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Report No: PAD5556

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF (SDR 22.6) MILLION  
(US\$ 30.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF CABO VERDE

FOR THE

RESILIENT TOURISM AND BLUE ECONOMY DEVELOPMENT PROJECT  
April 9, 2024

Finance, Competitiveness and Innovation Global Practice  
Western and Central Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective {February 29, 2024})

Currency Unit = Cabo Verde  
Escudos (CVE)

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CVE 102,26 = US\$1

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US\$ 1 = SDR 0.75326

## FISCAL YEAR

January 1 - December 31

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Country Director: Keiko Miwa

Regional Director: Abebe Adugna Dadi

Practice Manager: Douglas Pearce

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## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AM	Accountability Mechanism
CCAP	Climate Change Action Plan
CCDR	Country Climate Development Report
CERC	Contingent Emergency Response Component
CPF	Country Partnership Framework
ERR	Economic Rate of Return
ESCP	Environmental and Social Commitment Plan
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standards
FM	Financial Management
GBV	Gender-Based Violence
GRID	Green, Resilient, and Inclusive Development
GoCV	Government of Cabo Verde
GM	Grievance Mechanism
GRS	Grievance Redress Service
IDA	International Development Association
IFPRI	International Food Policy Research Institute
INE	National Statistics Office ( <i>Instituto Nacional de Estatística</i> )
IPC	National Heritage Institute ( <i>Instituto do Património Cultural</i> )
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
NDC	Nationally Determined Contribution
NPV	Net Present Value
PDO	Project Development Objective
PEDS	National Strategy for Sustainable Development
PNIEB	National Investment Plan for the Blue Economy ( <i>Plano Nacional de Investimentos para a Economia Azul</i> )
POM	Project Operational Manual
POT	National Tourism Operational Plan ( <i>Plano Operacional do Turismo</i> )
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
PTC	Project Technical Committee
RETF	Recipient-Executed Trust Fund
RTBED	Resilient Tourism and Blue Economy Development in Cabo Verde Project
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SDR	Special Drawing Right
SH	Sexual Harassment
SIDS	Small Island Development State
SMEs	Small and Medium-sized Enterprises
SOE	State-Owned Enterprise
SORT	Systematic Operations Risk-rating Tool

TOR	Terms of Reference
UGPE	Unit for the Management of Special Projects ( <i>Unidade de Gestão de Projetos Especiais</i> )

**Cabo Verde**

**Cabo Verde Resilient Tourism and Blue Economy Development Second AF**

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**BASIC INFORMATION – PARENT (Resilient Tourism and Blue Economy Development in Cabo Verde Project - P176981)**

Country	Product Line	Team Leader(s)		
Cabo Verde	IBRD/IDA	Michael Olavi Engman		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P176981	Investment Project Financing	EAWF1 (9277)	AWCF1 (6550)	Finance, Competitiveness and Innovation

Implementing Agency: Ministry of Culture and Creative Industries and Ministry of the Sea, Ministry of Finance and Business Development, Ministry of Infrastructure, Territorial Planning and Housing, Ministry of Tourism and Transports

Is this a regionally tagged project?			
No			
Bank/IFC Collaboration	Joint Level		
Yes	Complementary or Interdependent project requiring active coordination		
Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
31-May-2022	30-Jun-2027		Substantial

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input checked="" 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 checked="" 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



[ ] Alternate Procurement Arrangements (APA)

[ ] Hands-on Expanded Implementation Support (HEIS)

**Development Objective(s)**

To increase diversity and resiliency in the tourism offering and small and medium enterprise (SME) participation in tourism-related value chains in targeted destinations.

**Ratings (from Parent ISR)**

	Implementation		Latest ISR
	11-Oct-2022	04-May-2023	01-Nov-2023
Progress towards achievement of PDO	S	S	S
Overall Implementation Progress (IP)	S	S	S
Overall ESS Performance	MS	MS	MS
Overall Risk	M	M	M
Financial Management	MS	MS	S
Project Management	S	S	S
Procurement	S	MS	MS
Monitoring and Evaluation	S	S	S

**BASIC INFORMATION – ADDITIONAL FINANCING (Cabo Verde Resilient Tourism and Blue Economy Development Second AF - P181369)**

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P181369	Cabo Verde Resilient Tourism and Blue Economy Development Second AF	Scale Up	No
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	30-Apr-2024	



