

INTEGRATED SAFEGUARDS DATA SHEET

APPRAISAL STAGE

Report No.: ISDSA12277

Date ISDS Prepared/Updated: 01-May-2015

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Cabo Verde	Project ID:	P146666
Project Name:	Competitiveness for Tourism Development (P146666)		
Task Team Leader(s):	Andres F. Garcia, Julian Casal, Penelope Demetra Fidas		
Estimated Appraisal Date:	27-Apr-2015	Estimated Board Date:	05-Jun-2015
Managing Unit:	GTCDR	Lending Instrument:	Investment Project Financing
Sector(s):	General industry and trade sector (50%), SME Finance (30%), General agriculture, fishing and forestry sector (20%)		
Theme(s):	Micro, Small and Medium Enterprise support (70%), Regulation and competition policy (30%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	14.10	Total Bank Financing:	10.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			4.10
International Development Association (IDA)			10.00
Total			14.10
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The project development objective is to attract investment in the tourism sector and promote growth in SMEs along the tourism value chain.

3. Project Description

The project addresses the goal of the Government of Cabo Verde to promote a new phase of inclusive growth of the economy, catalyzed by a competitive tourism sector. On one hand, this implies the attraction of large investments that bring employment, taxes, and growth to the economy at large. On the other hand, this must be complemented by efforts to help the lower rungs of the economic pyramid to access the income and opportunities for upward mobility that this growth can bring. Both of these implied actions are currently impeded, however, by the regulatory and institutional environment for the tourism sector, as well as internal constraints to firms in the tourism value chain.

The project addresses key constraints that inhibit the competitiveness of the tourism sector: (i) the current low capacity to proactively attract and retain FDI; (ii) the lack of coordination and strategic vision for the development of the sector; and (iii) the limited ability of local firms to participate in the tourism value chain. In doing so, the project will contribute to raising FDI by improving the capacity to proactively attract and retain investment (Component 1), strengthen the institutional framework for tourism management and diversification (Component 1), and increase the inclusiveness of tourism-led growth by strengthening the competitiveness of local SMEs (Component 2). The initiative will be implemented as a series of projects (SOP) consisting of two operations, beginning with the first phase (CTD-1) during the first four years, which is the subject of this ISDS, possibly followed by five-year second project (CDT-2).

Component 1: Strengthen the institutional framework to attract investment and manage the tourism sector (US\$3.0 million)

The objective of this component is to prepare the GoCV to better attract and retain FDI, and to support the establishment of a Tourism Institute to effectively carry-out the country's tourism diversification agenda. Cabo Verde has suffered a decline in FDI since 2008, when net inflows reached 12 percent of GDP. It decreased sharply in 2009 to 2010 to 7 percent, to 5 percent in 2011, 4 percent in 2012, and a mere 2 percent in 2013. The Government must be proactive in attracting, managing and retaining FDI, through both institutional and regulatory reforms.

Subcomponent 1.1: Improving the ability to attract tourism investment (US\$2.0 million)

This subcomponent will carry out a program of activities to support key institutions in attracting foreign direct investments, including: (a) establishing collaboration mechanisms for investment; (b) developing a comprehensive market intelligence study, a tourism mobilization strategy, a value proposition analysis, and an outreach strategic plan; (c) designing pre-packaged investment-ready proposals; (d) carrying out capacity building activities for investment promotion; (e) designing and implementing a shared investor tracking system; (f) conducting investment outreach campaigns; (g) carrying out feasibility and other studies on infrastructure; and (h) supporting legal and regulatory reforms to improve access to finance.

Firstly, this subcomponent will provide support to CVI and SDTIBM to build their capability to proactively attract, retain and expand FDI, mainly focused on hotel and resort investments. In order to increase the support effectiveness, CTD-1 will pilot the approach in selected islands (i.e. Boa Vista and/or Sao Vicente). The subcomponent activities will help to polish pre-packaged investment-ready proposals, while supporting CVI and SDTIBM in proactive investment outreach, facilitation, and aftercare. Key to this is the project's support to developing comprehensive market intelligence, a coherent mobilization/outreach strategy, establishing collaboration mechanisms between CVI, SDTIBM, MTIBD, MFP, the Tourism Chamber, and other stakeholders. The project will also leverage IFC's interest to invest in the tourism sector.

