



The World Bank

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

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 23-Mar-2022 | Report No: PIDA33037

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

Country Cabo Verde	Project ID P176981	Project Name Resilient Tourism and Blue Economy Development in Cabo Verde	Parent Project ID (if any)
Region AFRICA WEST	Estimated Appraisal Date 21-Mar-2022	Estimated Board Date 30-May-2022	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Infrastructure, Territorial Planning and Housing, Ministry of the Sea, Ministry of Tourism and Infrastructure	

Proposed Development Objective(s)

To support a more diversified tourism offering and increased participation of SMEs in tourism-related value chains in targeted destinations

Components

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

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

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

- 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 kilometers off the west coast of Africa. Its estimated population is 555,988,¹ 68 percent live in urban areas. Only about 10 percent of its 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 rates 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
- 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

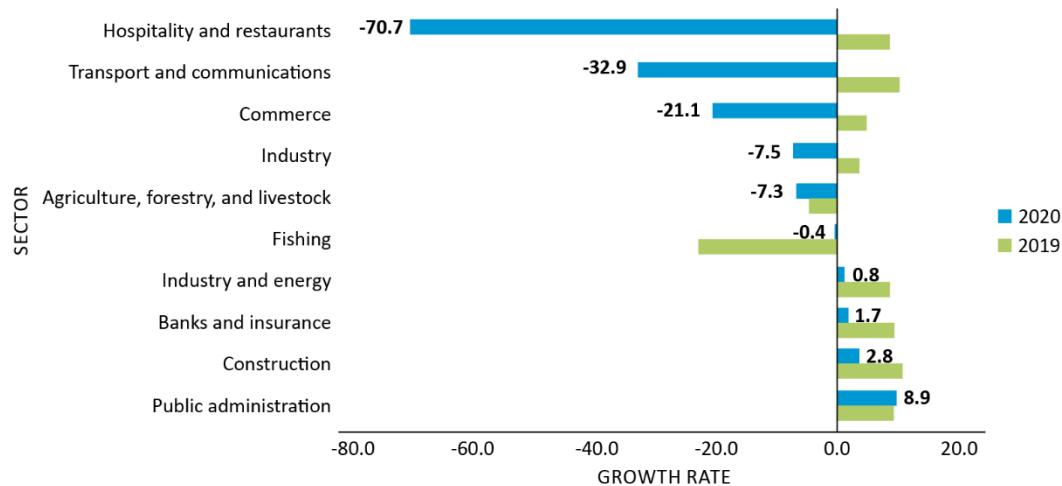
¹ World Bank Open Data 2020 estimate.

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.



dependent on tourism have been especially affected³ (Figure 1). The main channels through which the exogenous economic shock impacted 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

Figure 1: Annual Growth Rates Per Sector 2019–20



Source: World Bank Cabo Verde Economic Update 2021.

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 reduced, 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/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. Growth is projected to be 3.9 percent in 2021, supported by the gradual resumption of tourism flows. A contributing factor is the vaccination rate; by January 5, 2022, about 85 percent of the eligible population above 18 years of age had received the first dose of the COVID-19 vaccine, and 70.8 percent the second dose. In addition, authorities enacted a sanitation seal training

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 and Equitable Recovery DPF (P174754) Program Document.



and certification program mostly targeted at hotels and restaurants, providing comfort to tour operators as they resume operations.

Sectoral and Institutional Context

5. **Cabo Verde's tourism sector is a key driver of growth and job creation.** 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 one million by 2021. Prior to 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 over-concentrated on two islands, Sal and Boavista. They combine for more than 80 percent of bed-night stays, attracting mainly European sun-seekers. 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 and the partial reopening in October 2020, tourism arrivals collapsed by about 75 percent in that year. Hospitality operations and restaurants were the hardest hit segment (Figure 1), and the nine-month closure further compounded negative spillovers in upstream sectors. 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, and the figures for the third quarter confirm 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 size 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 concerning 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 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 was incipient before the mid-1990s in Cabo Verde, focused mostly on the diaspora.



From 1993 onwards, 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 Boavista left the other islands unable to benefit from the larger flow of tourism.

