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CREDIT NUMBER 5801-CV

# Financing Agreement

(Competitiveness for Tourism Development Project)

between

REPUBLIC OF CABO VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 17, 2016

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**FINANCING AGREEMENT**

AGREEMENT dated June 17, 2016, entered into between REPUBLIC OF CABO VERDE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to three million seven hundred Special Drawing Rights (SDR 3,700,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Recipient has adopted a Project Implementation Manual acceptable to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its minister responsible for finance and planning.
- 5.02. The Recipient's Address is:

Ministry of Finance and Planning  
Av. Amilcar Cabral  
Cidade da Praia  
Ilha de Santiago  
Cabo Verde

Cable:	Telex:	Facsimile:
COORDENACAO	608 MCECV	(238) 61 38 97

6.03. The Association's Address is:

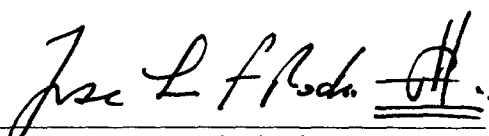
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CABO VERDE

By


  
\_\_\_\_\_  
Authorized Representative

Name: José Luis Rocha

Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
\_\_\_\_\_  
Authorized Representative

Name: Greg Toulmin

Title: Country Program Coordinator

## SCHEDULE 1

### Project Description

The objective of the Project is to create the conditions necessary to increase investment into and diversification of the tourism sector.

The Project consists of the following parts:

#### **Part A. Enhancing governance framework of tourism sector**

1. Carrying out a program of technical assistance activities to strengthen the Recipient's institutional framework for tourism management and diversification, including through: (a) advice to CI-ATIC to start its operations, including development of a business plan; (b) support for drafting the legal and regulatory reform instruments for the tourism sector; (c) carrying out capacity-building sessions for staff and management of CI-ATIC and other relevant tourism stakeholders; (d) preparing and applying a SESA for the tourism sector; (e) design of a tourism strategy for the period 2017–2027 and an associated action plan for the period 2017–2019, including development of a comprehensive supply-demand market intelligence study for tourism; and (f) development of an online communications strategy.
2. Carrying out a program of technical assistance activities to improve the ability of the Recipient to attract tourism investment, including through: (a) design of a tourism investor outreach strategic plan, consistent with the tourism strategy under Part 1(e) of the Project; (b) support for the design of a POT for a designated tourism zone; (c) carrying out of capacity building activities to design new or improve existing information packages for tourism development opportunities for hotels/resorts; (d) carrying out marketing and outreach campaigns to attract potential tourism investors; (e) design and implement an investor relationship management system and provision of relevant software for analysis of investment proposals; (f) development of standard operating procedures for investor promotion, facilitation and aftercare; and (g) carrying out workshops on effective investment promotion, including on investor outreach, facilitation, and aftercare.

#### **Part B. Diversify tourism sector and increase inclusiveness of tourism-led growth by strengthening competitiveness of local MSMEs**

1. (a) Design and implementation of a quality label for small accommodation establishments; and (b) support for private sector organizations and MSMEs through: (i) carrying out capacity building activities for private sector organizations to improve capacity for conducting technical training for MSMEs; and (ii) provision of technical training to MSMEs to enhance capacity to respond to market opportunities in the tourism value chain.

2. Carrying out a program of technical assistance activities to improve the business environment to increase access to finance for MSMEs, including through:
  - (a) support for the review and update of the legal and regulatory framework on insolvency; (b) carrying out an outreach campaign on insolvency procedures; (c) support to *Camara de Comercio de Sotavento* in identifying, training and certifying arbitrators and mediators for its alternative dispute resolution center; (d) creation of a pilot committee with technical experts to lead the public-private dialogue on insolvency procedures; (e) provision of training to relevant stakeholders on insolvency procedures; (f) drafting a legal and regulatory framework for a moveable collateral registry; (g) developing and launching an electronic centralized registry for moveable collateral, including provision of software and equipment for said registry; (h) evaluating and proposing reforms for a secured lending regime; and (i) carrying out capacity building activities and outreach campaigns on secured lending.