Projected Date of Full Disbursement 30-Oct-2028	Bank/IFC Collaboration Yes	Joint Level Complementary or Interdependent project requiring active coordination	
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 Expanded Implementation Support (HEIS)
<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)	

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				%
IDA	40.00	12.35	26.73	32 %
Grants	5.00	0.32	4.68	6.4 %

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Cabo Verde Resilient Tourism and Blue Economy Development Second AF - P181369)**

**FINANCING DATA (US\$, Millions)**

**SUMMARY (Total Financing)**





	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	45.00	30.00	75.00
<b>Total Financing</b>	45.00	30.00	75.00
<b>of which IBRD/IDA</b>	40.00	30.00	70.00
<b>Financing Gap</b>	0.00	0.00	0.00

**DETAILS - Additional Financing**

**World Bank Group Financing**

International Development Association (IDA)	30.00
IDA Credit	30.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
<b>Cabo Verde</b>	30.00	0.00	0.00	0.00	30.00
National Performance-Based Allocations (PBA)	30.00	0.00	0.00	0.00	30.00
<b>Total</b>	<b>30.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>30.00</b>

**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



**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Finance, Competitiveness and Innovation

**Contributing Practice Areas**

Environment, Natural Resources & the Blue Economy

**Climate Change and Disaster Screening**

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

**PROJECT TEAM****Bank Staff**

<b>Name</b>	<b>Role</b>	<b>Specialization</b>	<b>Unit</b>
Michael Olavi Engman	Team Leader (ADM Responsible)	Private Sector Development	EAWF1
Cristina Navarrete Moreno	Team Leader	Private Sector Development	EAWF1
Veruschka Schmidt	Team Leader	Blue Economy	SAWE1
Ndeye Fatou Mbacke	Procurement Specialist (ADM Responsible)	Procurement	EAWP1
Laurent Mehdi Brito	Procurement Specialist	Procurement	EAWP1
Seynabou Sarr	Financial Management Specialist (ADM Responsible)	Financial Management	EAWG1
Fatou Mbacke Dieng	Financial Management Specialist	Financial Management	EAWG1
Abdelaziz Lagnaoui	Environmental Specialist (ADM Responsible)		SAWE1
Kristyna Bishop	Social Specialist (ADM Responsible)		SAWS4
Adama Diop	Team Member	Financial Officer	WFACS
Anta Tall Diallo	Procurement Team	Procurement	AWCF1
Antonio Manuel Baptista	Team Member	Private Sector Development	EAWF1
Bradley Lawrence Weiss	Team Member	Tourism	EAWF1
Diana Cristina Tello Medina	Team Member	Urban Development	SAEU2
Edouard Al-Dahdah	Team Member	Advisor	EAWDR
Fabienne Anne Claire Prost	Environmental Specialist	Safeguards	SAWE1
Ganna Musakova	Team Member	Operations	EAWF1
Isabella Micali Drossos	Counsel		LEGAM
Issiaka Traore	Team Member	Finance	WFACS
Jandira Monteiro Dos Santos	Team Member	Team Support	AWMCV
Louise D Twining-Ward	Team Member	Tourism	ETIMT
Mahamadou Ahmadou Maiga	Social Specialist		SAWS4



Mame Safietou Djamil Gueye	Social Specialist	Safeguards	SAWS4
Mazen Bouri	Team Member	Financial Sector	EAWF1
Nikolai Alexei Sviedryz Wittich	Procurement Team	STEP	EAWP2
Philippe Neves	Team Member	Transport	IAWT4
Roselyne CH Massanvi Akibode Mabudu	Team Member		AWCF1
<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>



## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

1. The Cabo Verde Resilient Tourism and Blue Economy Development Project (RTBED, P176981), hereafter referred to as the Parent Project, became effective on June 30, 2022, with an original Credit (No. 7126-CV) of SDR 21.8 million (equivalent to US\$30 million) and a PROBLUE Recipient-Executed Trust Fund (RETF, No. TF0B8414) of US\$5.0 million. The project is scheduled to close on June 30, 2027. On May 9, 2023, a first Additional Financing (AF) Credit (No. 72720-CV) of US\$10 million became effective to address a funding gap for the Espargos-Santa Maria Road project in Sal Island. This brought the total IDA Credit for the project to US\$40 million.

