirements for performing procurement. It also includes a detailed assessment and description of the Government’s capacity to execute procurement and manage contract implementation within an acceptable governance structure and accountability framework. Other points considered are market behaviors, trends, and capacities (that is, market analysis) to inform the Procurement Plan. The PPSD concludes that the operational context allows the transparent and successful execution of the contracts that are to be implemented by this project.

58. A detailed procurement description can be found in annex 6.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social

59. **The project is expected to have positive environmental and social impacts by improving the tourism sector in a participatory and sustainable manner.** It is also expected to result in increased income opportunities for local communities due to community-led or local enterprise projects/plans developed and implemented. Potential risks and impacts associated with the project activities triggered all Environmental and Social Standards (ESS) except ESS7. The overall risk rating for the project is Substantial because the associated potential adverse risks and impacts are short to medium term, reversible, and could be mitigated through appropriate design and implementation of relevant management practices.

60. **The environmental risk is rated as Substantial.** Some activities such as recovery works, signage of hiking trails, and coastal and beach area integrated requalification and development works could be operated in protected areas and other sensitive natural areas. These activities could affect wildlife and its habitats and need to be planned and managed properly. Activities that involve upgrading vulnerable households and works targeting historical and heritage site rehabilitation, which will be carried out outside protected areas, may generate adverse impacts on habitat alteration/loss of biodiversity, water quality, erosion, soil productivity, hazardous material management, and visual impacts. In addition, there may be impacts related to occupational and community health and safety, such as fire safety, construction safety, transportation, and pesticide exposure. Regarding road safety, the World Bank’s Road Safety Screening and Appraisal Tool (RSSAT) has been applied to the road component on Sal Island.



61. **The anticipated social risk for the project is Substantial.** Key risks from project activities, particularly during the construction and rehabilitation, include risk of resettlement and socioeconomic impact; risk of unequal employment opportunity; harassment, intimidation, and/or exploitation, including addressing GBV risks; destruction of cultural heritage during the rehabilitation of cultural sites; lack of consultation, citizen engagement, and communication; and risk of sexual abuse of minors, such as prostitution and child pornography, as well as rape and sexual exploitation of children, especially in the tourist islands of Sal and Boa Vista. Despite the situation, the risk of sexual abuse is minor because Cabo Verde adopted and operationalized the National Plan to Combat Sexual Violence against Children and Adolescents.

62. **Relevant Environmental and Social Framework (ESF) management tools have been prepared to mitigate the above potential environmental and social risks and impacts in accordance with applicable Environmental and Social Standards.** These management tools include an ESCP; an SEP; an Environmental and Social Management Framework (ESMF), which contains provisions for specific E&S assessment and management instruments to be produced under the project, including ESMPs, biodiversity screening or other appropriate instruments that would be prepared for specific investments or activities with a potential to cause environmental risks and requiring site-specific risk management measures. The ESMF also includes a Generic Environmental and Social Management Plan, Labor Management Procedures, including a Workers' Grievance Procedure, an Indicative outline of ESIA and ESMP; SEA/SH action Plan and implementation budget and an ESMF-CERC. For the rehabilitation of 15 km of the Espargos-Santa Maria road on Sal island, the location and scope was known at Appraisal stage, so a specific ESMP was prepared. Key ESF management tools have been disclosed by the Client and World Bank including ESRS (disclosed on March 28, 2022), ESCP (disclosed on April 1, 2022), SEP (disclosed on March 28, 2022) and ESMF (disclosed on April 11, 2022). These can be found at <https://projects.worldbank.org/en/projects-operations/document-detail/P176981?type=projects>.

63. **Participating Financial Institutions associated with the SME development subcomponent (Pró-Garante and Pró-Capital) will leverage the existing Environmental and Social Management System (ESMS) approved by the World Bank and in implementation under an ongoing World Bank-funded Project.** Both Pró-Garante and Pró-Capital are beneficiaries of the ongoing Cabo Verde Access to Finance for Micro, Small, and Medium-Sized Enterprises Project (P163015). The project will address the environmental risks through the review of the existing ESMS with a Screening Procedure to be used for defining access to finance eligibility, and development of specific ESIA/ESMP, as needed, for managing the potential environmental impacts associating under the project. The Project Operation Manual will include, among others, an explicit list of activities ineligible (exclusion list) for grant financing, and tool for environmental screening. The reviewed ESMS will be reviewed within 90 days of project effectiveness, if any adjustments are needed to comply with this project's ESMF. It is expected that only low to moderate environmental and social risk activities be financed with SMEs under this project due to the relatively small size of support activities in that subcomponent.

64. **The project will ensure that its implementation units have adequate capacity in ESF implementation, monitoring, and reporting.** The project will be implemented by the UGPE, which has experience in implementing World Bank projects and managing environmental and social impacts and



risks in accordance with ESF provisions. The UGPE's track record in implementation could be constrained by insufficient human resources capacity. The overall approach to managing environmental and social risks will build on existing laws, rules, instructions, procedures, and practices, assessed for consistency with ESF requirements and enhanced as required by integrating additional measures for achieving consistency with ESF objectives. An outline of the ESF capacity development workplan with a budget is provided in the Environmental and Social Management Framework.

65. **Citizen engagement.** The integrated design of the project requires a participatory approach through the implementation of citizen engagement interventions to enhance beneficiaries' voice and participation. Integrating citizen engagement mechanisms will allow for better access to services such as the fishing pier, the Mindelo fish market, the rehabilitation of tourist sites and museums, and the rehabilitation of a section of the road in Sal. The communities will be consulted to provide their input in the design of these tourism and community infrastructures. The Government of Cabo Verde prepared and will implement an inclusive SEP. Throughout the project life cycle, inclusive consultations targeting stakeholders and beneficiaries will be implemented, ensuring that all beneficiaries participate in planning and decision-making processes and that project activities promote opportunities equally to men, women, and youth as well as vulnerable groups or at risk of exclusion. These consultations will also address the findings of the social and environmental assessment, including impacts and benefits derived from project-financed activities and measures identified to avoid, minimize, and mitigate potential risks of exclusion and/or adverse impacts on vulnerable groups. In addition to periodic consultations, the project will conduct a satisfactory survey to be conducted at project midterm, as well as an accessible and transparent grievance redress mechanism (GRM). The feedback will inform subsequent project activities and if necessary, address implementation issues. Citizen engagement activities will be captured in the Results Framework through monitoring the percentage of grievances received and addressed in the project GRM time frame. The Results Framework includes an indicator of beneficiary satisfaction (that is, share of local tourism and blue economy value chain beneficiaries satisfied with the project interventions) to track progress on this front throughout the life of the project.

V. GRIEVANCE REDRESS SERVICE

66. Communities and individuals who believe that they are adversely affected by a World Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the GRS, visit worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, visit inspectionpanel.org.



VI. KEY RISKS

67. **The overall risk for the operation is assessed as Moderate.** While macroeconomic, environmental, and social risks and institutional capacity for implementation have been rated Substantial, the overall risk rating of Moderate reflects a range of political, sectoral policies, and technical design implementation and sustainability risks that may adversely affect the success of the proposed operation. The following paragraphs describe risks that are considered substantial after mitigation measures have been put in place.

68. The **macroeconomic risk** is rated Substantial given the socioeconomic impacts of the COVID-19 crisis severely hampering tourism, FDI, and export flows, resulting in the country's increasing debt levels. This risk is primarily associated with potential delays in project negotiation and/or stalled implementation due to the worsening fiscal deficit and postponement in the projected decrease in public debt. External and natural shocks remain a source of risks that could increase fiscal pressures and result in fiscal slippages during project preparation and implementation. This risk is mitigated by the macroeconomic reform program undertaken by the Government with support from its international development partners. This reform program is supported by the IMF program and the First Sustainable, Equitable, and Green Recovery DPF (P174754). Authorities are committed to returning to fiscal consolidation following the pandemic, and the Government has a good track record on conducting important structural reforms, including the implementation of a growth-friendly fiscal adjustment. Additionally, the ongoing recession, uncertainties around the Ukraine crisis, and the recovery outlook for the tourism industry could delay a fast recovery and reactivation of tourism flows and associated revenues in the short term. The ongoing Ukraine crisis is not expected to have a significant impact on tourism arrivals as arrivals from eastern European countries have been residual. Yet, the crisis is likely to pose risks through higher import prices for crude oil, vegetable oil, and wheat (and related products) and could eventually affect key sources markets such as the United Kingdom or Germany.

69. **The institutional capacity for implementation and sustainability is Substantial.** This project is complex and a first of its kind for the Government of Cabo Verde because the project involves multiple line ministries, geographic locations, and a range of infrastructure, capacity building, and policy and planning support. The cross-sectoral nature of the project, with a large number of stakeholders participating in project implementation, will require a high-level coordination that might generate delays during implementation. To mitigate the mentioned risks, the project will (a) include the selection of well-defined geographic areas to facilitate project coordination; (b) leverage the experience of line ministries and implementing agencies on past World Bank operations and explicitly tap into the strong track record of the Government in housing upgrades and rehabilitation of cultural/touristic assets and roads; (c) operate under known and tested institutional arrangements by assigning the overall project implementation, fiduciary, and M&E to an experienced Project Implementation Unit (UGPE); and (d) provide technical assistance (under Component 2 and parallel trust fund projects) to help fill existing capacity gaps at national and municipality levels. All this technical assistance will be embedded in a detailed analysis of beneficiaries' skills gaps and capacity-building plans to fill these gaps to ensure a sustainable impact beyond the project lifetime. Finally, there is a risk that the Government and



development partners may not finance complementary investments supporting the project objectives and programmed in the POT. In the case of additional infrastructure and policy planning, the Government has committed to contribute with both the tourism and environmental funds.

70. **The environmental and social risks are Substantial.** The project will operate within a well-established legal and institutional framework that provides policies and regulatory instruments for effective environmental and social management. Moreover, the project is expected to have positive environmental impacts by improving the tourism sector in a participatory and sustainable manner. It is also expected to result in increased income opportunities for local communities due to community-led or local enterprise projects and plans developed and implemented. Nevertheless, some adverse environmental impacts, such as soil loss, impact on natural habitats and biodiversity, noise, solid waste, and hazardous material management, impacts on occupational and community health and safety, visual impact, and so on, may be generated from project activities. Small-scale facilities construction could also pose some environmental risks. Promotion of tourism may similarly cause water pollution if existing sanitation and waste handling systems are inadequate. Promotion of tourism can also be a risk for sexual abuse of minors in Cabo Verde, such as prostitution and child pornography, as well as rape and sexual exploitation of children, especially in the tourist islands. There can be a risk of sexual exploitation and abuse during the rehabilitation of facilities. Some adverse environmental and social impacts during the civil works, such as harassment and GBV by construction workers, remain a risk. Also, with rehabilitation of the tourism sites, there will be the risk of resettlement and socioeconomic impact, unequal employment opportunity, harassment, intimidation, and/or exploitation. Key environmental and social risks and impacts are associated with Component 1, upgrading local infrastructure. Component 2 is mainly soft interventions, such as capacity building, development services, upgrading of instruments, and support for tourism policy development. The abovementioned physical, biological, and socioeconomic impacts are expected to be site specific and of moderate to substantial severity. These impacts can be avoided or minimized through good practices, including compliance with World Bank Group Environmental, Health, and Safety Guidelines. Measures will be incorporated into the project design to avoid or mitigate them. To mitigate potential environmental and social impacts, the proposed project developed an Environmental and Social Management Framework and will prepare Environmental and Social Impact Assessments and Management Plans. The project will consider specific mitigation actions for GBV and sexual exploitation and abuse, such as the gender and tourism assessment. Essential actors in preventing GBV and sexual exploitation and abuse will be included in project implementation, and training on GBV standards in tourism will be conducted among stakeholders. The project also addressed identified gaps by preparing an ESCP. On the social side, the project prepared an SEP and detailed plan for a multi-tier grievance redress and feedback mechanism to ensure a participatory and inclusive approach during the project's life cycle. Staffing and capacity-building measures for effective management of environmental and social risks and impacts will ensure they are mitigated effectively.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project

Project Development Objectives(s)

To increase diversity and resiliency in the tourism offering and small and medium enterprise (SME) participation in tourism-related value chains in targeted destinations.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Increase diversity in the tourism offering							
Increase in average daily tourist spending at destination islands (Percentage)		0.00	5.00				15.00
Increase in total tourist overnight stay in destination islands (Percentage)		0.00	3.00	7.00	12.00	16.00	20.00
Increase SME participation in tourism-related value chains							
Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and		0.00	20.00	40.00	50.00		60.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
sector) (Percentage)							
Increase resilience in the tourism offering							
Infrastructure rehabilitated, upgraded or established integrating climate resilience practices (Number)		0.00	0.00	2.00	4.00	8.00	8.00

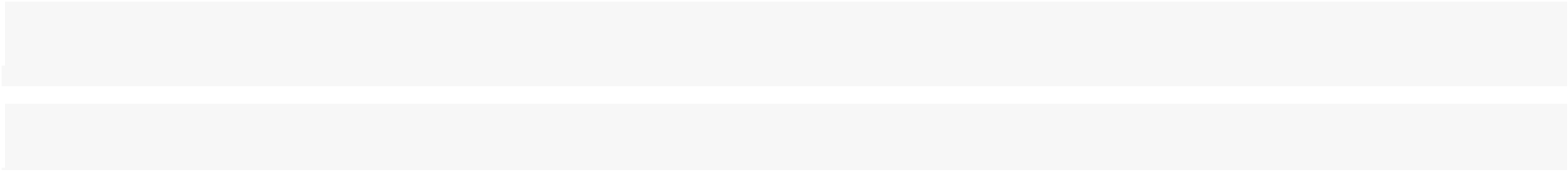


Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Component 1: Development of integrated and resilient tourism and blue economy infrastructure							
Share of local tourism and other ocean-economy value chain beneficiaries satisfied with the project interventions (disaggregated by gender) (Percentage)		0.00	40.00				65.00
Infrastructure rehabilitated, upgraded or established integrating sustainable practices (disaggregated by type) (Number)		0.00	0.00	2.00	4.00	8.00	8.00
Roads rehabilitated (CRI, Kilometers)		0.00	4.00				7.20
Share of fish from fisheries		0.00	40.00	60.00			80.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
under improved management, landed or handled according to improved practices at project-supported sites (Percentage)							
National inter-modal transport strategy drafted and submitted for adoption (Yes/No)		No	No	Yes			Yes
Component 2: Enhancement of inclusive and sustainable management of tourism and in a blue economy							
SMEs with improved access to finance supported by the project (Number)		0.00	10.00	30.00	60.00	100.00	150.00
Women-owned/ managed SMEs with improved access to finance supported by the project (Number)		0.00	3.00	10.00	25.00	40.00	68.00
Beneficiary SMEs adopting climate smart practices (disaggregated by gender) (Percentage)		0.00	0.00	0.00	5.00	10.00	15.00
Policies or legal instruments that integrate blue economy principles and climate change adaptation measures drafted and submitted to Cabinet (Number)		0.00	1.00	3.00	6.00	7.00	8.00
Action Plan for Gender Mainstreaming in Tourism is updated and adopted, including GBV standard guidelines (Yes/No)		No	No	Yes			Yes



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Increase in average daily tourist spending at destination islands	Daily tourism spending is defined as the per day consumption expenditure made by a visitor during his/her trip and stay at the targeted destination. The indicator encompasses a wide variety of items, ranging from the purchase of consumer goods and services inherent in travel and stays to the purchase of small durable goods for personal use, souvenirs and gifts for family and friends. The higher the spending per day, the more efficient the tourist destination is at generating tourism value. The indicator will be tracked for targeted island destinations. The end target	Baseline, mid-term, and end[bw1]	National Statistics Office (INE)	Reported data compiled by National Statistics Office through survey data collection	UGPE through National Statistics Office



