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Report No: PAD4311

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 7 MILLION
(US\$10 MILLION EQUIVALENT)

FROM THE CRISIS RESPONSE WINDOW

TO THE

REPUBLIC OF CABO VERDE

FOR THE

COVID-19 RESPONSE TO THE SOCIAL INCLUSION PROJECT

December 19, 2020

Social Protection and Jobs Global Practice
Western and Central Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective November 30, 2020)

Currency Unit = Cape Verdean Escudo (CVE)

US\$1.00 = CVE 94.160

US\$1.00 = SDR 0.699

FISCAL YEAR

January 1 - December 31

Regional Vice President: **Ousmane Diagana**

Country Director: **Nathan M. Belete**

Regional Director: **Dena Ringold**

Practice Manager: **Jehan Arulpragasam**

Task Team Leader: **Emma S. Mistiaen**

ABBREVIATIONS AND ACRONYMS

ACT	Access to COVID-19 Tools
AF	Additional Financing
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CVE	Cape Verdean Escudo
DPF	Development Policy Financing
DSSI	Debt Service Suspension Initiative
eRSI	Emergency Social Income for Inclusion (<i>Rendimento Social de Inclusão de Emergência</i>)
FM	Financial Management
FY	Financial Year
GBV	Gender-based Violence
GDP	Gross Domestic Product
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFRs	Interim Financial Reports
ILO	International Labor Organization
IMF	International Monetary Fund
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
MFIS	Ministry of Family and Social Inclusion (<i>Ministério da Família e da Inclusão Social</i>)
MIS	Management Information System
PDO	Project Development Objective
POM	Project Operations Manual
RSI	Social Income for Inclusion (<i>Rendimento Social de Inclusão</i>)
SDR	Special Drawing Rights
SEA	Sexual Exploitation and Abuse
SH	Sexual Harassment
SOE	State-owned Enterprise
SP	Social Protection
UGPE	Unit for Management of Special Projects (<i>Unidade de Gestão de Projectos Especiais</i>)
UK	United Kingdom
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USR	Unified Social Registry
US\$	United States Dollar
WBG	World Bank Group

Cabo Verde

Additional Financing for COVID-19 Response to the Social Inclusion Project

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**BASIC INFORMATION – PARENT (Social Inclusion Project - P165267)**

Country Cabo Verde	Product Line IBRD/IDA	Team Leader(s) Emma S. Mistiaen		
Project ID P165267	Financing Instrument Investment Project Financing	Resp CC HAWS2 (9346)	Req CC AWCF1 (6550)	Practice Area (Lead) Social Protection & Jobs

Implementing Agency: Ministerio da Familia e Inclusao Social - Ministry of Family and Social Inclusion

Is this a regionally tagged project? No	
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Bank/IFC Collaboration No

Approval Date 13-Dec-2018	Closing Date 31-Oct-2022	Expected Guarantee Expiration Date	Original Environmental Assessment Category Not Required (C)	Current EA Category Not Required (C)
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Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)



Development Objective(s)

To support the Recipient's efforts in building an effective social protection system that promotes social and productive inclusion.

Ratings (from Parent ISR)

	Implementation			Latest ISR
	07-Jun-2019	10-Feb-2020	30-Jun-2020	27-Nov-2020
Progress towards achievement of PDO	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S
Overall Safeguards Rating	---	---	---	---
Overall Risk	M	M	M	M
Financial Management	S	S	S	MS
Project Management	S	S	S	S
Procurement	S	S	S	S
Monitoring and Evaluation	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing for COVID-19 Response to the Social Inclusion Project - P175946)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P175946	Additional Financing for COVID-19 Response to the Social Inclusion Project	Scale Up	No
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	21-Jan-2021	

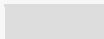




Projected Date of Full Disbursement 17-Apr-2023	Bank/IFC Collaboration No		
Is this a regionally tagged project? No			

Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				 %
IDA	10.00	3.64	6.73	 35 %
Grants				 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing for COVID-19 Response to the Social Inclusion Project - P175946)**FINANCING DATA (US\$, Millions)****SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	10.00	10.00	20.00



Total Financing	10.00	10.00	20.00
of which IBRD/IDA	10.00	10.00	20.00
Financing Gap	0.00	0.00	0.00

DETAILS - Additional Financing

World Bank Group Financing

International Development Association (IDA)	10.00
IDA Credit	10.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Cabo Verde	10.00	0.00	0.00	10.00
Crisis Response Window (CRW)	10.00	0.00	0.00	10.00
Total	10.00	0.00	0.00	10.00

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No

Explanation

Waiver was sought for exceptional use of Additional Financing to scale-up ongoing IPFs governed by Safeguard Policies as part of the Bank’s crisis response to COVID-19.

Has the waiver(s) been endorsed or approved by Bank Management?

Approved by Management Endorsed by Management for Board Approval No

Explanation



We received OPCS approval on December 1, 2020 for the waiver request for exceptional use of Additional Financing to scale-up ongoing IPFs governed by Safeguard Policies as part of Bank's crisis response to COVID-19.

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Emma S. Mistiaen	Team Leader (ADM Responsible)	Social Protection	HAWS2
Ndeye Fatou Mbacke	Procurement Specialist (ADM Responsible)	Procurement	EAWRU
Laurent Mehdi Brito	Procurement Specialist	Procurement	EAWRU
Mountaga Ndiaye	Procurement Specialist	Procurement	EAWRU
Fatou Mbacke Dieng	Financial Management Specialist (ADM Responsible)	Financial Management	EAWG1
Fatou Fall Samba	Financial Management Specialist	Financial Management	EAWG1
Fabienne Anne Claire Prost	Environmental Specialist (ADM Responsible)	Environmental Safeguards	SAWE1
Mamadou Moustapha Ndoye	Social Specialist (ADM Responsible)	Social Safeguards	SAWS4
Analucia Faggion Alonso	Team Member	Social Protection	HLCSP
Anta Tall Diallo	Procurement Team	Procurement Team Assistant	AWCF1
Dilip Kumar Prusty Chinari	Team Member	Disbursement	WFACS
Faly Diallo	Team Member	Disbursement	WFACS
Hajalalaina Consuella Rabearivony	Team Member	Team Support	HAES2



Andrianjakanava			
Josep Vicent Puig Gomez	Team Member	Productive Inclusion	HAWS2
Matthieu Louis Bonvoisin	Counsel	Legal	LEGAM
Nadia Henriqueta Gabriel Tembe Bilale	Environmental Specialist	Environment	SAWE4
Nuria Garriga Llavina	Team Member	Social Protection	HAWS2
Extended Team			
Name	Title	Organization	Location



I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. **This Project Paper seeks the approval of the Executive Directors to provide an additional financing (AF) in the amount of US\$10 million equivalent from the International Development Association (IDA) Crisis Response Window to the Social Inclusion Project (P165267) (original Credit No. 6355-CV) in Cabo Verde and a restructuring.** This AF and restructuring have been requested by the Government of Cabo Verde¹ to help respond to the Coronavirus disease (COVID-19)-related crisis, the effects of which are being felt acutely by the poorest and most vulnerable households whose welfare is also at risk from climate shocks. The proposed AF would focus on providing emergency cash transfers to targeted households in the two poorest quintiles and restructure the Project to optimize the use of uncommitted funds, redirecting them to emergency cash transfers.

2. **The persistence of the COVID-19 crisis is particularly affecting the poor and most vulnerable and lack of rapid response may have irreversible negative impacts.** As a result of the unfolding crisis, the Cabo Verdean economy is projected to contract by 11 percent in 2020, a twofold downward revision from projections in July and the largest reduction on record and the third largest in Sub-Saharan Africa. This is therefore one of the hardest hit countries in the region in terms of the economic downturn. The COVID-19 pandemic will have short-, medium- and long-term impacts on people's lives, especially of the poorest and most vulnerable. Without provision of rapid economic relief to affected households, they may resort to negative coping strategies that could result in worsening human capital conditions and have profound and irreversible long-term negative impacts on the population.

3. **The proposed AF responds to the current emergency and the unprecedented threats to social and economic progress in Cabo Verde.** It would enable the provision of essential temporary income support to over 23,000 additional households negatively affected by the COVID-19 crisis in the two poorest quintiles, using existing targeting and delivery systems for social protection (SP). It would also enable support for existing regular cash transfer beneficiary households supported under the parent Project (see paragraph 5). The AF would contribute towards protecting lives and safeguarding livelihoods targeting the poorest and most vulnerable.

4. **The Government is making satisfactory progress towards achieving key results under the parent Project.** The Project supports the Recipient's efforts in building an effective SP system that promotes social and productive inclusion. It was approved on December 13, 2018 and became effective on May 13, 2019. The progress ratings toward achievement of the Project Development Objective (PDO), as well as overall implementation progress, are Satisfactory. To date (December 17, 2020), the Project has disbursed US\$3.7 million out of the total of the IDA Credit (US\$10 million), representing 36 percent of the total amount. The current closing date is October 30, 2022.