### **Part C. Project Implementation**

Support to UGPE in managing and coordinating the Project and building its procurement, financial management, safeguards management, monitoring and evaluation capacity, through the provision of technical advisory services, Training, Operating Costs, Goods and audits.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient's Ministry of Tourism, Investment, and Business Development shall have the overall responsibility for the Project.

##### 2. Project Steering Committee

(a) The Recipient shall establish, and thereafter maintain, throughout the implementation of the Project, a steering committee ("Project Steering Committee"), with a composition, mandate, and resources satisfactory to the Association. The Project Steering Committee shall meet at least twice a year, and shall be chaired by the Minister of Tourism, Investment, and Business Development.

(b) Without limitation to sub-paragraph (i) immediately above, the Project Steering Committee shall be responsible for providing strategic guidance and oversight to ensure prompt and efficient implementation of the Project, in accordance with the provisions of the Project Implementation Manual.

##### 3. UGPE

(a) The Recipient shall maintain, throughout the implementation of the Project, the UGPE within the Ministry of Tourism, Investment and Business Development, with functions, staffing and resources satisfactory to the Association.

(b) Without limitation to sub-paragraph (i) immediately above, the UGPE shall be responsible for day-to-day administration of overall planning, coordination, the technical, fiduciary (i.e. procurement and financial management), environmental and social safeguards compliance, monitoring, evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement and the Project Implementation Manual.

##### B. Project Implementation Manual

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of a manual satisfactory to the Association ("Project Implementation Manual"), which shall include the following provisions: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting,

disbursement and financial management; (c) procurement; (d) environmental and social safeguard guidelines; (e) monitoring, evaluation, reporting and communication of Project activities; and (f) such other administrative, financial, technical, and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Implementation Manual without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**C. Annual Work Plan and Budget**

1. The Recipient shall, not later than November 30 of each year, prepare and furnish to the Association, an Annual Work Plan and Budget containing all activities proposed to be included in the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.
2. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed Annual Work Plan and Budget and thereafter ensure that the Project is implemented in accordance with such Annual Work Plan and Budget as shall have been approved by the Association.

**D. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**E. Safeguards**

1. For purposes of Part A.1 (d) of the Project, the Recipient shall, not later than twelve (12) months after the Effective Date, prepare, adopt and disclose a Strategic Environmental and Social Assessment (“SESA”) of the Recipient’s tourism sector under the SESA Terms of Reference approved by the Association.
2. The Recipient shall ensure, or cause to be insured, that: (i) the recommendations of the SESA are applied during Project implementation; and (ii) the Project Reports referred to in Part A of Section II of this Schedule include adequate information on the status of the preparation and application of the SESA during Project implementation.
3. The Recipient shall ensure, or cause to be ensured, that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Association following its review thereof and, to that end, such terms of reference



shall duly incorporate the requirements of the Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of: (a) one (1) calendar quarter starting from the Effective Date to the date of the mid-term review, as provided under Section II.C.1(a) of this Schedule, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report; and (ii) one (1) calendar semester starting from the date of the mid-term review as provided under Section II.C.1(a) of this Schedule to the Closing Date, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
4. The Recipient shall recruit, not later than four (4) months after the Effective Date, an external auditor with qualifications, experience and terms of reference satisfactory to the Association, in accordance with the provisions of Section III of this Schedule.

**C. Mid-Term Review**

1. The Recipient shall:
  - (a) No later than twenty-four (24) months after the Effective Date, carry out jointly with the Association a mid-term review of the progress made in carrying out the Project. As part of the midterm review, the Recipient and the Association shall review a report prepared and submitted by UGPE three (3) months in advance of the mid-term review.
  - (b) Assess, during the mid-term review, *inter alia*: (i) the overall progress made during the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.
  - (c) No later than thirty (30) days after the completion of the mid-term review, start to implement the recommendations of the mid-term review as agreed with the Association.