Secondly, the subcomponent will finance a series of studies to identify small and medium-sized infrastructure that can unlock FDI in Cabo Verde. The project will initially finance feasibility studies, which will be conducted in a manner that reflect the principles of the Bank safeguards, taking into account relevant environmental and social issues. Thereafter, for investments that are deemed feasible and identified as priority by the government, the project will finance detailed technical designs and other studies for the eventual investments (whether or not those are funded by the Bank under a possible CTD-2 project). The studies will be implemented in cooperation with the National Investment System (NIS), currently supported by an IDF grant. The studies and the NIS will help define, analyze and prioritize the infrastructure portfolio. The MTIBD and MIME have prioritized studies on the urban plans of Sal Rei and Santa Maria, as well as upgrading roads in the southern part of Boa Vista, which might be considered for under the project provided that they meet eligibility criteria.

Thirdly, the project will support reforms to improve access to finance. Activities under this subcomponent are aimed at implementing the recently produced Cabo Verde: Strategy for Increasing Access to Finance for Micro, Small and Medium Enterprises, facilitated by the Finance and Markets Global Practice. Financial infrastructure to facilitate the extension of credit to MSMEs in Cabo Verde identified in the strategy includes (i) establishing a movable collateral registry for secured transactions (ii) building a functioning credit information bureau to complement the public credit registry, (iii) implementing a modern insolvency framework. The Government has prioritized the drafting and implementation of a new framework for insolvency, under the coordination of ADEL. Such a framework would provide for the resolution of business insolvency cases to liquidate unviable firms, while reorganizing viable firms. Having such a legal framework in place, along with its practical and institutional application, is expected to contribute to increased access to finance, particularly for SMEs. The prioritized activities include support to: (a) update the legislative framework to be aligned with the new draft insolvency law and draft implementing regulations; (b) conduct training and outreach on the new insolvency framework for all stakeholders; (c) support to Camara de Comercio de Sotavento to establish their arbitration and mediation center; (d) create a pilot committee with technical experts to lead the public-private dialogue (PPD) on the insolvency implementation; and (e) publicity, outreach, and communications for the new insolvency framework. The project will further support the GoCV to identify and implement additional reforms, such as a feasibility assessment for the introduction of a movable collateral registry and improvements to existing credit information systems in order to improve the business environment to release bottlenecks that would increase access to finance.

Subcomponent 1.2 Strengthening the institutional framework for tourism management and diversification (US\$1.0 million)

This subcomponent will carry out a program of activities to strengthen the institutional framework for tourism management and diversification, including: (a) drafting the institutional framework and action plan for a new tourism institute; (b) advising on the implementation of the action plan for a new tourism institute; (c) establishing an advisory council for the Recipient's Tourism Institute; (d) designing and implementing of a tourism market observatory; and (e) designing a strategic environmental and social assessment for the tourism value chain.

Following a World Bank funded South-South Knowledge Exchange (SSKE) with Seychelles, MTIBD committed to improving its institutional set up to support the tourism sector. One of the main goals is to plan the tourism sector growth—that is, to consolidate existing destinations (e.g., Sal and Boa Vista) and create a strategy for new destinations within the country. The Tourism Institute

will be established with government resources raised by the tourism tax. The role of the Tourism Institute will be instrumental in guiding the sector towards greater diversification and competitiveness. Therefore, this subcomponent will provide MTIBD and its Tourism Institute with strategic technical support. First, it will facilitate assistance in the drafting of the Tourism Institute's Institutional Framework and Action Plan. This should detail the structure of the institution, its specific roles and responsibilities, including those that relate to environmental protection and risk mitigation, and therefore, the project will support the preparation of a Strategic Environmental and Social Assessment (SESA) for the tourism value chain, identifying the environmental and social elements to be mainstreamed in sectoral policies and strategies, as a means to promote sustainable, and inclusive sectoral growth. Key Performance Indicators (KPIs) should be formulated so as to enhance Tourism Institute's performance and accountability.

