



## STATE OWNED ENTERPRISES RELATED FISCAL MANAGEMENT PROJECT (P160796)

AFRICA WEST | Cabo Verde | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 5 | ARCHIVED on 22-Dec-2020 | ISR44492 |

Implementing Agencies: Ministry of Finance, Republic of Cabo Verde

**Key Dates****Key Project Dates**

Bank Approval Date: 04-Jun-2018

Effectiveness Date: 22-Oct-2018

Planned Mid Term Review Date: 01-Nov-2021

Actual Mid-Term Review Date:

Original Closing Date: 31-Jul-2023

Revised Closing Date: 31-Jul-2023

**Project Development Objectives**

Project Development Objective (from Project Appraisal Document)

The Project Development Objective is to strengthen SOE related fiscal management.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

**Components Table**

Name

Component 1: Results-Based Financing:(Cost \$16.00 M)

Component 2: Technical Assistance:(Cost \$3.50 M)

Component 3: Project Management:(Cost \$0.50 M)

**Overall Ratings**

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Satisfactory
Overall Risk Rating	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate

**Implementation Status and Key Decisions**

**The implementation progress of the project remains Satisfactory.** The objective of the Cabo Verde State-Owned Enterprises Related Fiscal Management Project is to strengthen SOE related fiscal management. The 2019 annual targets of two out of the three PDO indicators have been overachieved. Transfers from the Government budget to SOEs for their operations, including lending subsidies, capital injections, and guarantees for loans slightly deteriorated in 2020 (represented 9 percent of GDP as of August 2020) from 7 percent of GDP in 2019 but is in line with the Project expected target for 2020 of 9,57 percent of GDP. The 2019 public revenues from SOEs in tax payments, dividends, concession payments, and divestment proceeds have gone from US\$348,772 to US\$22.5 million. While the 2020 revenues from SOE's sector will be available in 2021, a decline is expected since many SOE's incomes (ASA, ELECTRA etc.) have declined as a result of the COVID-19 pandemic. In the fiscal year 2019, the number of passengers transported by CVA increased by 123%, and the company loss reduced by 10 percent. However, the operating margin of CVA did not improve. The operational cost represented -219 percent of operating revenues as reported in the 2018 annual financial statements of CVA. As of June 2020, based on the interim unaudited financial statement of CVA, the operating margin stands at -211 percent, fairly below the annual target of +100 percent, and unlikely to improve by end of the year 2020 due to the halt in the CVA operation as a result of low demand for air



transportation due to the COVID-19. While the 2020 actuals of the above three PDO indicators will be known in 2021, some of the SOEs operating in the market highly vulnerable to the COVID-d 19 pandemic such as CVA and ASA are likely to see a decrease in their operational and financial performance, following the global trend. As a result, in 2020, the past years' trend of the decrease of the Government transfers to SOEs and increase in public revenues generated from the SOEs could be halted or reversed.

**Four out of six intermediate results indicators related to Component 2 on technical assistance have also been achieved.** The SOEs financial database, the debt management law, the fiscal risk report, and SOEs annual reports were realized. The Government has disclosed the pipeline of 23 companies to be restructured and/or divested and reinforced SOEs' oversight and monitoring. As a result, the 2019 comprehensive report on the SOE portfolio (covering 2018 period) including analysis of financial and operational performance was published on the website of the Ministry of Finance and Planning (MoFP) in March 2020. The 2020 SOEs report (covering 2019) has been prepared and the draft shared with the World Bank. Two out of six intermediate results indicators are in progress, the first related to the new SOE policy is delayed partially due to COVID-19 while the second related to citizen feedback on SOEs reform is due by end-2021.

**The 2020 Disbursement Linked Indicators (DLIs 3 to 4) have been achieved leading to a sharp increase of the project's disbursement ratio from 56 percent to 81.9 percent.** The Recipient submitted on March 27, 2020, the evidence of the achievement of the DLIs 3 and 4. The evidence has been verified by the Independent Verification Agent. The World Bank, based on the information available and after obtaining reasonable assurance on the achievement of the DLIs, reimbursed a total amount of US\$3,085,075 on April 6, 2020.