5. **The proposed AF, which also includes restructuring of the parent Project, would continue to support the original PDO.** It would exclusively finance cash transfers to households in the two poorest quintiles as a response to the COVID-19 crisis under the Emergency Social Income for Inclusion Program

¹ A formal letter of this request was received by the World Bank from the Government on November 20, 2020.



(*Rendimento Social de Inclusão de Emergência*, eRSI) and ensure continued support to regular cash transfer beneficiaries under the regular cash transfer program, Social Income for Inclusion Program (*Rendimento Social de Inclusão*, RSI). The AF would finance: (i) additional emergency cash transfers for approximately 18,000 eRSI households over a period of six months; (ii) emergency cash transfers to the existing 5,450 eRSI beneficiary households for six months; and (iii) cash transfers to the regular 4,500 RSI beneficiary households to ensure that they receive support for a total of 24 months as planned under the parent Project.² The PDO would be maintained, but a new intermediate indicator for eRSI households would be introduced and some targets in the results framework would be revised in line with the expansion of the coverage of the cash transfers to respond to the COVID-19 crisis. Initial support for these households would be financed through front-loading uncommitted funds for cash transfers under the current Project. Overall, around 120,000 people would be supported (see Section II).

6. **The proposed AF is fully aligned with the Government’s COVID-19 response, as well as its medium-term development objectives.** The Government swiftly announced its COVID-19 response in March 2020, including the eRSI to support poor and vulnerable households negatively affected by the crisis.³ The AF is aligned with Cabo Verde’s Strategic Plan for Sustainable Development (*Plano Estratégico de Desenvolvimento Sustentável*) for 2017-2021, particularly Objective 3 which focuses on ensuring social inclusion and reducing social and regional inequality and asymmetry; and with the fourth objective of Cabo Verde’s Strategy for the Development of the SP sector which aims to ensure social and economic support for people living in extreme poverty and vulnerability and those potentially at risk of poverty as a result of shocks such as those related to climate change. It is also aligned with the draft *Ambition 2030* which is the Government’s strategy for development in the next decade and includes the need to strengthen the shock-responsiveness of the safety net. The proposed AF is aligned with the World Bank Group’s (WBG’s) Country Partnership Framework (CPF)⁴ in its goal to strengthen SP, including through expansion of cash transfers to the poorest and most vulnerable and contribute to strengthening the country’s ability to manage the economic and social impacts of climate shocks. It also focuses on the priorities of the “Protecting the Poor and the Vulnerable Pillar”⁵ of the WBG’s COVID-19 Crisis Response Approach Paper. Therefore, while addressing immediate needs generated by COVID-19, the proposed AF and restructuring would continue to contribute directly toward achieving these long-term policy objectives of the Government and the WBG.

B. Project Implementation Status

7. **Project background.** The Project is financed through an IDA Credit of US\$10 million equivalent (Credit No. 6355-CV) and aims to support the Recipient’s efforts in building an effective social protection system that promotes social and productive inclusion. It has three components: Component 1 – Strengthening the Recipient’s Social Protection Systems; Component 2 – Expansion of the RSI Program; and Component 3 – Support to Project Management. It is implemented by the unit for management of special projects (*Unidade de Gestão de Projectos Especiais*, UGPE) in the Ministry of Finance and the

² The parent Project supported emergency cash transfers under the initial response and a financing gap was therefore created. The AF would therefore cover that financing gap.

³ As spelled out in Resolution no. 58/2020 approved by Cabinet in March 2020.

⁴ WBG, CPF for the Republic of Cabo Verde for the period FY20-25, Report No. 127164-CV.

⁵ Which consists of responding to the social emergency in the relief stage, restoring human capital during the restructuring stage, and putting people back to work during the resilient recovery stage through cash transfers, community-driven development programs, and budget support programs.



Ministry of Family and Social Inclusion (*Ministério da Família e da Inclusão Social*, MFIS) in partnership with municipalities.

8. Progress toward achieving the PDO and implementation progress are both rated Satisfactory.

To date, a social registry has been established and anchored in law. The registry contains data of around 220,000 people (about 40 percent of Cabo Verde's population) from across the country and ranks them according to their estimated welfare status (using a proxy-means test). The registry is a critical foundation for the ability of the SP system to expand in response to the COVID-19 shock as well as future shocks such as those caused by climate change. Of the total 56,730 households registered in the social registry, 58 percent (33,174 households) belong to the two poorest quintiles and are climate vulnerable. The system is already contributing to improve targeting and coordination of SP interventions since it is being used to target the main cash transfer program (RSI) and energy subsidies. All of the RSI beneficiaries are registered in the social registry, reaching the end target of this PDO indicator. The Government has anchored the RSI in law and established key building blocks and delivery systems for the program, including a comprehensive targeting mechanism and an automatic payment mechanism. The pilot cash transfer program (which started in 2017) has been expanded from 700 to 4,500 households, reaching an approximate 24,000 people across Cabo Verde, reaching 84 percent of the original target of 28,500. An additional 28,885 people have benefited from the safety net through emergency cash transfers (see paragraph 7). Furthermore, 84 percent of the household representatives who receive RSI cash transfers are women. All of the RSI households are part of the poorest quintile, exceeding the original target of 50 percent.

9. In light of the COVID-19 crisis, the Government launched the eRSI, and through front-loading of resources under the Project, more than doubled the coverage of the cash transfers, to an additional 5,450 households. Like the RSI, the households were selected using the social registry, targeting households from the poorest quintile according to the ranking of welfare status using the proxy-means test. For all cash transfer beneficiaries, the cash transfers were made using bank accounts or through the post office. The Government has also prepared a family support manual, including a set of guidelines for technical officers on how to carry out family support monitoring, including cross-sectoral linkages, including to education and health services to enable a more comprehensive support to beneficiary households. Lastly, the design of the productive inclusion intervention – central to the objective of strengthening climate shock resilience through helping beneficiary households diversify livelihoods - is at its final stages and implementation is expected to commence gradually during the first half of 2021. To complement the systems put in place in the MFIS, the UGPE has put in place a functional grievance redress mechanism (GRM) to help ensure that the Project reaches the intended beneficiaries.

10. The Project has no unresolved environmental, social or other safeguards issues. There are no overdue audits for the Project. Cash transfer payment reconciliation reports from the banks are yet to be submitted, but the Government is following up closely to ensure adequate documentation.

11. **Status of disbursement and legal covenants.** To date (December 17, 2020), the Project has disbursed 36 percent (US\$3.7 million) out of the total of the IDA Credit. Out of the US\$6.7 million in undisbursed funds, around US\$5 million are currently allocated to cash transfers. The Project has achieved the following legal conditions under the Financing Agreement for the parent Project: (a) preparation and adoption of the Project Operations Manual (POM) in form and manner satisfactory to the Association (Financing Agreement, Article IV 4.01 (a)); (b) preparation and adoption of the Grants Manual in form and



manner satisfactory to the Association (Financing Agreement, Schedule 2, Section III.B.1(b))⁶; and (c) recruitment of a Project manager, under terms of reference satisfactory to the Association (Financing Agreement, Article IV 4.01 (b)).

12. **Procurement:** The Project continues to apply the procurement risk mitigation measures put in place during the appraisal of the parent Project related to procurement: (a) Reorganization of the UGPE procurement team for repartition of the workload to avoid delays in procurement activities; (b) Close collaboration with the MFIS to ensure that their technical input is accurately reflected in relevant procurement documents and processes; and (c) close collaboration with and coaching/training from the UGPE to the MFIS to enable timely input for procurement documents and processes. There are no major procurement issues in the Project at this time and procurement performance is currently rated Satisfactory. Since the AF would exclusively finance cash transfers, there are no procurement matters related to the AF.

13. **Financial management (FM).** The FM arrangements for the AF will be the same as the parent Project including the risk assessed which is Substantial. As mitigating measures have been applied for the parent Project to address FM capacity constraints, the FM arrangements satisfy the World Bank's minimum requirements. The performance rating of the project is Moderately Satisfactory due to the pending submission by the banks of supporting documents for the cash transfers payments. It was noted when reviewing a sample transaction of the cash transfers that UGPE did not receive confirmation of cash payments to beneficiaries concluded from the banks. All necessary actions will be taken to ensure that such reports will be received by UGPE on a regular basis to document the payment process and ensure that payments were received by the intended beneficiaries. The Government is working on resolving this issue as a matter of urgency, following up with the Treasury and the banks to provide the necessary documentation. However, the auditor expressed an unqualified opinion on the financial statements. The interim financial reports (IFRs) are submitted on time and their quality is satisfactory per World Bank standards.