- 9. This geographical and segment concentration impacts 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 9 nights and US\$300 of expenditure per tourist per trip. When compared to some of its peers, Cabo Verde fares badly with just €41 average expenditure per day in 2019 versus €91 in the Azores, €124 in Madeira, or €238 in the Canary Islands.
- 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 hotel 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, sanitary procedures, lack of proper handling, and inefficient interisland 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 fishermen and fish traders) being poor.⁶
- 11. Another challenge is the accessibility of the islands.** The inter-island connection occurs through air and sea transport. 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 terminals. 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, access is unequal as some islands (Santo Antão, São Nicolau, Maio, Fogo and Brava)

⁵ World Bank. 2013. *Tourism Development in Cabo Verde: Is it time to abandon the all-inclusive model?* Washington, DC: World Bank.

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



have limited or no airport infrastructure. Before COVID-19, domestic air services were provided by a single operator, but the pandemic led to a stop of its operations, having since been replaced by the government-supported domestic carrier TICV, a partnership between Bestfly Angola (70 percent) and the government of Cabo Verde (30 percent). It is progressively reestablishing a network of domestic routes.

- 12. The pre-COVID-19 tourism boom brought 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 marine tourism activities, capture of turtles, and growing plastic pollution,⁸ leading Cabo Verde to be considered one of the world's ten 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 income is expected to be lost due to agricultural drought. The sea level is projected to rise from 0.26 meters to 0.98 meters 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 the blue economy.** 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. In both sectors, women often suffer from education and training barriers (such as lack of advanced

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

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 6 includes a final summary of the diagnostic.

¹¹ UNWTO (United Nations World Tourism Organizations). 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 Mujeres 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.



business planning and management skill), limited access to finance, and lack of childcare solutions.¹⁴ Anecdotal evidence shows that gender-based violence (GBV) in tourism occurs, including sexual exploitation of children, mostly in Sal, Praia, and Mindelo.¹⁵

- 15. Authorities drafted a new Tourism Operational Plan (POT) covering 2022–26, to diversify and leverage other high-potential demand segments.** The POT cross-sector action plan aims for a more sustainable, inclusive, and resilient development model, expanding beyond the current “sand & sun” segment in the islands of Sal and Boavista. The POT builds on island-specific Tourism Master Plans (supported by the World Bank Competitiveness for Tourism Development Project) 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.
- 17. To support these action plans, the project will tackle infrastructure and operational barriers in the selected sites.** 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 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.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To increase diversity and resiliency in the tourism offering and SME participation in tourism-related value chains in targeted destinations.

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.

¹⁶ According to *Ambição 2030*, 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.



Key Results

Progress toward the PDO will be measured by four results indicators:

- i. Increase in average daily tourist spending at targeted sites (percentage)
- ii. Increase in total tourist overnight stay in targeted sites (percentage)
- iii. Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and sector) (percentage)
- iv. Infrastructure rehabilitated, upgraded or established integrating climate resilience practices (disaggregated by type) (number)

D. Project Description

- 18. 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,** and which collectively have the potential to diversify and enhance the inclusiveness of Cabo Verde's tourism, focusing 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.

Component 1: Develop integrated and resilient tourism and blue economy infrastructure (total cost: US\$22.32 million)

- 19. Component 1 consists of subprojects designed to improve the quality of tourism-relevant infrastructure in selected sites.** Proposed resilient infrastructure upgrades will broaden the tourism offering and create a conducive environment for future private sector investment while improving the quality, sustainability, and resilience of selected tourism destinations. 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. It will include the following activities:

