
CREDIT NUMBER 6829-CV

Financing Agreement

(Additional Financing to Access to Finance for Micro, Small and Medium-Sized Enterprises Project)

between

REPUBLIC OF CABO VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6829-CV

FINANCING AGREEMENT

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

The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) carry out Parts A(i), (ii), (iii) and (v), B, C, D and E(iii) of the Project, through its Ministry of Finance; (b) cause PCG Fund to carry out Part A(iv) of the Project; and (c) cause Pró-Capital to carry out Parts E(i) and (ii) of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consists of the following:
- (a) Any action has been taken for the dissolution, disestablishment or suspension of operation (including cancellation of license to operate as a Financial Institution) of the PCG Fund;
 - (b) Any action has been taken for the dissolution, disestablishment or suspension of operation (including cancellation of license to operate as a Financial Institution) of Pró-Capital; and
 - (c) Termination of the independent PCG Fund Manager appointment without prior consultation with the Association.
- 4.02. The Additional Events of Acceleration consist of the following:
- (a) The event specified in paragraph (c) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient; and
 - (b) The events specified in paragraph (a) and (b) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.02. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

Minister of Finance
Ministry of Finance
Avenida Amilcar Cabral
C.P. 30, Praia
Cabo Verde; and

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

E-mail:

Gilson.g.pina@mf.gov.cv; and Malaquias.lopes@mf.gov.cv

6.03. For purposes of Section 11.01 of the General Conditions:

- (a) The Association's address is:

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

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

Telex:

Facsimile:

248423 (MCI)

1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF CABO VERDE

By:

Olavo Correia

Authorized Representative

Name: Olavo Correia

Title: Minister of finance

Date: 08-fev-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Nathan M. Belete

Authorized Representative

Name: Nathan M. Belete

Title: Country Director

Date: 05-Feb-2021

SCHEDULE 1

Project Description

The objective of the Project is to maintain and increase access to finance to MSMEs in the context of the COVID-19 economic shock.

The Project consists of the following parts:

Part A: Partial Credit Guarantee Fund to Enhance MSME Finance

Support the establishment and operationalization of a partial credit guarantee fund (PCG Fund) in line with the Principles for Public Credit Guarantee Schemes through, *inter alia*: (i) the development of PCG business plan, investment policy, financial model and Operational Guidelines; (ii) the undertaking of PCG Fund-related outreach and communication activities targeting PFIs and MSMEs; (iii) the provision of training to PFIs on accessing the PCG Fund; (iv) the capitalization of the PCG Fund and operationalization of the PCG Fund by providing partial credit guarantees to selected PFIs in respect of credits that said PFIs extend to selected MSMEs; and (v) the provision of technical assistance to the PCG Fund.

Part B: Technical Assistance to MSMEs

Provision of support to MSMEs for generating and sharing business and financial information with financial institutions in the context of their loan applications, including through, *inter alia*, the provision of accounting and auditing services to MSMEs and support in the preparation of business plans, financial statements, loan applications and feasibility studies for new ventures.

Part C: Improve Credit Information Systems

Improve credit information systems and oversight of credit reporting systems, in line with the General Principles for Credit Reporting, including through, *inter alia*: (i) an assessment of existing gaps and possible improvements to the Bank of Cabo Verde's Credit Registry; (ii) provision of hardware and software; (iii) the improvement of reporting templates and reporting requirements on outstanding loans of MSMEs owed to commercial banks and microfinance institutions; and (iv) the design and implementation of an electronic database for collection and processing of economic and financial data of non-financial corporations (*Central de Balancos*).

Part D: Project Implementation Support

Provision of support for Project implementation, including for, *inter alia*, coordination, procurement, financial management, and monitoring and evaluation activities and financing of Incremental Operating Costs.

