



The World Bank

Cabo Verde Resilient Tourism and Blue Economy Development Second AF (P181369)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-Jan-2024 | Report No: PIDA36792

**BASIC INFORMATION****A. Basic Project Data**

Country Cabo Verde	Project ID P181369	Project Name Cabo Verde Resilient Tourism and Blue Economy Development Second AF	Parent Project ID (if any) P176981
Parent Project Name Resilient Tourism and Blue Economy Development in Cabo Verde Project	Region WESTERN AND CENTRAL AFRICA	Estimated Appraisal Date 19-Feb-2024	Estimated Board Date 30-Apr-2024
Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Investment Project Financing	Borrower(s) Republic of Cabo Verde	Implementing Agency Ministry of Culture and Creative Industries and Ministry of the Sea, Ministry of Finance and Business Development, Ministry of Infrastructure, Territorial Planning and Housing, Ministry of Tourism and Transports

Proposed Development Objective(s) Parent

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 1: Development of integrated and resilient tourism and blue economy infrastructure
- Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy
- Component 3: Project Implementation Support
- Component 4: Contingent Emergency Response Component (CERC)

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	30.00
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Total Financing	30.00
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

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

Country Context

1. The Resilient Tourism and Blue Economy Development in Cabo Verde Project (RTBED, P176981), hereafter referred to as the Parent Project, became effective on June 30, 2022, with an original Credit (No. 7126-CV) of SDR 21.8 million (equivalent to US\$30 million) and a PROBLUE Recipient-Executed Trust Fund (RETF, No. TF0B8414) of US\$5.0 million. The project is scheduled to close on June 30, 2027. On May 9, 2023, a first Additional Financing (AF) Credit (No. 72720-CV) of US\$10 million became effective to address a funding gap for the Espargos-Santa Maria Road project in Sal Island. This brought the total IDA Credit for the project to US\$40 million.

Sectoral and Institutional Context

2. The Parent Project supports the national vision expressed in the National Strategy for Sustainable Development (Plano Estratégico de Desenvolvimento Sustentável/PEDS II, in effect from 2022 to 2026) to leverage sustainable economic growth and diversification within and beyond the anchor sector of tourism and the broader blue economy. In particular, the Parent Project draws on the sectoral strategies of the Government of Cabo Verde (GoCV)—the Tourism Operational Program (POT) and the National Investment Plan for the Blue Economy (Plan National Investissement Économie Bleue Cabo Verde/PNIEB)—to promote sustainable tourism and conservation of natural resources with benefit to local communities. Through a series of integrated and cross-sectoral project interventions in three



priority geographical areas (Santiago Island, the northern Islands of São Vicente and Santo Antão, and Sal Island), the project seeks to catalyze tourism flows across more islands and market segments beyond the current core all-inclusive offering on Sal and Boa Vista Islands, while enabling greater participation of local communities and SMEs in tourism and blue economy-related value chains.

3. The Parent Project is aligned with the World Bank's Country Partnership Framework (CPF) 2020–25 for Cabo Verde (report number 127164) Objective 4 on improving the foundations for private sector growth. In addition, the Parent Project is consistent with the World Bank's Green, Resilient, and Inclusive Development (GRID) framework and Global Crisis Response Framework (GCRF). In line with GRID and GCRF (i.e., pillars 2, 3, and 4), this project simultaneously addresses the challenges of urban poverty and climate change through targeted resilient investments in sustainable urban environments toward increasing the quality of life of the most vulnerable urban residents.

C. Proposed Development Objective(s)

Original PDO

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

Current PDO

4. The Parent Project Development Objective (PDO) is to increase diversity and resiliency in the tourism offering and SME participation in tourism-related value chains in targeted destinations. The project includes the following four components:

- a) Component 1 (US\$31.58 million equivalent): Development of integrated and resilient tourism and blue economy infrastructure.
- b) Component 2 (US\$12.64 million equivalent, of which US\$5 million PROBLUE RETF): Enhancement of inclusive and sustainable management of tourism in a blue economy, which supports local SMEs to increase their respective participation in the tourism and blue economy. This includes a better enabling environment and policies to promote private investment in these segments.
- c) Component 3 (US\$0.78 million equivalent): Project Implementation Support, which provides 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.
- d) Component 4 (US\$0 million): Contingency Emergency Response Component (CERC) in accordance with Investment Project Financing policy, paragraphs 12 and 13, for Situations of Urgent Need of Assistance and Capacity Constraints.