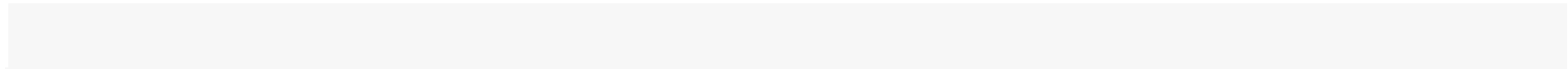
	<p>will be a 15 percent increase in daily spending across these destinations. It will be calculated as the average of the figures for the four Islands (Santiago, Sao Vicente, Santo Antao, and Sal). Currently, baseline data does not exist at the island level. As such, new island-level visitor surveys will need to be designed and administered to capture the baseline data. The baseline data indicated available refers to national average spending (from 2019 at an average spend of \$46.7/day), which will need to be updated during first year of implementation. Data from subsequent years will not be corrected for inflation.</p>				
<p>Increase in total tourist overnight stay in destination islands</p>	<p>The indicator will provide annual information on total overnight stays in a destination, away from home or primary domicile, combined for all the targeted municipalities. The number of overnight stays is</p>	<p>Annual</p>	<p>National Statistics Office (INE)</p>	<p>Reported data compiled by INE</p>	<p>UGPE through INE</p>



	<p>one of the most important indicators for accommodation businesses. The longer tourists stay, the higher the return on investment for marketing and sales and greater impact for hospitality businesses. Baseline data has been collected for 2021 for all four targeted island destinations, based on INE's yearly guest movement report. These are: Santo Antao: 18,856, Sao Vicente: 26,265, Santiago: 80,654 and Sal: 493,484.</p>				
<p>Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and sector)</p>	<p>This indicator will assess the share of project-beneficiary SMEs which have been able to obtain new or expanded contracts to deliver products or provide services to local hospitality businesses (such as hotels, restaurants, travel agencies, or wholesale intermediaries), or directly to tourists.</p>	<p>Baseline, mid-term, and end.</p>	<p>Survey data by UGPE with support from Pró-Empresa, Progarante and Procapital</p>	<p>Annual survey with beneficiary firms</p>	<p>UGPE/Pro-Empresa</p>
<p>Infrastructure rehabilitated, upgraded or established integrating climate resilience</p>	<p>The indicators captures completion of tourism and</p>	<p>Annually</p>	<p>Data from relevant</p>	<p>Confirmation of completion of</p>	<p>UGPE</p>



practices	blue economy infrastructure rehabilitation. It measures critical assets and infrastructure protected from climate risks due to climate risk mitigation interventions supported by the project. Target includes 2 tourism-fisheries piers, 1 fish market, 1 road, 1 museum, 2 visitors centers and hiking and trekking paths (71km) in Santo Antao.		beneficiaries	infrastructure incorporating climate resilience practices confirmed by relevant project beneficiaries (eg. Ministry of the Sea, Estradas de Cabo Verde, etc).	
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Share of local tourism and other ocean-economy value chain beneficiaries satisfied with the project interventions (disaggregated by gender)	The community satisfaction survey will cover beneficiaries of business development services and capacity building under Component 2 as well as those benefitting from improved infrastructure under Component 1. This indicator will measure the increase in the percentage	Baseline, mid-term and end	Community Satisfaction Survey	Survey	UGPE



	<p>of survey respondents who report being 'satisfied' or 'very satisfied' with their participation in, and outcomes of, their respective program (including responsiveness to feedback they provide). The results of the survey will be disaggregated by destination and by beneficiaries: disaggregated by fisherfolks; tourism SMEs and blue economy SMEs. The target of 65 percent respondents being satisfied is expected for all groups. The survey will be carried out in year 1 and will also be used to report on the PROBLUE indicator 'Men and women in coastal areas with increased economic opportunities in traditional and/or new economic sectors (number), of which women (percentage)'. The PROBLUE indicator will be monitored as currently no data are available on which the target can be set.</p>				
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Infrastructure rehabilitated, upgraded or established integrating sustainable practices (disaggregated by type)	The indicators captures completion of tourism and blue economy infrastructure rehabilitation. Target includes 2 tourism-fisheries piers, 1 fish market, 1 road, 1 museum, 2 visitors centers and hiking and trekking paths in Santo Antao.	Annual	Project M&E system	Collection from project monitoring and & evaluation system, including bi-annual implementation reports.	UGPE
Roads rehabilitated		This indicator measures the cumulative number of kilometers of national roads rehabilitated integrating sustainable practices under the Project	Bi-Annual	Project M&E system	UGPE with data from ECV
Share of fish from fisheries under improved management, landed or handled according to improved practices at project-supported sites	This indicator relates to improvement in the quality of fisheries landings and handling of seafood products, while ensuring that these improvements do	Bi-Annual	Collection from Directorate General of Maritime Resources	Direct data collected by Directorate General of Maritime Resources	



	<p>not lead to unwanted increases in fishing effort. To this end, it will track the extent to which the handling and sale of fish and seafood products from fisheries under improved management at Project sites comply with hygiene and sanitation standards, as reflected by proper certification by the competent authority. The calculation of this indicator will be the proportion of products landed using the new conservation or processing infrastructures according to the standards established on all the products landed at the selected sites. This indicator will be used to report against the PROBLUE indicator 'Value increase from improved handling from fisheries under improved management (USD)'. During the first year of implementation, the conversion between volume and value will be</p>				
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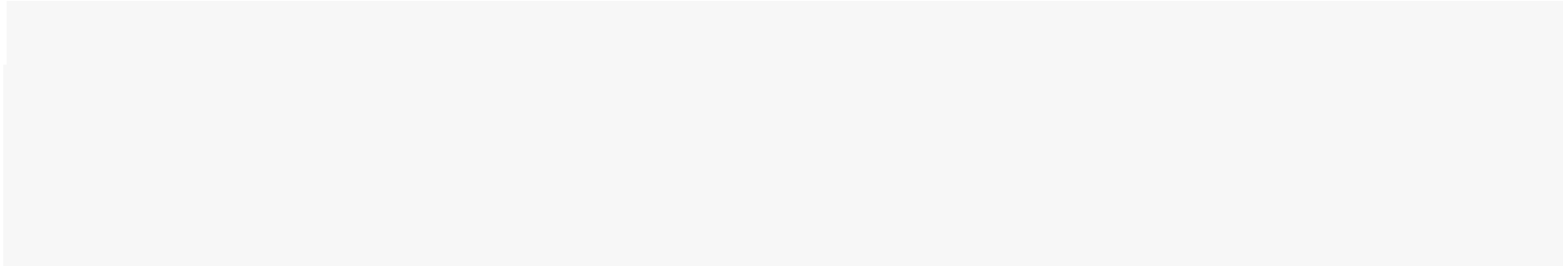
	established.				
National inter-modal transport strategy drafted and submitted for adoption		Bi-Annual	Project M&E system	Collection from project monitoring and & evaluation system, including bi-annual implementation reports. Information on the completion and adoption of the strategy should be provided by the Ministry of Tourism and Transport and Ministry of the Sea.	UGPE with support of MTT
SMEs with improved access to finance supported by the project	To measure access to finance, this indicator counts SMEs that have signed a loan/grant agreement according to certain conditions (specified in the PAD). It will also measure increased support for financial products with positive impact in the participation of women along the tourism value chain	Bi-Annual	Pró-empresa	Data generated by Pró-empresa	UGPE with support from Pro-empresa
Women-owned/ managed SMEs with improved access to finance supported by the project	The objective of this sub-indicator is to measure increased support for	Bi- Annual	Pró-empresa	Data generated by Pró-empresa	UGPE with support from Pró-empresa



	<p>financial products with positive impact in the participation of women along the tourism value chain. This indicator is directly addressing the gap identified as according to Pró-Empresa, of the 180 approved matching grant solicitations under our project-backed program till end-February 2022, 37.2 percent were led by women and that 33 percent business in the country are led by women. Target of the project is thus to increase this percentage to around 45 percent.</p>				
Beneficiary SMEs adopting climate smart practices (disaggregated by gender)	<p>This indicator will include different elements of sustainable tourism businesses including, among others energy efficiency, water conservation and waste management, greenhouse gas emissions and carbon offsetting schemes adopted by supported MSMEs, it will measure the percentage of MSMEs that adopt climate</p>	Annual	Annual survey conducted to supported firms in collaboration with Pro-empresa, Progarante and Procapital	Data collected directly by UGPE	UGPE



	smart practices thanks to technical assistance or finance received by the project.				
Policies or legal instruments that integrate blue economy principles and climate change adaptation measures drafted and submitted to Cabinet	The indicator counts the number of policy documents prepared with support from the project including relevant data collection and analysis, dialogues and stakeholder engagement relevant for the regulation and planning of tourism and blue economy. This indicator will be used to report against two PROBLUE indicators: 'National policy reform in coastal tourism informed (number)' and 'National policy reforms in fisheries & aquaculture informed (number)'. The indicator will measure if the referend Action Plan is updated, with M&E framework and fully operational. To confirm its operationalization, The Action plan should be accompanied by a Working Plan.	Bi-annual	Project M&E system	Collection from project monitoring and & evaluation system, including bi-annual implementation reports.	UGPE through Ministry of Tourism and Transport and Ministry of the Sea
Action Plan for Gender Mainstreaming in Tourism is updated and adopted, including GBV standard guidelines		Annual	Project M&E system	Direct data and information from ICIEG	UGPE with support from ICIEG



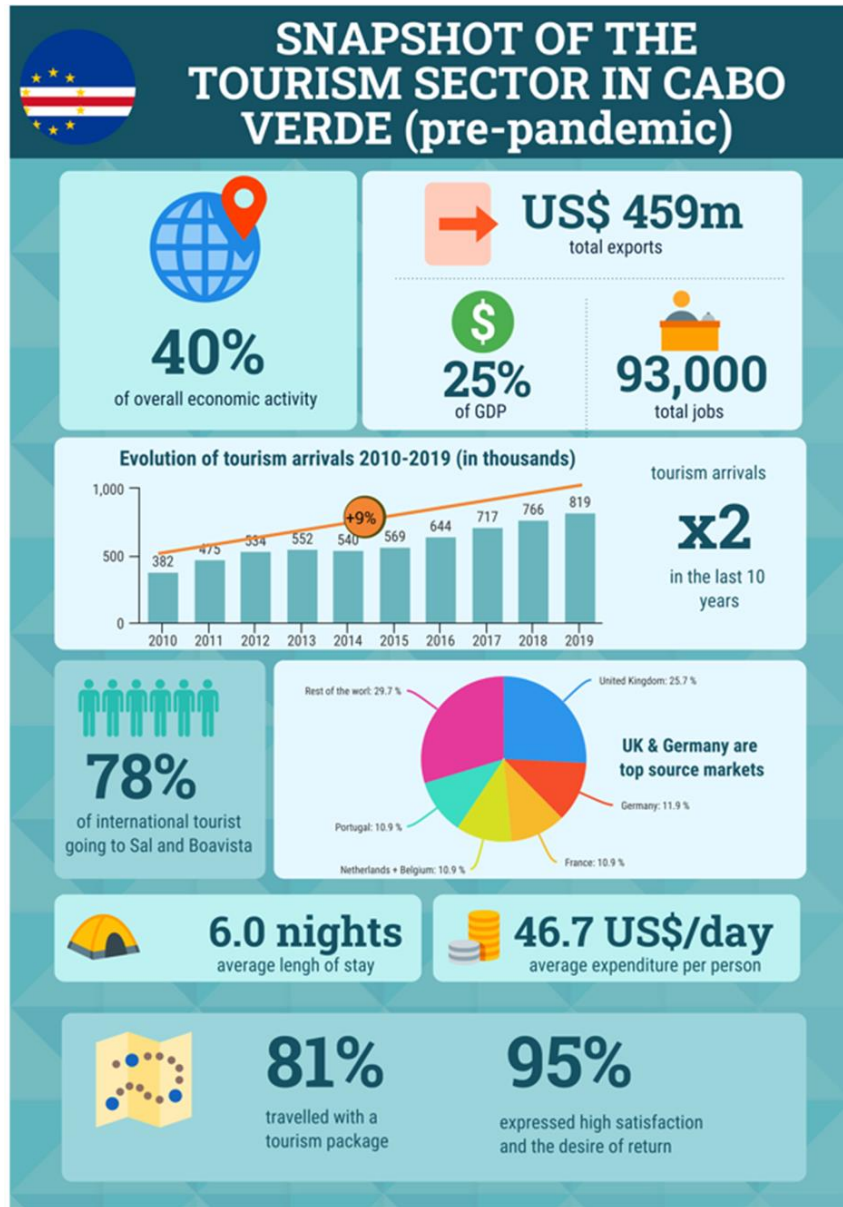


ANNEX 1: Snapshot of Tourism Sector in Cabo Verde

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

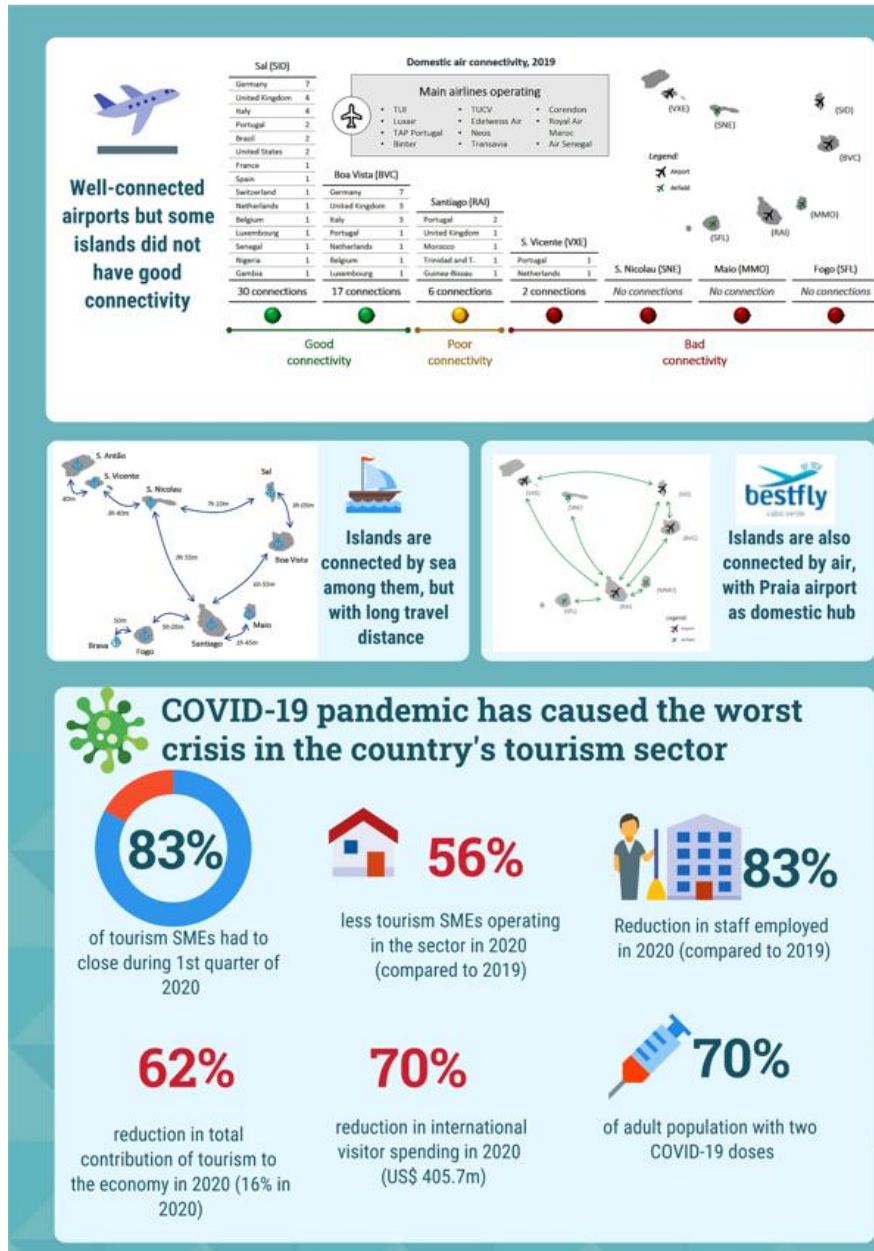
Figure 1.1. Snapshot of Tourism Sector Pre-Pandemic



Source: World Travel & Tourism Council. 2021. Travel & Tourism Economic Impact 2021, Cabo Verde. THR Strategic Analysis, Strategic Marketing Plan for Cabo Verde.