Once staff have been hired, a full-time expert will be embedded within the Tourism Institute to support action plan implementation while building capacity of Tourism Institute staff. Additionally, an Advisory Council will provide the Tourism Institute with guidance on strategic issues. The council will convene twice per year and consist of current or former executives of highly successful NTOs/NTAs. Also, assistance will be provided for the creation of a new tourism market observatory that will enable the Tourism Institute to regularly track key market trends. The observatory will be initiated through a foundational market research study that provides in-depth data on relevant niche segments, in the process helping the Tourism Institute prioritize target markets. The tourism market observatory will also be fed by intelligence gathered through biannual visitor surveys conducted by the National Statistics Institute (INE). The survey will also allow for monitoring and evaluation of the project. Technical assistance for specific marketing and statistics collection initiatives may also be provided.

In order to oversee and coordinate the efforts of the Tourism Institute and other agencies involved in the management and attraction of investment to the tourism sector, the MTIBD will receive consultancy support. At the moment, all units within the ministry report directly to the Minister, so there is a need for an intermediate responsible body that can oversee the technical aspects of these units, along with an advisor on overall strategy for the ministry.

Component 2: Increasing the inclusiveness of tourism growth by strengthening the competitiveness of SMEs (US\$6.0 million)

The objective of this component is to increase the competitiveness of SMEs to benefit from tourism growth. The component will support both sides of the value chain through a small accommodation quality label, as well as a matching grant facility. The quality label aims to increase occupancy rates through the design and implementation of a quality label that will be easily recognizable by tourists, thereby increasing their interest and willingness to stay in small, locally-run accommodations. The matching grant facility further supports SMEs to enter the overall tourism value chain, both as suppliers to resorts and as retailers and service-providers directly to tourists.

Subcomponent 2.1: Designing and implementing a quality label for small accommodation establishments (US\$1.0 million)

This subcomponent will design and implement a quality label for small accommodation establishments. While the Government wishes to diversify the accommodation supply for tourists, the current quality of small accommodation establishments is uneven. International best practice indicates that quality labels can be an effective means of improving service standards of small accommodations. This should result in increased revenues for business owners. A well-designed quality label program would also help position Cabo Verde as a multi-faceted destination; encourage

more environmentally-sustainable practices; promote the inclusion of women in this sector, as they are more likely to own and manage small establishments (compared to resorts); and promote collaboration among small accommodations owners.

The development and implementation of the quality label in Cabo Verde will be led by MTIBD's Institute of Quality Management and Intellectual Property (IGQPI) in collaboration with the Tourism Institute and the Chamber of Tourism. The program will target accommodations establishments on all nine inhabited islands, both in urban and rural areas. The component will involve the following: (i) adapting service and facilities standards to the Cabo Verde context; (ii) providing extensive training and technical assistance to participants; and (iii) promoting the label (and its adherents) through the Tourism Institute's destination marketing activities.

Subcomponent 2.2: Improving the competitiveness of SMEs (US\$5.0 million)

This subcomponent will improve the competitiveness of SMEs through Subprojects, including: (a) providing support to Beneficiaries in preparing proposals for Subprojects; and (b) providing Matching Grants to Beneficiaries for carrying out of Subprojects. The support to SMEs will be done through a matching grant facility that provides direct support to eligible companies, with a concerted effort to include women-led firms. The matching grant facility (Fundo de Crescimento e Competitividade, FCC) has been in implementation since 2003 and was supported by the recently concluded SME Capacity Building and Economic Governance Project, where firms supported by the FCC recorded increases in revenues of over 30 percent.

Eligible uses of funds include the purchase of services such as business development services, training, and small goods. Moreover, funds can be used to finance training and activities that bring enterprises or groups of enterprises to international standards, such as those sponsored by the International Standards Organization, or those needed to meet the requirements of the quality label for small establishments under subcomponent 2.1, for example. An adequate selection of beneficiaries is key for the FCC to become successful. Therefore, the management of the FCC will be assisted by a private sector firm (FCC Facilitator) with the necessary experience to proactively work to create the linkages between potential beneficiaries and the tourism value chain, facilitate the preparation of business plans, carry out the necessary appraisals, and monitor plan implementation. The FCC Facilitator will report to an Investment Committee that will include participation from MTIBD and the chambers of commerce.

CTD-2: The implementation of the quality label and FCC will continue under CTD-2, reflecting the lessons learned during Phase I.