Key Results

5. The Results Framework is adjusted to reflect the impact of the additional project activities under the project components. Some targets are increased to capture additional activities and the expanded project scope and length:

- a) PDO #1 indicator on increasing diversity in the tourism offering will have expanded sample bases as well as updated intermediate and end targets considering the increased one-year



- implementation time (spending end-target raised from 15 to 17 percent; overnight stays from 20 to 24 percent, both in year 6);
- b) PDO #2 indicator on increasing SME participation in tourism-related value chains will have a bigger sample, maintaining the same end-target share of beneficiary SMEs (60 percent in year 6);
 - c) PDO #3 on increased resilience in the tourism offering will have updated intermediate and end-targets considering the expanded suite of investments and expanded implementation schedule (end-target raised from 8 to 22 in year 6);
 - d) Intermediate results (IR) and respective end-result targets will be updated concurrently in line with the respective PDO indicators, and two IR indicators are dropped: i) “National inter-modal transport strategy drafted and submitted for adoption (Yes/No)” is dropped as it has been supported through a grant provided by another development partner; and ii) “Infrastructure rehabilitated, upgraded or established integrating sustainable practices (disaggregated by type)” is considered as a suitable measurement of PDO #3 and therefore dropped as an intermediate results indicator.

D. Project Description

6. The AF will contribute to the PDO of the Parent Project by scaling up project investments and expanding the geographic scope to include an additional island. The proposed additional investments and activities were selected based on the following criteria: (i) alignment with the Parent Project development objective; (ii) synergies with existing Parent Project investments and locations; (iii) potential for leveraging private sector investment and investment readiness; (iv) potential for job creation, community involvement and gender inclusion; and (v) potential to strengthen resilience and sustainability of overall project interventions. The Island of São Nicolau is proposed to be included in the AF due to its strong rationale for investment; it has a similar profile to the island of Santo Antão and potential for investments in the tourism value chain, particularly in the hiking segment. Additionally, it represents the third most important fisheries area in the country, with significant potential for achieving synergies under the overall blue economy umbrella notably regarding nautical recreational tourism (yachting and sports fishing).

7. **The proposed changes are in line with the GoCV's development priorities and the CPF objectives.** The proposed changes will strengthen and accelerate implementation of Cabo Verde's tourism and blue economy sector strategies—the POT and the PNIEB — and achievement of the CPF's Objective 4 on improving the foundations for private sector growth. In addition, the proposed investments and activities are in line with the World Bank's Western and Central Africa Region Priorities 2021-25¹ to promote private investment and job creation and mitigate climate shocks. Furthermore, tourism has been proven as a powerful driver of poverty reduction, with the islands which registered the highest tourism flows in the last two decades (Boavista and Sal islands) showing lower poverty and extreme poverty rates².

8. **The proposed AF is also consistent with Cabo Verde's Nationally Determined Contribution (NDC). In its updated NDC, submitted to the United Nations Framework Convention on Climate Change in 2021, Cabo Verde commits, by 2030, to reducing greenhouse gas emissions by 18 percent below the**

¹ Supporting a Resilient Recovery. The World Bank's Western and Central Africa Region Priorities 2021-2025. The World Bank.

² Republic of Cabo Verde: Adjusting the Development Model to Revive Growth and Strengthen Social Inclusion – Systematic Country Diagnosis, 2008, The Word Bank Group



business-as-usual scenario, and by 24 percent with international support. By 2050, Cabo Verde aims to achieve a decarbonized, net-zero emissions economy. The proposed AF contributes to the NDC as follows: (i) mitigation contribution #2 on increasing renewable energy targets by following low energy consumption building designs and promoting the use of solar photovoltaic and other energy-efficient solutions in the proposed infrastructure; (ii) mitigation contribution #4 on shifting towards responsible tourism and circular economy by promoting tourism on islands that are currently outside of the main tourism trafficked areas and by stimulating circular economy business cases in tourism value-chains; and (iii) adaptation contribution #4 on increasing and sustaining ocean-based food security through regenerative fishing by improving fisheries management and governance including the strengthening of fisheries data collection and monitoring, control and surveillance (MCS) system. The proposed AF is furthermore consistent with the country's National Adaptation Plan and its aim to implement adaptation action toward an increased resilience by strengthening resilience of coastal (e.g., fish markets, fish landing sites) and inland (e.g., hiking trails) infrastructure and reducing their vulnerability to climate-related disasters.

9. **The AF includes changes to the Parent Project's components and costs, closing date, and results framework as outlined in detail below.** Although there is a greater focus on the blue economy infrastructure under the AF, the current PDO continues to be appropriate as the blue economy is an essential component of the tourism-related value chains. The PDO will therefore not change.

