

Date: 27-Jan-2021

H.E. Dr. Olavo Avelino Garcia Correia
Vice-Prime Minister and Minister of Finance
Ministry of Finance
Praia, Cabo Verde

**Re: Republic of Cabo Verde: IDA Credit No. 6355-CV
(Social Inclusion Project)**

Amendment to the Financing Agreement

Excellency:

We refer to the Financing Agreement (“Agreement”) for the above-referenced proposed Project, between the Republic of Cabo Verde (“Recipient”) and the International Development Association (“Association”), dated February 13, 2019.

We also refer to your letter No. 703/GVPMF/2020 dated December 7, 2020, requesting specific amendments to the Agreement. Please note that capitalized terms used in this letter (“Amendment Letter”) and not defined herein have the meaning ascribed to them in the Agreement.

We are pleased to inform you that the Association accedes to your request and proposes to amend the Agreement as follows:

1. The Project Description under Schedule 1 is amended to read as follows:

“Part 1. Strengthening the Recipient’s Social Protection Systems

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

- (a) Building Permanent Systems to Implement Social Protection Programs.
 - (i) provision of technical assistance to build the technical capacity in social protection of MFIS, DGIS, DGPOG, and Participating Municipalities;
 - (ii) enhancing the Recipient’s geographical and household targeting system, payment system under the RSI Program, a M&E system, the Management Information System (“MIS”) of the RSI Program, a Grievance Redress Mechanism (“GRM”), a communications system and strategy for the RSI Program and the USR, and a referral system for safety net beneficiaries to access productive opportunities supported under Part 2 of the Project; and

- (iii) providing Project implementation support to MFIS through the recruitment of technical experts to support MFIS or Participating Municipalities.
- (b) Expanding the Unified Social Registry.
 - (i) conceptualizing the USR: defining the business processes for the USR by promoting an open consultation between MFIS and the Participating Municipalities;
 - (ii) defining outreach processes: developing a communications strategy for the USR;
 - (iii) assessing needs and conditions to determine eligibility of potential beneficiaries for social programs: collecting information on categorical characteristics and socio-economic factors pursuant to the criteria set out in the POM, transforming the information collected into measures of welfare and then comparing it to pre-defined eligibility criteria to determine potential eligibility for beneficiaries of social programs;
 - (iv) improving and maintaining the information technology system (hardware and software) of the USR at the central and decentralized levels; and
 - (v) Municipality Grants to Scale-up the USR: financing the operational costs to register 8,000 additional households in additional Participating Municipalities.

Part 2. Expansion of the RSI Program

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

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

Part 3. Support Project Management

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

2. Section I.C.1 of Schedule 2 is amended to read as follows:

- “1. The Recipient shall provide Cash Transfers to poor households selected in accordance with the criteria set forth in the POM, in an amount acceptable to the Association.”

3. Section I.D of Schedule 2 is deleted in its entirety. Subsequent paragraphs in said Section are renumbered accordingly.

4. New Section I.D of Schedule 2 is amended to read as follows:

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

1. The Recipient, through the MFIS and the UGPE and with the support of Participating Municipalities, shall carry out the Project in accordance with a project operations manual (“Project Operations Manual”), which shall contain detailed work flow, methods and procedures for the implementation of the Project, including but not limited to: (a) administration and coordination arrangements, including placement of necessary human resources for Project implementation; (b) performance indicators of the Project; (c) monitoring and evaluation; (d) financial management guidelines and procedures; (e) anti-corruption and anti-fraud measures; (f) implementation modalities for each Part of the Project; (g) roles and responsibilities of various agencies and stakeholders in the implementation of the Project; and (h) a Cash Transfers and stipend handbook setting forth the detailed criteria, processes, methods and procedures for the Cash Transfers under the Project.
2. For implementation of Parts 1(b)(v) and 2(b) of the Project, the Recipient, through MFIS, and the Participating Municipalities shall prepare and adopt in form and manner acceptable to the Association a Grants Manual (“GM”), which shall contain details on the selection criteria, performance targets and indicators, conditionality on disbursements based on performance of the Municipalities, and overall implementation of all Municipality Grants, as well as a form Municipality Agreement which shall be the basis for all Municipality Agreements to be entered into under the Project.
3. For implementation of Part 2(b) of the Project, the Recipient, through the MFIS and the UGPE and with the support of Participating Municipalities, shall carry out the Productive Inclusion in accordance with a Productive Inclusion Manual (“Productive Inclusion Manual”), which shall contain detailed work flow, methods and procedures for the implementation of the Productive Inclusion, including but not limited to: (a) administration and coordination arrangements, including placement of necessary human resources for Project implementation; (b) performance indicators of the Productive Inclusion; (c) monitoring and evaluation; (d) implementation modalities; and (e) roles and responsibilities of various agencies and stakeholders in the implementation of the Productive Inclusion.
4. The Recipient shall not amend or waive or permit to be amended or waived any provision of the POM, the GM or the Productive Inclusion Manual without the written agreement of the Association.
5. In case of conflict between the provisions of the POM, GM or the Productive Inclusion Manual and this Agreement, the provisions of this Agreement shall prevail.”