Part E: Equity Fund to Enhance MSME Access to Capital

Support the operationalization of Pró-Capital for co-investment in selected MSMEs through, *inter alia*: (i) the capitalization of Pró-Capital to support co-investments for productive purposes under MSME Subprojects I; and/or (ii) the capitalization of MSME Equity Fund to support co-investments for productive purposes under MSME Subprojects II; and (iii) the provision of technical assistance for the improvement of Pró-Capital's business plan, investment policy, financial model and Operational Guidelines and carrying out of due diligence aimed to select investment opportunities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Unidade de Gestao de Projetos Especiais (UGPE)

1. The Recipient shall maintain, throughout Project implementation, the UGPE within the Ministry of Finance, composed of key staff, with qualifications and under terms of reference acceptable to the Association, including one accountant, one procurement officer, one financial management specialist and any other specialists as may have been agreed with the Association, as further detailed in the PIM. The UGPE shall be responsible for overall Project implementation, including, *inter alia*, ensuring coordination with key stakeholders, managing the Project's fiduciary and safeguard aspects, and monitoring and evaluation of Project implementation, as further detailed in the PIM.

Project Steering Committee (PSC)

2. The Recipient shall establish, and thereafter maintain, throughout Project implementation, the PSC, which shall be headed by high level representatives of the Ministry of Finance and shall also include, *inter alia*, high level representatives of Pró-Empresa, PCG Fund, Pró-Capital and BCV, as further detailed in the PIM. The PSC shall be responsible for coordinating and providing overall strategic guidance for Project implementation.

Independent External Auditor

3. The Recipient shall maintain, throughout Project implementation, an independent external auditor, with qualifications, experience and under terms of reference acceptable to the Association.

PCG Fund Manager

4. The Recipient shall select and appoint an independent PCG Fund Manager, with qualifications and experience and with terms of reference satisfactory to the Association, and in accordance with the Procurement Regulations.

PCG Fund

5. The Recipient shall ensure that the PCG Fund is maintained, throughout Project implementation, with a structure, functions, responsibilities, and staffing acceptable to the Association, and in accordance with the Financial Sector Laws.

Pró-Capital Advisory Board

6. For any MSME Subproject I, the Recipient shall ensure that Pró-Capital establishes and thereafter maintains, throughout Project implementation, the Pró-Capital Advisory Board, composed of at least seven (7) representatives from the private sector, responsible for providing opinions on Pró-Capital's investment operations.

B. Project Implementation Manual (PIM)

1. The Recipient shall, no later than one (1) month after the Effective Date, or such later date as agreed by the Association: (a) update and furnish to the Association for review, a PIM setting out detailed guidelines, methods and procedures for the implementation of the Project, including: (i) administration and coordination; (ii) budget and budgetary control; (iii) disbursement procedures and banking arrangements; (iv) financial, procurement and accounting procedures; (v) internal control procedures; (vi) accounting system and transaction records; (vii) reporting requirements; (viii) audit arrangements; (ix) corruption and fraud mitigation measures; (x) and such other arrangements and procedures as shall be required for the effective implementation of the Project; (b) adopt such PIM as shall have been approved by the Association and shall cause the Project to be carried out in accordance with the requirements set forth in the PIM; and (c) not assign, amend, abrogate or waive any provision of the PIM without prior approval of the Association.
2. In case of any conflict between the terms of the PIM and those of this Agreement, the terms of this Agreement shall prevail.

C. PCG Fund Subsidiary Agreement

1. Upon the establishment of the PCG Fund, and in order to facilitate the carrying out of Part A(iv) of the Project, the Recipient shall make the proceeds of the Financing allocated to Categories (3), (4) and (5) ("PCG Fund Subsidiary Financing") available to the PCG Fund under a subsidiary agreement ("PCG Fund Subsidiary Agreement") to be entered into between the Recipient and the PCG Fund, under terms and conditions approved by the Association, which shall include the following:
 - (a) The PCG Fund shall not be required to repay the proceeds of the PCG Fund Subsidiary Financing received from the Recipient;
 - (b) the obligation of the PCG Fund to maintain, throughout Project implementation, the independent PCG Fund Manager, appointed pursuant to Section I.A.4 of this Schedule;