Component 3: Project implementation (US\$1.0 million)

This component will strengthen the capacity of UGPE for Project management, coordination, monitoring and evaluation, including fiduciary (i.e. financial and procurement management), environmental, and social safeguard compliance, and reporting.

The component will also provide of technical assistance to the Chambers of Commerce to facilitate the selection and implementation of the Subprojects under Part B.2 of the Project (Subcomponent 2.2).

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

One of the main goals of MTIBD is to plan the tourism sector growth—that is, to consolidate

existing destinations (e.g., Sal and Boa Vista) and create a strategy for new destinations within the country. The MTIBD and MIME have prioritized feasibility and other studies on the urban plans of Sal Rei and Santa Maria, as well as upgrading roads in the southern part of Boa Vista, which might be considered under the project provided that they meet eligibility criteria. However, the project is nationwide, and no specific investment sites are known.

5. Environmental and Social Safeguards Specialists

Luciano Campelo Bornholdt (GSURR)

Maman-Sani Issa (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project triggers OP/BP 4.01 because of the feasibility studies under subcomponent 1.1 and the SMEs' activities supported through the FCC (a matching grant facility) of subcomponent 2.2. The environmental impacts of these activities are expected to be site specific and not unprecedented. 1 and the project is classified category B. The project uses a negative list and any activities that could be categorized as "A" will be ineligible. The implementation sites of eligible sub-projects are not known. Therefore, an Environmental and Social Management Framework (ESMF) and draft feasibility study TORs have been prepared, consulted upon, and disclosed in country and at the World Bank's Infoshop. In addition, the project will finance the preparation, approval and dissemination of the Tourism sector Strategic Environmental and Social Assessment (SESA) to contribute fostering sustainable tourism and inclusive green growth in the country.
Natural Habitats OP/BP 4.04	No	The project will not finance any activity that threatens natural habitats.
Forests OP/BP 4.36	No	The project will not finance activities related to forest exploitation, harvesting, or direct or indirect forest degradation.
Pest Management OP 4.09	No	The project will not finance acquisition, transport, storage and/or use pesticides and chemicals.
Physical Cultural Resources OP/BP 4.11	Yes	The project will finance SME activities through the FCC as well as a series of studies to identify small and medium-sized infrastructure, which when implemented, could have impacts on physical cultural resources. Feasibility studies will only be done for infrastructure investments that are aligned with the safeguard policies triggered in this project and not for investments classified as category A. In the case of feasibility studies, the TOR for the studies will seek to ensure that relevant issues are taken into account. Furthermore any ESIA/EMPs that prepared under the ESMF will have to include chance find

		procedures.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people in the project areas.
Involuntary Resettlement OP/BP 4.12	Yes	The project will finance SME activities through the FCC; however, any activities that may involve taking of land is ineligible for funding from FCC. Furthermore, the project will finance a series of studies to identify small and medium-sized infrastructure, which when implemented could require involuntary resettlement. Feasibility studies will only be done for infrastructure that are aligned with the safeguard policies triggered in this project and not for investments classified as category A. In the case of feasibility studies, the TOR for the studies will ensure that relevant social issues are taken into account in conducting the studies in a manner that reflects the principles of Bank safeguards. If the feasibility studies identify feasible investments, then the detailed technical designs will prepare a resettlement action plan in accordance with the Resettlement Policy Framework that has been prepared and disclosed.
Safety of Dams OP/BP 4.37	No	The project will not finance construction or rehabilitation of dam or activities associated to existing dam.
Projects on International Waterways OP/BP 7.50	No	The project will not finance activities that will affect with international watercourses; either in terms of water uptake or discharge of pollutants.
Projects in Disputed Areas OP/BP 7.60	No	The project intervention areas are not under dispute.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
The project is category B with no expected sensitive diverse or unprecedented negative environmental and social impact. Conversely, SMEs' initiatives supported under component 2 will contribute to job creation, integrate sustainability in the tourism value chain and promote environmental labeling in the tourism sector. The overall environmental and social impact is expected to be positive.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
Not applicable.
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not applicable.
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an

