

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC14735

Date ISDS Prepared/Updated: 30-Apr-2015

Date ISDS Approved/Disclosed: 06-Apr-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Cabo Verde	Project ID:	P146666
Project Name:	Competitiveness for Tourism Development (P146666)		
Task Team Leader(s):	Penelope Demetra Fidas, Julian Casal, Kofi-Boateng Agyen		
Estimated Appraisal Date:	27-Apr-2015	Estimated Board Date:	10-May-2016
Managing Unit:	GTC07	Lending Instrument:	Investment Project Financing
Sector(s):	General industry and trade sector (75%), SME Finance (25%)		
Theme(s):	Micro, Small and Medium Enterprise support (50%), Regulation and competition policy (50%)		
Financing (In USD Million)			
Total Project Cost:	5.00	Total Bank Financing:	5.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			5.00
Total			5.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

14. The development objective of the proposed project is to increase private investment and the competitiveness of the private sector. This will be achieved by (i) strengthening the institutional capacity and regulatory framework to increase private investment; (ii) supporting the establishment of a National Tourism Organization to diversify and improve the quality of the tourism product; and (iii) strengthen the capacity of entrepreneurs to implement business ideas and generate employment.

C. Project Description

The Competitiveness for Investment and Innovation Project concept has been informed by the findings of the “Addressing the Challenges of a Middle-Income Small State” Country Economic Memorandum (World Bank, 2013); the “Tourism Development in Cabo Verde: Is it Time to Abandon the All-Inclusive Model?” study (World Bank, 2013); the “Establishing a Tourism Ministry, Board, or Institute? Selecting an Institutional Arrangement to Promote Tourism Growth in Cabo Verde” Technical Assistance (World Bank, 2014); the ongoing “Financial Sector Development Strategy” Technical Assistance (World Bank, 2014); and lessons from the SME & Economic Governance Project. As part of the preparation of the Project, the Bank facilitated a South-South-Knowledge Learning Exchange between the governments of Cabo Verde and the Seychelles focusing on the reforms needed to properly support the tourism sector and diversify the tourism product.

The project’s focus on facilitating increased foreign direct investment and improving the competitiveness of Cabo Verde is well aligned with the government’s agenda of fostering the private sector, investment and productivity growth. The sectoral focus on tourism, agribusiness, and maritime economy is also aligned with the prioritization of clusters in the GPRSP III, which promotes a private sector-driven approach to implement the clusters.

The project intends to support selective, targeted, and integrated interventions to improve the business environment, strengthen the capacity of both public sector institutions and the domestic private sector, and create a culture of entrepreneurship. The proposed project will include the following four components with preliminary estimates of allocations: (1) Strengthening the Institutional and Enabling Environment to Invest and Compete (US\$ 3m); (2) Improving the Competitiveness of the Tourism Sector (US\$ 5m); (3) Investment Marketplace for Innovation and Entrepreneurship (US\$10m); and (4) Project Coordination, Monitoring and Evaluation (US\$2m).

COMPONENT 1. Strengthening the Institutional and Enabling Environment to Invest and Compete
The objective of this component is to implement investment climate reforms that can reduce bottlenecks and facilitate investment, and improve the capacity of the investment promotion agencies to bring a new surge of Foreign Direct Investment (FDI). This will include: (i) the implementation of targeted reforms that will reduce the time and cost of doing business; (ii) the provision of technical assistance to strengthen the institutional capacity of the investment promotion agencies (Cabo Verde Investments and the Society for the Integrated Development of Boa Vista and Maio) to attract, manage, and deliver FDI transactions; and (iii) the provision of technical assistance to strengthen the institutional capacity of selected embassies for the formation of trade and investment promotion sections. Given the plethora of regulatory reforms required, the project support for business environment reforms will need to be selective, pragmatic, readily implementable, sequenced and based on a business environment assessment that will be carried out during project preparation in close coordination with UCRE (State Reform Coordination Unit).

COMPONENT 2. Improving the Competitiveness of the Tourism Sector
The objective of this component is to strengthen the capacity of the new National Tourism Organization and support the diversification of the tourism product. This will include: (i) the creation of an advisory council comprised of international tourism experts that can provide ongoing guidance to the NTO and identify areas in need of technical assistance; (ii) the creation of a quality label program for small accommodations establishments to help Cabo Verde position itself beyond the all-inclusive market; (iii) institutionalization of public-private dialogue; and (iv) the creation and implementation of a tourism strategy with a strong focus on promoting the segments covered by the quality label program, including revamping the country’s website, development of mobile apps, and

the sponsoring of marketing/PR representation in two to three strategic source markets so as to build awareness of the destination. A detailed assessment of the criteria, cost, and benefits of the quality label program will be carried out during project preparation.

COMPONENT 3. Investment Marketplace for Innovation and Entrepreneurship

The objective of this component is to improve the capacity of the private sector to prepare bankable business plans and to facilitate financing from external investors and diaspora. This will include: (i) technical assistance for entrepreneurs to refine business plans for start-ups and expansion of ongoing businesses; (ii) the creation of an online marketplace where entrepreneurs can post their refined ideas and be found by potential business partners (i.e. diaspora); (iii) competitive financing of innovative business plans (including events) in the three priority clusters (tourism, agribusiness, and maritime economy); and (iv) a reality television show to promote business ideas found in the online marketplace and create a demonstration effect that showcases that entrepreneurship as a viable option in Cabo Verde.