- (c) the obligation of the PCG Fund to use the proceeds of the PCG Fund Subsidiary Financing for purposes of providing partial credit guarantees to cover credits extended by eligible PFIs to eligible MSMEs to finance eligible activities to be carried out by said MSMEs. To that end, the PCG Fund shall appraise and select PFIs in accordance with the procedure and criteria in the Operational Guidelines and enter into a framework agreement with the selected PFI, under terms and conditions satisfactory to the Association and as further set out in the Operational Guidelines and which include requiring selected PFIs to ensure that MSMEs proposing to use PFI credit for carrying out activities under the Negative List are excluded from credits to selected MSMEs;
- (d) the obligation of the PCG Fund to carry out Part A(iv) of the Project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social and technical standards and practices, and provide promptly as needed, the facilities, services and other resources required for Part A(iv) of the Project;
- (e) the obligation of the PCG Fund to: (i) exchange views with the Recipient, and the Association with regard to the progress of Part A(iv) of the Project, and the performance of its obligations under the PCG Fund Subsidiary Agreement; and (ii) assist the Recipient in complying with its obligations referred to in Section II of this Schedule, as applicable to Part A(iv) of the Project;
- (f) the obligation of the PCG Fund to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Part A(iv) of the Project;
- (g) the obligation of the PCG Fund to carry out Part A(iv) of the Project in accordance with the Operational Guidelines;
- (h) the obligation of the PCG Fund to carry out Part A(iv) of the Project in compliance with the Anti-Corruption Guidelines;
- (i) the obligation of the PCG Fund to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Part A(iv) of the Project; and (ii) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and

promptly furnish the statements as so audited to the Recipient and the Association; and

- (j) the right of the Recipient to take remedial actions against the PCG Fund, in case the PCG Fund shall have failed to comply with any of its obligations under the PCG Fund Subsidiary Agreement, which actions may include, *inter alia*, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the PCG Fund Subsidiary Financing transferred to the PCG Fund pursuant to the PCG Fund Subsidiary Agreement (as the case may be).

- 2. The Recipient shall exercise its rights under the PCG Fund Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the PCG Fund Subsidiary Agreement or any of its provisions.

D. Pró-Capital Subsidiary Agreement

- 1. In order to facilitate the carrying out of Part E(i) and (ii) of the Project, the Recipient shall make the proceeds of the Financing allocated to Category (6) (“Capitalization of Pró-Capital”) available, on a grant basis, to Pró-Capital under a subsidiary agreement (“Pró-Capital Subsidiary Agreement”) to be entered into between the Recipient and Pró-Capital, under terms and conditions approved by the Association, which shall include the following:
 - (a) the obligation of Pró-Capital to maintain, for the carrying out of any MSME Subproject I, the Pró-Capital Advisory Board, appointed pursuant to Section I.A.6 of this Schedule;
 - (b) the obligation of Pró-Capital to: (i) finance MSME Subprojects I through the provision of equity and quasi-equity contribution to Eligible MSMEs. To that end, Pró-Capital shall appraise and select the Eligible MSMEs and corresponding MSME Subprojects I in accordance with the procedure and criteria set in the Operational Guidelines; and (ii) if applicable and as determined by the Recipient and the Association, establish an endowment fund (the MSME Equity Fund) on terms and conditions satisfactory to the Association, and immediately thereafter, enter into an agreement with MSME Equity Fund, under terms and conditions satisfactory to the Association (the MSME Agreement), for purposes of providing equity and quasi-equity contribution to Eligible MSMEs in accordance with the procedure and criteria set in the Operational Guidelines;
 - (c) the obligation of Pró-Capital to: (i) (A) carry out MSME Subprojects I; and (B) cause MSME Equity Fund to carry out MSME Subprojects II, all

in accordance with the pertinent provisions of the Financing Agreement, and with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social and technical standards and practices, and (ii) provide, and cause MSME Equity Fund to provide, promptly as needed, the facilities, services and other resources required for the carrying out of MSME Subprojects I and MSME Subprojects II (as the case may be) under the Project;