C. Rationale for Additional Financing

Country Context

14. **The persistence of the COVID-19 crisis continues to unleash unprecedented threats to social and economic progress in Cabo Verde, affecting particularly the poor and most vulnerable.** After the first case of COVID-19 was reported on March 21, 2020, strict containment measures were adopted, including the closure of international air and sea transport borders. A state of emergency was declared for the first time ever to reinforce the containment measures, with restrictions on inter-island transport. As of December 17, 2020, Cabo Verde has reported 11,458 confirmed cases with 100 deaths and the country continues to be vulnerable to a more widespread outbreak. Since March, the pandemic has brought the tourism sector in Cabo Verde, responsible for about 40 percent of overall economic activity, to a standstill. The Government had anticipated a re-launch of the tourism sector in November, however with the recent lockdown in the main tourism source markets such as the United Kingdom (UK), France and Belgium, the

⁶ As stated in the amendment letter for the original Credit No. 6355-CV, this section - Schedule 2, Section III.B.1(b) - has been revised as follows: under Category 4, unless the Recipient has adopted the Productive Inclusion Manual, in form and substance satisfactory to the Association".



crisis is expected to continue longer than expected, with tourism revenues not anticipated to rebound before June 2021. Disruptions in Foreign Direct Investment, a critical source of external finance, put additional pressure on external accounts. As a result of the unfolding crisis, the Cabo Verdean economy is projected to contract by 11 percent in 2020, a twofold downward revision from projections in July and the largest reduction on record. This is therefore one of the hardest hit countries in the region in terms of the economic downturn. The COVID-19 pandemic will have short-, medium- and long-term impacts on people's lives, especially of the poorest and most vulnerable. Because women are the majority among informal and domestic workers and workers in the tourism sector, and social distancing measures put in place considerably reduced the demand for these services, they are disproportionately affected by the economic impact of the pandemic. In addition to the risk posed by COVID-19, the country is also exposed to other types of shocks, such as floods and drought, further negatively affecting livelihoods and food security.⁷

15. Poverty has a strong gender dimension and women's economic participation is hampered. Nearly 43 percent of the extremely poor people live in households where a single mother is the only breadwinner, compared to 29 percent for Cabo Verde as a whole.⁸ Cabo Verde ranks only 115th out of 149 countries on "economic participation and opportunity for women".⁹ According to the recent Country Gender Profile report for Cabo Verde, some of the key issues that contribute to high poverty and low productivity among women are their lack of time, financing and knowledge. Women often carry the primary burden of household chores, lack of financing hinders growth and productivity of their business efforts and lack of knowledge is a key challenge, on issues including options for productive income-producing activities, networking structures to build skills, and how to access markets.

16. Despite the eRSI response to date, a large proportion of the most vulnerable population adversely affected by the COVID-19 crisis, particularly women, remain without support. According to a Socioeconomic Impact Assessment carried out for Cabo Verde,¹⁰ the pandemic has particularly adverse effects on the most vulnerable groups, including elderly, children and women. Social distancing measures and the economic slow-down as a result of the crisis is expected to affect those in vulnerable employment the most, predominantly women who constitute the majority of informal and daily wage workers and domestic workers.¹¹ The social registry contains data from over 18,800 households belonging to the poorest quintile, but less than 11,000 of those (58 percent) are currently receiving support.¹² In addition, it contains data for 14,301 households in the second-poorest quintile of which 10,352 are households with a child under the age of 15 and who are not currently receiving cash transfer support. To support households most affected by the crisis, the Government wants to provide support to everyone belonging to the poorest quintile, as well as all households in the second-poorest quintile who have children under the age of 15. The World Bank (through the Project) and the United Nations Children's Fund (UNICEF)

⁷ Floods pose the most significant and recurring risk to Cabo Verde. Almost a third of the country's population is exposed to flash floods (<http://documents1.worldbank.org/curated/en/523961573390033686/pdf/Disaster-Risk-Profile-Cabo-Verde.pdf>) which occurred most recently in September 2020.

⁸ WBG, CPF for the Republic of Cabo Verde for the period FY20-25, Report No. 127164-CV.

⁹ <https://www.unwomen.org/en/digital-library/publications/2018/1/country-gender-profile-cabo-verde>

¹⁰ Government of Cabo Verde and United Nations (UN) Cabo Verde, September 2020, Socio Economic Impact Assessment.

¹¹ Worldwide, evidence also confirms that women are losing their livelihoods faster because they are more exposed to hard-hit economic sectors and the pandemic has intensified women's unpaid care and domestic workloads. Some of the sectors hardest hit by the pandemic are feminized sectors characterized by low pay and poor working conditions.

¹² This includes regular RSI households financed by Treasury, regular RSI households and eRSI households supported through the Project and households temporarily financed by the UN.



financed the first expansion of the eRSI and to finance this further expansion of the eRSI (to support vulnerable households in the two poorest quintiles), and to extend support to the households already receiving support, the Government has requested support from the World Bank.

17. **Without provision of rapid economic relief to affected households, they may resort to negative coping strategies that could have serious long-term impacts.** Negative coping mechanisms could include reducing the amount and quality of food, not seeking medical treatment even if sick, selling off assets, sending children to work, or not adhering to potential future lockdowns and social distancing measures and increasing exposure to becoming infected with COVID-19. These negative coping strategies would result in worsening human capital conditions and may have profound and irreversible long-term negative impacts on the population. The current systems provide an opportunity to implement emergency cash transfers with speed and the Government has already started analyzing the data in the social registry and municipalities have started following up with households for enrollment and to collect missing documentation. While 63 percent of the targeted households already have bank accounts and can start receiving cash transfers in the very short run. Follow-up with the remaining 37 percent is ongoing to ensure that they submit their IDs and municipalities are assisting in the process of opening bank accounts as soon as possible. For the households that do not have IDs, cash transfers will be made using the post offices, until an ID can be obtained, and a bank account opened.

18. **Moreover, the COVID-19 shock adds to and deepens prior vulnerabilities driven by climate change and risks undermining food security.** As an island country, Cabo Verde is highly vulnerable to the impacts of climate change, including sea level rises, extreme weather conditions and changes in rain patterns. At the same time, the country is not adequately prepared to manage climate risks and ranks only 79th on the “climate change readiness score” - lower than other island countries. The country’s poor are particularly vulnerable to the impacts of climate change, underscoring the need for SP to help households ensure food security, avoid damaging coping strategies and build resilience by diversifying livelihood activities. As such, both the RSI and the eRSI are expected to contribute to sustaining consumption and food security in the short term and promoting climate-resilient livelihoods for the medium term. Conversely, the experience from mobilizing the eRSI will build important institutional and policy capacity as well as learning for the country’s ability to leverage SP in managing future climate shocks.

19. **The proposed AF is aligned with and complements other interventions under the overall Government’s response to the COVID-19 crisis, including those financed by the World Bank.** The World Bank responded swiftly to the crisis through an emergency operation and the repurposing of existing operations. Priority areas agreed with the Government under the CPF however remain, including accelerating human capital development and strengthening the environment for a more diversified economy. The US\$5 million IDA credit for the Cabo Verde COVID-19 Emergency Response Project (P173857) aims to support the Government to prepare a health response to the COVID-19 pandemic in Cabo Verde and funds under the Education and the Skills Development Enhancement Project (P164294) were repurposed to support distance learning. Further, economic response to the crisis was already provided through an additional US\$25 million grant to Cabo Verde from the Crisis Response Window to the Cabo Verde First Equitable and Sustainable Recovery Development Policy Financing (DPF) operation (P174754) (see Annex 1). The DPF aims at strengthening policies for an equitable, resilient, and a green economy recovery in the aftermath of the pandemic and includes a pillar dedicated to SP, focusing on the expansion of the social registry and the strengthening of the shock-responsiveness of the sector. The



Project also complements support provided for startups, particularly those most affected by the COVID-19 crisis (under the Digital Cabo Verde Project – P171099) and support for access to finance for Micro, Small and Medium-Sized Enterprises (MSMEs) (under the Cabo Verde Access to Finance for Micro, Small and Medium Enterprises AF Project – P174898).

D. Sectoral and Institutional Context

20. **Compared to other African countries, Cabo Verde has an advanced SP system, including a social registry to target and coordinate SP interventions.** The three pillars of SP (social assistance, insurance and labor market policies) are all well developed and have been improving continuously through reforms in the past three decades. Cabo Verde has a robust legal framework for SP and a relatively large number of programs trying to tackle the country’s vulnerability, although the coverage of SP programs remains low in comparison to the extent of need in the country.¹³ The MFIS is in charge of coordinating all social assistance interventions and relies on different institutions such as the National Social Pensions Center and the municipal councils for program implementation. The MFIS recently established the social registry containing socio-economic data from households across the country, ranking them according to their estimate welfare status (using a proxy-means test). The social registry is being used to target the safety net program as well as other services (for example, electricity subsidies and a school grant for professional training) and serves as the backbone to the ability of the social safety net to build resilience and respond to shocks like COVID-19 or climate shocks.