Changes to Project Components and Costs

10. **Component 1 (Development of integrated and resilient tourism and blue economy infrastructure) is proposed to be increased by US\$22.70 million to finance additional infrastructure investments.** New infrastructure will unlock more sustainable private sector-led growth, strengthen the fisheries value chain and synergies between the tourism and blue economy sectors, and build resilience to natural hazards and climate change. As per the Parent Project subcomponents, the additional investments are as follows:

a) **Upgrade integrated tourism and fisheries coastal infrastructure:** The additional infrastructure investments include the upgrading of the fisheries offloading wholesale market as well as the construction of a new retail fish market, both in Praia, Santiago Island, as well as the rehabilitation of fish landing and other coastal infrastructure in Santo Antão, São Nicolau, and Santiago Islands. These infrastructure investments will improve sanitation and the quality of fish products toward creating export opportunities and incentivizing demand for fish products from the local tourism sector. Additionally, the proposed investments will unlock areas with high potential in the blue economy and tourism, facilitating activities such as sports fishing and other leisure nautical recreation sports. All infrastructure upgrades will adhere to low energy consumption building designs. The project will promote the use of solar photovoltaic and other energy-efficient solutions. Simultaneously, these infrastructure upgrades will address challenges related to coastal erosion, storm surges, and environmental degradation and prioritize the inclusion of women and vulnerable communities. Preliminary design and feasibility assessments have been carried out and financed by the parent project.

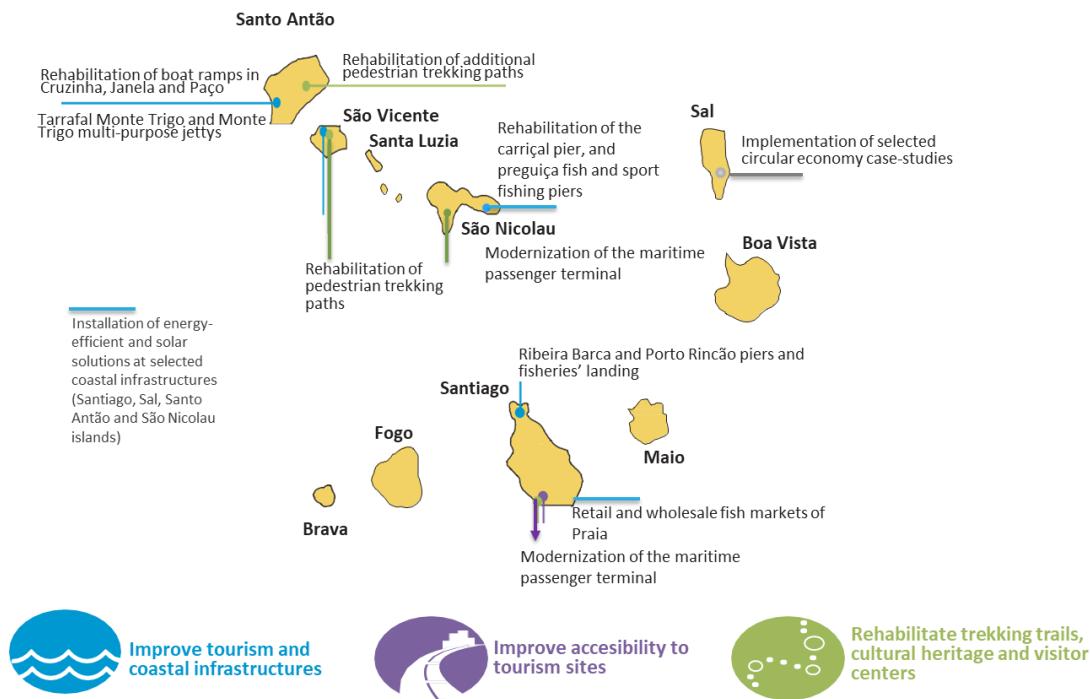
b) **Improve accessibility to tourism sites:** The main additional investments under this subcomponent will involve the construction of new maritime passenger terminal buildings in Praia, Santiago Island and Tarrafal, São Nicolau, to meet the growing demand for increased connectivity to service tourism and to provide adequate services to visitors. The feasibility study and technical design for the construction of



the maritime terminals is conducted under the Parent Project in line with the rehabilitation investments already planned.

c) **Rehabilitate trekking trails and cultural heritage and visitor centers:** To realize the potential of this top-ranked emerging market segment, the package for rehabilitating the hiking trails will be expanded within the northern islands to include a strengthened package for Santo Antão and São Vicente and another island, São Nicolau (which has a similar nature tourism potential).