Figure 1.2. Snapshot of Tourism Sector Post-Pandemic



Source: World Travel & Tourism Council. 2021. Travel & Tourism Economic Impact 2021, Cabo Verde. THR Strategic Analysis, Strategic Marketing Plan for Cabo Verde.



ANNEX 2: Detailed Project Description

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

1. **The project consists of three integrated components and a CERC that addresses constraints to unlocking tourism potential in selected destinations in Cabo Verde.** Through a series of integrated and cross-sectoral interventions, the project will seek to improve the diversity of the tourism sector's offerings, enable greater participation of local communities in tourism-related value chains, and support the SME sector and women-led enterprises to provide demand-driven and sustainable services for tourism. Expected outcomes include longer lengths of stay, increased tourist spending, increased domestic benefits from tourism, and increased visitor satisfaction with the quality and diversity of products in selected destinations.

Component 1: Development of integrated and resilient tourism and blue economy infrastructure
(US\$21.58 million equivalent)

2. **Component 1 will invest in a set of blue economy and tourism infrastructures in selected destinations with high potential.** The target destinations have been selected for their investment and diversification readiness, local community and private sector interest, growing tourist demand and potential (including from non-traditional segments), and environmental or social challenges that need addressing following extensive preliminary studies. Infrastructure investments will (a) upgrade integrated tourism and fisheries coastal infrastructure; (b) improve accessibility to tourism sites; (c) rehabilitate trekking trails and cultural heritage and visitor centers; and (d) develop a strategy and action plan to enhance international and inter-island intermodal connectivity. Specific interventions at different sites include the following:

Santiago Island - Tarrafal de Santiago

3. **Tarrafal is the main beach destination of Santiago Island and boasts strong maritime sports, yachting, and diving potential, in addition to adjacent historical heritage sites.** Located on the northeast corner of the island, Tarrafal is of high scenic, recreational (attracting beach weekenders, diving, and boating enthusiasts), and historical interest (home to the historical political prison concentration camp in Chão Bom). Recent private sector interest and investments are already notable with many new small hotels and more under development. Tarrafal has the potential to cater to different niches of visitors, including under a 'Digital Nomad' campaign that authorities launched in 2021 during the pandemic to capitalize on the new tendency for remote work.

4. **The project interventions will center on the quay and adjacent beach areas of Tarrafal Bay, to safeguard the sustainability, attractiveness, and versatility of the bay as the main tourism asset.** The Tarrafal quay is in a precarious state, raising safety concerns, and not realizing its full potential in terms of a transit point for tourism or maritime sports activities, as well as a support to core fisheries. This investment will include (to be determined based on detailed studies) works related to the rehabilitation of the quay, associated bollards, fenders, accessibility to and in the adjacent area, and solar lighting, among other interventions to encourage sustainable maritime tourism such as yacht moorings.



Table 2.1. Infrastructure Investments for Tarrafal de Santiago

Investment	Indicative Budget (US\$)
Studies and rehabilitation of the quay and surrounding adjacent areas to support coastal fishing and tourism value chains, including moorings for leisure yachts	1,700,000
Creation of selected viewpoints on the interior scenic road from Praia to Tarrafal	100,000
Upgrades and support works for Tarrafal Beach	350,000
TOTAL	2,150,000

Santiago Island - Cidade Velha

5. **Cidade Velha demonstrates unique historical value and has the potential to leverage its United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Status and proximity to the capital Praia to develop inclusive tourism for the local community and businesses.** The town was the first European colonial town to be built in the tropics and is the oldest settlement in Cabo Verde.

6. **The project interventions are anchored on the historical center, rehabilitating and leveraging its appeal while creating sustainable opportunities for local vendors.** Through rehabilitating the historic center, marketplace, and walking trails and targeted capacity-building activities, the project will leverage the UNESCO heritage status and historical context. Investments include detailed urban plan for the historic center (according to UNESCO guidelines); rehabilitation and pedestrianization of the central square and marketplace; renovation of the historical center roads; and upgrading of the stone walking trail from Fort São Filipe, a walking trail along the valley to local farms, and signage and interpretation. These interventions will go hand in hand with SME-level programs in Component 2 to increase links, promote agrotourism, gastronomy, and creative industry products. Authorities have short-listed already additional complementary investments for a later stage or complementary funding sources, including the upgrade of a bypass road (completing a ring road around the city to enable larger-scale pedestrianization) and the extension of the seafront promenade.

Table 2.2. Infrastructure Investments for Cidade Velha

Investment	Indicative Budget (US\$)
Detailed plan for city rehabilitation (under UNESCO guidelines)	250,000
Rehabilitation of central square and marketplace	350,000
Rehabilitation of historical central roads	350,000
Requalification of Bairro São Sebastião, the walking trail from the Fort of São Felipe, and improved signage	620,000
TOTAL	1,520,000

Northern Islands - São Vicente Island

7. **Investments in São Vicente will center on the hub city of Mindelo to leverage its historical, cultural, and maritime sports tourism attractions.** São Vicente Island is ranked fourth in arrivals nationwide (behind Santiago, Sal, and Boavista) and possesses strong assets in terms of marine and sports tourism potential because of its international airport. It also possesses the best natural maritime port of the country, which historically acted as a gateway and transit point for international shipping lanes.



8. **The investment in the fish market in Mindelo, the most active in Cabo Verde, is expected to leverage the tourism potential of the site in tandem with the adjacent city museum.** The integrated rehabilitation investment will support investments in improving the landing site together with improvements to hygienic, sanitary, and safety conditions throughout; the rehabilitation of equipment and modernization of practices for handling and selling fish in hygienic, sanitary, and safe conditions; and a space for vendors to serve food. A further investment in a Turtle Watch Visitor Center in San Pedro will help increase community benefits from tourism while ensuring sustainable marine tourism management. Investments are expected to increase tourist attractiveness of São Vicente, increase tourist length of stay, and increase the demand for local fish and seafood products without affecting the availability and affordability of fish for the local population.

Table 2.3. Investments in São Vicente

Investment	Indicative Budget (US\$)
Studies and rehabilitation of fish market in Mindelo	1,700,000
Upgrade of city museum	200,000
Feasibility study and design of a turtle conservation center at San Pedro	300,000
TOTAL	2,200,000

Northern Islands - Santo Antão Island

9. **Santo Antão provides a world-class nature, hiking, and cultural experience associated with its mountainous terrain and secluded traditional villages, but recent growth prompts urgent rehabilitation and management of its unique hiking trails.** Visitor flows to Santo Antão grew rapidly pre-pandemic and reached an estimated 35,000 tourists in 2019, with higher-than-average tourist spending patterns and local revenue capture (homestays and local produce). The hiking trails, some dating back to the 19th century, are unique in length and diversity (spanning nearly 400 km and having the largest network of all islands). The wear and tear in addition to lack of maintenance have raised safety issues, requiring rehabilitation, maintenance, and signage for continued tourist use. The rehabilitation works supported by the project will consist of basic trail repair, orientation and interpretation signage, construction of support/rest vantage areas (which may also be explored for commercial concessions), and the development of a sustainable management framework.

10. **On the eastern part of the island, the project will also support investments in rehabilitating heritage and cultural assets.** These activities will include the rehabilitation of Ponte Canal and the ‘Sete Sóis, Sete Luas’ cultural and arts center of Ribeira Grande, seeking to enhance that space and leverage their respective potential as a focal point for showcasing local music, artisans, and events.

11. **The project will also support investments in the coastal village of Tarrafal Monte Trigo.** Located in the western and less populated part of Santo Antão, Tarrafal de Monte Trigo sits in a bay notorious for its beauty (the largest black sand beach of the island), in addition to having strong potential in fisheries and agriculture. Traditionally it was known for its hard accessibility, and just recently in 2020, the last 15 km stretch of road connecting it to Porto Novo was concluded with World Bank project support (Cabo Verde Transport Sector Reform Project). With the expected heightened flows of tourists and locals going forward, the project will support key investments in coastal planning and seafront protection as the village has been exposed to increased flooding in residential areas during stronger tide seasons. Additionally, the project will also prepare work studies related to the last kilometer of road access adjacent to the beach



area (which remains unpaved), in addition to feasibility studies on creating fisheries boat offloading and support to the local fishers’ community.

Table 2.4. Investments in Santo Antão

Investment	Indicative Budget (US\$)
Rehabilitation of hiking trails (71 km), viewpoints (13), and improved signage	2,150,000
Rehabilitation of Ponte de Canal	300,000
Seafront protection, road access, boat landing, and fisheries support in Tarrafal Monte Trigo	250,000
Expansion and completion of the cultural and arts center of Ribeira Grande	200,000
TOTAL	2,900,000

Sal Island

12. **Sal Island is the main destination hub of Cabo Verde and requires continued sustainable investment to increase the quality and competitiveness of its tourism offering.** Due to having the single international airport of the country up until the 2000s, in addition to pristine white sand beaches, Sal became the first arrival point for tourists and private investors in tourism through the first concessions for large resorts in the Santa Maria area (located in the south of the island), still in the 1990s. By the end of 2019, Sal was attracting nearly half of all international tourist arrivals and had about 45 percent of all hospitality beds in the country (Boavista Island is a distant second with 30 percent).

13. **The Pier of Santa Maria is the main tourist attraction and a unique nexus point for tourists and local fishers, yet it is in a precarious condition and will benefit from full rehabilitation works under the project.** The pier has always been a meeting point for multiple economic and leisure activities. With the tourism growth, it became the principal meeting point adjacent to the main beach, sought after by tourists to experience Cabo Verdean culture, especially to observe artisanal coastal fishing offload and first sale and to take diving expeditions or leisure boat trips. The condition of the pier has degraded significantly in the aftermath of Tropical Storm Fred in 2015, making the pier even more vulnerable to storm surges. Preparatory studies for this flagship investment are ongoing in the context of separate but related Global Environment Facility-funded technical assistance (Coastal Fisheries Initiative Challenge Fund Trust Fund).

14. **The largest investment will be the rehabilitation of a section of Sal-Espargos Road, one of the most used roads in the country and in need of urgent intervention.** The national road (EN1-SL-01 Espargos-Santa Maria) is the main transport infrastructure connecting the two main urban areas on the island, Santa Maria (12,000 inhabitants) and Espargos (17,000 inhabitants). Most of Sal’s touristic resorts are in Santa Maria, while most of the tourism industry’s workers live in Espargos. The road is also the main access gateway to the port of Palmeira and to and from the Amílcar Cabral International Airport (the largest airport in the country). The road also provides critical access to the airport and port and potential use for evacuation routes. There are many dependencies between airports and other modes of transport (passengers access the airport via the road). Consequently, the road is one with the most traffic in the country and an artery for local and tourism flows. Built 20 years ago, it needs to be rehabilitated to accommodate the rapid increase in traffic (from 2,000 vehicles per day in 2012 to 4,000 in 2020) and to offer a better level of service. It is estimated that 73 percent of pavement surface is cracked (more than 35 percent are low severity cracks and 37 percent are already medium to high severity levels) with considerably high numbers of potholes (over 50 reported). The deteriorated condition and lack of lighting have led to a heightened occurrence of accidents. The length of the road is 14.6 km, comprising two lanes



in each direction, six traffic circles, and overall deteriorated pavement and drainage structures, lack of signage and guardrails, no bicycle lanes, and no speed control system. This project will only fund the rehabilitation of the most damaged section of the road, approximately 7.2 km of the northern stretch from the airport down to Murdeira, which is considered to be the most degraded part of the road. For the remaining 7.4 km there is a funding gap of US\$8 million and these will not be rehabilitated by the project. Road users are further compromised at night due to limited lighting, making it difficult to detect potholes or obstacles, such as animals. In addition to the improvement of the existing road, the project proposes to create two bicycle lanes on each side of the road to separate motor vehicle traffic and improve safety for cyclists and pedestrians. A significant number of cyclists include workers who work in Santa Maria, while also more and more appealing to tourists. The World Bank’s Road Safety Appraisal Tool was used on the specific road, which yielded a project safety impact of 0.67. It projects a fatality percentage change of –33.5 percent by 2031. With scarce and irregular rainfall between the months of August and October, combined with sparse vegetation cover and low water retention capacity, when the rain falls, it does so with great intensity with half of the year’s rain usually falling in a single storm. Climate-resilient features will be incorporated into the road rehabilitation where applicable, for example, enhanced longitudinal and cross drainage for better stormwater evacuation, steeper cross slope, protective measures, and improved materials to reduce the impacts of climate change.

Table 2.5. Investments for Sal Island

Investment	Indicative Budget (US\$)
Rehabilitation of Santa Maria pier and surrounding area	3,500,000
Rehabilitation of a section of main road connecting Espargos and Santa Maria	8,000,000
Visitor/conservation center at Pedra de Lume	200,000
TOTAL	11,800,000

15. **In addition to infrastructure investment, the component will pilot the handover of (small) marine and coastal infrastructure to community beneficiaries to increase their long-term durability.** While this is feasible in theory, this has not been the case in practice, with all marine and coastal infrastructure remaining under the responsibility of ENAPOR (Cabo Verdean port authority), causing maintenance issues, especially for smaller investments. Thus, the project will help define arrangements for the inclusive use of the infrastructure financed by the project and enhance its durability. Activities will comprise, for each major infrastructure to be financed,²¹ a study to assess management arrangements of local infrastructure (including maintenance, conflict management, gender dimensions, waste management, and so on) followed by support for preparing a regulatory framework and action plan for implementation.

Connectivity Support

16. **Component 1 will also support the development of a strategy and action plan for enhanced international and inter-island intermodal connectivity.** Inter-island connectivity remains a key chronic challenge in Cabo Verde and is a barrier to increased flows of inter-island tourism. The project will look to develop a strategy and action plan for enhanced international and inter-island intermodal connectivity,

²¹ Rehabilitations of seafront and fishing pier in Tarrafal (Santiago), fish market in Mindelo (S. Vicente), and seafront and construction of fishing pier in Tarrafal (S. Antao). A study for the rehabilitation of the Santa Maria pier and surrounding area (Sal) is already being financed under a separate but related technical assistance.



including a diagnosis and stocktaking of existing transport concessions as well as technical assistance to develop an integrated and intermodal inter-island transport strategy. The purpose will be to improve transport connectivity links between islands and the articulation between different modes of transport (air, sea, and land). The inter-island passenger traffic requires a network of maritime terminals in all the islands to deliver good service and a safe environment for passengers, as well as to promote commercial and tourist offerings. The project will also finance preparatory studies for the construction or upgrade of maritime passenger terminals located on four islands (Sao Nicolau, Boa Vista, Fogo, and Santiago), responding to urgent needs to provide adequate facilities in those sites. These studies will include climate change considerations to incorporate, as relevant, climate-resilient design principles to withstand climate shocks and disasters.