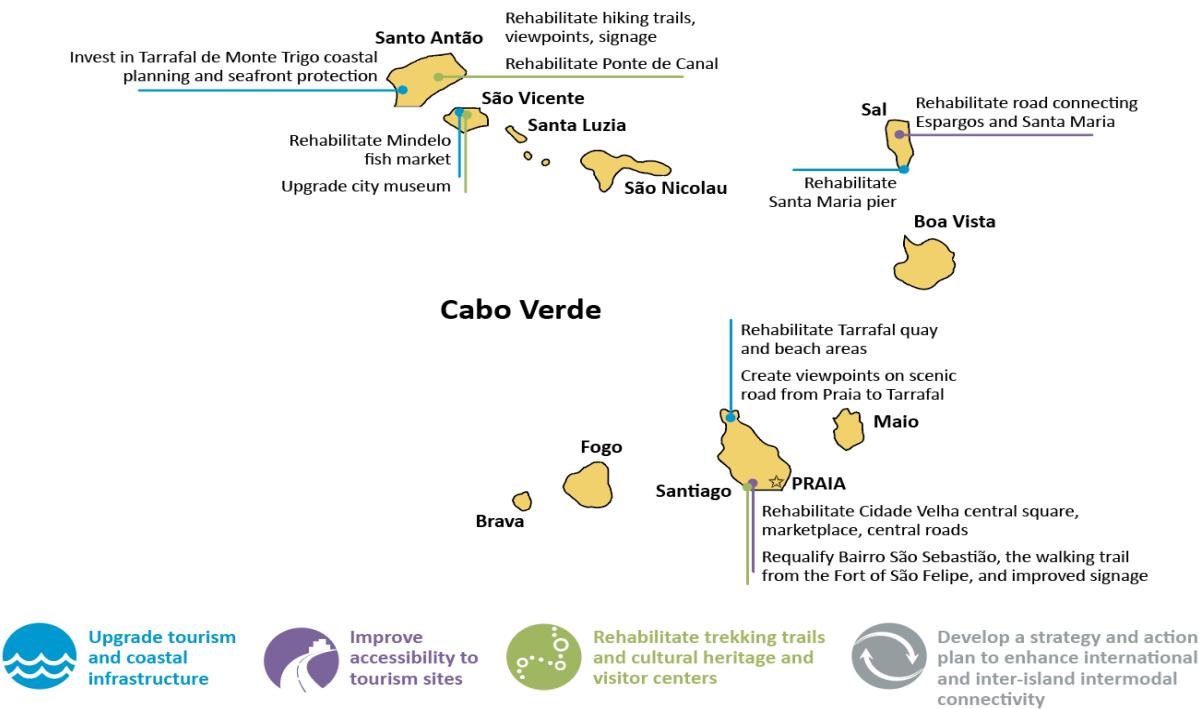
- (a) **Upgrade integrated tourism and blue economy coastal infrastructure.** Key investments will include the rehabilitation of two fishing piers, one fish market and seafront promenades. These investments will be designed to integrate tourism and blue economy activities, incorporate climate resilience, promote efficient use of resources, reduce carbon emissions, and enhance the inclusion of women and vulnerable communities.
- (b) **Improve accessibility to tourism sites.** Key investments will include financing the rehabilitation 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.

¹⁷ The road is one of the most trafficked 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.



- (c) **Rehabilitate trekking trails and cultural heritage and visitor centers.** Key investments will include the rehabilitation of hiking trails and selected viewpoints, improving signage and interpretation, and selected historical/heritage sites. 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 and intermodal inter-island transport strategy to promote connectivity links between islands and between different modes of transport (air, sea, and land).

Figure 2: Examples of Component 1 Infrastructure Activities Across Cabo Verde Islands



Component 2: Enhance inclusive and sustainable management of tourism and blue economy (total cost: US\$12.20 million, of which US\$5 million PROBLUE RETF)

20. Component 2 will support local SMEs to increase participation in the tourism and blue economy value chains, whilst also supporting a better enabling environment and policies to stimulate additional private sector investment in these segments. It will include the following activities:

- (a) **Support entrepreneurship and SME development in the tourism and blue economy value chains.** This subcomponent will support local SMEs, particularly those in the project sites, with the potential to develop and source within the local tourism and blue economy value chains (with a strong focus on women-led businesses). The focus will be on supporting local firms to capture opportunities in selected destinations, including a supplier development program to improve the quality, scale, and reliability of products and services provided to larger hospitality



firms and directly to tourists. The program will include a range of access to finance support, technical assistance, and capacity building. 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.