1: Examples of Component 1 Proposed Infrastructure Activities in Selected Islands



11. **Component 2 (Enhancement of inclusive and sustainable management of tourism in a blue economy) is proposed to be expanded with additional activities in the amount of US\$6.5 million.** The additional activities will strengthen the management, governance and training of the fisheries and tourism sectors, and develop business and entrepreneurial skills including at the community level, to tap into the respective value chains.

a) **Support entrepreneurship and SME development in the tourism and fisheries value chains.** The AF will enhance the entrepreneurship and SME-level support package included in the Parent Project. This will include empowering fishing communities by strengthening their entrepreneurial capacities and activities (in particular communities that are associated with envisaged infrastructure investments); circular economy and integrated waste management support for the development of a private sector-led solution for integrated waste management in Sal Island; awareness raising and capacity building on topics such as circular economy, development of local tourism experiences marketed on digital platforms, and entrepreneurship to be directed towards local firms and actors in nature-based tourism, coordinating and leveraging from the ongoing Tourism Rural Villages program (*Aldeias Rurais Turísticas*).



The AF will support the implementation of projects that prioritize social inclusion, led by the private sector, looking also to facilitate public-private dialogue.³

b) Support enabling policies and programs to increase sustainable private investment in tourism and other blue economy sectors. The AF will strengthen the governance and management of the fisheries and aquaculture sector and support associated research and training. It will also allocate more resources towards sustainable development of nature-based tourism, including promotional efforts aimed at the hiking market, and improvements in governance, management, and legislation related to nature-based tourism, implementing and piloting a hiking trail management and maintenance institutional framework with a focus on Santo Antão as a launch-island.

12. The budget for Component 3 (*Project Implementation Support*) is increased by US\$0.8 million.

The activities under this component will remain focused on assistance to the UGPE in managing and implementing the project. This will include the hiring of a senior technical staff member who will be responsible for supporting the project manager, as well as providing capacity building and technical assistance to relevant line ministries and implementing agencies.

Table 1 – AF Project Cost and Financing Sources (indicative, US\$ million)

Component	Budget US\$ m)
Component 1: Develop integrated and resilient tourism and blue economy infrastructure	22.7
(a) Upgrade integrated tourism and fisheries coastal infrastructure	18.0
(b) Improve accessibility to tourism sites	2.9
(c) Rehabilitate trekking trails	1.8
Component 2: Enhance inclusion and sustainable management of tourism in blue economy	6.5
(a) Support entrepreneurship and SME development in tourism and fisheries value chains	3.3
(b) Support enabling policies and programs to increase sustainable private sector investment	3.2
Component 3: Project Implementation Support	0.8
(a) Provide support to the UGPE for the management and implementation of the project and TA to relevant implementing agencies	0.8
Component 4: Contingent Emergency Response Component (CERC)	-
TOTAL AF COST	30.0

Changes to Closing Date

13. The proposed AF extends the closing date of the Parent Project by 12 months from June 30, 2027, to June 30, 2028. This will allow for the completion of the additional activities under the above-mentioned components, most importantly the proposed new blue economy infrastructure and works, recognizing the respective complexity and lengthy procurement lead times in Cabo Verde.

Changes to Results Framework

³ These efforts will align with the Project for the Economic, Social and Environmental Sustainability of the Tourism Sector led by the Ministry of Tourism and Transport aimed at identifying and implementing concrete initiatives that promote the development of sustainable tourism from an environmental and social perspective and led by private sector in the tourism industry.



14. **The Results Framework is adjusted to reflect the impact of the additional project activities under the project components.** Some targets are increased to capture additional activities and the expanded project scope and length:

- a) PDO #1 indicator on increasing diversity in the tourism offering will have expanded sample bases as well as updated intermediate and end targets considering the increased one-year implementation time (spending end-target raised from 15 to 17 percent; overnight stays from 20 to 24 percent, both in year 6);
- b) PDO #2 indicator on increasing SME participation in tourism-related value chains will have a bigger sample, maintaining the same end-target share of beneficiary SMEs (60 percent in year 6);
- c) PDO #3 on increased resilience in the tourism offering will have updated intermediate and end-targets considering the expanded suite of investments and expanded implementation schedule (end-target raised from 8 to 22 in year 6).
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Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation



Institutional and Implementation Arrangements

15. **The proposed AF will be implemented using the institutional arrangements in place under the Parent Project, all of which are working well and have the capacity to absorb additional funds.** The key implementation partner for the proposed AF will remain the Ministry of Finance and Business Development, specifically the Unit for the UGPE, which works in close collaboration with relevant line ministries. The disbursement projections have been updated to reflect the new activities and project timeline.

16. **The Project Technical Committee (PTC) needs to adopt a more proactive role under the expanded project scope and as the central hub for project-wide communication, technical advice, and implementation support.** More frequent PTC meetings are required for timely decision-making. More flexibility is needed in the organization of PTC meetings with the National Planning Directorate under the Ministry of Finance and Business Development allowed to delegate meeting chair responsibilities and including to the Ministry of Environment and Agriculture to provide insights and expertise in relevant areas.

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APPROVAL

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