Table 2.6. Investments to Enhance Connectivity

Investment	Indicative Budget (US\$)
Strategy and action plan to improve inter-island intermodal connectivity	500,000
Preparatory studies for the construction and modernization of maritime passenger terminals in four islands (São Nicolau, Boa Vista, Fogo, and Santiago)	460,000
TOTAL	960,000

Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy (US\$12.64 million equivalent of which US\$5 million is PROBLUE RETF)

17. **Component 2 will provide direct support to local SMEs to increase participation in the tourism and blue economy value chains while also supporting better enabling environment and policies to stimulate additional private sector investment in these segments.** The component will consist of a series of interventions to help local SMEs expand the scope and quality (particularly certification) of tourism-related services and products, particularly in and around the main investment sites. Additionally, it will support improvements to the public sector regulatory and enabling environment to spur sustainable private sector investment.

(a) Support entrepreneurship and SME development in the tourism and fisheries value chain (US\$5.74 million, of which US\$3.04 million is IDA and US\$2.7 million is PROBLUE RETF)

18. **Under the Pró-Empresa, Pró-Garante, and Pró-Capital umbrella, this subcomponent will provide key business development support and access to finance to SMEs in the tourism and other blue economy sectors.** Through technical assistance, capacity building, and access to finance support, the purpose of these business development activities will be to increase the quality, reliability, and scale of services and products provided by SMEs in the target investment areas, particularly women-owned businesses. The topics for support will include, among others, improved general business planning and marketing; access to finance applications; business mentoring and coaching, including personal initiative training; obtaining of certifications for the hospitality sector; inducing of eco-efficiency practices (for example, water efficiency) throughout all phases of business plan preparation and implementation; and practices attached to added circularity, climate resilience, and reduction of carbon emissions. For fisheries businesses, this could further be focused on reinforcing access to markets for seafood products, such as supporting the establishment of producer organizations or developing digital platforms and aggregators to connect supply and demand and improve product traceability. Considering the experience and mandate of Pró-Empresa, this agency will be the lead implementing counterpart for the SME support



initiatives in cooperation with peer agencies and counterparts (Pró-Garante, Pró-Capital, and Ministry of the Sea). Other field implementing partners will be also selected on a competitive basis (Chambers of Commerce, ICIEG, incubators, and active NGOs) in target locations in Sal, São Vicente, Santo Antão, and Santiago Islands. A gender-responsive strategy will be included in SME support initiatives, including access to finance, with the view to ensure these are catering and reaching women-led businesses. The program's scope of instruments will include technical assistance through matching grants for business development services within the scope of Pró-Empresa's mandate and pooling financial support (equity and partial credit guarantee) provided through Pró-Capita and Pró-Garante schemes. Out of the US\$3.44 million allocation for SME support and following conclusions from a specific needs assessment conducted for project preparation, it is expected that funding will be prioritized for Pró-Empresa (technical assistance) and Pró-Capital (equity support)—an estimated allocation of US\$1.5 million for each of these agencies—and the remaining US\$0.44 million for Pró-Garante to further strengthen existing partial credit guarantee support focusing on additionality to tourism-linked businesses.

19. **Seeking to tackle the issue of links, Pró-Empresa will deploy specific support for the development of a market-led integrated supplier development framework featuring technical assistance and access to finance/equity support.** The project will draw from successful examples of other link-type programs (Jamaica Business Fund support by a World Bank - Jamaica Foundations for Competitiveness and Growth [P147665], IFC engagements in Fiji and Côte d'Ivoire) to structure a specific framework targeting local SMEs, particularly women-led businesses, across a range of products and services to capture business opportunities within selected destinations. The support will be market led by drawing commitments from large corporate buyer (that is, anchor-buyer) hospitality firms (such as hotels, restaurants, travel agencies, or wholesale intermediaries). The engagement with local selected firms will occur under an integrated supply chain business plan specific to each anchor-buyer and co-opted by the program. Beneficiary firms in the primary sector will be prioritized, such as fisheries and those addressing climate adaptation and mitigation, but eligible sectors will span services, agriculture, transport, light industry, and other ancillary small goods producers and adopt sustainable guidelines.

20. **Recognizing specifically fisheries' potential for tourism, this subcomponent will also provide specific technical assistance for sustainability of fishing practices and sanitary conditions for seafood handling.** This will help fishing communities and fishmonger groups manage their impact on the resource they derive their livelihood from, reducing losses, enhancing value addition in their activities, and increasing community benefits. Activities will include awareness-raising and training programs on all stages of the fisheries value chain. The programming and delivery of the training sessions will be undertaken in synergy with the Cabo Verde Human Capital Project (P175828) and will draw upon the water supply, sanitation, and hygiene needs assessment tool and guidance note for fisheries (incorporating gender dimensions). Additionally, activities will entail preparing a feasibility study on certification/labeling to increase visibility and encourage consumption of local seafood by tourists, which will harness lessons from similar initiatives in other destinations with the same Blue Tourism characteristics and propose regulatory and institutional arrangements as well as a rollout plan (including awareness raising, branding, and communication activities). Finally, this subcomponent will support further due diligence in exploring new deep-sea demersal resources, with the potential to address local demand from restaurants and large hotels and coordinate with planned efforts on fleet modernization and conversion.



(b) Support enabling policies and programs to increase sustainable private sector investment in tourism and other blue economy sectors (US\$6.9 million, of which US\$4.6 million is IDA and US\$2.3 million is PROBLUE RETF)

Enhance marketing, promotion, and communication in key markets (US\$3.8 million, IDA)

21. **Seeking to enhance Cabo Verde’s visibility in priority tourism markets, this subcomponent will support the implementation of the new national Strategic Tourism Marketing Plan.** Much of the work will be outsourced to well-established tourism marketing representative firms in 2–3 strategic markets. While their efforts should include some traditional marketing initiatives, a strong emphasis should be placed on digital marketing geared toward independent travelers (in line with the country’s diversification agenda). The digital marketing will include website improvement, search engine optimization, improved content generation, strengthening of social media presence, digital brand development, consumer engagement, and cooperative marketing campaigns. The strategy should include innovative measures to track web traffic, brand penetration, consumer engagement, and so on.

22. **The project will also support the first edition of the Ocean Race layover in Mindelo in early 2023, leveraging a unique opportunity to promote and brand Cabo Verde as a destination and transit point for yachting.** The round-the-world Ocean Race is among the largest and most demanding sailing events in the world. The four-day stop in Mindelo in January 2023, for the first time ever in Cabo Verde and West Africa, will bring a blitz of international media attention and an opportunity to introduce the country’s brand in this high-spending tourism segment. Leisure and recreation yachting is still an emerging segment in Cabo Verde that has not been leveraged. To ensure the success of this first edition of the Ocean Race, the project will support specific marketing and technical assistance needs of the organization committee before and during the event, including the development of a funding raising strategy targeting national and international corporate investors to ensure the private sector-led sustainability of the event into future editions.

Strengthening the national statistical tourism system (US\$0.35 million, IDA)

23. **Addressing current challenges and constraints associated with statistical information on tourism, this subcomponent will deploy technical assistance and capacity building to improve statistical output.** To improve the quality and analysis of tourism statistics as well as the governance on sharing and dissemination of information, the project will support a series of activities that were recommended in a diagnostic conducted by the UNWTO in December 2019: review and update tourism variables collected and develop new tourist expenditure surveys, including gender-disaggregated statistics; fine-tune the tourism statistics to international standards; carry out capacity-building activities on measuring tourism industry-related spending and employment; and develop a multiyear tourism statistics agenda. While the use of big data may be explored later, the emphasis should be on improving more fundamental statistics collection tools.

Improving the tourism regulatory framework and related urban, land, and coastal planning instruments (US\$1.2 million total, of which US\$0.25 million is IDA and US\$0.95 million is RETF)

24. **This subcomponent will support the development of planning instruments to maximize the effectiveness of the project’s infrastructure and product development.** The territorial and coastal



planning instruments envisioned are critical to ensure the orderly and harmonized use of spaces in full convergence with environmental and social national safeguards and sustainability considerations. The interventions and instruments to be supported by the project will include (a) development of detailed tourism zoning plans—*Planos de Ordenamento Turísticos*—in selected areas that have not been regulated yet (short-listed priorities include areas in São Vicente Island); (b) development of coastal zoning plans—*Planos de Ordenamento da Orla Costeira*—to organize sustainable land and maritime coastal zone use in high potential beach and tourism areas (Sal, Santiago, and São Vicente Islands are short-listed for support); and (c) improvement or drafting of new laws or regulations, such as regulating online accommodation rentals or maritime tourism.

Support sustainability of tourism sites, activities, and services, especially to share responsibly marine and coastal areas and resources (US\$1.35 million RETF)

25. **The subcomponent will support co-management initiatives in artisanal fishing communities to continue empowering communities in the sustainable and inclusive management of their marine and coastal resources.** Activities will include stocktaking to identify lessons and quantify benefits from previous initiatives (including conservation and natural tourism, climate resilience, and gender), support for the upgrade and consolidation of a legal framework and action plan, and pipeline identification for a latter phase of financing. This subcomponent will also enhance the sustainability of the blue economy through a study on climate change and marine fisheries and a study on solar energy opportunities in project-funded coastal infrastructure. The latter study will include an auditing of existing energy saving opportunities and the development of an action plan for introducing solar energy solutions into selected infrastructure.

Implement gender mainstreaming activities into tourism (US\$0.2 million)

26. **This subcomponent will support activities to narrow the gender gaps in the tourism sector.** The main activity will be updating the Action Plan for Gender Mainstreaming in Tourism (2016–18), including the design of a monitoring framework, customized capacity building, and the integration of GBV standards. This plan will help leverage gender-sensitive approaches in tourism recovery by ensuring better, safer, and more jobs for women. In addition, the project will encourage dialogue to provide childcare facilities and support training to women-led SMEs in tourism to upgrade their position in the tourism value chain, networking, and customization of financial instruments.

Table 2.7. Budget Breakdown for Component 2 Activities

Activities	Total Component Cost	IDA	PROBLUE Trust Fund
(a) Support entrepreneurship and MSMEs development in the tourism and fisheries value chain facilities	5.74	3.04	2.70
• Technical assistance and access to finance to tourism and other blue economy SMEs	3.44	3.04	0.40
• Technical assistance to sustainable fishing practices and sanitary conditions of seafood handling	0.70	—	0.70
• Origin certification/ labelling feasibility study	0.60	—	0.60
• Analysis of demersal resources with tourism and export demand	1.00	—	1.00



Activities	Total Component Cost	IDA	PROBLUE Trust Fund
(b) Support enabling policies and programs to increase sustainable private sector investment in tourism and other blue economy sectors	6.90	4.60	2.30
<ul style="list-style-type: none"> Enhance marketing, promotion, and communication in key source markets 	3.80	3.80	—
<ul style="list-style-type: none"> Implementation of Strategic Marketing Plan 	3.00	3.00	—
<ul style="list-style-type: none"> Technical assistance to Ocean Race 	0.80	0.80	—
Strengthen tourism national statistic system	0.35	0.35	—
Improve tourism regulation and urban, land, and coastal planning	1.20	0.25	0.95
<ul style="list-style-type: none"> Technical assistance to policy and planning support 	0.95	0.25	0.70
<ul style="list-style-type: none"> Consolidate maritime tourism legislation 	0.25	—	0.25
Support sustainability of tourism sites, activities, and services	1.35	—	1.35
<ul style="list-style-type: none"> Community-based management of marine and coastal resources 	0.70	—	0.70
<ul style="list-style-type: none"> Study on climate change and marine fisheries 	0.40	—	0.40
<ul style="list-style-type: none"> Study on opportunities for solar energy solutions in coastal infrastructure 	0.25	—	0.25
Implement gender mainstreaming into tourism	0.20	0.20	—
TOTAL COSTS	12.64	7.64	5.00

Component 3: Project Implementation Support (US\$0.78 million equivalent)

27. **Component 3 will provide support to the UGPE for the management and implementation of the project.** This component will provide support to the UGPE for the management and implementation of the project. It will support incremental expenses related to the hiring of staff for the UGPE as well as capacity building and technical assistance to relevant ministries and implementing agencies. This component will be subject to retroactive financing regarding the operational cost incurred by the UGPE between project negotiations and signature.



ANNEX 3: Project Implementation Arrangements and Implementation Support Plan

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

1. The key implementation partner for the project will be the Ministry of Finance and Business Development, particularly the UGPE, closely supported by the Ministry of Tourism and Transport; Ministry of Infrastructure, Territorial Planning, and Housing; and the Ministry of the Sea.
2. **The UGPE will be responsible for the general project management.** The UGPE is the centralized Project Implementation Unit in the Ministry of Finance, managing the majority of the current World Bank project portfolio in Cabo Verde with a solid and satisfactory track record in financial management and procurement aspects. The UGPE's responsibilities will include (a) managing procurement, financial management, disbursements, and safeguards; (b) coordinating the preparation, adjustments, and use of the project management tools, annual working plan, procurement plan, and disbursement projections; (c) monitoring progress of the PDO and intermediate results indicators, as established in the Results Framework; (d) acting as a main point of contact for fiduciary matters; and (e) serving as the secretariat of the Project Steering Committee. In line with these responsibilities, the UGPE will comprise a project manager, dedicated accountant, procurement officer, financial management specialist, safeguards specialist, and other specialists as required and agreed between the Ministry of Finance and Business Development and the World Bank to ensure successful implementation. The existing financial management arrangements within the UGPE are assessed as adequate as they are capable of: recording all budgets, transactions, and balances; supporting the timely preparation of reliable financial statements; safeguarding the entity's assets; and are subject to audit arrangements acceptable to the World Bank. The UGPE has a thorough knowledge of the World Bank's fiduciary procedures, which will allow for a rapid and smooth implementation.
3. **The UGPE will be supported by a PTC to facilitate smooth project implementation.** The PTC shall be led by the National Planning Directorate of the Ministry of Finance and Business Development, with the UGPE acting as its secretariat, and it shall be composed of representatives of the Ministry of Tourism and Transport and ITCV; Ministry of the Sea; Ministry of Infrastructure, Territorial Planning, and Housing; Ministry of Culture and Creative Industries; and targeted municipalities. The PTC members will be appointed by the Vice-Prime Minister and Minister of Finance and Business Development. Additionally, the PTC will co-opt representatives from the key implementing agencies and island-level municipality coordinators, particularly in the target islands of Sal, São Vicente, and Santo Antão. If required, the project may support hiring of two or three additional local municipality coordinators. The PTC will meet on a quarterly basis during project implementation and will be responsible for (a) reviewing progress reports; (b) providing strategic guidance and recommendations to the UGPE; (c) monitoring project implementation, and (d) resolving implementation bottlenecks when necessary.
4. **To ensure proper high-level coordination and supervision of the project, a Project Steering Committee will ensure overall strategic guidance through the approval and review of the annual workplan.** The Vice Prime-Minister and Minister of Finance and Business Development (or relevant delegate) will chair the committee, which will include ministers (or their relevant delegates) from all the line ministries implementing activities supported by the project (that is, the Ministry of Tourism and



Transports; Ministry of Infrastructure, Territorial Planning, and Housing; Ministry of the Sea; and the Ministry of Culture and Creative Industries). In addition, the committee will include private sector representatives with relevant experience and qualifications. The committee can co-opt other representatives as necessary. The project coordinator in the UGPE will serve as secretary to the committee. The committee will meet once a year to discuss and review the annual workplan and budget for the following year, as well as review annual progress reports.