21. **Through the existing safety net program (RSI), the Government has put in place key delivery systems to provide regular income support to poor and vulnerable households.** The selection of RSI and eRSI beneficiaries is done using the welfare-ranking approach of the social registry and 98 percent of cash transfers are paid using bank accounts, while beneficiaries who do not have bank accounts (two percent) are temporarily paid through the post offices.¹⁴ A program management information system (MIS) has been put in place and implementation is done following detailed operational procedures spelled out in the operations manual. Ongoing technical assistance is being provided by the International Labor Organization (ILO) to strengthen the social registry and the MIS and a comprehensive review of these systems will be undertaken during the first half of 2021 to identify strengths and weaknesses of the system and prepare a road map for future investments to ensure adequate continued investments for the future.¹⁵

22. **To support the people most affected by the pandemic, the Government implemented key SP measures, using the existing safety net delivery systems.** On March 27, 2020, Cabo Verde’s Prime Minister announced a number of key measures to support the poorest and most vulnerable to cope with the negative effects of COVID-19.¹⁶ Among those was the introduction of the eRSI, which was targeted at households from the poorest quintile, identified through the social registry, similar to the regular RSI. This response was partly financed through the Project through front-loading of resources. Due to the

¹³ According to an SP sector review in 2017, the SP system covered around half of the total population.

¹⁴ Emergency RSI payments were temporarily made for households which did not have a bank account using Correios do Cabo Verde until a bank account has been opened.

¹⁵ Technical assistance from the World Bank is being provided for this review under the Advisory Services and Analytics – SP systems and Women Empowerment through Productive Inclusion (P174602).

¹⁶ Among other SP measures were: the implementation of a solidarity income scheme to support formal and informal workers; immediate food assistance for families whose income was below the minimum wage or without any source of income and through school meals; and reinforcement of home care actions for the elderly and dependent people living in isolation.



continued negative economic effects and challenges faced by some of the poorest and most vulnerable, the Government is committed to extend existing eRSI support and further expand the coverage to an additional approximately 18,000 households for the next six months. Cabo Verde is a lower middle-income country, with the institutional capacity and commitment for a shock-responsive safety net and the ability of the safety net program to respond to COVID-19 would have an important demonstration effect to the Government, the population and development partners, which would be an important long-term benefit of the program.

II. DESCRIPTION OF ADDITIONAL FINANCING

23. **The proposed AF would enable further support to existing and additional cash transfer beneficiary households who have been negatively affected by the COVID-19 crisis and who are particularly vulnerable to the impacts of climate change.** In addition, through a restructuring, some of the unused funds under the Project would be reoriented to support the eRSI expansion. The following is a summary of the proposed changes:

24. **PDO and Results Framework.** The proposed AF would maintain the original PDO and the PDO level and intermediate results indicators remain largely relevant. A new intermediate indicator (Number of households benefiting from the emergency RSI cash transfers) would be introduced to measure progress towards support for eRSI households and some targets in the results framework would be revised in line with the expanded coverage of the cash transfers to respond to COVID-19. In addition, two intermediate indicators (Number of childcare services supported by the Project and Number of female headed households using the childcare centers supported by the Project) would be removed, due to the cancellation of those activities to reorient funds towards emergency cash transfers responding to the negative economic effects caused by containment measures due to the COVID-19 pandemic. Lastly, on the indicator related to GRM claims, the word “resolved” has been replaced with “addressed”.¹⁷

25. **Components.** The existing components would be retained. Modifications as outlined in the following paragraphs describe the expansion of the eRSI and the removal of some activities to accommodate the rapid expansion. Despite the reallocation of funds from Component 1 to Component 2, the longer-term objective of supporting the establishment of SP delivery systems for a sustainable program can still be achieved. A number of important results have already been achieved under the parent Project and partners have taken over financing of some activities that were originally envisioned under the Project (including support to the setting up of the social registry). Unused resources under the parent Project that will not finance cash transfers would also continue to be used to support system strengthening and implementation. The Government is covering critical costs, including costs related to enrollment of beneficiaries, monitoring and fees for cash transfer payments. Other partners, including the ILO, will continue to support the strengthening of the SP systems in the country, as well as costs related to strengthening the capacity at municipality level.

26. **Component 1 - Strengthening the Recipient’s Social Protection Systems** would be maintained, continuing to strengthen the SP systems, including the social registry, which would raise the adaptation

¹⁷ The Project will be able to resolve grievances related to project interventions but will have to address all grievances registered. Addressing means giving a feedback to the complainant informing him/her that the grievance submitted is not related to the Project when that is the case.



and mitigation potential of the social safety nets since it underpins the ability of programs to build resilience and expand coverage of households in response to shocks, including those that are climate related. Some of the uncommitted funds under this component, not considered critical for achievement of the PDO, would be reallocated to Component 2 to respond to the more immediate need for cash transfers, as per the request of the Government. The ongoing contracts for project staff would remain in place, but unused funds, including for training and capacity building would be reallocated to cash transfers, since such support can be provided by other development partners. Some of the unused resources would however be maintained and support the implementation and monitoring of the expanded RSI.

27. **Component 2 - Expansion of the RSI Program** would be expanded to finance cash transfers for the existing 5,450 eRSI beneficiary households for an additional six months and to finance cash transfers for an additional 18,000 households, more than tripling the current coverage of the emergency cash transfers. Targeted beneficiaries would be the remaining households in the social registry who belong to the poorest quintile and households from the second-poorest quintile with children under the age of 15, across all 22 municipalities of Cabo Verde where the Project is currently being implemented. Households would receive the same cash transfer amount as the regular RSI beneficiary households, CVE 5,500 (US\$58),¹⁸ on a monthly basis through bank accounts or the post offices.¹⁹ The AF would also ensure that the 4,500 households under the regular RSI would continue to receive cash transfers for a total of 24 months as originally planned under the parent Project. The component would contribute to protecting targeted households, preventing them from falling further into poverty and helping build households' and communities' resilience to COVID-19- and climate-caused food insecurity, thus avoiding negative coping strategies. Initial support for all these households would be financed through front-loading uncommitted funds for cash transfers under the current Project. The total estimated number of people to be reached through the AF would be around 120,000 people, an increase from the current total of approximately 50,000 people reached.

28. As part of the restructuring, it was also agreed that activities related to childcare improvement and provision of social work scholarships would be cancelled. These activities are not considered critical for achievement of the PDO. As they have not yet commenced, they would require important engagement and involvement of municipal officers and since the Government has expressed its priority to support emergency cash transfers, it was agreed that they would be cancelled. The Project would still support families through the family support plan as specified in the family support manual, including identification of solutions for childcare services as needed by the RSI households. The MFIS will also continue to work with other development partners who are providing support in this area, including the UN. The Family Accompaniment planned for RSI beneficiaries will also be rolled out to identify additional needs of the households and potential additional support from complementary services in the municipalities.

29. A sub-set of RSI beneficiaries will also benefit from the productive inclusion intervention as part of Component 2 (under the parent Project) and the Government has prepared the details around the design for this intervention including gender-sensitive aspects to ensure that the design adequately

¹⁸ The annual cash transfer amount represents about 20 percent of the average total annual household expenditure for households in the poorest quintile; and about 13 percent for households in the second poorest quintile.

¹⁹ There are no costs related to the payment of cash transfers made by the banks and the costs related to the payment of cash transfers through the post offices will be covered by the Government resources.



addresses gender-related issues. The intervention will provide beneficiaries with access to technical and vocational training and/or support to initiate income-generating activities as spelled out in the draft Productive Inclusion Manual. This support, coupled with the provision of cash transfers, is aimed at addressing the key constraints identified for women’s productivity, including time, finance and knowledge. Majority of the beneficiaries of the productive inclusion will be women, since 84 percent of RSI beneficiary households are female headed. Costs related to the productive inclusion intervention would be financed through procurement by the UGPE or through Municipality Grants to municipalities as spelled out in the Grants Manual, including for the payment of tuition fees, technical, and vocational training and/or initiating income-generating activities. Not all the funds for productive inclusion would be channeled through Municipality Grants (as originally envisioned). Therefore, a new financing category 4 has been created and the adoption of the productive inclusion manual has been included as a disbursement condition for category 4 under the original credit.²⁰

30. **Component 3 - Support to Project Management** would remain unchanged.

31. The costs of the proposed AF are projected to be US\$10 million of which 77 percent is expected to be disbursed by June 2021. The remaining funds would be gradually exhausted through the provision of cash transfers to the regular RSI beneficiaries.

32. **Closing date.** The closing date would remain the same, October 30, 2022, as it provides sufficient time for the implementation of the productive inclusion intervention and the continued implementation of the regular RSI.

33. **Change in disbursement categories.** For the AF, there would be only one disbursement category since all the financing under the AF would go to Category 2 – Cash Transfers under Part 2(a) of the Project. For the parent Project, due to the cancellation of activities under Component 2, the following two disbursement categories would be removed: Category 3. Municipal grants: c) for childcare improvement under part 2c(i) of the project; and Category 4. Social Work Scholarship (see Table 2). Further, Category 3(a) was changed to Category 3 and a new Category 4 was created for the Productive Inclusion under Part 2(b) of the Project, including through Municipality Grants (previously 3(b)).

34. **Reallocation between disbursement categories.** Reallocation of funds between disbursement categories for IDA Credit #6355-CV is needed to accommodate the changes in activities within Components 1 and 2. The formal letter requesting the reallocation was received on December 7, 2020. Tables 1-3 below summarize these changes per component and per financing category.