<p>assessment of borrower capacity to plan and implement the measures described.</p>
<p>The project has been classified category B due to the expected low to moderate magnitude of the potential negative environmental and social impacts associated to the activities supported through the matching grant fund (the FCC) in subcomponent 2.2 and the feasibility studies and technical designs supported under subcomponent 1.1. The project triggers OP/BP 4.01 on Environmental Assessment, OP/BP 4.11 on Physical Cultural Resources and OP/BP 4.12 on Involuntary Resettlement. An Environmental and Social Management Framework (ESMF) including draft TORs for a feasibility study, and a Resettlement Policy Framework (RPF) have been prepared, consulted upon on April 2nd, 2015, and disclosed in-country on April 24th, 2015 and at the Bank Infoshop on April 29th, 2015, to guide the identification and management of potential environmental and social impacts.</p> <p>Under subcomponent 1.1, the project will not finance any actual infrastructure work, but only studies to identify future works that would offer the best return and the lowest impact. As indicated in the ESMF, feasibility studies financed under subcomponent 1.1 will only be done for infrastructure investments that are aligned with the safeguard policies triggered in CTD-1 and not for investments classified as category A. In the case of feasibility studies, the TOR for the studies will ensure that relevant environmental and social issues are taken into account in conducting the studies in a manner that reflects the principles of Bank safeguards. These TOR will require No Objection from the World Bank. Furthermore, the ESMF and RPF that have been prepared for the project will guide the preparation of RAPs and EISAs as may be needed.</p> <p>In the case of subcomponent 2.2, the ESMF provides a set of criteria which serve as an ‘‘exclusion list’’ that aims at filtering the SMEs proposals prior their processing through the screening procedure. Activities that require involuntary resettlement will be ineligible. The screening procedure and tools include: (i) categorization of the sub-project; (ii) environmental work (ESIA, stand-alone ESMP, simple mitigation measures) and permit issuance; (iii) integration of mitigation measures and clauses in sub-project design and implementation; (iv) monitoring and evaluation of compliance. This due diligence will be under the responsibility of the FCC Facilitator, with the technical support of a part – time environmental and social safeguard specialist, and the business advisors. All the stakeholders will benefit from capacity building activities (training, mentoring) to help them adequately carry out their due diligence with regards to the safeguards implementation.</p> <p>Further, the project (CTD1) will finance the preparation and adoption of a Strategic Environmental and Social Assessment (SESA) of the tourism sector to help (i) the mainstreaming of green growth and sustainability objectives and in the sector, thereby promoting sustainable tourism in the country, and (ii) inform further environmental and social assessments of specific investments in the sector.</p> <p>The country has a comprehensive institutional and regulatory framework to sustain acceptable implementation of the project safeguard documents. The DGA is fairly familiar with the Bank safeguard policies requirements. However, the project will provide training and technical support to the coordination unit and the key players of this domain.</p>
<p>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</p>
<p>Apart from municipalities and local communities, which will host the SMEs’ investments, the other stakeholders include the General Directorate of Environment (GDE), General Directorate of Tourism (GDT), General Directorate of Industry and Commerce (GDIC), SpecialProjects</p>

Management Unit (UGPE), Cabo Verde Investments (CVI), Institute for the Management of Quality and Intellectual Property (IMQIP), Chamber of Commerce, Industry and Services of Sotavento Islands (CCISSI), Agency for Corporate Development and Innovation (ACDI), Tour Operators, private sector, extended service providers in the tourism industry. Consultations were held on the ESMF report on April 2, 2015, and on the RPF on April 24, 2015.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	24-Apr-2015
Date of submission to InfoShop	29-Apr-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	00000000
"In country" Disclosure	
Cabo Verde	24-Apr-2015
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	24-Apr-2015
Date of submission to InfoShop	29-Apr-2015
"In country" Disclosure	
Cabo Verde	24-Apr-2015
<i>Comments:</i>	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment			
Does the project require a stand-alone EA (including EMP) report?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]	NA [<input type="checkbox"/>]
OP/BP 4.11 - Physical Cultural Resources			
Does the EA include adequate measures related to cultural property?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input checked="" type="checkbox"/>]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement			
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information			

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader(s):	Name: Andres F. Garcia, Julian Casal, Penelope Demetra Fidas	
<i>Approved By</i>		
Safeguards Advisor:	Name: Johanna van Tilburg (SA)	Date: 01-May-2015
Practice Manager/ Manager:	Name: John F. Speakman (PMGR)	Date: 01-May-2015