5. **The project implementation will be led by four main line ministries—Ministry of Finance and Business Development; Ministry of Tourism and Transports; Ministry of Infrastructure, Territorial Planning, and Housing; Ministry of the Sea; and Ministry of Culture and Creative Industries,** in collaboration with implementing agencies and island-level coordinators. A specific Memorandum of Understanding will be prepared and drafted with each participating agency at project inception (no later than three months after project effectiveness). The following table provides a summary of the roles and responsibilities of different ministries and implementing agencies.

Table 3.1. Overview of Lead Implementation Ministries and Agencies across Project Subcomponents

Ministry of Finance and Business Development	Ministry of Tourism and Transports	Ministry of the Sea	Ministry of Infrastructure, Territorial Planning, and Housing
Subcomponent 2a: (Technical assistance and access to finance to tourism and blue economy SMEs) in cooperation with line-agencies micro, small, and medium enterprises support agencies/state-owned enterprises (SoEs) Pró-Empresa, Pró-Capital, and Pró-Garante	Subcomponent 2b: (Enhance marketing, promotion and communication in key source markets) in cooperation with line ITCV in addition to the Ocean Race Committee in the Prime-Minister’s Office	Subcomponent 2a: (Technical assistance to sustainable fishing practices and sanitary conditions of seafood handling; access to market; analysis of demersal resources with tourism and export demand) in cooperation with line agencies Institute of Sea and Maritime Research (Instituto do Mar, IMAR), in addition to MSME support agencies Pró-Capital, Pró-Empresa, and Pró-Garante	Subcomponent 1a in cooperation with the Ministry of the Sea and target municipalities.
Subcomponents 3a and 3b in cooperation with the line centralized Project Implementation Unit UGPE	Subcomponent 2b: (Strengthen tourism national statistic system) in cooperation with the INE and Tourism Institute of Cabo Verde	Subcomponent 2b: (Support sustainability of tourism sites, activities, and services) in cooperation with the line agency IMAR and UTA	Subcomponent 1b in cooperation with the line agency ECV and target municipality
	Subcomponent 2b: (Improve tourism regulation and urban, land, and coastal planning) in cooperation with the National Territorial Management Institute and Ministry of the Sea		Subcomponent 1c in cooperation with the Ministry of Culture and Creative Industries and target municipalities



Ministry of Finance and Business Development	Ministry of Tourism and Transports	Ministry of the Sea	Ministry of Infrastructure, Territorial Planning, and Housing
	Subcomponent 2b: (Implement gender mainstreaming into tourism) in cooperation with ICIEG and ITCV		Subcomponent 1d in cooperation with ENAPOR and Ministry of Tourism and Transports

6. **The lead implementing ministries and agencies are described as follows:**

- Ministry of Tourism and Transports, responsible for policy guidance and technical oversight of the tourism sector, benefiting from assistance in tourism policy and planning, including gender activities and connectivity. It will also collaborate in implementing key activities, such as national tourism statistics or marketing.
- Ministry of Finance and Business Development, leading overall project coordination through the line unit UGPE as well as leading overall MSME support activities through the Pró-Empresa agency and Pró-Garante and Pró-Capital SoEs.
- Ministry of Infrastructure, Territorial Planning, and Housing, responsible for policy making and oversight of overall infrastructure development and maintenance in the country, and a key stakeholder for implementing the planned infrastructure with strong involvement from line agencies and related SoEs (ICV, ECV, INGT, and ENAPOR).
- Ministry of the Sea, responsible for technical oversight and management of activities in the blue economy sector, including maritime services and infrastructure and management of marine and coastal areas and resources in collaboration with its line IMAR.
- ITCV, responsible for coordinating the implementation of the Tourism Operational Plan, including implementing policies in the tourism sector, namely marketing and branding campaigns for the destination. ITCV was created in 2019 (Decree-Law 37/2019) as an autonomous agency with oversight from the Ministry of Tourism and Transports. Headquartered in Sal with delegations in Praia and São Vicente, ITCV is mandated with, among others, core functions for sector development such as country tourism marketing and branding, licensing of tourism utility activities, market research, cooperating on statistics for the sector, supporting the development of tourism-related infrastructure, and cooperating with respective public sector peers for SME and skills development related to the tourism sector. As such, it will benefit from assistance in implementing the strategic marketing plan and the upgrade of national tourism statistics and market intelligence. The institute will also collaborate in SME capacity-building activities, particularly those related to increasing links with local hospitality providers.
- ICV, under the oversight of the Ministry of Infrastructure, Territorial Planning and Housing, responsible for oversight of the procurement, implementation, and management of most of the national-level infrastructures, including the investments under the project.
- Pró-Empresa, as the lead SME support agency, this agency will be the key implementing partner of the business development and access to finance support subcomponents, aimed at promoting



the development of links and participation in the local tourism and blue economy value chains by local businesses.

- ECV is the road agency under the oversight of the line Ministry of Infrastructure, Territorial Planning, and Housing, overseeing development of new roads and subsequent maintenance.
 - Target municipalities in Santo Antão (Porto Novo, Paul, and Ribeira Grande), Sal, São Vicente, and Santiago (Ribeira Grande de Santiago and Tarrafal), specifically through designated satellite project focal points in each of these as necessary, monitoring and managing site-specific infrastructure activities. If necessary, municipalities may be assisted with dedicated consultancies (at island level).
7. Other project implementing partners that will collaborate with the UGPE/PCT will include:
- INE is the lead statistics producer for the sector and will be a key partner and beneficiary of statistics capacity-building activities, in cooperation with ITCV.
 - INGT is responsible for policy guidance and technical oversight of technical studies related to zoning plans and the update and development of urban regulations.
 - ENAPOR is the SoE in charge of port management, oversight, and concessions, managing many of the fisheries ports and related support infrastructure throughout Cabo Verde.
 - Institute for Cultural Heritage, under the line Ministry of Creative Arts, is in charge of managing all the national heritage sites.
 - IMAR is the Sea and Maritime Research Institute, under the oversight of the Ministry of the Sea and in charge of research, stock management assessment and support activities to the national fisheries value-chain.
 - ICIEG is instrumental in implementing and supervising the proposed gender mainstreaming actions into the tourism sector.
 - Ocean Race Organization Committee, based in the Prime-Minister's Cabinet, is charged with organizing the first edition of the event expected to visit Mindelo in January 2023.
 - FSST is responsible for collecting the bed-night tax on official lodgings in Cabo Verde and a source of programmatic medium- and long-term funding to programmatic initiatives in infrastructure or technical assistance. The fund will be key to financing the implementation of the Tourism Operational Plan as whole and for providing continuity and complementary funding to planned and complementary initiatives.
 - Northern and Southern Commerce Chambers, in addition to the Tourism Chamber, as the lead private sector representative bodies, active stakeholders in disseminating MSME support activities.
 - Pró-Garante, part of the Government MSME support framework, is the public partial credit guarantee management company that facilitates access to credit to MSMEs.
 - Pró-Capital, constituting the third axis of the MSME triad, is the public venture capital fund that will enable equity contributions to businesses that can expand and enhance the local tourism product mix.



Implementation Support Plan

8. **An implementation support plan will seek to provide the ongoing assistance to the Government that would be required to successfully implement the project.** The proposed project directly supports several line ministries and local municipalities. To mitigate against various risks and facilitate smooth implementation of the project, there is a need for close supervision and support in the early stages of implementation to make any necessary adjustments to programs such as the support to entrepreneurship and SME development in the tourism and fisheries value chains. Strong collaboration and coordination with other development partners would also be key. From this perspective, the ISP includes the following:

- **Technical support.** A team of sector specialists, with expertise in tourism, private sector development, fisheries, environmental protection and urban development will provide technical support and guidance to the implementation agency and key stakeholders. The technical team will review and comment on the terms of reference and other technical documents. Technical advice will be also provided during implementation support missions.
- **Procurement.** A procurement specialist will provide guidance to the implementation agency regarding procurement processes and will participate in project implementation support missions, post review assessments, and site visits. In addition, the World Bank will review selection processes defined as prior review.
- **FM.** An FM specialist will provide support to the implementation agency. The World Bank will supervise the project's FM arrangements by reviewing the semiannual project reports and the annual audited financial statements. In addition, during implementation support missions, the World Bank will review the FM and disbursement arrangements.

9. **One to two additional implementation support missions will be carried out during the first year of implementation to establish, ensure strong intersectoral coordination and project management, and create a strong foundation for the rest of the project.** After the first 18 months, two implementation support and supervision missions, including headquarter and Country Management Unit staff from technical areas, fiduciary staff and safeguards specialists will be conducted annually. These missions will be carried out with development partners to jointly review the project and ensure adequate coordination of the project with other donor initiatives. Assessments and other mission related documents to be complemented by at least annual reviews of M&E systems, FM, procurement, and safeguards. In addition to the implementation support missions, a mid-term review would be conducted no later than the third year of implementation.



ANNEX 4: Economic Analysis

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

1. As part of preparation for this project, an economic analysis was conducted to determine the value of the anticipated benefits relative to the costs associated with this project. The total project NPV is estimated at US\$404.1 million at a 12 percent discount rate,²² and the ERR is at 42 percent based on the total project investments.
2. In reference to this estimate, several points are worth noting. First, this calculation is indicative, using expected average parameters for the component beneficiaries and the resulting impact of the component activities. While these assumptions are based on the World Bank's discussions with potential beneficiaries, along with results of other projects and economic literature, they are not precise representations of the project's expected impact. The exercise of financially modelling projected impacts helps ensure that project funds are being allocated to investments and activities that will provide a return to the local population, along with helping identify key risks and thresholds for the project to achieve its desired impact. Additionally, international development projects often target regions and sectors where the risk is high since these types of projects can take on higher-risk investments because of the social good that could result; as such, financial valuations of these investments may not be as high as those in other regions, yet the resulting social and/or environmental value could be higher.
3. That said, the methodology used accounts only for the project's impact on direct beneficiaries rather than a broader multiplier approach that would encompass positive externalities and spillover effects along with overall growth of the tourism and business ecosystems. The value of such externalities is difficult to estimate; project investments could result in larger-scale private and public investments. The social rate of return could be even higher since private sector investment could reduce over time without this project and other development initiatives addressing key bottlenecks on the ground.
4. The economic analysis is based on increased revenues for SMEs and individual beneficiaries through the project's activities and investments, along with increased revenues within the Cabo Verde tourism ecosystem.
5. **GHG impacts.** Since the project focuses on activities and investments to support improvements in sustainable tourism for Cabo Verde, GHG impacts are expected to be moderate. Road investments under Component 1 are likely to allow for smoother traffic flow, which could decrease emissions per vehicle. Additionally, these investments are likely to incorporate additional sustainability features, such as solar-powered lighting and bike/pedestrian pathway(s). Other investments in coastal infrastructure and improved access to tourist sites will allow for more visitors, but these investments focus on sustainability and will improve site planning and resource management to help reduce GHG emissions on a per visitor basis and mitigate the impacts of climate change on the coastal infrastructure.

²² A 15 percent discount rate is estimated as the risk-adjusted opportunity cost of capital. Additional NPV estimates at other discount rates are also provided as a measure of the sensitivity of the analysis.



Component 1: Development of integrated and resilient tourism and blue economy infrastructure

6. Based on the analysis, the NPV for Component 1 is estimated at US\$402.1 million with an ERR of 43 percent. The economic analysis of Component 1 is based on increased tourism revenues due to the impact of project investments. The infrastructure investments will upgrade key areas within the tourism and coastal economy; improve accessibility to tourism sites; improve planning for future accessibility; and rehabilitate trails, cultural centers, and other tourism sites. These investments are expected to increase Cabo Verde's attractiveness to tourists and increase spending. Given that the marketing campaign supported under Component 2 is also expected to attract additional tourists, the impact of this activity has been incorporated into the analysis for this component.

7. Economic analysis estimates for Component 1 are based on the following parameters:

- **Arrivals**

- **Number of arrivals.** Before the pandemic, 2019 national tourist arrivals were 758,000 for the year. Due to pandemic impacts, tourist arrivals in 2020 decreased by over 50 percent. Anticipating a return to pre-pandemic levels in 2024, the analysis uses 2019 arrivals as the arrivals baseline. However, project interventions are estimated to target only 19 percent of these arrivals as the portion that visit without a tour group package based on a recent market diagnosis for the Strategic Tourism Marketing Plan.
- **Growth rate in arrivals.** The analysis uses a growth rate estimate of 9 percent annually based on pre-pandemic growth levels. However, for the target segment noted above, the analysis estimates that the project will contribute a 3 percent additionality for a total 12 percent growth rate.

- **Length of stay.** The analysis estimates that average length of stay per tourist will grow from six to eight days, as laid out in the Results Framework targets.
- **Tourism (non-accommodation) spending.** The analysis projects that tourism spending will increase at 10 percent annually, with an additional 5 percent increase as a result of project investments and activities. These growth rates are applied to the daily non-accommodation spending rate of US\$46 per day.²³

8. Several studies support the above-noted assumptions:

- FAO studies note that climate-smart policies improve efficiency in the use of natural resources to produce fish and aquatic foods, counter climate vulnerability, and build resilience across the intervened countries that promote sustainable development.²⁴ Such investments use an ecosystem approach to fisheries and aquaculture management, strengthen the local knowledge base on sustainable practices, reduce overfishing, and promote integrated aquaculture and agriculture systems.²⁵ Evidence from the Caribbean region indicates that investments in coastal

²³ Based on recent market diagnosis for the Tourism Strategy Marketing Plan, joint World Bank and Ministry of Tourism effort.

²⁴ FAO (Food and Agriculture Organization). 2013. *Climate-Smart Agriculture: Sourcebook*. Module 10: Climate-smart fisheries and aquaculture.

²⁵ IFAD (International Fund for Agricultural Development). *Guidelines for Integrating Climate Change Adaptation into Fisheries and Aquaculture Projects*.



infrastructure can create and enhance beaches' value.²⁶ Conservation investments of coastal zones is of significant importance to allow for growth of sustainable and resilient tourism.²⁷

- Many research studies examined the varied impact of transport investments across economic development. Transport investments connect potential labor markets with employers; connect buyers, sellers, and their products; have the potential to transform local land markets; and can facilitate other sectors, such as capital markets, tourism, education, and Government.²⁸ Such benefits are not accounted for in traditional cost-benefit analyses for transport investments.²⁹
- Corral³⁰ highlights the positive economic impact of improvements in coastal infrastructure based on panel data from Barbados in addition to their environmental impacts. Although the exact economic impact per location is difficult to precisely estimate, the study indicates that improved coastal infrastructure leads to an increase in residential permits and real estate values and increased night light intensity (which indicates greater economic activity). These increases correlate with a 10 percent to 20 percent increase in local economic activity.
- Sotelo³¹ examines the relationship between trade, productivity, and welfare in Peru based on high internal and external trade costs. The study demonstrates that paving roads to reduce transport time and improve access to markets improves agricultural productivity by over 4 percent and improves farmer welfare by 2.7 percent.
- Hodges et al³² show that East and South Africa losses due to poor transport conditions range from 14 percent to 17 percent each year from 2003 to 2009 (weighted average).