Table 1: Revised Allocation of Funds by Component (SDR, US\$ million)

	Parent Project		AF
	SDR	US\$ equivalent	US\$ equivalent
Component 1 – Strengthening the Recipient’s Social Protection Systems	0.685	0.86	
Component 2 – Expansion of the RSI Program	6.395	8.84	

²⁰ The amendment letter for the original credit includes this change and states that no withdrawal shall be made “under Category 4, unless the Recipient has adopted the Productive Inclusion Manual, in form and substance satisfactory to the Association”.



Component 3 – Support to Project Management	0.22	0.30	
Total	7.30	10.00	10.00

Table 2: Revised Allocation of funds by Financing Category (SDR, US\$, million)

Category	Parent Project		AF
	SDR	US\$ equivalent	US\$ equivalent
1. Goods, works, non-consulting services, consulting services, Operating costs, training, except for cash transfers, municipality grants and social work scholarships	0.73	1.92	
2. Cash Transfers under Part 2(a) of the Project	5.6675	6.58	10.00
3. Municipality grants to scale-up Unified Social Registry (USR) under part 1(b)(v) of the project	0.175	0.24	
4. Productive Inclusion under Part 2(b) of the Project, including through Municipality Grants	0.7275	1.00	
Total	7.3	10.00	10.00

Table 3: Proposed Changes by Component

Component	Proposed Changes
Component 1 – Strengthening the Recipient’s Social Protection Systems	- Reduce budget for training, capacity building and communication activities.
Component 2 – Expansion of the RSI	- Increase coverage of the eRSI in response to COVID-19, supporting an approximate additional 18,000 households for a period of six months. - Extend support for the existing 5,450 eRSI beneficiary households for another six months. - Support 4,500 regular RSI beneficiaries to conclude 24 months support as originally planned. - It was also agreed that activities related to childcare improvement and provision of social work scholarships would be cancelled.
Component 3 – Support to Project Management	No changes.

35. **Other development partner support.** The main development partners for SP in Cabo Verde are the ILO and UNICEF. They would continue to provide support in relevant areas such as strengthening the social registry and implementation capacity at the municipal level. Support would also be provided to some of the activities that would no longer be financed under the Project, including communication activities and materials. The ILO would also continue to provide support in the area of productive inclusion and plans to commence technical support for shock-responsive safety nets in Cabo Verde. The temporary cash transfer support provided by UNICEF for 1,000 households under the eRSI lasts until December 2020 but would be continued through the AF for an additional six months.

36. **Climate and Disaster Risk Screening.** The cash transfer activities implemented under the AF will help beneficiary households cope with the combined effects of the COVID-19 and climate shocks, boosting



consumption and food security. They mark an important step towards strengthening the ability of Cabo Verde's SP system to respond to shocks, including climate induced risks such as floods and droughts and potentially help mitigate these risks by strengthening households' resilience. Related to the original Project, reinforced cash transfers and productive inclusion activities would also aim to strengthen beneficiary households' resilience to the impacts of climate change by supporting them in boosting consumption, improve shock coping and diversifying livelihoods towards activities that reduce their vulnerability to climate shocks. The design of these interventions draws on insights from recent innovations in West Africa with strong impacts of cash transfer programs with accompanying productive inclusion programs on household resilience to climate shocks. Like the original Project, the activities under the AF would only be moderately exposed to floods and drought risks, but this is not expected to affect the Project outcome.

III. KEY RISKS

37. **The combined overall risk of the AF and the parent Project is assessed as Moderate.** Only the Fiduciary risk is rated as Substantial due to the number of stakeholders involved in the Project and the use of a decentralized approach for some activities using Municipal Grants. To mitigate this risk, adequate fiduciary instruments have been put in place to make sure that municipalities use funds and report expenditures in a transparent and timely manner, including the development of a Municipal Grants Manual. An internal auditor has also been recruited and is expected to be on board early January 2021. Risks related to political and governance, macroeconomic, technical design of the Project, institutional capacity for implementation and sustainability and stakeholders are considered as Moderate. All other risks are rated as Low (sector strategies and policies and environmental and social).

38. **The political and governance and macroeconomic risks were recently upgraded to Moderate.** To better reflect the current situation at the country level, these risk ratings were modified, while others remain the same as for the parent Project. There is a moderate risk of changes in policies due to upcoming elections scheduled to take place in April 2021, but the timing of the elections might hamper implementation of project activities, which is why the MFIS plans to commence the roll out of the expansion of the eRSI already in December 2020. The country is experiencing profound socioeconomic impacts as a result of the COVID-19 pandemic and has increasing debt levels and heavy economic reliance on a paralyzed tourism sector. The consequent macroeconomic effects may create some delays in implementation in case resources for regular project oversight and implementation are not provided. The risk is however considered Moderate, since the effects of the pandemic have increased the Government's commitment to support the poorest and most vulnerable households through the planned eRSI expansion. The Government has also demonstrated its ability to provide emergency cash transfers through the existing safety net system and the authorities have activated a dedicated contingency fund to finance emergency response and recovery.

39. **Fiduciary risks are rated as Substantial.** Since there are no major procurement-related issues in the parent Project and the AF would exclusively finance cash transfers, the procurement risk is considered Moderate. Related to FM, given the number of stakeholders involved in the Project and considering the decentralized approach giving Municipal Grants and making cash transfers to poor households, overall FM risk of the parent Project was rated Substantial. Since the AF intends to finance cash transfers to targeted beneficiaries exclusively the FM risk rating continues to be considered Substantial. Although



there are no overdue audits or IFRs for the Project, the FM performance rating was downgraded to Moderately Satisfactory during the most recent mission in November 2020 due to lack of submission of supporting documents from the banks undertaking the cash transfer payments, confirming that the cash transfers were indeed made for the intended beneficiaries. The Government is however working on resolving this issue as a matter of urgency.

IV. APPRAISAL SUMMARY

A. Economic Analysis

40. **The proposed AF remains economically justified under the framework of the parent Project.** The Project's economic impact would be further enhanced as the AF would expand eRSI coverage and continue to provide cash transfers to regular RSI households. A number of impact evaluations undertaken in Latin America and Africa provide evidence of the positive impacts of cash transfer programs in reducing poverty and inequality. Emerging evidence in Africa also highlights the broader positive outcomes of cash transfer programs. A meta-evaluation of safety nets programs in Africa²¹ shows that safety net programs significantly increase consumption among beneficiaries. Like the parent Project, important development benefits are likely to accrue to the beneficiaries that would be targeted under the AF, including increased food consumption and dietary diversity. A recent evaluation of cash transfer programs with accompanying productive inclusion measures in West Africa like those supported under this Project have shown significant positive impacts on consumption, shock coping strategies and the diversification of livelihoods – all of which are at the heart of increased climate adaptation and resilience.

41. **Provision of targeted cash transfers is also widely considered the most effective policy response to address the immediate economic impact of COVID-19 on poor and vulnerable households.** Since March 2020, more than 150 countries around the globe have used cash transfer programs to respond to the COVID-19 pandemic, which account for 51 percent of all social assistance responses and over 31 percent of all global responses in SP.²² The proposed cash transfer amount for eRSI (same as for the RSI and the parent Project), which represents about 20 percent of the average total annual household expenditure for households in the poorest quintile; and about 13 percent for households in the second poorest quintile. This is in line with international standards and comparable with the cash transfer programs that are being implemented globally to respond to the COVID-19 pandemic.²³

42. **Using shock-responsive cash transfers to respond rapidly to crises can achieve powerful development impact and reduce the negative impact in terms of costs related to shocks.** The continuation of the ongoing eRSI would enable the Government to respond quickly and finance the cost of scaling up cash transfers to affected households. In Ethiopia, every US\$1 secured ahead of time for early drought response saved up to US\$5 in future costs.²⁴ A more recent study found that every US\$1 spent on safety net/resilience programming resulted in net benefits of between US\$2.3 and US\$3.3

²¹ Ralston, Andrews and Hsiao, 2017.

²² Gentilini et al. 2020. *Social Protection and Jobs Responses to COVID-19: A Real Time Review of Country Measures*. Available at: <https://openknowledge.worldbank.org/handle/10986/33635>.

²³ Ibid. The average benefit size for the 130+ global cash transfer programs to address COVID-19 is around 29 percent of the average monthly GDP per capita, with duration ranging from 1 to 12 months.

²⁴ Wiseman and Hess (2007). *Integrated Risk Financing To Protect Livelihoods and Foster Development*.



depending on the context.²⁵ In cases where households understand that they are protected by shock-responsive programs, there is evidence that they adopt higher-yielding, higher-risk livelihood investments. This enables them to grow their household income and ultimately leads to a pathway out of poverty.²⁶

43. Provision of emergency cash transfers is also expected to have positive externalities on local economies. Through local economy effects and spillovers, safety net programs have positive economic impacts on beneficiary as well as non-beneficiary households. For each US\$1 equivalent transferred to beneficiaries, non-beneficiaries see real income increases in the Ethiopia Social Cash Transfer Pilot Program, in the Ghana Livelihood Empowerment Against Poverty Program, in the Kenya Cash Transfer for Orphans and Vulnerable Children Program, in the Lesotho Child Grants Program, in the Zambia Child Grant Program, and in the Zimbabwe Harmonized Social Cash Transfer Program. These income increases are mainly as a result of greater demand for goods and services in the retail and agriculture sectors of local economies in which other households are also involved. Together with the impacts on beneficiaries, these additional income effects lead to local economy multipliers of 1.08 to 1.84. So, each dollar transferred to a poor household is projected to add more than a dollar to the local economy. It is therefore expected that an emergency cash injection focused on targeting households in the two poorest quintiles would have similar impacts in improving local incomes through greater economic activities.