2. The Parent Project supports the national vision expressed in the National Strategy for Sustainable Development (*Plano Estratégico de Desenvolvimento Sustentável/PEDS II*, in effect from 2022 to 2026) to leverage sustainable economic growth and diversification within and beyond the anchor sector of tourism and the broader blue economy. In particular, the Parent Project draws on the sectoral strategies of the Government of Cabo Verde (GoCV)—the Tourism Operational Program (*Plano Operacional do Turismo /POT*) and the National Investment Plan for the Blue Economy (*Plano Nacional de Investimentos para a Economia Azul Cabo Verde/PNIEB*)—to promote sustainable tourism and conservation of natural resources with benefit to local communities (see Box 1 for a definition of the ‘Blue Economy’). Through a series of integrated and cross-sectoral project interventions in three priority geographical areas (Santiago Island, the northern Islands of São Vicente and Santo Antão, and Sal Island), the project seeks to catalyze tourism flows across more islands and market segments beyond the current core all-inclusive offering on Sal and Boa Vista Islands, while enabling greater participation of local communities and SMEs in tourism and other ocean economy-related value chains such as fisheries.

### Box 1. The Blue Economy Approach

“The Blue Economy approach is defined as the sustainable use of ocean resources for economic growth, improved livelihoods, and job creation while preserving the health of ocean ecosystems. Specifically, the Blue Economy requires that the development of individual oceanic sectors be pursued in an integrated fashion, and with a view to managing their impacts on ocean health. The Blue Economy aims to align economic development opportunities with ocean health to foster low-carbon, resource-efficient growth that creates jobs and reduces poverty. It recognizes the triple bottom-line objectives of financial, social, and environmental sustainability. This challenge is made even greater by the fact that, contrary to land-based activities, oceanic sectors operate mostly in a public goods setting, where user rights and property rights are not clearly defined, which leads to many instances of the Tragedy of the Commons.”

*World Bank (2021), Riding the Blue Wave: Applying the Blue Economy Approach to World Bank Operations. Washington, D.C.: World Bank*

3. The Parent Project is aligned with the World Bank’s Country Partnership Framework (CPF) 2020–25 for Cabo Verde (report number 127164) Objective 4 on improving the foundations for private sector growth. In addition, the Parent Project is consistent with the World Bank’s Green, Resilient, and Inclusive Development (GRID) framework. In line with GRID, this project simultaneously addresses the challenges of urban poverty and climate change through targeted resilient investments in sustainable urban environments toward increasing the quality of life of the most vulnerable urban residents.

4. The Parent Project Development Objective (PDO) is to increase diversity and resiliency in the tourism offering and SME participation in tourism-related value chains in targeted destinations. The project includes the following four components:



- a) Component 1 (US\$31.58 million equivalent): Development of integrated and resilient tourism and blue economy infrastructure.
- b) Component 2 (US\$12.64 million equivalent, of which US\$5 million PROBLUE RETF): Enhancement of inclusive and sustainable management of tourism in a blue economy, which supports local SMEs to increase their respective participation in the tourism and other ocean economy value chains in an integrated manner. This includes a better enabling environment and policies to promote private investment in these segments.
- c) Component 3 (US\$0.78 million equivalent): Project Implementation Support, which provides support to the Unit for the Management of Special Projects (*Unidade de Gestão de Projetos Especiais/UGPE*) for the management and implementation of the Project.
- d) Component 4 (US\$0 million): Contingency Emergency Response Component (CERC), which includes provision of immediate response to an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster (“Eligible Crisis or Emergency”), as needed.

5. **The overall performance of the Parent Project is rated Satisfactory.** Just over a year and a half after the project became effective, implementation progress is satisfactory with significant progress made across activities. Fifteen high priority activities such as the mapping and signaling of Santo Antão trails, the rebranding of Cabo Verde as a tourism destination, and the rehabilitation of the Espargos-Santa Maria Road, have signed contracts and are being implemented; an additional ten contracts are about to be signed. Institutional arrangements such as the Project Steering Committee and the Project Technical Committee are operating as expected; and new technical staff support project implementation, including a project manager, tourism planning advisor for the Ministry of Tourism and Transport, tourism marketing specialist to support the Tourism Institute, a junior technical advisor to the Ministry of Sea, and a civil engineer to support UGPE. The Project Steering Committee has approved the Annual Work Plan and Budget for 2023 and 2024, with the 2024 Annual Work Plan effectively prioritizing activities. Financial Management (FM) is rated satisfactory and Procurement and Environmental & Social Safeguards performances are rated moderately satisfactory.