The mission noticed recent progress in the new SOE policy design and agreed on its adoption by the Council of Ministers by January 2021. Furthermore, the timely retrenchment of the remaining 47 staff of CVA and the finalization of the SOE's 2020 annual report (covering the 2019 period) including contingent liabilities are critical to ensure the disbursement of the DLI 3 and 4 in the first Quarter of 2021. The timely upgrade of SOE financial database to facilitate exchanges of information with SOEs generate consolidated data, and the SOE annual reports shall continue. Finally, the Cabo Verde Airline (CVA) 2019 audit financial statement should be finalized by January 30, 2021, to enable the calculation of the final 2019 operating margin which is a key indicator for the results-based financing component.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	High	Substantial	Substantial
Macroeconomic	Substantial	Substantial	Substantial
Sector Strategies and Policies	Moderate	Moderate	Moderate
Technical Design of Project or Program	Moderate	Moderate	Moderate
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial	Moderate
Fiduciary	Moderate	Moderate	Moderate
Environment and Social	Substantial	Substantial	Substantial
Stakeholders	Substantial	Substantial	Moderate
Other	Substantial	--	--
Overall	Substantial	Substantial	Moderate

Results

PDO Indicators by Objectives / Outcomes

Strengthen SOE related fiscal management



► Reduced public financing to SOEs - including transfers from the budget and capitalization (% of GDP) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.90	7.00	7.00	6.00
Date	29-Dec-2017	30-Nov-2019	30-Nov-2019	31-Mar-2022
► Improved operating margin of TACV (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	144.00	219.00	219.00	80.00
Date	29-Dec-2017	30-Nov-2019	30-Nov-2019	31-Mar-2022
► Annual public revenues from SOEs (Millions USD - in tax payments, dividends, concession payments, divestment proceeds) (Amount(USD), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	22.00	22.00	10.00
Date	31-Dec-2017	30-Nov-2019	30-Nov-2019	20-Jul-2022

### Overall Comments

2020 annual target of the indicators will be available in 2021 and the result framework will be updated accordingly

### Intermediate Results Indicators by Components

Component 2: Technical Assistance				
► IRI1: Comprehensive SOE policy adopted (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Current (2016) SOE framework law outlines general rules for corporate governance of SOEs and government oversight and reporting	No policy adopted	No policy adopted	The government adopts a policy on SOEs including clear performance targets and transparency obligations of SOEs
Date	29-Dec-2017	31-Dec-2018	30-Nov-2020	31-Mar-2022
Comments:	Not achieved. The delay is namely due to the impact of Covid 19 which prevents the travel of the firm providing Technical assistance to the Government. The SOE policy is now planned to be delivered in January 2021			



<b>► IRI2: Implementation and utilization of the SOE financial database (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	UASE operates general excel sheet with basic aggregated information on six (6) largest SOEs	Database up and running	Database up and running	Database with complete financial and operational performance information on the entire SOE portfolio
Date	29-Dec-2017	29-Mar-2019	30-Nov-2020	31-Mar-2022
Comments:	Achieved			
<b>► IRI3: Strengthened legal framework for debt management with a greater emphasis on contingent liabilities (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Fragmented debt management legislative framework	new law for debt maangement including contingent liabilities approved by the Parliament in December 2018	new law for debt management including contingent liabilities approved by the Parliament in December 2018	A clear legal framework that is respected by SOEs and Government
Date	29-Dec-2017	29-Mar-2019	30-Nov-2020	31-Mar-2022
Comments:	Achieved			
<b>► IRI4: Review of SOE Portfolio and structuring oversight/holding of SOEs (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Some individual performance reviews carried out as part of performance agreement preparations	The government has disclosed the pipeline of 23 companies to be restructured and/or divested	The government has disclosed the pipeline of 23 companies to be restructured and/or divested	Greater clarity on SOEs that need to be restructured, sold or partially privatized
Date	29-Dec-2017	01-Nov-2018	30-Nov-2020	31-Mar-2022
Comments:	Achieved			
<b>► IRI5: Fiscal risk monitoring reports on SOE portfolio published (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Annual report on contingent liabilities from 6 lar	Yes - 2017 Fiscal Risk Report issued in June 2018	Yes - 2017 Fiscal Risk Report issued in June 2018	Comprehensive reports on all SOEs published on MoF's web site including analysis of financial and operational performance (including, benchmarking) and all financial transfers with the state (including all



				transfers, arrears, implicit subsidies, etc.)
Date	31-Dec-2017	01-Nov-2018	30-Nov-2020	31-Dec-2022
Comments:	Achieved. 2019 report published in March 2020			
<b>► IRI6: Citizen Feedback on SOE Reform Process (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No information on citizen opinion	Surveys to be carried out two years into the reforms	Surveys to be carried out two years into the reforms	Information available on citizens' opinion on how well government has planned for, communicated and implemented SOE sector reforms.
Date	31-Dec-2017	01-Nov-2018	01-Nov-2018	15-Sep-2023
Comments:	Not yet due			

**Performance-Based Conditions**

<b>► PBC 1 TACV has adopted and announced a Retrenchment Plan acceptable to the Bank (Yes/No, Output, 3,000,000.00, 100.00%)</b>				
	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	No	Yes	Yes	--
Date	--	18-Apr-2018	18-Apr-2018	--

<b>► PBC 2 TACV has established Grievance mechanism acceptable to the Bank (Yes/No, Process, 3,000,000.00, 100.00%)</b>				
	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	No	Yes	Yes	--
Date	--	28-Jun-2018	28-Jun-2018	--

<b>► PBC 3 Staff targeted by the Retrenchment Plan has been retrenched (Number, Intermediate Outcome, 8,000,000.00, 77.29%)</b>				
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	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	0.00	123.00	160.00	--
Date	--	29-Mar-2019	30-Nov-2020	--
Comments:	38 staff received packages and a further 74 received early retirement packages.			