- (d) the obligation of Pró-Capital to: (i) exchange views with the Recipient, and the Association with regard to the progress of Part E(i) and (ii) of the Project, and the performance of its obligations under the Pró-Capital Subsidiary Agreement; and (ii) assist the Recipient in complying with its obligations referred to in Section II of this Schedule, as applicable to Part E(i) and (ii) of the Project;
- (e) the obligation of Pró-Capital to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Part E(i) and (ii) of the Project;
- (f) the obligation of Pró-Capital to: (A) carry out Part E(i) and (ii) of the Project in accordance with the Operational Guidelines;
- (g) the obligation of the Pró-Capital to carry out Part E(i) and (ii) of the Project in compliance with the Anti-Corruption Guidelines;
- (h) the obligation of Pró-Capital to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to Part E(i) and (ii) of the Project; and (ii) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and
- (i) the right of the Recipient to take remedial actions against Pró-Capital, in case Pró-Capital shall have failed to comply with any of its obligations under the Pró-Capital Subsidiary Agreement, which actions may include, *inter alia*, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Pró-Capital Subsidiary Financing transferred to Pró-Capital pursuant to the Pró-Capital Subsidiary Agreement (as the case may be).

2. The Recipient shall exercise its rights and carry out its obligations under the Pró-Capital Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Pró-Capital Subsidiary Agreement or any of its provisions.

E. PCG Fund and Pró-Capital Operational Guidelines

1. The Recipient shall cause the PCG Fund and Pró-Capital to carry out Part A(iv) and Part E(i) and (ii) of the Project, respectively, in accordance with the provisions and requirements of a set of guidelines satisfactory to the Association (“Operational Guidelines”), which shall include, *inter alia*: (a) eligibility criteria for the selection of MSMEs (both for the PCG Fund and Pró-Capital) and their PFIs that can benefit from the partial credit guarantee (for the PCG Fund); (b) eligibility criteria for existing MSME borrowers affected by the COVID-19 crisis; it will include assessment of number of jobs to be sustained, measure of revenue loss due to COVID-19, compliance with tax and social security, existing or lack of collateral, among others; (c) criteria for guaranteeing eligible credits and investments; (d) template of the framework agreement with PFIs; (e) investment policy of the PCG Fund and Pró-Capital; (f) environmental and social screening, evaluation and supervision procedures and guidelines, including excluded activities set out in the Negative List; and (g) monitoring and evaluation arrangements.
2. The Recipient shall cause the PCG Fund and Pró-Capital not to assign, amend, abrogate or waive any provisions of the Operational Guidelines without the prior approval of the Association.
3. In the event of any conflict between the provisions of the Operational Guidelines and those of this Agreement, the terms of this Agreement shall prevail.

F. Safeguards

1. The Recipient shall ensure that PFIs and Pró-Capital will be required to develop and maintain an Environmental and Social Management System including delineation of the procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner. The PFIs and Pró-Capital shall prepare, consult and disclose the project’s ESMS within three (3) months after the Effectiveness Date and before the beginning of the operations of each of the PFIs and Pró-Capital. This will be an eligibility criterion for participation as a PFI and to receive Pró-Capital proceeds.

2. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF, and shall ensure that no provision of the ESMF is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
3. Without limitation to the excluded expenditures provision set forth in the Operational Guidelines and/or the ESMF, the following activities shall not be eligible to be included in or funded under the Project (“Negative List”):
 - (a) production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under CITES;
 - (b) production or trade in weapons and munitions;
 - (c) production or trade in alcoholic beverages (excluding beer and wine);
 - (d) production or trade in tobacco;
 - (e) gambling, casinos and equivalent enterprises;
 - (f) production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Association considers the radioactive source to be trivial and/or adequately shielded;
 - (g) production or trade in unbonded asbestos fibers or use of asbestos-containing materials. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
 - (h) drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
 - (i) production or activities involving harmful or exploitative forms of forced labor/harmful child labor;
 - (j) production or trade in wood or other forestry products other than from sustainably managed forests;
 - (k) production or trade in wood or other forestry products other than from sustainably managed forests. Production and distribution of construction materials is eligible provided that wood/lumber production is legally sourced;