6. **As of January 12, 2024, the total disbursement rate stood at 27 percent, with the IDA loan having disbursed 30 percent and the PROBLUE RETF 6 percent. Around 50 percent of the IDA project funds were committed as of end-December 2023.** The project governance and implementation arrangements are satisfactory with good coordination, communication and collaboration among the implementing agencies. Progress on PDOs related to spending, overnight stays and SME participation are expected to start materializing in earnest by mid-term review stage as works are now ongoing on a number of infrastructure interventions and the SME program is also under full rollout nationwide. The capacity to manage procurement, financial matters and safeguards has improved. The project complies with the loan covenants, which were to: (i) customize the accounting software to include the bookkeeping of the Project; (ii) include the Project in the internal auditor scope of intervention; and (iii) recruit a Project manager, an engineer and an external auditor with qualifications, experience and terms of reference (TOR) satisfactory to the Association. The project’s financial statements for the 2022 fiscal year were submitted on time, audited, and received an unqualified opinion.

7. **The GoCV is seeking additional resources to expand investments in tourism and other ocean economy sectors under a blue economy framework given their importance to inclusive, private sector-led and sustainable growth.** In the context of the PEDS II, as well as the sectoral strategies for tourism and other



ocean economy sectors, these investments would accelerate diversification and reinforce synergies across ocean economy value chains. After an initial request received in July 2023, the GoCV officially requested an AF in the amount of US\$30 million on January 19, 2024, to address critical infrastructure and technical assistance needs related to the mentioned strategies. The additional investments will enable enhanced PDO-level outcomes, namely incremental tourism spending and stays across more locations and islands.

**8. The additional resources will also be used to address climate-related risks and vulnerabilities considering that Cabo Verde is among the world's most vulnerable countries to climate change.** As a small island development state (SIDS), the country's marine and coastal resources—the base for a sustainable blue economy—are particularly affected, threatening the competitiveness and resilience of the tourism industry. Due to this vulnerability to climatic shocks—the Notre Dame Global Adaptation Initiative ranked Cabo Verde 77 in 2021,<sup>1</sup> which places the country well below its aspirational peers such as Mauritius, Saint Kitts and Nevis or Saint Lucia<sup>2</sup>—the country continues to advocate for a stronger global response and implement mitigation and adaptation measures. Mitigation is focused on reducing greenhouse gas emissions by reducing energy intensity and fostering energy efficiency, increasing renewable energy targets, lowering the carbon intensity of mobility, shifting toward responsible tourism and a circular economy, and fostering the natural sink function of ecosystems, while adaptation is concentrated on enhancing resilience through initiatives aimed at ensuring food, water, and energy sustainability.

**9. Finally, the additional resources will help address gender-related issues and better integrate women in the tourism and fisheries value chains under a blue economy framework.** Cabo Verde has made significant progress toward gender equality though more work is needed to ensure that women have equal access to resources, opportunities, and decision-making power. The country ranks 75th out of 193 countries on the 2022 Gender Inequality Index<sup>3</sup>, primarily based on the indicators relating to education, health, and political representation. In the tourism, fisheries and aquaculture sectors, but also in processing and trading of marine products and waste management, women play a significant role. However, gender norms often prevent them from realizing their full potential. Women have fewer opportunities to skills-building activities and less access, control and ownership of assets and important productive resources that are critical for their livelihoods. They further have limited decision-making power and work in informal settings, often with limited social protection coverage, and face acts or threats of gender-based violence (GBV) when they try to defy gender norms. To strengthen the role of women in the tourism sector and as informed by a recent gender analysis report,<sup>4</sup> the AF will provide technical assistance toward empowering and developing female business leaders through training, mentoring and networking opportunities, provide capacity-building opportunities, and support the dialogue toward establishing a hospitality employer-supported childcare center. In line with the country's gender strategy in the fisheries sector, the AF will also integrate gender aspects in the country's fisheries management framework including actions on prevention of GBV, emphasize gender action in Cabo Verde's legal and regulatory aquaculture framework, provide technical and advisory assistance to women working in the fisheries value chain to strengthen entrepreneurial capacity and leadership skills, ensure adequate hygienic and sanitary provisions in proposed infrastructure,

<sup>1</sup> The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. It aims to help governments, businesses and communities better prioritize investments for a more efficient response to the immediate global challenges ahead. The higher the rank, the better.