B. Technical

44. The overall technical design, which was assessed as technically sound in the parent Project, would be retained for the proposed AF. The main features of the technical design include (a) a targeting mechanism which provides a clear step-by-step process for identification of beneficiaries using a poverty index; (b) a MIS for administering data on beneficiaries; (c) third-party payment provider through bank accounts for beneficiaries in commercial banks; (d) strong communication campaigns to provide information on the functioning and role of the social registry and the cash transfer program and to encourage human capital investments; and (e) a functional GRM managed by the UGPE in collaboration with the MFIS and municipalities, enabling beneficiaries to voice grievances or complaints regarding the program. All these delivery system features draw on international best practice experiences.

C. Financial Management

45. The FM function would continue to be undertaken by UGPE for the AF and under the FM arrangements of the parent Project, previously appraised as acceptable to the World Bank. The overall FM performance of the UGPE is Satisfactory. However, during the most recent mission for the Project, the FM performance rating was downgraded to Moderately Satisfactory, due to lack of supporting documents for the conclusion of the payment to beneficiaries undertaken by a number of commercial banks. The UGPE is following up on this matter with urgency to ensure that the missing documentation is submitted as soon as possible. To ensure that this issue is resolved before AF implementation, an additional

²⁵ USAID (U.S. Agency for International Development). 2017. *The Economics of Resilience to Drought in Kenya, Ethiopia and Somalia*, p.6.

²⁶ See Ethiopia (Berhane et al. *Can Social Protection Work in Africa? The Impact of Ethiopia's Productive Safety Net Programme* [2014]), Senegal and Burkina Faso (Hill et al. *Managing Risk with Insurance and Savings: Experimental Evidence for Male and Female Farm Managers in the Sahel* [2014]) and Ghana (Karlan et al. *Agricultural Decisions After Relaxing Credit and Risk Constraints* [2013]).



Condition of Effectiveness has been included and spelled out in the Financing Agreement as follows: “The Additional Condition of Effectiveness consists of the following, namely that the Recipient has provided evidence, that Cash Transfers financed under Part 2(a) of the Original Financing Agreement, up to November 30, 2020, were paid by payment providers to eligible beneficiaries, as per the list provided by the Recipient, all in form and substance satisfactory to the Association”. The UGPE is familiar with the World Bank FM requirements. The IFRs for the Project are generally submitted on time, acceptable to IDA and the external auditor of the Project have issued an unqualified (clean) opinion on the 2019 Financial Statements. The FM arrangements satisfy the World Bank’s minimum requirements under World Bank Policy and Directive on Investment Project Financing (IPF) effective in 2017.

46. In order to accommodate the Project in the existing FM system a POM was prepared and approved by the World Bank, including detailed procedures for the payment of cash transfers and Municipal Grants under Component 2. Cash transfers would continue to be delivered via electronic funds transfers (direct deposit from the Treasury into beneficiaries’ individual bank accounts). Municipalities would continue to collect beneficiaries’ socio-economic information and bank accounts information and the MFIS would consolidate the final list of beneficiaries that will be transferred to National Center for Social Pensions (*Centro Nacional de Pensões Sociais*) and from them to the Treasury. For those households without bank accounts, payments to beneficiaries would be made through the post office (Correios de Cabo Verde) as a temporary solution, until bank accounts can be opened. There are no changes to the budgeting, accounting, financial reporting, internal control, funds flow and disbursements, and external audit assurance arrangements as a result of the expanded coverage of the emergency cash transfers as part of the eRSI program arising from this AF.

47. **The Designated Account of the parent Project would also be used for the proposed AF.** The Project would continue to use report-based disbursement (IFRs) arrangement as in the parent Project. Additional instructions for disbursement would remain the same and would be provided in the Disbursement and Financial Information Letter for this AF.

D. Procurement

48. **The procurement arrangements in UGPE were assessed for the parent Project and procurement risk remains as Moderate.** The Project continues to apply the mitigation measures put in place during the appraisal of the parent Project related to procurement and there are no major procurement issues in the Project at this time. Procurement performance is currently rated Satisfactory and since the AF would exclusively finance cash transfers, there are no procurement matters related to the AF.

E. Social (including Safeguards)

49. **Safeguards.** The proposed AF is expected to bring several positive social impacts similar to those of the parent Project through the activities implemented. The cash transfers are likely to increase incomes and consumption of extreme poor households supported by the Project. Complementary measures to the cash transfers are expected to improve human development indicators and the productive inclusion intervention would likely enhance the employability of beneficiaries including those referred by the cash transfer program. Due to the risks from COVID-19, activities undertaken by the Project would observe COVID-19 mitigation and prevention measures to reduce the risk of transmission by minimizing face-to-



face interaction, in line with the Government's, the World Bank's and the World Health Organization's guidelines. Protocols for ensuring COVID-19 mitigation and prevention protocols during implementation would be included in an updated POM.

50. The main Environmental and Social risk related to the Project is that of potential inclusion/exclusion errors. The Project has developed and put in place structures for assessing and managing such risks and impacts. For the registration of households in the social registry, community associations and civil society organizations were involved to help with the outreach and communication at community level. Every two years the data in the social registry will be updated to ensure adequate and up to date information. The MFIS is currently planning to undertake the first such data update process from early 2021. At any time, any household who is not already registered in the social registry can register on-demand at the municipal office. In addition, technical officers visit communities on a regular basis, including for collecting missing information of households already registered. In that process, households who have not been registered, but who want to, can also register through these officers. There is a robust and transparent system in place for targeting beneficiaries which ensures that only the most vulnerable households are targeted, using a proxy-means test formula to rank households according to their estimated welfare status. The MFIS is using a comprehensive manual for the registration of households in the social registry and a POM that provides a systematic and step-by-step approach to implementation.

51. **Citizen engagement.** Citizen engagement (CE) has been a built-in feature in the Project design to enhance citizens' voice and participation and ensure clear and transparent selection of beneficiaries. Through CE mechanisms such as GRM and consultations the project ensures that its benefits reach the intended beneficiaries and promotes beneficiaries' ownership of project interventions. Project stakeholders can submit various complaints if they feel impacted negatively by the project interventions, such as about the targeting process, and the transfers in terms of timeliness. The GRM allows for addressing any other perceived grievances, including fraud and corruption related to payments.

52. There are six different channels through which claims can be submitted, including a toll-free phone line, e-mail, online complaint form, walk-ins and registering a complaint on grievance logbook at the UGPE or with any of the key stakeholders in project implementation; walk-ins and communicating a complaint to the grievance focal points in UGPE or with any of the key stakeholders of the Project, and by letter. Since inception of the Project, the MFIS has managed a manual GRM system where beneficiaries have been able to submit complaints through the municipal offices or directly to the central team in the MFIS. Before the enrollment of any household into the RSI, a toll-free hotline was put in place, enabling potential beneficiaries to get answers to questions and queries on the social registry and the RSI. An accessible and cost free functional GRM managed by the UGPE in collaboration with all the relevant stakeholders under the various projects, at the central and local levels is also in place. The GRM procedures allow for submitting complaints through six different channels. This GRM is integrating and automating the manual project specific GRM that was originally used for the Project. The UGPE developed a platform to register, categorize and address complaints received. The GBV, Sexual Exploitation and Abuse (SEA-) and Sexual Harassment (SH-) specific grievances are handled in a confidential and ethical manner to protect survivors by the Cabo Verdean Institute for Gender Equality and Equity (*Instituto Caboverdiano para a Igualdade e a Equidade de Género*) and Institute for Children and Youth (*Instituto Caboverdiano para a Criança e o Adolescente*) is engaged for any aspects related to children and youth care. The UGPE will also assess and improve the GRM processes as they move forward to ensure that the



procedures are strengthened based on lessons learned and feedback from beneficiaries. The central GRM also serves as the project level GRM since it integrates and automates the manual GRM previously used.

53. The UGPE has also hired a social specialist to develop and monitor the implementation of the social safeguard aspects, namely, social communication, GRM, GBV/SEA/SH management and has put in place a central GRM for all World Bank-financed projects in Cabo Verde. Trainings are also being planned for 2021 related to safeguards. The training will particularly focus on (a) Labor and Working Conditions (i) to provide project workers with accessible and effective means to raise and address workplace concerns and complaints, including handling complaints related to GBV/SEA/SH, (ii) to mitigate Child labor and forced labor; and (b) Community Health and Safety also focusing on GBV/SEAS/SH. The GBV training will particularly focus on the GBV risk assessment tool for identifying risks, raising awareness of the UGPE about the risks, the importance of addressing the risks of GBV in the Project, identifying potential actors/partners at the local level in the fight against GBV, and mapping actors active in the prevention and response to GBV in the project's area of influence. Further, as part of the prevention and mitigation measures, a workers' GBV code of conduct for project staff/consultants that interact with beneficiaries will be established.