- (l) investments involving major construction and civil works that would cause significant adverse impact and require a full ESIA report according to the national ESIA regulation and in line with the Association's safeguard policies (i.e., category A), except in the cases in which an ESIA has already been approved by the competent authorities and an ESMP compliant with the Association's safeguard policies has been produced;
 - (m) investments that will require involuntary resettlement of people;
 - (n) investments that could destroy or damage physical cultural resources, i.e., resources of archaeological, paleontological, historical, architectural, religious (including graveyards and burial sites), aesthetic, or other cultural significance;
 - (o) investments which involve transformation or degradation of critical natural habitats and could result in the loss of biodiversity, including any official natural protected areas such as national parks and other protected areas;
 - (p) investments which require the use of hazardous pesticides or do not comply with FAO Pesticide Guidelines on Storage, Labeling, and Disposal (Rome, 1985), or that do not follow recommendations and minimum standards as described in the United Nations Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003); and
 - (q) activities involving dams.
4. The Recipient shall, and shall cause the PCG Fund and Pró-Capital to maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

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

Section III. Withdrawal of the Proceeds of the Financing

A. General

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

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services and consulting services for Parts A(i), (ii), (iii) and (v) of the Project	500,000	100%
(2) Goods, non-consulting services, consulting services and Incremental Operating Costs for the Project (except for Part A of the Project)	400,000	100%
(3) First Capitalization of the PCG Fund under Part A(iv) of the Project	0	100%
(4) Second Capitalization of the PCG Fund under Part A(iv) of the Project	0	100%
(5) Third Capitalization of the PCG Fund under Part A(iv) of the Project	4,400,000	
(6) Capitalization of Pró-Capital	1,700,000	
TOTAL AMOUNT	7,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date;
 - (b) under Category (6) unless and until: (i) the Pró-Capital Subsidiary Agreement is executed, in form and substance satisfactory to the Association; (ii) Pró-Capital Operational Guidelines, including its business model and investment policy, are adopted by the competent body of Pró-Capital, in form and substance satisfactory to the Association; and (iii) corporate governance instruments and internal controls are adopted by Pró-Capital, in form and substance satisfactory to the Association.
2. The Closing Date is January 31, 2023.

Section IV. Other Undertakings

1. The Recipient shall ensure that: (a) during Project implementation, the PCG Fund uses the proceeds of the PCG Fund Subsidiary Financing for purposes of providing partial credit guarantees to cover credits extended by eligible PFIs to eligible MSMEs to finance eligible activities to be carried out by said MSMEs, all in accordance with the PIM and Operational Guidelines; and (b) after the Closing Date, the PCG Fund uses the proceeds of any PCG Fund Subsidiary Financing, which are remaining after any payments under said partial credit guarantees, for purposes of providing partial credit guarantees to cover credits extended by eligible PFIs to eligible MSMEs to finance eligible activities to be carried out by said MSMEs.
2. The Recipient shall ensure that: (a) during Project implementation, Pró-Capital uses the proceeds of the Pró-Capital Subsidiary Financing for purposes of providing co-investment in the form of equity and quasi-equity to selected MSMEs to finance eligible activities to be carried out by said MSMEs, all in accordance with the PIM and Operational Guidelines; and (b) after the Closing Date, Pró-Capital uses the proceeds of any Pró-Capital Subsidiary Financing, which are remaining after any payments under said co-investments, for purposes of providing co-investment in the form of equity and quasi-equity to selected MSMEs to finance eligible activities to be carried out by said MSMEs.
3. The Recipient shall no later than one (1) month after the Effective Date, or such later date as agreed by the Association:
 - (a) ensure that Pró-Capital has opened a bank account to receive Project proceeds, in form and substance satisfactory to the Association;

- (b) customize UGPE and Pró-Capital accounting software, in form and substance satisfactory to the Association;
- (c) include Project activities in the scope of Pró-Capital's internal auditor and submit to the Association a report on a semester basis, in form and substance satisfactory to the Association;
- (d) prepare an addendum to the Original Project's external auditor contract to include Project activities implemented by Pró-Capital, in form and substance satisfactory to the Association; and
- (e) submit Pró-Capital's audit report for the Association's review, along with the Project's audit report, in form and substance satisfactory to the Association.