<sup>2</sup> Mauritius, Saint Kitts and Nevis, or Saint Lucia rank 48, 58, 68, respectively, by the Notre Dame Global Adaptation Initiative.

<sup>3</sup> United Nations Development Program (2024). Human Development Report 2023/2024. New York, UNDP

<sup>4</sup> World Bank (2023). Gender-Responsive Tourism in Cabo Verde – Ensuring better, safe, and more jobs for women. Washington, D.C.: World Bank



and provide training.<sup>5</sup>

## II. DESCRIPTION OF ADDITIONAL FINANCING

10. **The AF will contribute to the PDO of the Parent Project by scaling up project investments and expanding the geographic scope.** The proposed additional investments and activities were selected based on the following criteria: (i) alignment with the Parent Project development objective; (ii) synergies with existing Parent Project investments and locations; (iii) potential for leveraging private sector investment and investment readiness; (iv) potential for job creation, community involvement and gender inclusion; and (v) potential to strengthen resilience and sustainability of overall project interventions.

11. **The geographic scope of the Parent Project is expanded in this AF, notably to the islands of São Nicolau and Boa Vista.** São Nicolau has a similar profile to the island of Santo Antão and potential for investments in the tourism value chain, particularly in the hiking segment. With only residual arrivals as of yet, it possesses all the enabling ingredients to make it a well-rounded upcoming destination - pristine beaches, rich marine resources, unique cultural heritage and rugged landscapes - offering tourism opportunities in high-spending market niches. São Nicolau also represents the third most important fishing area in the country, with significant synergies under the overall blue economy umbrella, including nautical recreational tourism (yachting and sports fishing). Similarly, the AF will also include an investment in the island of Boa Vista, addressing a critical connectivity-related constraint and seeking to leverage the dynamic of intra-island tourism flows, particularly within the windward (northern) group of islands that are covered extensively in the Project.

12. **The proposed changes are in line with the GoCV's development priorities and the CPF objectives.** The proposed changes will strengthen and accelerate implementation of Cabo Verde's tourism and blue economy strategies—the POT and the PNIEB. The proposed investments are also consistent with Cabo Verde's climate change priorities as outlined in the country's updated Nationally Determined Contribution (NDC) and other strategic documents. In addition, the proposed investments and activities will accelerate achievement of the CPF's Objective 4 on improving the foundations for private sector growth and are consistent with the World Bank's Western and Central Africa Region Priorities 2021-25<sup>6</sup> to promote private investment and job creation and mitigate climate shocks. Key messages will be aligned with the draft Country Climate Development Report (CCDR) for Cabo Verde. Finally, tourism has been proven as a powerful driver of poverty reduction, with the islands which registered the highest tourism flows in the last two decades (Boa Vista and Sal islands) showing lower poverty and extreme poverty rates.<sup>7</sup>

13. **The proposed investments are closely coordinated with other World Bank-financed projects.** The proposed investments are complemented by those planned under the Improving Connectivity and Urban Infrastructure in Cabo Verde Project (P178644), both in terms of hard infrastructure and soft-side connectivity-related reforms. In Ribeira da Barca, Santiago Island and in Carriçal, São Nicolau, the envisaged AF fisheries infrastructure investments are complemented by the rehabilitation of each town's access road,

<sup>5</sup> Government of Cabo Verde (2022). Gender Strategy in the Fisheries Sector 2022-2026. Praia, Cabo Verde

<sup>6</sup> World Bank (2021). Supporting a Resilient Recovery. The World Bank's Western and Central Africa Region Priorities 2021-2025. Washington, D.C.: World Bank

<sup>7</sup> World Bank (2008). Republic of Cabo Verde: Adjusting the Development Model to Revive Growth and Strengthen Social Inclusion – Systematic Country Diagnosis. Washington, D.C.: World Bank





while in Paul, Santo Antão, envisaged AF investments are complemented by the rehabilitation of the town's seafront. The maritime passenger terminals will contribute towards addressing the inter-island connectivity challenge being tackled through policy and regulatory (State-Owned Enterprise/SoE-related) support in that project. Furthermore, ocean-sector related skills trainings and capacity-building activities are coordinated with initiatives under the Cabo Verde Human Capital Project (P175828). The Cabo Verde Digital Project (P171099) is also supporting IT reforms towards improving the efficiency of public services, notably business licensing and the streamlining of back-office services, topics with important contributions to improve the impact of envisioned policy and regulatory reforms in the tourism and blue economy sectors.