5. The Withdrawal Table under Section III.A of Schedule 2 is deleted in its entirety and replaced with the table in Annex 1 to the Amendment Letter.
6. Section III.B of Schedule 2 is amended to read as follows:
 1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; and
 - (b) under Category 4, unless the Recipient has adopted the Productive Inclusion Manual, in form and substance satisfactory to the Association.
 2. The Closing Date is October 31, 2022.
7. The Appendix on Definitions is deleted in its entirety and replaced with a new one in Annex 2 to the Amendment Letter.

All other provisions of the Agreement, except as herein amended, shall remain in full force and effect.

Please indicate agreement to the foregoing, on behalf of the Recipient, by countersigning and dating the form of confirmation on the two original copies of this letter provided and returning one original, as countersigned, to us. Upon receipt by the Association of the copy of this letter countersigned by the Recipient, this amendment shall become effective as of the date of its countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Nathan M. Belete
Nathan M. Belete
Country Director for Cabo Verde
Western and Central Africa

**CONFIRMED:
REPUBLIC OF CABO VERDE**

By: H.E. Dr. Olavo Avelino Garcia Correia
Authorized Representative
Name: H.E. Dr. Olavo Avelino Garcia Correia
Title: Minister of finance
Date: 27-jan-2021

Withdrawal Table under Section III.A of Schedule 2

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project, except for Cash Transfers and Municipality Grants	730,000	100%
(2) Cash Transfers under Part 2(a) of the Project	5,667,500	100% of amount disbursed
(3) Municipality Grants to Scale-up the USR under Part 1(b)(v) of the Project	175,000	100% of amount disbursed
(4) Productive Inclusion under Part 2(b) of the Project, including through Municipality Grants.	727,500	100% of amount disbursed
TOTAL AMOUNT	7,300,000	

APPENDIX

Definitions

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

- the Association, for the maintenance and leasing of vehicles and equipment, for fuel, office supplies and other consumables, vehicle and equipment insurance, office rent, internet connection and communications costs, support for information systems, translation costs, bank charges, utilities, and travel, transportation, *per diem* and accommodation costs (other than for training), and other reasonable expenditures directly associated with implementation of Project activities. Incremental expenses will not include salaries of officials of the Recipient's civil service.
15. "Participating Municipalities" means those municipalities in the Recipient's territory which meet objective criteria set out in the POM or the Grants Manual, as the case may be, for participation in the Project activities.
 16. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
 17. "Productive Inclusion" means a set of activities, including payment of tuition fees, technical, and vocational training in areas specified in the Grants Manual and aimed to promote opportunities for income generation, professional training, and entrepreneurship of targeted beneficiaries, under Part 2(b) of this Agreement.
 18. "Productive Inclusion Manual" means the Recipient's manual referred to in Section I.D of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
 19. "Project Operations Manual" or "POM" means the Recipient's manual referred to in Section I.D of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
 20. "RSI Program" means the Recipient's *Programa de Rendimento Social de Inclusão*, included in the Recipient's Government Program (*Programa do Governo*) 2016-2021 published on July 2016.
 21. "Safeguards Policies" means the Operational Policies (OPs) and Bank Procedures (BPs) of the Association, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) as published at <https://policies.worldbank.org> and as the same may be updated by the Association from time to time.
 22. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
 23. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, local travel, *per diem* costs of trainees and trainers' fees, and interpretation and translation services.
 24. "UGPE" means *Unidade de Gestão de Projetos Especiais*, the Recipient's Management Unit for Special Projects under the Recipient's Ministry of Finance.

25. "Unified Social Registry" or "USR" means the National Social Registry established and operating pursuant to Decree No.7/2018 of September 20, 2018.