9. An International Food Policy Research Institute model³³ simulating the effects of improvements in market access, transport, and productivity, finds that better market access increases smallholder farmers' income growth to 1.4 percent annually instead of the 0.3–0.4 average growth currently observed in low-income Africa.

10. Table 4.1 summarizes the component assumptions. With the assumptions noted below, the project valuation and other key metrics are estimated as:

- NPV at a 15 percent discount rate: US\$288.1 million
- ERR: 43 percent

²⁶ Corral, L. and M. Schling. 2017. "The Impact of Shoreline Stabilization on Economic Growth in Small Island Developing States." *Journal of Environmental Economics and Management* 86.

²⁷ Phillips, M.R. and A.L. Jones. 2006. *Erosion and Tourism Infrastructure in the Coastal Zone: Problems, Consequences, and Management*.

²⁸ World Bank. 2005. "Economic Evaluation of Transport Projects: Projects with Significant Expected Restructuring Effects." Transport Note No. TRN-19, January 2005.

²⁹ Barrett, G. 1999. "Review of the Methodology for Assessing the Economic Development Impact of New Highway Infrastructure." Report to SACTRA. London: DETR.

³⁰ Corral, L. et al. 2016. *The Impact of Coastal Infrastructure Improvements on Economic Growth: Evidence from Barbados*. Inter-American Development Bank.

³¹ Sotelo, S. 2020. "Domestic Trade Frictions and Agriculture." *Journal of Political Economy* 128 (7).

³² Hodges, R., F. Rembold, and M. Bernard. 2014. "APHLIS - Post-harvest Cereal Losses in Sub-Saharan Africa, their Estimation, Assessment and Reduction." Natural Resources Institute, European Commission, Joint Research Centre, Institute for Environment and Sustainability.

³³ Fan, S., J. Brzeska, M. Keyzer, and A. Halsema. 2013. "From Subsistence to Profit: Transforming Smallholder Farms." International Food Policy Research Institute.



- NPV at a 12 percent discount rate: US\$402.1 million

Table 4.1. Tourism Assumptions

Tourism Assumptions					
Arrivals		Spending		Length of Stay	
Baseline arrivals	758,000	Baseline, per day (US\$)	46	Baseline, number of days	6
Percentage targeted by project interventions	19 percent	Annual growth, daily spend, non-accommodation	10 percent	Annual growth, length of stay	0 percent
Baseline arrivals, segment targeted by project	144,020	Project additionality, non-accommodation	5 percent	Project additionality	30 percent
Annual growth, number of tourists	9 percent	Number of years	1	Number of years	1
Project additionality	3 percent	Year additionality applies	5	Year additionality applies	5
Number of years	1				
Year additionality applies	5				

Sensitivity Analysis

- Reducing the estimated growth rate additionality by 50 percent reduces the component ERR to 28 percent.
- Increasing the estimated growth rate additionality by 20 percent increases the component ERR to 48 percent.
- Reducing the project impact on length of stay by 50 percent (target of 7 days instead of 8 days per tourist) reduces the component ERR to 31 percent.

11. **Additional private investment.** Investments supported under Component 1 are expected to address key constraints to private investment within the tourism and blue economy in Cabo Verde. This type of infrastructure investment can crowd-in multiples of additional private investment to enable wider growth of these sectors and the creation of new and higher-quality jobs. This multiple is however difficult to estimate; and is not included in the project’s NPV and ERR estimates. As an indicative estimate, if the project investments were able to crowd-in an additional US\$25 million (the equivalent of one medium investment project, or a multiple of less than one), the component ERR would increase to 46 percent.

Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy

12. Based on the analysis, the Component 2 NPV is estimated at US\$1.3 million with an ERR of 16 percent. This estimate is based on the following parameters.

- **Number of beneficiaries.** The number of SME beneficiaries receiving support was estimated as 50 within the fisheries sector and an additional 100 tourism SMEs based on the team’s estimates of the project pipeline.
- **Channels of impact.** The primary assumption in the analysis of SME impacts is that project beneficiaries will demonstrate additional growth above without the project investments. Additionally, it is assumed that project investments will result in a lower failure rate among beneficiaries.



- **Additional growth rate.** A steady state revenue growth rate of 3 percent for entrepreneurs without the project investments is estimated, with additional revenue growth of 10 percent for beneficiaries receiving project support.

13. The above assumptions are supported by a wide range of studies in different regions on the impact of different types of support services for SMEs:

- A series of studies finds significant impacts from training programs on profits or sales in developing countries based on evidence from rural Mexico,³⁴ Colombia,³⁵ and other economies.³⁶ This impact applies across various types of beneficiaries, including microenterprises.³⁷
- Supporting climate-related upgrades in fisheries SMEs, such as fisheries and aquaculture, can increase revenues and boost adaptive capacity and resilience of communities and the ecosystems on which they depend.³⁸
- The Sarder et al. (1997)³⁹ study, “The Importance of Support Services to Small Enterprises in Bangladesh,” finds 5–16 percent increase in employment, sales, and productivity with technology adoption support provided to SMEs.
- Tan and Lopez-Acevedo (2005)⁴⁰ look at the impact of SME programs in Mexico using panel firm data and find that 9–14 percent improvement in training and 9 percent improvement in technology absorption have been achieved. Various SME programs in Chile presented similar results.
- Lopez-Acevedo and Tan (2010), “Impact Evaluation of SME Programs in Latin America and Caribbean,” finds an 8 percent increase in wages and 9 percent increase in productivity as a result of these programs.
- Bloom et al. (2013)⁴¹ demonstrate the importance of supporting firm managerial capabilities to improve firm productivity and growth based on evidence from India. Similarly, Bruhn, Karlan, and Schoar (2013)⁴² document the impact of this support based on a randomized trial conducted

³⁴ Calderon, G., Cunha, and G. De Giorgi. 2012. “Business Literacy and Development: Evidence from a Randomized Trial in Rural Mexico.” Working Paper 19740. Stanford University, Stanford, CA.

³⁵ Attanasio, O., A. Guarín, C. Medina, and C. Meghir. 2015. “Long-Term Impacts of Vouchers for Vocational Training: Experimental Evidence for Colombia.” NBER Working Paper Series, 1–38.

³⁶ Ibarra, P., J. Kluge, L. Ripani, and D. R. Shady. 2015. “Experimental Evidence on the Long-Term Impacts of a Youth Training Program.” IZA Discussion Paper Series, No. 9136.

³⁷ Berge, L., K. Bjorvatn, and B. Tungodden. 2011. “Human and Financial Capital for Microenterprise Development: Evidence from a Field and Lab Experiment.” NHH Discussion Paper Sam 1.

³⁸ Olawale, O., and O. Oluniyi. 2016. “Climate Smart Aquaculture: A Sustainable Approach to Increasing Fish Production in the Face of Climate Change in Nigeria.” *International Journal of Fisheries and Aquatic Studies* 2 (1): 012–017.

³⁹ Sarder, J., D. Ghosh, and P. Rosa. 1997. “The Importance of Support Services to Small Enterprises in Bangladesh.” *Journal of Small Business Management*, April 1997, 37 (2): 26–36.

⁴⁰ Tan, H., and G. Lopez-Acevedo. 2007. “How Well do SME Programs Work? Evaluating Mexico’s SME Programs Using Panel Firm Data.” World Bank Institute and LAC, Washington DC.

⁴¹ Bloom, N., B. Eifert, A. Mahajan, D. McKenzie, and J. Roberts. 2013. “Does Management Matter? Evidence from India.” *Quarterly Journal of Economics* 128 (1): 1–51.

⁴² Bruhn, M., D. Karlan, and A. Schoar. 2013. “The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico.” World Bank Policy Research Working Paper 6508.



in Mexico. Evidence from Colombia shown in Iacovone, Maloney, and McKenzie (2019)⁴³ supports this underlying thesis in favor of the impact of improving firm managerial capabilities. Based on a cross-country review, business training programs also help increase SME profits and sales.⁴⁴

- A Harvard Business Review Study by Anne Marie Knott calculates the impact of research and development and equipment investments in the United States by estimating a Research Quotient that defines a relationship between firm inputs (capital, labor, and research and development investments) and firm output (revenues) based on regression analysis of American firms. Their analysis estimates that a 10 percent increase in Research Quotient results in an increase in market value of 1.1 percent, which can translate to a 10–20 times multiple in firm revenues. Since this analysis is based on research and development investments in established firms rather than start-ups, revenue growth assumptions for the project’s start-up beneficiaries have been increased.
- **Reduction in failure rate.** The analysis assumes a 20 percent reduction in the failure rate of SMEs due to the assistance provided by the project.
- **Time frame of impact.** A two-year delay is estimated for impact of the activities and investments.

Table 4.2. SME Assumptions

SME Assumptions	Tourism SMEs	Fisheries
Number of entrepreneurs	100	50
Failure rate without project intervention	50percent	50percent
Failure rate with project intervention	30percent	30percent
Average income (US\$, annual)	20,000	20,000
Job creation rate (per additional US\$ in income)	0.000119	0.000119
Average salary	3,000	3,000
Annual revenue growth (without project)	3percent	3percent
Additionality to growth rate	12percent	12percent
Number of years that additionality applies	2	2

14. With the assumptions noted above, the project valuation and other key metrics are estimated as:
- NPV at a 15 percent discount rate: US\$0.254 million ERR: 16 percent
 - NPV at a 12 percent discount rate: US\$1.3 million

Sensitivity Analysis

- Reducing the estimated number of SME beneficiaries by 50 percent reduces the component ERR to 3 percent.
- Increasing the estimated number of SME beneficiaries by 50 percent increases the component ERR to 26 percent.

⁴³ Iacovone, L., W. Maloney, and D. McKenzie. 2019. “Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia.” World Bank Policy Research Working Paper 8854.

⁴⁴ McKenzie, D. 2020. “Small Business Training to Improve Management Practices in Developing Countries: Reassessing the Evidence for ‘Training Doesn’t Work.’” World Bank Policy Research Working Paper 9408.



ANNEX 5: Financial Management Arrangements

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

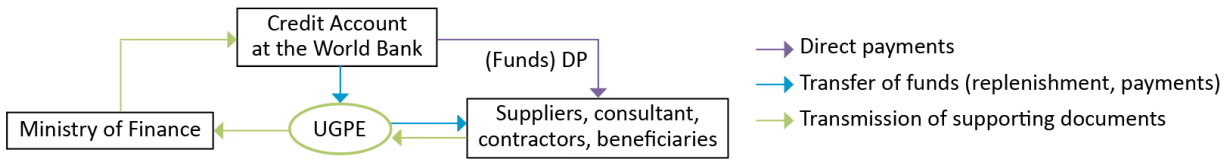
1. **Budgeting.** The budgeting process is described in the Financial Procedures Manual. The budget would be reviewed and adopted by the Steering Committee before the start of each fiscal year. Annual draft budgets would be submitted for the World Bank's no-objection no later than November 30 before adoption and implementation. The execution will be monitored on a quarterly basis and reports of budget monitoring and variance analysis will be prepared and included in the IFR.
2. **Accounting.** The UGPE will use the cash basis to maintain the project's accounts. The project financial statements will be prepared by the UGPE using the National Accounting Standards and Financial Reporting used for all ongoing World Bank-financed projects in Cabo Verde. The project accounting will be managed through the existing accounting software, which has multiproject and multidonor features. It will be customized to accommodate the new project. All accounting procedures are documented in the UGPE Procedure Manual.
3. **Internal control**
 - **Procedure Manual.** An annex of the existing manual will be set up to provide a description of administrative and financial procedures for specific aspects of the project.
 - **Internal audit.** An internal auditor is in place and is covering all World Bank-financed projects. This project will be included in its scope of intervention. The internal auditor will expand her/his scope to carry out ex post reviews. The internal auditor will elaborate a risk mapping of all projects and an audit program for the entire portfolio and submit its report to the World Bank each quarter.

Funds Flow and Disbursement Arrangements

4. **Disbursement methods.** The following disbursement methods may be used: reimbursement, advance, direct payment, and special commitment as specified in the Disbursement and Financial Information Letter and in accordance with the Disbursement Guidelines for Investment Project Financing, dated February 2017. Disbursements would be reported based on withdrawal applications and supported with a Statement of Expenditures. The Disbursement and Financial Information Letter details the disbursement methods, required documentation, Designated Account's ceiling, and minimum application size.
5. **Designated Account.** A Designated Account will be opened at the central bank of Cabo Verde. For project implementation, the account will be replenished through withdrawal applications. Requests for reimbursement and reporting on the use of advances will be accompanied by a Statement of Expenditures providing information on payments for eligible expenditures and records required by the World Bank. All supporting documentation will be retained at the UGPE and must be made available for periodic review by the World Bank's missions.



Figure 5.1. Funds Flow and Disbursement Chart



Financial Reporting Arrangements

6. The UGPE will produce on a quarterly basis unaudited IFRs during project implementation encompassing activities for all components. The IFRs are to be submitted to the World Bank within 45 days after the end of the quarter. The UGPE will prepare and agree with the World Bank on the format of the IFRs.

7. The UGPE will produce the project’s financial statements, and these statements will comply with Cabo Verde generally accepted accounting principles and World Bank requirements.

Auditing Arrangements

8. The Disbursement and Financial Information Letter will require the submission of audited financial statements for the project to IDA within six months after the end of every accounting period. An external auditor with qualification and experience satisfactory to the World Bank will be appointed to conduct an annual audit of the project’s financial statements.

9. In accordance with the World Bank Policy on Access to Information, the borrower is required to make its audited financial statements publicly available in a manner acceptable to the Association; following the World Bank’s formal receipt of these statements from the borrower, the World Bank also makes them available to the public.

10. The following actions need to be taken to enhance the financial management arrangements for the project:

Table 5.1. Actions to Enhance Financial Management Arrangements

Action	Due Date	Responsibility
<ul style="list-style-type: none"> Update UGPE financial management manual of procedures to include the specificities of this project as part of Project Operational Manual Update Customize existing accounting software to include bookkeeping of the project. Include the project in the scope of the internal auditor Recruit an external auditor. 	<p>By effectiveness</p> <p>No later than 90 days after effectiveness</p>	UGPE



Implementation Support Plan

11. Based on the outcome of the financial management risk assessment carried out in February 2022, table 5.2 presents a proposed implementation support plan. The plan will ensure that a satisfactory financial management system is maintained throughout the project’s life.