► PBC 4 Detailed annual SOE reports prepared by UASE (Number, Output, 2,000,000.00, 40.00%)

	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	0.00	1.00	2.00	5.00
Date	--	31-Dec-2018	30-Nov-2020	--

#### Data on Financial Performance

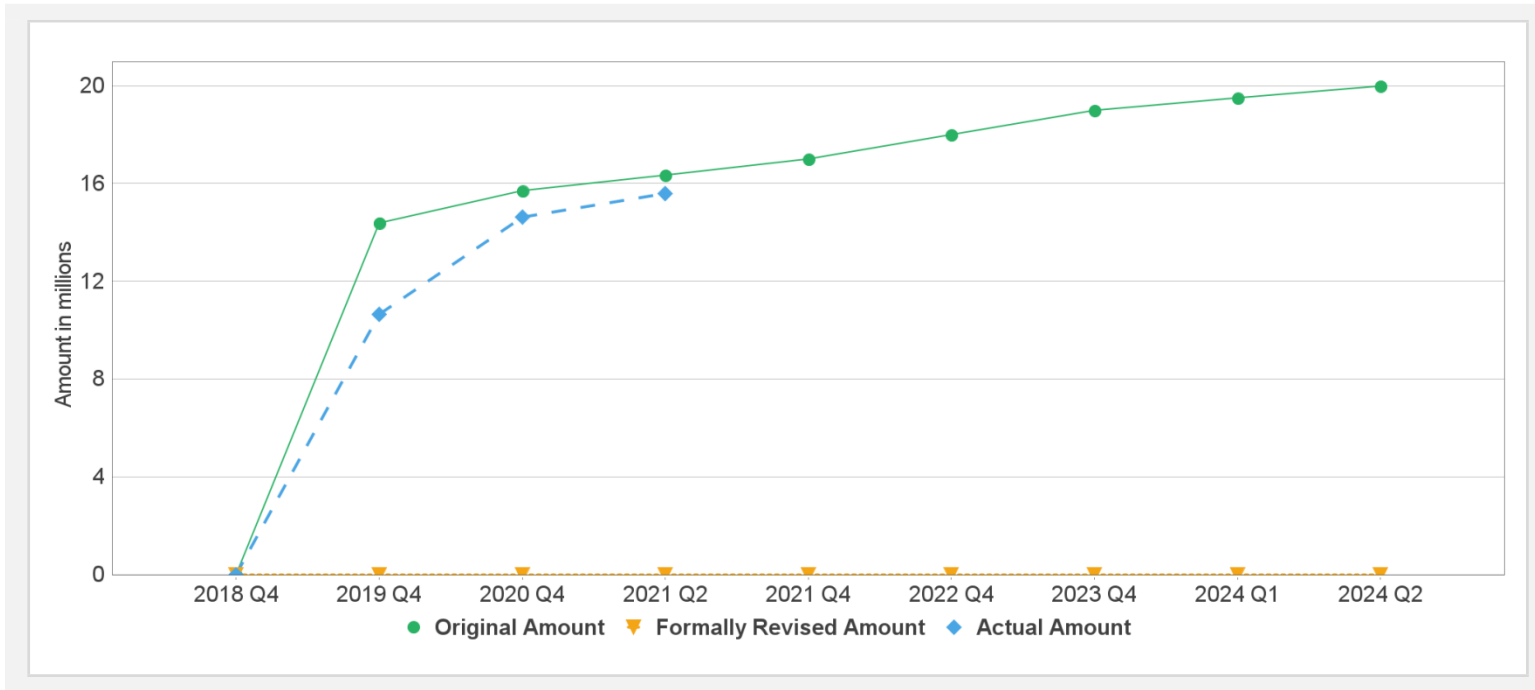
##### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P160796	IDA-62510	Effective	USD	20.00	20.00	0.00	15.58	3.55	81%

##### Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P160796	IDA-62510	Effective	04-Jun-2018	22-Jun-2018	22-Oct-2018	31-Jul-2023	31-Jul-2023

##### Cumulative Disbursements



#### PBC Disbursement

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
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#### Restructuring History

There has been no restructuring to date.

#### Related Project(s)

P172528-State-Owned Enterprises related Fiscal Management Project - Additional Financing