SCHEDULE 3

Repayment Schedule

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

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

APPENDIX

Section I. 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. “Bank of Cabo Verde” or “BCV” means the Recipient’s central bank, established and operating pursuant to the Recipient’s *Law no 10/VI/2002* of July 15, published in the Recipient’s *Official Gazette, Serie I, No 21*.
3. “Category” means a category set forth in the table in Section III.A. of Schedule 2 to this Agreement.
4. “*Central de Balancos*” means the Recipient’s electronic database for collection and processing of economic and financial data of non-financial corporations.
5. “CITES” means the Convention on International Trade in Endangered Species of Wild Fauna and Flora, an international convention established on July 1, 1975, with the aim to ensure that international trade in specimens of wild animals and plants does not threaten their survival.
6. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
7. “Credit Registry” means the BCV’s registry, established and operated pursuant to the Recipient’s *Decreto-Lei no 36/95* of July 17.
8. “CVE” means Cabo Verde Escudos.
9. “Eligible MSMEs” means MSMEs deemed eligible to receive co-investment for productive purposes from Pró-Capital under a MSME Subproject I or a MSME Subproject II.
10. “ESMF” means the Recipient’s environmental and social framework, dated September 2017, disclosed in country on October 30, 2017, and at the Association’s Infoshop on November 2, 2017, for the screening, assessment and mitigation of environmental and social risks related to the Project, including guidelines for the preparation and implementation of environmental and social management plans, as said framework may be amended from time to time with the prior written agreement of the Association.
11. “ESMS” means an environmental and social management system to identify, assess, manage, and monitor the environmental and social risks and impacts of

subprojects on an ongoing basis in a manner commensurate with the nature and magnitude of the environmental and social risks and impacts of said subprojects, the types of financing and the overall aggregate risk of the portfolio.

12. “Financial Institution” means a financial institution pursuant to the Recipient’s *Law 61/VIII/2014*, of April 23, published in the Recipient’s *Official Gazette I Serie, No 28*.
13. “Financial Sector Laws” means the Recipient’s *Law 61/VIII/2014*, of April 23, and the Recipient’s *Law 62/VIII/2014*, of April 23, all such laws published in the Recipient’s *Official Gazette I Serie, No 28*.
14. “First Capitalization of the PCG Fund” means the first contribution of the Association with the proceeds PCG Fund Subsidiary Financing to the PCG Fund account, for payments on partial credit guarantees issued by PCG Fund.
15. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
16. “General Principles for Credit Reporting” means the Association’s publication, dated September 2011, setting out the nature of credit reporting elements which are crucial for understanding credit reporting and ensuring that credit reporting systems are safe, efficient and reliable.
17. “Incremental Operating Costs” means the reasonable incremental costs, as shall have been approved by the Association, incurred by the UGPE, on account of Project administration, implementation, monitoring and supervision consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, office rental expenses, freight charges, office (and office equipment) maintenance, utilities, printing, non-durable goods, travel cost and *per diem* for Project staff for travel linked to the implementation, monitoring and supervision of the Project (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).
18. “Involuntary Resettlement” means any direct economic and social impact caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such person.
19. “Ministry of Finance” means the Recipient’s ministry in charge of finance; or any successor thereto.