Table 5.2. Proposed Implementation Support Plan

Financial Management Activity	Frequency
Desk reviews	
IFR review	Quarterly
Audit report review of the project	Annually
Review of other relevant information, such as interim internal control systems reports	Continuous as they become available
Onsite visits	
Review of overall operation of the financial management system	Annually (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors’ management letters, internal audit, and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity-building support	
Financial management training sessions	As and when needed



ANNEX 6: Procurement Arrangements

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

1. The procuring entity, the bidders, and service providers (that is, suppliers, contractors, and consultants) shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 3.32 and Annex IV of the Procurement Regulations.
2. The Borrower shall prepare and submit to the World Bank a General Procurement Notice and the World Bank will arrange for the publication of the General Procurement Notice in United Nations Development Business online and on the World Bank's external website. The borrowers may also publish it in at least one national newspaper.
3. The Borrower shall publish the Specific Procurement Notice for all goods, non-consulting services, and the Requests for Expressions of Interest on free-access websites, if available, and in at least one newspaper of national circulation in the borrower's country and in the official gazette. For open international procurement selection of consultants using an international short list, the borrower shall also publish the Specific Procurement Notice in United Nations Development Business online and, if possible, in an international newspaper of wide circulation. The World Bank arranges for the simultaneous publication of the Specific Procurement Notice on its external website.
4. **Procurement risk assessment.** The UGPE will have fiduciary responsibility for implementing the project. The UGPE has implemented several development projects with adequate fiduciary arrangements. The UGPE has experience with World Bank procurement rules and procedures, and ongoing projects, except for the Tourism Development Project, are implemented under the new Procurement Regulations. The UGPE implements these projects with three procurement specialists and an assistant. An assessment of the UGPE's capacity to implement World Bank procurement determined that the UGPE has the experience and qualifications to carry out procurement under this project. The specialists have acceptable knowledge of World Bank procedures and experience in using World Bank Standard Bidding Documents. However, as part of the project, the UGPE will have some works contract and the staff will need capacity building on that. Furthermore, the project will bring additional work and the team needs to be reorganized to better manage the workload. A project manager will be appointed and will closely work with the procurement staff.
5. **Mitigation measures.** The following measures are proposed to mitigate these risks and reduce their classification from Substantial to Moderate: (a) develop a contract management plan for the most important contracts identified in the Project Procurement Strategy for Development (PPSD); (b) update the existing Project Operational Manual; (c) build capacity on preparation and evaluation of works contract documentation; (d) reorganize the repartition of the workload among the procurement specialists; (e) establish an acceptable procurement filing system (physical and in Systematic Tracking of Exchanges in Procurement [STEP]); and (f) work closely with technical stakeholders to ensure better coordination of the procurement process. Considering these mitigation measures, the procurement residual risk is assessed to be Moderate.



6. **Procurement Manual.** Procurement arrangements, roles and responsibilities, methods, and requirements for carrying out procurement shall be elaborated in detail in the Procurement Manual which may be a section of the Project Operational Manual.

7. **Procurement documents.** In the event of competitive and international procurement of goods, works, and services other than consultancy services, the recipient must use the applicable standard procurement documents of the World Bank with a minimum of modifications deemed acceptable to the World Bank to meet any specific project conditions, if necessary.

8. **Operational costs** financed by the project, if any, will be additional expenses, including office supplies, communication costs, rental fees, expenses for utilities, consumables, transport, and housing per day, supervision costs, and salaries of locally recruited support staff. This service will be procured based on procurement procedures stipulated in the Project Operational Manual, accepted and approved by the World Bank.

9. **PPSD.** As part of project preparation, the recipient had developed the PPSD, describing the extent to which procurement activities are able to support project operations for the achievement of PDOs and deliver value for money. The PPSD considers the institutional arrangements for procurement, roles and responsibilities, thresholds, procurement methods, and due diligence as well as requirements for performing procurement. It also includes a detailed assessment and description of the Government’s capacity to execute procurement and manage contract implementation within an acceptable governance structure and accountability framework. Other points considered are market behaviors, trends, and capacities (that is, market analysis) to inform the Procurement Plan. The PPSD concludes that the operational context allows the transparent and successful execution of the contracts that are to be implemented by this project.

10. **Procurement Plan.** The Procurement Plan covering the first 18 months of project implementation was prepared and submitted to the World Bank. It was discussed and approved by the World Bank. The Procurement Plan, presented in table 6.1, will be updated by the procuring entity on an annual or as-needed basis to reflect actual project implementation needs. Updates of the Procurement Plan will be submitted to the World Bank for ‘no-objection’ and the PPSD will be updated accordingly.

Table 6.1. Procurement for Key Contracts for the Project’s First 18 Months

No	Contract Title Description and Category	Estimated Cost and Risk Rating (US\$)	World Bank Oversight (Prior/Post)	Procurement Approach	Category	Selection Method	Evaluation Method
Component 1: Development of Integrated and Resilient Tourism and Blue Economy Infrastructure							
1.1	Technical study for the upgrade of the existing quay in Tarrafal and its surrounding areas	300,000 Moderate	Post	Open National	Consulting Service	QCBS	Rated criteria



Nº	Contract Title Description and Category	Estimated Cost and Risk Rating (US\$)	World Bank Oversight (Prior/Post)	Procurement Approach	Category	Selection Method	Evaluation Method
1.2	Detailed Coastal Plan for main beach area of Tarrafal Island of Santiago	100,000 Moderate	Post	Open National	Consulting Service	LCS	Lowest evaluated
1.3	Works of rehabilitation of the quay and surrounding adjacent areas, including upgrades and support works for Tarrafal Beach	1,400,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.4	Detailed urban plan (study) for the historic center of `Cidade Velha`, according to UNESCO guidelines	250,000 Moderate	Post	Open National	Consulting Service	LCS	Lowest evaluated
1.5	Works of rehabilitation of central square and marketplace - Cidade Velha	350,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.6	Works of rehabilitation of historical central square - Cidade Velha	350,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.7	Works of requalification of Bairro S. Sebastião, the walking trail from the Fort of S. Felipe, and improved signage	620,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.8	Study for the rehabilitation of the fish market in Mindelo	200,000 Moderate	Post	Open National	Consulting Service	CQS	Best qualifications and relevant experience
1.9	Rehabilitation of the fish market in Mindelo	1,500,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.10	Upgrade of city's museum - São Vicente	200,000 Moderate	Post	Open National	Works	RFB	Lowest evaluated
1.11	Study for the development of an experience around on	300,000 Moderate	Post	Open National	Consulting Service	CQS	Best qualifications and relevant experience



Nº	Contract Title Description and Category	Estimated Cost and Risk Rating (US\$)	World Bank Oversight (Prior/Post)	Procurement Approach	Category	Selection Method	Evaluation Method
	Turtle conservation at S. Pedro (S. Vicente)						
1.12	Mapping (cartographic, digital, and photographic) and physical signaling of 44 hiking trails (±394 km in the 3 municipalities)	150,000 Moderate	Post	Open National	Consulting Service	CQS	Best qualifications and relevant experience
1.13	Rehabilitation of hiking trails (71 km) and viewpoints (13)	2,000,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.14	Rehabilitation of Ponte de Canal, in Santo Antão	300,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.15	Seafront protection, road access, boat landing, and fisheries support in Tarrafal de Monte Trigo	250,000 Moderate	Post	Open National	Consulting Service	LCS	Lowest evaluated
1.16	Expansion and completion of the cultural and arts center of Ribeira Grande - 7 Sois 7 Luas	200,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.17	Rehabilitation of Santa Maria pier and surrounding area - Sal	3,500,000 Substantial	Post	Open National	Works	RFB	Lowest evaluated
1.18	Rehabilitation of 8 km section of main road connecting Espargos and Santa Maria - Sal)	8,000,000 High	Prior	Open International	Works	RFB	Lowest evaluated
1.9	Visitor/conservation center at Pedra de Lume - Sal	200,000 Moderate	Post	Open National	Works	RFB	Lowest evaluated
1.20	Development of a strategy and action plan for enhanced international and inter-island intermodal connectivity	500,000 Substantial	Post	Open International	Consulting Service	QCBS	Rated criteria



No	Contract Title Description and Category	Estimated Cost and Risk Rating (US\$)	World Bank Oversight (Prior/Post)	Procurement Approach	Category	Selection Method	Evaluation Method
1.21	Preparatory studies for the construction or upgrade of maritime passenger terminals located on 4 islands (Praia, Sal, São Nicolau e Fogo)	460,000 Moderate	Post	Open National	Consulting Service	QCBS	Rated criteria
Component 2: Enhancement of inclusive and sustainable management of tourism in blue economy							
2.1	Technical assistance to sustainable fishing practices and sanitary conditions of seafood handling	700,000 Moderate	Post	Open Int'l	Consulting Service	QCBS	Rated criteria
2.2	Origin certification/labelling feasibility study	600,000 Moderate	Post	Open International	Consulting Service	QCBS	Rated criteria
2.3	Analysis of demersal resources with tourism and export demand	1,000,000 Moderate	Post	Open National	Consulting Service	QCBS	Rated criteria
2.4	Contracting and international market representation firm (for the first 18 months of the project), to support ITCV's marketing effort in selected/prioritized European source market(s)	600,000 Moderate	Post	Open International	Consulting Service	QCBS	Rated criteria
2.5	Support the first edition of the Ocean Race layover in Mindelo in early 2023	800,000 Moderate	Post	Open International	Consulting Services	QCBS	Rated criteria
2.6	Strengthen Tourism National Statistic System	350,000 Moderate	Post	Open National	Consulting Service	QCBS	Rated criteria
2.7	Technical assistance to support co-management initiatives in artisanal fishing communities, to	700,000 Moderate	Post	Open National	Consulting Service	QCBS	Rated criteria



№	Contract Title Description and Category	Estimated Cost and Risk Rating (US\$)	World Bank Oversight (Prior/Post)	Procurement Approach	Category	Selection Method	Evaluation Method
	continue empowering communities in the sustainable and inclusive management of their marine and coastal resources						
2.8	Study on climate change and marine fisheries	400,000 Moderate	Post	Open National	Consulting Service	QCBS	Rated criteria
2.9	Study on opportunities for solar energy solutions in coastal infrastructure	250,000 Moderate	Post	Open National	Consulting Service	CQS	Best qualifications and relevant experience
2.10	Implement gender mainstreaming activities into tourism	200,000 Moderate	Post	Open National	Consulting Service	CQS	Best qualifications and relevant experience
2.11	Contracting local island-level coordinator/s	50,000 Moderate	Post	Open National	Consulting Service	ICS	Comparison of CVs
2.12	Drafting of 3 Coastal Zone Plans, for Sal (1), S. Vicente (1), and Santiago (1)	600,000 Moderate	Post	Open International	Consulting Service	QCBS	Rated criteria
Component 3: Project Implementation Support							
3.1	Project manager for Resilient Tourism and Blue Economy Development in Cabo Verde	188,000 Low	Post	Direct Selection	Consultant Service	Direct selection	Direct selection
3.2	Two individual consultants to support the Ministry of Tourism and Transports	250,000 Moderate	Post	Open National	Consultant Service	ICS	Comparison of CVs
3.3	Recruitment of a civil engineer	70,000 Moderate	Post	Open National	Consultant Service	ICS	Comparison of CVs
3.4	Accounting and financing audit of the project	60,000 Low	Post	Open International	Consultant Service	LCS	Lowest evaluated



No	Contract Title Description and Category	Estimated Cost and Risk Rating (US\$)	World Bank Oversight (Prior/Post)	Procurement Approach	Category	Selection Method	Evaluation Method
3.5	Operational costs and capacity building for the UGPE and the stakeholders	100,000 Moderate	Post	Open International	Consulting Service	RFQ	Lowest evaluated
3.6	Awareness building/communication initiatives addressing environmental, social and GBV project-related issues	42,000 Moderate	Post	Limited	Non-Consulting Services	RFQ	Lowest Evaluated
3.7	Equipment for the UGPE	20,000 Low	Post	Open National	Goods	RFQ	Lowest evaluated
3.8	Contracting local island-level coordinator/s	50,000 Moderate	Post	Open National	Consultant Service	ICS	Comparison of CVs

Note: CV = Curriculum vitae; CQS = Selection Based on Consultant’s qualifications-based selection.; ICS = Selection of Individual Consultants; LCS = Least-Cost Selection; QCBS = Quality- and Cost-Based Selection; RFB = Request for Bid; RFQ = Request for Quotation.



ANNEX 7: Climate-Related Activities Financed by the Project

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

1. This annex presents the context of climate vulnerability for Cabo Verde, demonstrates alignment between priority directions in the country's recent NDC⁴⁵ and project activities, and details how project activities will contribute to climate action in the country.
2. Climate change is likely to compound the fragility of Cabo Verde's economy, already made evident by the pandemic, given its large dependence on tourism, its narrow natural resource base, and its geographic isolation. In 2020, the country updated its NDC. It seeks to achieve substantial mitigation benefits, estimated at 18 to 24 percent reduction in economywide GHG emissions below business as usual by 2030, as well as a lasting adaptation impact in terms of food, water, and energy security.
3. Cabo Verde is already exposed to climate shocks, including extreme weather events, desertification, and sea level rise. These natural hazards are expected to become more prevalent as climate change intensifies and the country faces severe adaptation challenges associated with water resources availability, land degradation, coastal erosion, and flash floods.
 - According to the NDC, recent projections indicate an increase of about 3°C for the mean annual temperature over the period 2011–40. Results also show a reduction in annual average precipitation, a temporal extension of the dry season, with an increased likelihood of droughts, and a shortening of the rainy season, with a concentration of heavy, localized rains in a short period of time, causing high water discharge and runoff and soil erosion. Such heavy, localized rainfall episodes, coupled with scant vegetation and inappropriate drainage systems, can accelerate the deterioration of road pavement, as is the case for the Santa Maria-Espargos Road in Sal that this project will rehabilitate.
 - About 80 percent of the archipelago's territory has a high susceptibility to drought, especially São Vicente and the shallow islands. On average, about US\$2 million of income is expected to be lost due to agricultural drought. Cabo Verde also increasingly suffers from water shortage, and the country must operate ever more desalination plants, which now account for 10 percent of all the electricity consumed in the country.
 - Nearly 30 percent of the country's population are exposed to flash floods. Related landslides, though much localized, could cause damage of at least US\$200,000 every year.
 - Sea level is projected to rise from 0.26 m to 0.98 m over the next 60–80 years, which will increase coastal submersion (storm surges), erosion, and salinity. Shoreline erosion already poses a problem to ports, roads, and beaches. This is particularly the case for two project sites, Tarrafal de Monte Trigo (Santo Antão) and Tarrafal (Santiago), where coastal erosion is a major risk based on the climate hazards map for Cabo Verde in the country's NDC. In addition, the Santa Maria pier degraded significantly in the aftermath of Tropical Storm Fred in 2015, making the pier even more vulnerable to storm surges. The infrastructure is in

⁴⁵ Government of Cabo Verde. 2020. *Cabo Verde: 2020 Update to the First NDC*.



urgent need of rehabilitation to repair the damage caused by the storm and make it more resilient to ongoing climate change risks (high tides, storms, and so on).

4. The activities envisioned under the project offer several avenues to assist Cabo Verde in implementing the commitments outlined in its recent NDC, on both adaptation and to a lesser extent, mitigation. The highlights are provided in the text below while table 7.1 provides more information and details the alignment between project activities and NDC adaptation and mitigation contribution areas (or the National Disaster Strategy).