The component will be implemented through annual Business Plan Competitions (BPCs) during which entrepreneurs will receive technical assistance to refine their business plans, and compete for grant financing to implement innovative ideas. The business ideas will be posted on the online marketplace and promoted through road shows in countries with large diaspora populations and potential foreign investors. Winners of the BPCs will receive ongoing support, and gazelle enterprises will be recognized in the online marketplace and become eligible for further funding support. The additional funding support will match any external investor's funds (up to a certain limit). In order to promote transactions and create a demonstration effect, the project will support the production of a reality television show (such as "Shark Thank", "Dragon's Den", and "The Apprentice") where owners of gazelle enterprises would pass through challenges and compete for financing in front of a panel of local and foreign investors.

The eligibility criteria, size of financing, eligible expenditures to be financed, procurement and disbursement procedures will be determined prior to project approval based on a demand-supply assessment and drawing lessons from similar initiatives such as the Dell Challenge, Startup Chile, Chile Global, Philippines' Business Advisory Circle, Colombia's Pro Micro, Lebanese Business Network, and other Bank competitions. Any activities that could be categorized as "B" will be ineligible.

COMPONENT 4. Project Coordination, Monitoring, and Evaluation

A small project coordination unit will be established in MTIBD to coordinate the implementation of project activities, fiduciary management, monitoring and evaluation and reporting. Monitoring and evaluation will include the implementation of annual visitor expenditure surveys through the National Institute of Statistics (INE). These surveys, conducted with tourists upon departure from the country's various international airports, capture invaluable information in terms of average spend (broken down by types of expenditures), average length of stay, reason for visit, source of information about the country, activities undertaken, level of satisfaction, etc.

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

The project is nationwide, and no specific investment sites are known.

E. Borrowers Institutional Capacity for Safeguard Policies

The Ministry of Environment is responsible for the enforcement of the environment assessment

legislation (law 29/2006) and procedures, through the DGA. Because of the country's geography (several isles and islands) and lack of resources, DGA is unable to carry out proper oversight of the implementation of the environmental and social management plans (ESMP). But, the Ministry of Tourism, Investment, and Business Development has experience in implementing World Bank projects, including the current Recovery and Reform of the Electricity Sector Project. However, to ensure that the safeguard instruments of the proposed project be implemented efficiently, specific capacity support measures will be identified and financed.

F. Environmental and Social Safeguards Specialists on the Team

Cheikh A. T. Sagna (GSU01)

Maman-Sani Issa (OPSPF)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project will finance activities such as expansion of ongoing business, financing of business plan in three sectors (tourism, agribusiness and maritime economy) and potential infrastructure investments (likely upgrade of roads and/or water/sanitation) that hold also potential direct and indirect adverse impacts though of moderate to low magnitude. Therefore the project is classified B. Because, the investments will be identified during implementation, the borrower will prepare frameworks (ESMF, RPF and PMP) which will be approved and disclosed in-country and at the Bank Infoshop prior appraisal. Because of the mechanism of funding (grants, competition and criteria) and that the activities will be implemented by third parties (awarded enterprises), the ESMF will include both an exclusion and inclusion lists which will serve to inform the criterion "eligible expenditure" as mentioned under component 3.
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, direct or indirect forest degradation, and increase of access to forests.
Pest Management OP 4.09	Yes	Fostering agricultural productivity is likely to induce increase of agricultural chemical (fertilizers, pesticides) consumption. Also, eligible innovative business plans of the agribusiness sector may comprise purchase, transport, storage and use of chemical inputs. The borrower will prepare a Pest Management Plan (PMP), approve and disclose it in-country. The PMP will be disclosed at the Bank

		Infoshop along with the ESMF and the RPF before the project appraisal.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is triggered because of the nature of civil works related to road and water/sanitation infrastructures upgrading. To prevent involuntary destruction of cultural wealth during works, exploitation of quarry and sand pits, a chance find procedure will be detailed as part of the ESMP and inserted in enterprise contracts.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people in the project areas.
Involuntary Resettlement OP/BP 4.12	Yes	Mostly the project activities are not expected to induce temporary displacement of socio-economic activities, physical displacement of human settlement or loss of productive land. However, if road and sanitation infrastructures have to be upgraded/rehabilitated, physical and economic displacement may occur. Therefore, an Resettlement Policy Framework (RPF) will be prepared, consulted upon, approved and disclosed in-country and at Bank Infoshop prior appraisal. This instrument will set forth guidelines for the preparation, approval and execution of Resettlement Action Plan (RAP) for eligible case that arise in the course of implementation.
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 interfere 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.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 29-May-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed.
The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

First quarter of 2015

IV. APPROVALS

Task Team Leader(s):	Name: Penelope Demetra Fidas, Julian Casal, Kofi-Boateng Agyen	
Approved By:		
Regional Safeguards Advisor:	Name: Johanna van Tilburg (RSA)	Date: 30-Apr-2015

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

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Practice Manager/ Manager:	Name: Jean Michel Noel Marchat (PMGR)	Date: 06-Apr-2016
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