54. The UGPE has implemented a communication campaign to inform communities about the objectives of the program, eligibility criteria and conditions for participation, as well as the GRM procedures and resolution timeframe to address grievances. The Government will also implement regular beneficiary surveys which will provide a venue for feedback from beneficiaries on the project activities.

55. In the context of implementing two separate approaches to the cash transfers (regular and emergency cash transfers), clear communication to communities and beneficiaries will be critical to avoid confusion about the different approaches and to manage expectations related to exit of the beneficiaries receiving emergency cash transfers. The Government plans to undertake communication activities in the municipalities as part of the enrollment process and each of the households that will receive cash transfer payments will sign a contract which clearly spells out what the terms and duration of support are. In that process, the households will get detailed explanations of the objective of the support and have the possibility to ask questions for clarification as needed. The GRM system put in place for the Project also provides a venue for submitting questions and queries related to the targeting and duration of support.

56. **Social Inclusion** would be ensured through the comprehensive targeting mechanism put in place, which uses a Proxy-Means Test to assess the level of vulnerability of households in the social registry and ranks them according to their estimate welfare status. The parent Project only targeted households in the poorest quintile, prioritizing female-headed households. The proposed AF would target households in the two poorest quintiles with children under the age of 15 and continue to prioritize female-headed households, so that by project design the vulnerable group of female-headed households with children are beneficiaries. As earlier mentioned, these households are more likely to live in poverty and are generally vulnerable the impacts of climate change and have been affected by the negative impact of COVID-19.



F. Environment (including Safeguards)

57. **Given that the AF would not include any new activities, the parent Project environmental classification (Category C) has been maintained.** Activities proposed through this Project are expected to have insignificant environmental impacts and will not have any physical footprint. As a result, the World Bank's policy on Environmental Assessment (OP/BP 4.01) is not triggered.

V. WORLD BANK GRIEVANCE REDRESS

58. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

**VI. SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Legal Covenants	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Safeguard Policies Triggered		✓
EA category		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

VII. DETAILED CHANGE(S)**COMPONENTS**

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Strengthening the Recipient's Social Protection Systems	2.00	Revised	Strengthening the Recipient's Social Protection Systems	0.86
Expansion of the RSI Program	7.70	Revised	Expansion of the RSI Program	18.84
Support Project Management	0.30	No Change	Support Project Management	0.30



TOTAL		10.00			20.00
REALLOCATION BETWEEN DISBURSEMENT CATEGORIES					
Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)		
			Current	Proposed	
IDA-63550-001 Currency: XDR					
iLap Category Sequence No: 1	Current Expenditure Category: Goods, works, non-consulting service, consulting service, Operating Costs, Training, except for CTs and Municipal Grants				
1,400,000.00	407,234.18	730,000.00	100.00	100.00	
iLap Category Sequence No: 2	Current Expenditure Category: Cash Transfers under Part 2(a) of the Project				
4,800,000.00	1,314,624.52	5,667,500.00	100.00	100.00	
iLap Category Sequence No: 3A	Current Expenditure Category: Municipality Grants to Scale-up the USR under Part 1(b)(v) of the Project				
175,000.00	150,441.06	175,000.00	100.00	100.00	
iLap Category Sequence No: 3B	Current Expenditure Category: Municipality Grants for Productive Inclusion under Part 2(b) of the Project				
727,500.00	0.00	0.00	100.00	100.00	
iLap Category Sequence No: 3C	Current Expenditure Category: Municipality Grants for Productive Inclusion under Part 2(c) i of the Project				
190,000.00	0.00	0.00	100.00	100.00	
iLap Category Sequence No: 4	Current Expenditure Category: Social Works Scholarships				
7,500.00	0.00	0.00	100.00	100.00	
iLap Category Sequence No:	Current Expenditure Category: Productive Inclusion under Part 2(b) of the Project, including through Municipality Grants.				
0.00	0.00	727,500.00		100.00	
Total	7,300,000.00	2,349,418.48	7,300,000.00		



Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2019	1,000,000.00	1,000,000.00
2020	113,935.85	1,113,935.85
2021	13,500,000.00	14,613,935.85
2022	5,000,000.00	19,613,935.85
2023	386,064.15	20,000,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Moderate	● Moderate
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Low	● Low
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate
Fiduciary	● Substantial	● Substantial
Environment and Social	● Low	● Low
Stakeholders	● Moderate	● Moderate
Other	● Moderate	● Moderate
Overall	● Moderate	● Moderate

LEGAL COVENANTS – Social Inclusion Project (P165267)

Loan/Credit/TF	Description	Status	Action
IDA-63550	Article IV 4.01 (a) - The Recipient has prepared and adopted the Project Operations Manual in form and manner satisfactory to the Association.	Complied with	New
IDA-63550	Article IV 4.01 (b) - The UGPE has recruited a Project manager, under terms of reference satisfactory to the Association.	Complied with	New



IDA-63550	Schedule 2, Section III.B. 1(b) under Category 3 until the Recipient has adopted the Grants Manual in form and manner satisfactory to the Association.	Complied with	New
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LEGAL COVENANTS – Additional Financing for COVID-19 Response to the Social Inclusion Project (P175946)

Sections and Description

As stated in the amendment letter, Schedule 2, Section III.B. 1(b) has been revised to read as follows: "under Category 4, unless the Recipient has adopted the Productive Inclusion Manual, in form and substance satisfactory to the Association"

Conditions

Type	Description
Effectiveness	The Recipient has provided evidence, that Cash Transfers financed under Part 2(a) of the Original Financing Agreement, up to November 30, 2020, were paid by payment providers to eligible beneficiaries, as per the list provided by the Recipient, all in form and substance satisfactory to the Association.



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Cabo Verde

Additional Financing for COVID-19 Response to the Social Inclusion Project

Project Development Objective(s)

To support the Recipient's efforts in building an effective social protection system that promotes social and productive inclusion.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Enhanced effectiveness of social protection system						
Beneficiaries of social safety net programs (CRI, Number)		0.00	8,500.00	17,000.00	120,000.00	120,000.00
<i>Action: This indicator has been Revised</i>						
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	5,000.00	10,000.00		63,600.00
<i>Action: This indicator has been Revised</i>						
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		0.00	8,500.00	17,000.00	120,000.00	120,000.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
<i>Action: This indicator has been Revised</i>						
Beneficiary households of RSI in Q1 and Q2 of the income distribution (Percentage)		0.00	50.00	50.00	90.00	90.00
<i>Action: This indicator has been Revised</i>						
Enhanced efficiency of the social protection sector						
Number of RSI beneficiary households benefitting from productive inclusion activities (Number)		0.00	300.00	700.00	1,500.00	2,000.00
Beneficiaries of the RSI registered in the Unified Social Registry (Percentage)		30.00	30.00	60.00	100.00	100.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Strengthening the Recipient's Social Protection Systems						
MFIS and Municipalities staff trained to effectively monitor and implement social safety net programs (Number)		0.00	30.00	60.00	120.00	150.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
RSI cash transfer payments completed by a formal payment agent (Percentage)		100.00	100.00	100.00	100.00	100.00
Percentage of claims registered in the Project's GRM addressed in a timely manner - Citizen Engagement Indicator (Percentage)		0.00	0.00	60.00	75.00	80.00
Action: This indicator has been Revised						
Expansion of the RSI Program						
Number of households benefiting from the emergency RSI cash transfers (Number)		0.00				20,000.00
Action: This indicator is New	Rationale: This indicator intends to measure progress on the implementation of the emergency cash transfers under the RSI program.					
RSI beneficiary households receiving cash transfers on time (Percentage)		0.00	50.00	70.00	80.00	80.00
Number of childcare services supported by the Project (Number)		0.00	5.00	15.00	25.00	27.00
Action: This indicator has been Marked for Deletion						
Beneficiaries satisfied with the support provided by the RSI program (Percentage)		0.00	50.00	70.00	70.00	70.00
Number of female headed households using the childcare centers supported by the Project		0.00	10.00	30.00	90.00	100.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
(Number)						
<i>Action: This indicator has been Marked for Deletion</i>						

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs		Annual	Project's MIS	The Project's MIS will register the number of households that are enrolled in the RSI program and the composition of the household. The MIS will also register how many beneficiaries have received the cash transfers.	MFIS
Beneficiaries of social safety net programs - Female		Annual	Project's MIS	The Project's MIS will register how many households are registered in the RSI program and the composition of these households	MFIS



				disaggregated by gender. It will also register how many of these households actually receive the cash transfers.	
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)		Annual	Project's MIS	The RSI is an unconditional cash transfer Program. The Project's MIS will register how many households are enrolled in the RSI Program and the composition of these. The Project's MIS will also register how many of these households actually receive the cash transfers.	MFIS
Beneficiary households of RSI in Q1 and Q2 of the income distribution	This indicator measures the percentage of beneficiary households that are classified as poor (belonging to the second quintile) or extreme poor (belonging to the first quintile) as per the welfare ranking in the social registry.				