20. “MSME Agreement” means an agreement to be entered into between Pró-Capital and MSME Equity Fund, for the purpose of carrying out MSME Subprojects II.
21. “MSME Equity Fund” means a mutual fund that invests in MSME stocks and/or other securities, for the purpose of carrying out Part E(ii) of the Project.
22. “MSMEs” means Micro, Small and Medium-Sized Enterprises that have annual sales of up to CVE 200 million in line with the Recipient’s intervention scope and have met the eligibility criteria set out in the Operational Guidelines.
23. “MSME Subproject I” means a co-investment for productive purposes provided by Pró-Capital to an Eligible MSME under Part E(i) of the Project.
24. “MSME Subproject II” means a co-investment for productive purposes provided by Pró-Capital to an Eligible MSME under Part E(ii) of the Project.
25. “Negative List” means the lists of activities that cannot be funded or included under the Project, as set out in Section I.F.3. of Schedule 2 to this Agreement, the Operational Guidelines and the ESMF.
26. “Operational Guidelines” or “PCG Fund and Pró-Capital Operational Guideline” means the guidelines to be prepared by the PCG Fund Manager and Pró-Capital, and referred to in Section I.E. of Schedule 2 to this Agreement.
27. “Original Project” means the *Access to Finance for Micro, Small and Medium-Sized Enterprises Project* which Financing Agreement, between the Recipient and the Association, is dated March 22, 2018 (Credit No. 6182-CV).
28. “PCB” means polychlorinated biphenyl.
29. “PCG Fund” means the legal entity to be established and licensed pursuant to the Recipient’s Financial Sector Laws for the purposes of providing credit guarantees to PFIs under Part A(iv) of the Project.
30. “PCG Fund Manager” means an independent expert selected by the Recipient, pursuant to the Procurement Regulations, to manage the PCG Fund, and referred to in Section I.A.4. of Schedule 2 to this Agreement.
31. “PCG Fund Subsidiary Agreement” means the agreement to be entered into between the Recipient and the PCG Fund, and referred to in Section I.C. of Schedule 2 to this Agreement.
32. “PCG Fund Subsidiary Financing” means the proceeds of the Financing to be provided to the PCG Fund for purposes of carrying out Part A(iv) of the Project, in accordance with the PCG Fund Subsidiary Agreement and the Operational Guidelines, and referred to in Section I.C. of Schedule 2 to this Agreement.

33. “PFI” means Participating Financial Institution.
34. “Pró-Capital” means the legal entity established and licensed pursuant to the Recipient’s Financial Sector Laws for the purposes of providing equity and quasi-equity to MSMEs under Part E(i) and (ii) of the Project.
35. “Pró-Capital Advisory Board” means Pró-Capital’s board referred to in Section I.A.6. of Schedule 2 to this Agreement.
36. “Pró-Capital Subsidiary Agreement” means the agreement to be entered into between the Recipient and Pró-Capital, and referred to in Section I.D. of Schedule 2 to this Agreement.
37. “Pró-Capital Subsidiary Financing” means the proceeds of the Financing to be provided to Pró-Capital for purposes of carrying out Part E(i) and (ii) of the Project, in accordance with the Pró-Capital Subsidiary Agreement and the Operational Guidelines, and referred to in Section I.D. of Schedule 2 to this Agreement.
38. “Pró-Empresa” means the legal entity established under the Recipient’s Financial Sector Laws for the purposes of providing business development services to MSMEs in Cabo Verde.
39. “Project Implementation Manual” or “PIM” means the manual to be prepared by the Recipient referred to in Section 1.B. of Schedule 2 to this Agreement.
40. “Principles for Public Credit Guarantee Schemes” means a guidance document, acceptable to the Association, that sets out the principles for public credit guarantee schemes for MSMEs.
41. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, dated July 1, 2016.
42. “Project Steering Committee” or “PSC” means a sub-committee to be established under the Financial Reforms Committee, and referred to in Section I.A.2. of Schedule 2 of this Agreement.
43. “Second Capitalization of the PCG Fund” means the second contribution of the Association with the proceeds of the PCG Fund Subsidiary Financing to the PCG Fund account, for payments on partial credit guarantees issued by PCG Fund.
44. “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.

45. “Third Capitalization of the PCG Fund” means the third contribution of the Association with the proceeds of the PCG Fund Subsidiary Financing to the PCG Fund account, for payments on partial credit guarantees issued by PCG Fund.
46. “UGPE” or “*Unidade de Gestao de Projetos Especiais*” means the unit within the Ministry of Finance, established and operating pursuant to the Recipient’s *Resolucao 81/2017* of July 28, and referred to in Section I.A.1. of Schedule 2 to this Agreement.