5. The coastal (piers, fish market, and seafront requalification) and inland (road and hiking trails) infrastructure to be built or rehabilitated under Component 1 will aim to address coastal erosion, storm surges, and environmental degradation. Their design will consider options to increase their resilience and extend their lifetime as well as options to promote low-carbon, resource-efficient alternatives:

- For coastal infrastructure, most common climate resilience features against coastal erosion, storm surges, and stronger swell include: siting (that is, moving away from shoreline and break zone, when possible), laying a cyclopean concrete bed/base under the foundations, raising the foundations, or using bollards and rocks to break tidal wave and swell. On the mitigation side, options include the use of solar panels to power the infrastructure being built and other relevant low-carbon (for example, climate passive design) or resource-efficient (for example, water-saving faucets) options. Based on findings of preparatory studies, such options will be incorporated in the final design of infrastructure.
- Similarly, the preparatory studies for the construction or upgrade of four maritime passenger terminals will be requested to incorporate, as relevant, climate-resilient design principles to withstand climate shocks and low-carbon, resource-efficient design options to support mitigation. The project will finance the preparation of these feasibility studies but not the construction or upgrade of the terminals.
- For the rehabilitation of the Santa Maria-Espargos Road in Sal, climate resilience features will be incorporated building on the country's Climate Resilience and Adaptation Strategy for Cabo Verde's entire road network. Where applicable it will include, for example, enhanced longitudinal and cross-drainage for better stormwater evacuation, steeper cross-slope, protective measures (which can include revegetation as a nature-based adaptation option), and improved materials to reduce the impacts of climate change. The road itself contributes to emergency response (including to climate-related hazards): it provides access to services (that is, airport and port) and can be used as an evacuation route. The road rehabilitation will also include the creation of bike lanes, which aligns with one objective of the NDC on green transportation, around secure and attractive walking and biking networks, generating mitigation co-benefits.
- The rehabilitation of trekking trails will incorporate site-specific adaptation features against flashfloods, mudflows, and landslides, including better drainage, bollards and nets, and revegetation (as a nature-based adaptation option).
- The project will also finance a study on solar energy opportunities in coastal infrastructure (audit of existing energy saving opportunities and development of an action plan for introducing solar energy solutions into selected infrastructure).



12. Fisheries coastal investments will also contribute to better waste management, from fishermen and fishmongers and more broadly from tourism activities. These investments will include waste management plans that will ensure better collection and handling of waste at project sites (for example, fish market, fishing piers, and beaches). This will avoid the dispersion of waste (for example, fish gut, plastic bags, food and drinks leftovers and containers) on land and in the ocean and facilitate their routing toward the existing waste management system.

13. The project will help advance understanding of the impacts of climate change on the country’s fisheries and marine resources, generate lessons from co-management experiences in artisanal fisheries, and improve the sustainability of fishing and management practices. All action areas being expected to contribute to resilience, through updated and detailed information on climate risks and adaptation options, through insights on how co-management can strengthen resilience of marine resources and fishing communities, and through better managed marine resources that can regenerate faster and thus become more resilient to the impacts of climate change.

14. In addition, the project will support the emergence of local tourism businesses and related local value agriproduct value chains (including fisheries), which is expected to provide mitigation co-benefits on a longer-term (since sourcing locally avoids emissions from international shipping). The project will include prioritization criteria for the matching grant/technical assistance to the SMEs that contribute to climate change efforts (potentially both adaptation and mitigation). It will provide technical assistance to businesses in planning and marketing, access to finance, and adoption of sustainable guidelines and will prioritize businesses that address climate adaptation and mitigation in their activities. The technical assistance program will include raising awareness of, and training, local SMEs on circular economy and sustainable and eco-efficient practices. More broadly, the project will support awareness raising and communication campaigns targeting tourists, tourism operators, and SMEs on respectful use and conservation of water and energy resources.

15. Finally, the project will also support the development of tourism of new tourism zoning plans (local level) and coastal zoning plans (island level), both instruments that integrate climate and other risks (for example, coastal erosion, drought and flashflood, pollution, water scarcity, and so on) and enhance the sustainability and resilience of tourism activities.

Table 7.1. Mapping of Project Subcomponent Activities to Cabo Verde’s NDC for Component 1

Subcomponent	Climate Relevance	Adaptation Alignment	Mitigation Alignment
Component 1: Development of integrated and resilient tourism and blue economy infrastructure			
(a) Integrated tourism and fisheries coastal infrastructure (IDA: US\$7.50 million)	Feasibility studies for the coastal infrastructure will be requested to consider options to increase their resilience and extend their functionality and lifetime in the face of climate change. Final design will incorporate options identified during feasibility.	National Strategy for Disaster Risk Reduction - Action Area 5 (synergies with climate action) “make infrastructures resilient” NDC - Adaptation Contribution #6: Defending Marine	



Subcomponent	Climate Relevance	Adaptation Alignment	Mitigation Alignment
		Resources and Coastal Zones “Use nature-, ecosystem- and landscape-based solutions”	
	For the Mindelo Fish Market rehabilitation (and more generally other building to be constructed or rehabilitated under this subcomponent), the feasibility study will also consider renewable energy alternatives (such as solar panels on the roof) to power, even partially, the infrastructure.		NDC - Mitigation Contribution #2: Increasing Renewable Energy Targets
	Fisheries coastal investments will contribute to better waste management, (on the Santa Maria pier and Mindelo fish market) and more broadly from fishermen and tourist activities (Tarrafal beach).	NDC - Adaptation Contribution #2: Enhancing Sewage, Solid Waste and Wastewater Treatment	
(b) Improve accessibility to tourism sites (IDA: US\$8.00 million)	For the rehabilitation of the Santa Maria-Espargos road in Sal, climate resilience features to be incorporated where applicable include, for example, enhanced longitudinal and cross-drainage for better stormwater evacuation, steeper cross-slope, protective measures (which can include revegetation as a nature-based adaptation option), and improved materials to reduce the impacts of climate change. The road itself contributes to emergency response (including to climate-related hazards): it provides access to services (that is, airport, port) and can be used as evacuation route. The road rehabilitation will also include the creation of bike lanes, which aligns with one objective of the NDC on green transportation, around secure and attractive walking and biking networks, generating mitigation co-benefits.	National Strategy for Disaster Risk Reduction - Action Area 5 (Synergies with climate action) “make infrastructures resilient”	NDC - Mitigation Contribution #3: Lowering the CARBON Intensity of Mobility “Create secured and attractive home-work urban cycling and walking networks”



Subcomponent	Climate Relevance	Adaptation Alignment	Mitigation Alignment
(c) Rehabilitate trekking trails, cultural heritage, and visitor centers (IDA: US\$5.12 million)	Design will consider hard and nature-based options (e.g., revegetation) to increase their resilience (especially in areas prone to landslides) and extend their functionality and lifetime in the face of climate change. For small buildings to be rehabilitated or constructed, energy-efficient options, renewable energy alternatives, and resource-efficient technologies (for example, water-saving technologies) will also be considered in the design.	NDC - Mitigation Contribution #4: Shifting Toward Responsible Tourism and Circular Economy “Implement the National Strategy for Disaster Risk Reduction (...) to make tourism infrastructures resilient”	NDC - Mitigation Contribution #4: Shifting Toward Responsible Tourism and Circular Economy “Promote sustainable tourism projects in islands/areas that are currently out of tourism development areas.”
(d) Develop a strategy and action plan for enhanced international and inter-island intermodal connectivity (IDA: US\$0.96 million)	Preparatory studies for the construction or upgrade of maritime passenger terminals located on four islands (Sao Nicolau, Boa Vista, Fogo, and Santiago) will include climate change considerations to incorporate, as relevant, climate-resilient design principles to withstand climate shocks or disasters or climate mitigation (for example, climate passive design).	National Strategy for Disaster Risk Reduction - Action Area 5 (Synergies with climate action) “make infrastructures resilient”	
Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy			
(a) Support entrepreneurship and SME development in the tourism and fisheries value chains (IDA: US\$5.74 million, PROBLUE: US\$2.7 million)	Several interventions will support the emergence of local value chains (including fisheries) and strengthen their links with tourism, by helping businesses improve planning and marketing, access finance, and adopt sustainable guidelines. Work will include raising awareness and training local SMEs on circular economy and sustainable and eco-efficiency practices. Overall, by promoting local sourcing, activities are expected reduce emissions from internal shipping.	NDC - Adaptation Contribution #4: Increasing AND Sustaining Ocean-Based Food Security Through Regenerative Fishing “Protect local fish consumption and domestic small-scale fisheries over international tourism industry supply, exportation and large-scale international fisheries	NDC- Mitigation Contribution #4: Shifting Toward Responsible Tourism and Circular Economy “Facilitate the supply of hotels with local products” “Stimulate/incentivize SMEs in eco-tourism”
(b) Support enabling policies and programs to increase sustainable private	Awareness-raising activities on degradation of marine and coastal resources and preservation imperative will be organized in the margins of the	NDC - Adaptation Contribution #5: Extending Marine Protected Areas	NDC - Mitigation Contribution #4: Shifting Towards Responsible Tourism and Circular Economy



Subcomponent	Climate Relevance	Adaptation Alignment	Mitigation Alignment
sector investment in tourism and blue economy Enhance marketing, promotion and communication in key markets (US\$3.8 million, IDA)	Ocean Race; promoting a more sustainable, nature-based and eco-conscious/responsible tourism.	“Identify And Implement Awareness-Raising Actions”	“Subordinate The Development Of Tourism Zones And Infrastructures To More Responsible Forms Of Tourism And Other Land Uses”
Subcomponent	Climate Relevance	Adaptation Alignment	Mitigation Alignment
Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy (continued)			
Strengthening the national statistical tourism system (US\$0.35 million, IDA)	No direct link to climate action	No direct link to climate action	No direct link to climate action
Improving the tourism regulatory framework and related urban, land, and coastal planning instruments (US\$0.25 million IDA and US\$0.95 million PROBLUE)	The subcomponent will support development of tourism zoning plans and coastal zoning plans and enhance the resilience and sustainability of tourism and coastal development (e.g., by preventing development in flood-prone area or in coastal zone experiencing high erosion).	NDC - Adaptation Contribution #7: Using Spatial Planning as an Ally in Climate Change Adaptation and Mitigation	
Support the sustainability of tourism sites, activities, and services, especially to share responsibly marine and coastal areas and resources (US\$1.35 million PROBLUE)	The subcomponent will support co-management for the sustainable management of marine and coastal resources, finance a study on the impact of climate change on marine resources and explore the use of solar-energy solutions in coastal infrastructure as a mitigation measure.	NDC - Adaptation Contribution #6: Defending Marine Resources and Coastal Zones “Identify and support high-impact research on marine resources and marine biology”	
Implement gender mainstreaming activities into tourism (US\$0.2 million, IDA)	No direct link to climate action	No direct link to climate action	



ANNEX 8: Gender-Sensitive Activities Financed by the Project

COUNTRY: Cabo Verde

Resilient Tourism and Blue Economy Development in Cabo Verde Project (P176981)

1. This annex presents gender gaps associated with access to opportunities in the tourism and blue economy sectors in a post-pandemic context and describes how project-funded activities have been tailored to address these gaps. Following the four pillars framework developed by the World Bank Group Gender Strategy (2016–23), table 8.1 summarizes critical gender gaps identified by the team during project design.

Table 8.1. Gender Gaps Analysis

World Bank Group Gender Pillars	Gender Gaps
Agency	<ul style="list-style-type: none"> Although Cabo Verde was one of the first countries to draw up a specific Action Plan for Gender Mainstreaming in Tourism (2015–17), the plan was only partially implemented and there is a need to update it and continue its implementation. Despite comprehensive laws on GBV, more effort is needed to cover GBV in tourism. One of the main concerns is the high risk of sexual exploitation of children and teens and sexual harassment in the workplace. For other sectors such as fishery, one of the main concerns is the high rates of alcohol consumption that leads to aggressive behavior and increases the risk of GBV.
Human Endowments	<ul style="list-style-type: none"> Women need support to balance paid labor work with domestic and unpaid care work. Roles and stereotypes keep women working in traditional positions in tourism, as workers or entrepreneurs. More efforts are needed to promote women-led business that challenge gender norms. There is a need to enhance women’s representation in more productive jobs such as tour guides, chefs, and transportation positions.
Better and More Jobs	<ul style="list-style-type: none"> The scarcity of childcare facilities prevents women from accessing better jobs. This is particularly important in Cabo Verde given the numbers of lone mothers⁴⁶. Women lack knowledge and training concerning basic management procedures, standards to manage businesses in tourism, sale skills, and use of digital platforms.
Access, Control, and Asset Ownership	<ul style="list-style-type: none"> Access to finance is a key barrier for women-led SMEs. Women face constraint to access finance due to their lack of business knowledge and networks. Despite women being the main client of activities related to microfinance and financial instruments⁴⁷ are not designed to cater women’s needs. Public programs facilitating access to finance need to strengthen their attention to women entrepreneurs and women-led SMEs.

⁴⁶ A lone mother is defined as a parent raising one or more dependent children, living without a partner in the same household.

⁴⁷ According to Africa Gender Data Book only 5.1 percent of women had access to credit in 2017 (compared to 7.3 percent of men). Yet women in Cabo Verde receive on average 60 percent of the loans from microfinance institutions. Financial support to women is limited and most of it is given to women is in the form of small grants to solve rapid cash flow for home repair and commercial purposes which seems to indicate a gap in terms to lending for productive growth or business development. There is nonetheless lack of information available on the link between these loans and small investments in tourism and an overall lack of evidence concerning the barriers women are facing when trying to access finance.



2. To address these gender gaps, the project embedded gender-sensitive solutions across proposed interventions by (a) incorporating gender mainstreaming activities as part of the planned policy support activities, including support to updating and resuming the Action Plan for Gender Mainstreaming in Tourism and the inclusion of GBV standards ensuring infrastructure upgrades are designed considering specific needs of women and women beneficiaries are actively involved in the planning and decision-making steps and supporting dialogue for childcare facilities; (b) supporting women-led SMEs in the tourism and blue economy value chains through customized technical assistance aiming at strengthening women’s skills, knowledge, confidence, and access to finance support; and (c) supporting the collection of gender-sensitive statistics in tourism sector that are currently missing.

3. Collecting and monitoring gender-specific and gender-disaggregated data will be central to the proposed project. In addition to one PDO-level indicator 3 (that is, Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain disaggregated by gender), four additional gender-specific intermediate indicators have been included in the project Results Framework, as shown in table 8.2.

Table 8.2. Gender-Related Actions and Indicators

Gender Gaps	Action	Indicators
<ul style="list-style-type: none"> ▪ Lack of gender-sensitive policies in tourism ▪ Lack of childcare facilities close to tourism sites ▪ Need for better and safe tourism-related infrastructure (road, street lighting, and coastal) with a positive impact on women ▪ Women face major challenges running (and maintaining) a business in tourism and fisheries due to a lack of or limited business development and financial scheme support ▪ Lack of gender-sensitive strategies focused on tourism and blue economy value chains ▪ Underrepresentation of women in tourism-related value chains 	<p><i>Agency</i></p> <ul style="list-style-type: none"> • Resume and update the Action Plan for Gender Mainstreaming in Tourism. Include an axis on GBV. • Include gender-responsive inputs within Sustainable Tourism Guidelines. • Collect gender-sensitive statistics in tourism sector. <p><i>Human Endowments</i></p> <ul style="list-style-type: none"> • Support a public and private dialogue to make a Hospitality Employer Supported Childcare Center viable. • Improve infrastructure and hygienic facilities with a major impact for women in fishery, as well as for tourism. • Provide training on improved handling of fish targeting fishmongers (mostly women). <p><i>Better and More Jobs/Access/Control</i></p> <ul style="list-style-type: none"> • Provide technical assistance to women-led businesses, including specific training to women-led SMEs in tourism and other blue economy sectors. <p><i>Access, Control and Ownership of Assets</i></p> <ul style="list-style-type: none"> • Provide access to finance with adequate financial instruments for women (notably equity and guarantees). 	<ul style="list-style-type: none"> • Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and sector) (percentage). • Share of local tourism and other ocean-economy value chain beneficiaries satisfied with the project interventions (disaggregated by gender) (percentage). • Women-owned/managed SMEs with improved access to finance supported by the project (number). • Beneficiary SMEs adopting climate smart practices (percentage) (disaggregated by gender and sector) (percentage). Action Plan for Gender Mainstreaming in Tourism is updated and adopted, including GBV standard guidelines (Yes/No).