Number of RSI beneficiary households benefitting from productive inclusion activities		Annual	Project MIS	All beneficiaries enrolled in the RSI and complementary activities would need to be registered in the Project's MIS	MFIS
Beneficiaries of the RSI registered in the Unified Social Registry		Annual	Unified Social Registry	The Unified Social Registry will collect information from households that are potentially eligible for the RSI Program. Those being eligible according to the Project Operations Manual, will be enrolled in the Program. All beneficiaries to be enrolled in the RSI must be previously registered in the Unified Social Registry. The Project's MIS will have an enrolment module that will receive information from the Unified Social Registry and can therefore estimate the number of RSI beneficiaries that are registered in the Social	MFIS



				Registry.	
Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
MFIS and Municipalities staff trained to effectively monitor and implement social safety net programs		Annual	Progress and training reports	MFIS will collect attendance sheets to trainings	MFIS
RSI cash transfer payments completed by a formal payment agent		Annual	Project MIS and payment agent reports	Formal payment agents will provide monthly reports on payments to beneficiaries. This information will be stored in the Project's MIS	MFIS
Percentage of claims registered in the Project's GRM addressed in a timely manner - Citizen Engagement Indicator	This indicator measures the percentage of claims registered in the Project's GRM that are addressed in a timely manner.	Annual	Reports from the Project's MIS, which will have a module for the Project's GRM	Once the claims are registered in the GRM, the GRM module will measure the time it takes to resolve the claims and the MIS will provide reports on the percentage of claims that are resolved in a timely manner.	MFIS



Number of households benefiting from the emergency RSI cash transfers	This indicator measures the number of households that receive the emergency cash transfers under the RSI program.	Annual	Project's MIS	The Project's MIS will register the number of households that are enrolled in the RSI and the composition of the household. The MIS will also register how many beneficiaries have received the cash transfers.	MFIS
RSI beneficiary households receiving cash transfers on time		Annual	Payment agents reports and Project MIS	Payment agents will produce monthly reports with the dates of payments with beneficiaries. The frequency will be compared to the one defined in the Project Operations Manual	MFIS
Number of childcare services supported by the Project		Annual	Reports provided by municipalities and MFIS	MFIS will approve municipal plans to support childcare services. After transferring grants to municipalities for the implementation of the activities, MFIS will collect and compile progress reports from municipalities	MFIS



Beneficiaries satisfied with the support provided by the RSI program		Annual	Satisfaction surveys will be carried out	Satisfaction surveys will be carried out.	MFIS
Number of female headed households using the childcare centers supported by the Project		Annual	Registries from the childcare centers supported by the Project	Childcare centers do have enrolment and attendance records. Childcare centers will send the information to municipalities for compilation and municipalities will send the information to MFIS.	MFIS



Annex 1 – World Bank Program Adjustment in Response to COVID-19 in Cabo Verde

December 2020

I. Impact of the COVID-19 pandemic on Cabo Verde and Government Response

1. The Pandemic is inflicting profound and devastating economic impacts on Cabo Verde, where baseline economic growth forecasts have been revised downwards by 16 percentage points between March and December. The economy is expected to contract by 11 percent in 2020, the largest contraction in history and the third largest in Sub-Saharan Africa according to the forthcoming Global Economic Prospects. The outlook has further worsened since the summer due to lockdowns in the main tourism source markets of Europe. The overall fiscal deficit will increase sharply from 1.8 percent of gross domestic product (GDP) in 2019 to 9.7 percent in 2020, with public debt expected to increase by 18.7 percent to 143.7 percent of GDP.²⁷ Poverty rate is expected to increase, threatening all progress in poverty reduction achieved since 2015, particularly in urban areas. The Government announced accommodative fiscal and monetary policy measures to mitigate the economic impact of the shock and enhanced social programs to preserve the livelihoods of the poor. Fiscal measures included the extension of tax payment schedules, exemption of social contributions for three months, acceleration of tax refunds, and fast-tracked settlement of supplier invoices. The COVID-19 induced economic shock increased fiscal financing needs to US\$237.4 million (12.3 percent of GDP) for 2020, which have been filled by external concessional credits, grants, domestic borrowing, and resources freed by the Debt Service Suspension Initiative (DSSI)²⁸.

2. The first case of COVID-19 was reported on March 21, 2020, and thereafter stricter containment measures were adopted, including the closure of international air and sea transport borders. A state of emergency was declared to reinforce the containment measures, with restrictions on inter-island transport. As of November 25, 2020, Cabo Verde has reported over 10,000 confirmed cases with over 100 deaths and continues to be vulnerable to a more widespread outbreak

II. World Bank Group support for responding to the crisis

3. The WBG has responded swiftly to support the Government in crisis mitigation through emergency operations and the repurposing of most of its existing operations. Responding to the crisis has not resulted in substantial modification of the program agreed with the Government under the CPF, as pipeline operations remain highly relevant and important for the economic recovery. The critical areas of intervention of the CPF - accelerating human capital development and strengthening the environment for a more diversified economy - and the pipeline of programs under preparation remain a priority.

²⁷ The latest joint World Bank/International Monetary Fund (IMF) Debt Sustainability Assessment, conducted in September 2020, concluded that the risk of external and total debt distress is high, but public debt remains sustainable. Debt service indicators are forecast to remain below their respective thresholds due to its concessional nature, which is characterized by long maturity profiles and low interest rates. The Performance Policy Actions under the Sustainable Development Finance Policy seek to improve fiscal sustainability by (i) implementing a zero ceiling on non-concessional debt; and (ii) conducting an independent financial audit for the social housing SOE.

²⁸The DSSI opened a fiscal space of US\$9.6 million (0.5 percent of GDP) in 2020. Authorities will participate in the DSSI extension in 2021.



4. In the relief phase WBG has responded with support for saving lives through immediate health sector support for US\$5 million under the COVID-19 Emergency Response Project (P173857), and US\$940,000 linked Pandemic Emergency Financing Facility grant. Besides, the Disaster Risk Management DPF with CAT-DDO (P160628) has triggered the full US\$10 million. Social response for protecting poor and vulnerable was provided through the Social Inclusion Project (P165267) that allocated US\$3 million to reach an additional number of vulnerable families and the Education and the Skills Development Enhancement Project (P164294) that repurposed US\$1 million for the purchase of tablets and televisions to respond to the urgent need from the Ministry of Education to ensure educational continuity remotely.

5. In terms of economic response, the ongoing Competitiveness for Tourism Development Project (P146666) repurposed US\$400,000 of project funds to develop destination planning & communication plans with sector stakeholders. Additionally, a Level-2 restructuring of the Access to Finance for the MSMEs COVID-19 AF Project (P163105) expanded the range of eligible MSMEs that can access funds beyond the spectrum of additionality to existing borrowers now facing liquidity and solvency issues due to the economic shock of the pandemic.

6. To provide support for strengthening policies, institutions and investments for resilient and sustainable recovery, the WBG has been able to allocate US\$25 million from the Crisis Response Window to the proposed Second State-owned Enterprise (SOE) Reform and Fiscal Management DPF (P171080), which augments the response effort and help cover the financing gap caused by the crisis and supports foundations for economic recovery and increased resilience in the context of the COVID-19 crisis as it aims to reduce fiscal risks from SOEs and improving the management of public assets and structural reforms in the transport, energy, housing and information and communication technology sectors while promoting private sector involvement in the delivery of these key services for enhanced performance.

7. Finally, the pipeline was re-prioritized to allow for critical AF of US\$10 million contribution to the credit line program through the access to Finance Project (P163015) and the AF of US\$5 million for vaccine purchasing, planning and distribution and further strengthen national and sub-national case detection and clinical management capacities through the AF COVID Response (P175807). Cabo Verde's FY21 pipeline already reflects reprioritization (e.g. reducing from US\$30 million to US\$20 million the Cabo Verde Digital Program (P171099) approved by the Board in November, which also includes US\$13.7 million of activities repurposed for COVID-19 recovery.

III. SELECTIVITY, COMPLEMENTARITY, PARTNERSHIPS

8. The WBG has worked closely with development partners, which has resulted in complementary support of around US\$129.6 million in budget support to COVID-19 crisis response support from the World Bank, European Union, Luxembourg, African Development Bank, Portugal and IMF. Additionally, the WBG is working hand in hand with UN partners, Gavi and the COVAX facility²⁹ on the country readiness assessment and helping to prepare the necessary steps for the implementation of the COVID-19 vaccination program.

²⁹ COVAX is the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator. The ACT Accelerator is a global collaboration to accelerate the development, production, and equitable access to COVID-19 tests, treatments, and vaccines. COVAX is co-led by Gavi, the Coalition for Epidemic Preparedness Innovations and the World Health Organization. Its aim is to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world.