**Section III. Procurement**

**A. General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least-Cost Selection; (b) Selection based on Consultants' Qualifications; and (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
Goods, Consultants' services, non-consulting services, Training and Operating Costs for the Project	3,700,000	100%
<b>TOTAL AMOUNT</b>	<b>3,700,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 740,000 may be made for payments made prior to this date but on or after April 1, 2016, for Eligible Expenditures.
2. The Closing Date is May 31, 2021.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing October 15, 2026, to and including April 15, 2036	1%
commencing October 15, 2036, to and including April 15, 2056	2%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Annual Work Plan and Budget” means the work plan and budget approved by the Association and adopted by the Recipient in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the written agreement of the Association.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “*Camara de Comercio de Sotavento*” means the chamber of commerce of Sotavento established and operating under the Recipient’s Law-Decree No. 57/05 dated October 23, 1995, Joint Decrees of the Ministries of Economic Coordination, Justice and Internal Administration, dated April 8, 1996, and September 20, 1996, as amended.
5. “*Cabo Verde Investimentos-Agência do Turismo e Investimentos de Cabo Verde* or “CI-ATIC” means the Recipient’s agency of tourism and investment established pursuant to Law-Decree No. 65 dated December 3, 2015, published in the Official Gazette Nr. 76 of December 3, 2015, as amended.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “Ministry of Tourism, Investment, and Business Development” means the Recipient’s ministry responsible for tourism, investment, and business development, or any successor thereto.
9. “MSME” means a micro-, small- or medium-sized enterprise established and operating under the laws of the Recipient.
10. “Operating Costs” means the incremental expenses incurred on account of Project implementation, based on Annual Work Plans and Budgets approved by the Association pursuant to Section I.C of Schedule 2 to this Agreement, including office equipment and supplies, vehicle operation and maintenance, communication

and insurance costs, office administration costs, utilities, travel and *per diem* related to supervision of the Project, excluding salaries of the Recipient's civil servants.

11. “*Plano de Ordenamento Turístico*” or “POT” means a tourism management plan for special tourism zones to be adopted pursuant to Law No. 75/VII/2010 dated August 23, 2010.
12. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
13. “Procurement Plan” means the Recipient's procurement plan for the Project, dated January 21, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
14. “Project Implementation Manual” means the manual satisfactory to the Association referred to in Section I.B of Schedule 2 to this Agreement, as may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules and annexes to the said manual.
15. “Project Steering Committee” means the steering committee referred to in Section I.A.2 of Schedule 2 to this Agreement.
16. “Safeguard Policies” means the Association's operational policies and procedures on safeguards set forth in the Association's operational manual published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual), and duly incorporated in the Project Implementation Manual.
17. “SESA Terms of Reference” means the terms of reference for consultancy, referred to in Section I.E.1 of Schedule 2 to this Agreement, covering the preparation of the Strategic Environmental and Social Assessment, approved by the Association, and disclosed on March 11, 2016, in the Recipient's territory, and on March 11, 2016, in the Association's InfoShop.
18. “Strategic Environmental and Social Assessment” or “SESA” means the strategic environmental and social assessment of the Recipient's tourism sector, to be prepared, adopted, and disclosed by the Recipient under the SESA Terms of Reference, and approved by the Association, describing, *inter alia*, analytical and participatory approaches that aim to integrate environmental and social considerations into policies, plans and programs and evaluate their inter linkages with economic considerations.

19. “Training” means the cost associated with training, workshops and study tours, based on Annual Work Plans and Budgets approved by the Association pursuant to Section I.C of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants’ services), including: (a) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.
20. “UGPE” or “*Unidade de Gestão de Projetos Especiais*” means the Recipient’s Unit for Implementation of Special Projects referred to in Section I.A.3 of Schedule 2 to this Agreement.