- (b) **Support enabling policies and programs to increase sustainable private sector investment in tourism and the blue economy.** This subcomponent will facilitate integrated and sustainable tourism development and enhance the quality of tourism promotional efforts targeting higher market segments. It will include support to the Tourism Institute (ITCV) in 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).

Component 3: Project Implementation Support (estimated amount: US\$0.48 million)

- 21. Component 3 will provide support to UGPE for the management and implementation of the project.** It will support incremental expenses related to the project's implementation, including: the hiring of a dedicated engineer staff within UGPE to support activities under Component 1, a project coordinator, an additional procurement specialist/assistant within UGPE, an independent auditor for the project, capacity building to UGPE and other sector stakeholders as needed, and project operating costs.

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

- 22. 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 8.00.¹⁸ 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 Operations 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.

Legal Operational Policies

Triggered?

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

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.



Summary of Assessment of Environmental and Social Risks and Impacts

23. The Project will operate within a well-established legal and institutional framework that provides the 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/plans developed and implemented.
24. 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, etc., may be generated from project activities. Small scale facilities construction could also pose some environmental risks such as wastewater, solid wastes, and sediment discharges to water bodies. Promotion of tourism may similarly cause water pollution if existing sanitation and waste handling systems are inadequate for the number of tourist arrivals. Promotion of tourism can also be a risk sexual abuse of minors in Cabo Verde. There can be a risk of sexual exploitation abuse during the rehabilitation of facilities. Some adverse environmental and social impacts during the civil work such as harassment and gender-based violence by construction workers remains a risk to the community. Also, with rehabilitation of the tourism sites, there will be the risk of resettlement and socio-economic impact, risk of unequal employment opportunity, harassment, intimidation and /or exploitation.
25. Key environmental and social risks and impacts are associated with Component 1, upgrading local infrastructure. Components 2 is mainly soft interventions such as capacity building, development services, upgrading instruments, and support for tourism policy development. The above mentioned physical, biological, and socioeconomic impacts are expected to be site specific and of moderate to substantial severity and can be avoided or minimized through the application of good practices including compliance with World Bank Group Environmental, Health, and Safety Guidelines (EHSGs). Measures will be incorporated into the project design to avoid (i.e., through project level and site-specific screening,) or mitigate them.
26. These activities may have wide range of environmental and social risks and impacts that need to be explored further and appropriate management plans established. While the Project E&S risk is rated as substantial, the project activities shall be screened at various stages of project preparation and implementation to characterize risk level and determine and evaluate the risk assessment tool and E&S management plan to be implemented. As such, a range of different tools will be used throughout the Project cycle.
27. Given that all the activities/subprojects, their detailed scope of investments are not all known at appraisal stage, the impacts cannot be precisely determined and therefore an ESMF is prepared, which



serves as a tool for the environmental and social assessment process to be undertaken once the respective details of the subprojects are available.

28. An ESMF and RPF were prepared, consulted and will be disclosed prior to Appraisal for subprojects whose details and locations are not yet known. The ESMF outlines the Project environmental, social, and SEA/SW assessment process as well as monitoring and reporting requirements for the project proposed activities in compliance with requirements of Cabo Verde EIA procedure and to fill the gaps identified. The ESMF incorporates three key considerations: (1) a procedure and clear, measurable, and verifiable criteria to screen potential project sites and activities for their eligibility, and thus limit or exclude Project support at sites or activities that would be likely cause significant or high adverse impacts; (2) draw on existing instruments that are applied in Cabo Verde; such as specific Protected Area management plans, Cabo Verde EIA procedures and other relevant national laws and regulations. These instruments as well as other key relevant analytical studies on safeguards capacity, etc. is evaluated against ESF requirements and specific gap-filling and implementation support measures is introduced to meet ESS1 requirement; (3) The ESMF includes provisions for specific E&S assessment and management instruments to be produced under the Project, including ESMPs 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, LMPs including Workers 'Grievance Procedure, an Indicative outline of ESIA and ESMP; SEA/SW action Plan and implementation budget.
29. For the risks on biodiversity, the ESMF contains a section with detailed instructions on site screening and selection, with clear, measurable, and verifiable criteria, that will disallow and thus avoid any combination of activities likely to cause adverse impacts with sensitive receptors. This is of particular importance to ensure that the project does not cause unintended harm to natural or critical habitats, such as ecologically sensitive areas or key biodiversity areas. This will be further assessed during the project preparation and if a risk of impact on biodiversity is identified, a biodiversity management plan will be prepared. The ESMF also provides support to the CERC: An ESMF CERC Addendum will be prepared by UGPE and the ESCP includes provisions for implementing them.-
30. For the rehabilitation of 15 km of the Espargos-Santa Maria Road on Sal Island, the location and scope were known at Appraisal stage, so a specific ESMP was prepared. The negative impacts on the environment and populations will result from the civil works phase: there might be impacts related to Occupational and Community Health and Safety such as fire safety, construction safety, and transportation, but the civil works will not be located near sensitive biodiversity areas or other areas of environmental interest. his ESMP identifies mitigation measures for construction and operational phases, roles and responsibilities, time plans, costs and implementation procedures for each mitigation measures recommended. Contractors will be required, as a condition of their contracts with the Project, to implement and comply with the ESMP, including LMPs and OHS measures outlined in the ESMP. Contractors and their workers will also be subject to and trained on codes of conduct which includes SEA/SW prevention measures, interacting with local communities and security provisions. Labor and working conditions (including labor influx) and SEA/SW Management and Mitigation: The findings of the Bank's initial SEA/SW Risk Assessment will guide the identification of SEA/SW risks and the subsequent



development of mitigation plans. The LMP will also describe the working conditions and include measures for any gaps with the Bank's ESF.

31. For project activities involving the provision of financial institutional support (Component 2), the project will address the environmental risks through development of an Environmental and Social Management System (ESMS), prepared by each PFIs, 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 (POM) will include, among others, an explicit list of activities ineligible (exclusion list) for grant financing, and tool for environmental screening. The ESMS will be prepared by the Financial Intermediaries to be consulted and disclosed within 90 days after the project effectiveness to guide each PFIs putting in place an ESMS before the approval of any subproject under Component 2.
32. The ESCP summarizes the material measures and actions for the Project to meet the ESSs requirements. The agreed measures and actions between the Borrower and the Bank are outlined in the ESCP with the timeline for completion and responsible parties, including the preparation of site specific ESMPs and RAPs, as needed, and additional risk management documents that may be identified during project preparation or during the elaboration of the ESIA.
33. On the social side, the Project will need to ensure a participatory and inclusive approach during all the life cycle, to promote citizen engagement, gender inclusion and social communication. An RPF was prepared to address any risk of land acquisition, and economic losses.
34. Regarding the TA that will support preparatory studies for the construction or rehabilitation of selected maritime passenger terminals, these preparatory studies will include a chapter on E&S management (OHS, waste management, etc.) intonsure that the activities supported by this TA will manage the E&S risks and impacts. In addition, E&S aspects for TA will be addressed through the Terms of Reference (TOR) for such TA.
35. Stakeholder engagement: It includes an identification and capacity assessment of a range of Stakeholders. Activities will impact communities: worker influx and camps, land acquisition from civil works resulting in relocation but also restriction of access to economic resources for people along the peers. The screening will consider the scope for including training and community response plans. It will also include the potential cultural heritage sites and possible impacts on non-tangible heritage. Impacts on vulnerable groups (e.g., access to people with disabilities, where feasible) will also be included.

E. Implementation

Institutional and Implementation Arrangements

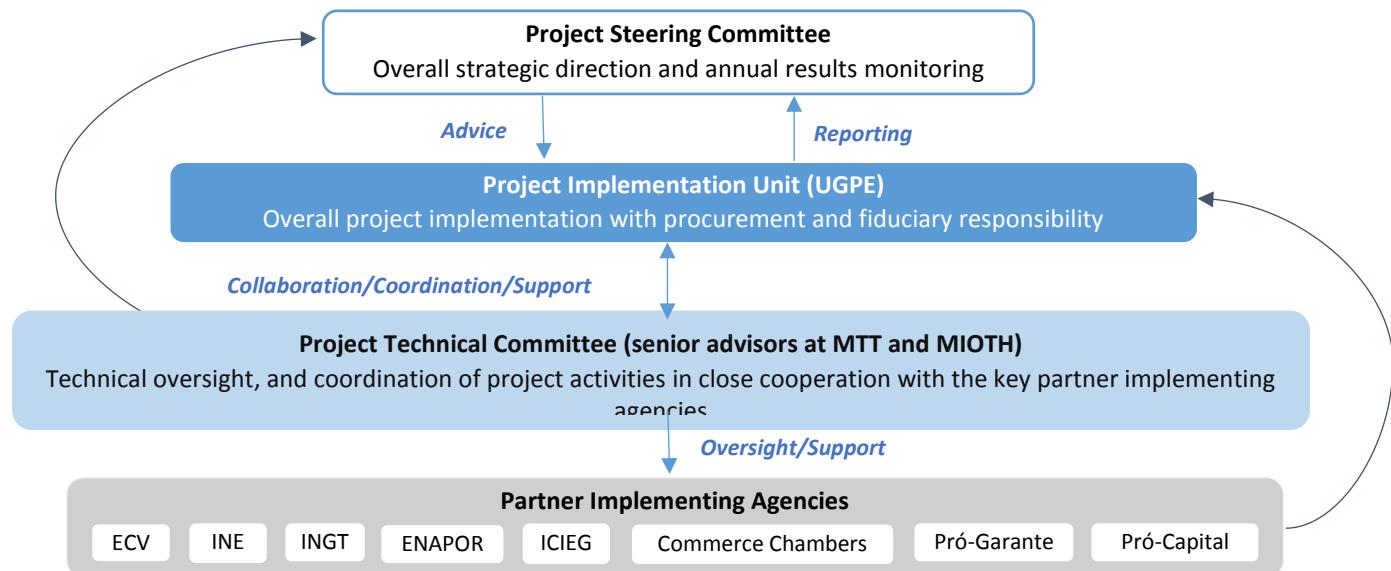
36. **The key implementation partner for the proposed project will be the Ministry of Finance, particularly UGPE, closely supported by the Ministry of Tourism and Transports, Ministry of Infrastructure, Territorial Planning, and Housing, and Ministry of Sea.** The Unit for the Management of Special Projects (UGPE, *Unidade de Gestão de Projectos Especiais*) is the centralized Project Implementation Unit in the Ministry of Finance, managing the majority of the World Bank projects in Cabo Verde with a solid and



satisfactory track record. UPGE'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 work plan, 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.

- 37. UGPE will be supported by a Project Technical Committee (PTC) to assure resolution of technical and implementation challenges at the sector level.** The PTC will be made up of two senior advisors, one in the Ministry of Tourism and Transports (ensuring day-to-day coordination and support on all Component 2 activities across the Tourism Institute of Cabo Verde, Tourism Fund, Ministry of Sea, SME support agencies, Institute of Cultural Heritage and target Municipalities), and another in the Ministry of Infrastructure, Urban Development and Territorial Planning (ensuring day-to-day coordination and support on all activities related to Component 1 involving key stakeholders such as Infrastructures of Cabo Verde (ICV), Cabo Verde Roads and target Municipalities). The PTC will meet at least monthly during project implementation, co-chaired by the general project coordinator at UGPE, and will co-opt representatives from the key implementing stakeholders as needed, particularly officials in the target Municipalities of Santiago (Ribeira Grande de Santiago, Tarrafal), Sal, São Vicente and Santo Antão islands (Porto Novo, Paul, Ribeira Grande).

Figure 4: Project Institutional Arrangements Flowchart



- 38. 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 work plan.** The Vice Prime-Minister and Minister of Finance will chair the committee, with deputy chairs from the Ministry of Tourism and Transport, Ministry of Infrastructure, Territorial Planning and Ministry of Sea, counting also on private sector representatives with relevant experience and qualifications, in addition



to representatives of the key implementing ministries and municipalities mentioned above. The committee can co-opt other representatives as necessary. The project coordinator in UGPE will serve as secretary to the committee. The committee will meet every six months to discuss and review the workplan for the following year, as well as review annual progress reports.

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