**14. The AF includes changes to the Parent Project's components and costs, closing date, and results framework as outlined in detail below.** Although there is a greater focus on coastal infrastructure under the AF aimed at strengthening the country's blue economy, the current PDO continues to be appropriate as the blue economy is an essential component of the tourism-related value chains. The PDO will therefore not change. See Annex 1 for a more detailed AF description, Annex 2 an overview of climate-related activities under this AF, and Annex 3 for an overview of costs.

*Changes to Project Components and Costs*

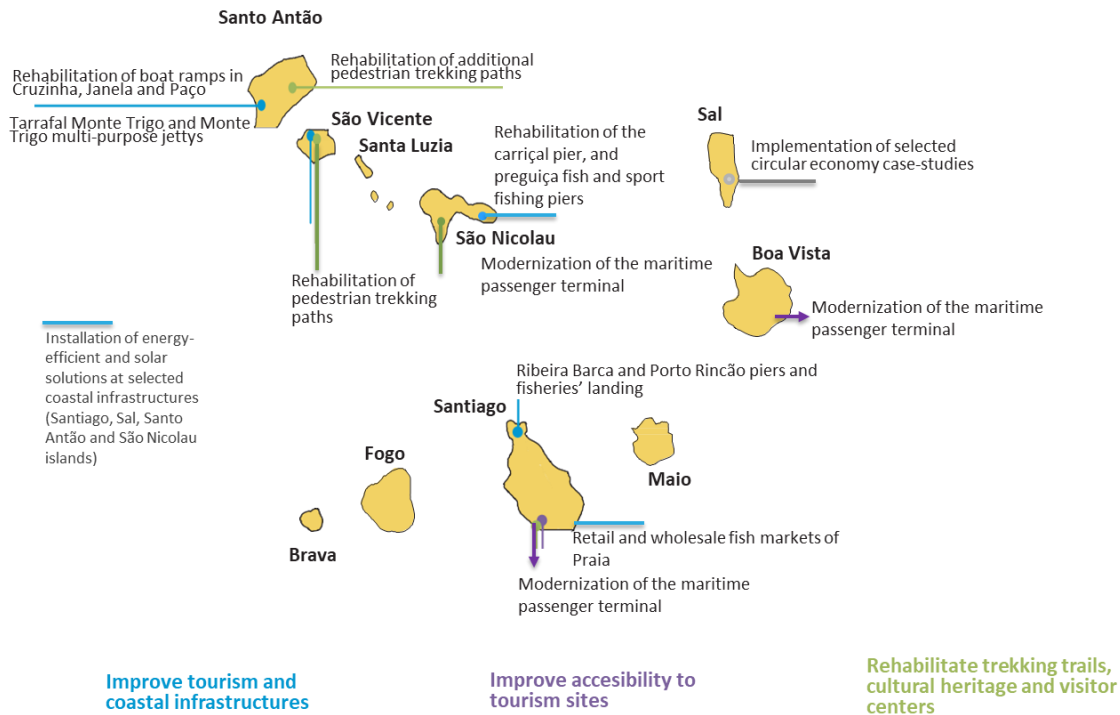
**15. Component 1 (Development of integrated and resilient tourism and blue economy infrastructure) is proposed to be increased by US\$23.70 million equivalent to finance additional infrastructure investments.** New infrastructure will unlock sustainable private sector-led growth, strengthen the fisheries value chain and synergies between the tourism and other ocean economy sectors, and build resilience to natural hazards and climate change. As per the Parent Project subcomponents, the additional investments are as follows:

- a) **Upgrade integrated tourism and fisheries coastal infrastructure:** The selection of additional ocean economy infrastructure investments is informed by the PNIEB and includes the upgrading of the fisheries offloading wholesale market as well as the construction of a new retail fish market, both in Praia, Santiago Island, and the rehabilitation of fish landing and other coastal infrastructure in Santo Antão, São Nicolau, and Santiago Islands (see Figure 1). These infrastructure investments will improve sanitation and the quality of fish products toward creating export opportunities and incentivizing demand for fish products from the local tourism sector. Additionally, the proposed investments will unlock areas with high potential in tourism and the broader blue economy, facilitating activities such as sports fishing and other leisure nautical recreation sports. All infrastructure investments will adhere to low energy consumption building designs and use sustainable materials. Simultaneously, these infrastructure investments will consider challenges related to coastal erosion, storm surges, and environmental degradation and prioritize the integration of gender- and vulnerable communities-related issues. Preliminary designs and feasibility assessments have been prepared under the Parent Project, while feasibility, designs and management plans will be prepared under this AF to ensure long-term sustainability. In addition, and as outlined below, Component 2 activities are targeted at enhancing the management capacity of fisheries value chains.
- b) **Improve accessibility to tourism sites:** The main additional investments under this subcomponent will involve the construction and rehabilitation of new maritime passenger terminal buildings in Praia (Santiago Island), Tarrafal (São Nicolau Island), and Sal-Rei (Boa Vista Island), to meet the growing demand for increased connectivity to service tourism and to provide adequate services to visitors. The feasibility study and technical design for the construction of these maritime terminals is being conducted under the Parent Project.



- c) **Rehabilitate trekking trails and cultural heritage and visitor centers:** To realize the potential of this top-ranked emerging market segment, the package for rehabilitating the hiking trails will be expanded within the northern islands to include a strengthened package for Santo Antão and São Vicente and another island, São Nicolau (which has a similar nature tourism potential).

Figure 1: Component 1 Proposed Infrastructure Activities in Selected Islands



16. **Component 2 (Enhancement of inclusive and sustainable management of tourism in a blue economy) is proposed to be expanded with additional activities in the amount of US\$5.7 million equivalent.** The additional activities will strengthen the management, governance and training of the fisheries and tourism sectors, and develop business and entrepreneurial skills including at the community level, to tap into the respective value chains.

- a) **Support entrepreneurship and SME development in the tourism and fisheries value chains.** The AF will enhance the entrepreneurship and SME-level support package included in the Parent Project. This will include empowering fishing communities, in particular women and communities that are associated with the envisaged infrastructure investments, by strengthening their climate resilience and entrepreneurial capacities and activities as well as engaging the communities in discussions about the gender norms that condone gender inequality and GBV; circular economy and integrated waste management support for the development of a private sector-led solution for integrated waste management in Sal Island; awareness raising and capacity building on topics such as circular economy, gender equality and GBV prevention, development of local tourism experiences marketed on digital platforms, and entrepreneurship to be directed towards local firms and actors in nature-based tourism, coordinating and leveraging from the ongoing national Tourism Rural Villages program (*Aldeias Rurais Turísticas*). The AF will support the implementation of projects that prioritize social



inclusion, led by the private sector, looking also to facilitate public-private dialogue.<sup>8</sup>

- b) **Support enabling policies and programs to increase sustainable private investment in tourism and other ocean economy sectors.** The AF will strengthen the governance and management of the fisheries and aquaculture sector and support associated research and training by particularly considering gender and GBV prevention aspects. It allocates more resources to sustainable development of nature-based tourism, including promotional efforts aimed at the hiking market, and improvements in governance, management and legislation related to nature-based tourism, implementing and piloting a hiking trail management and maintenance institutional framework with an initial focus on Santo Antão island.

17. **The budget for Component 3 (Project Implementation Support) is increased by US\$0.6 million.** This reinforced envelope will enable the carrying out of: (i) activities related to Project management, including Project coordination, procurement, financial management, monitoring and evaluation, Project communication, citizen engagement, and environmental and social safeguards, and provision of audits, Incremental Operating Costs and Training; and (ii) capacity building of UGPE and ICV, other relevant ministries, implementing agencies and municipalities, as needed.

**Table 1 – AF Project Cost and Financing Sources (indicative, US\$ million)**

Component	Budget US\$ m)
<b>Component 1: Develop integrated and resilient tourism and blue economy infrastructure</b>	<b>23.7</b>
(a) Upgrade integrated tourism and fisheries coastal infrastructure	18.0
(b) Improve accessibility to tourism sites	3.9
(c) Rehabilitate trekking trails	1.8
<b>Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy</b>	<b>5.7</b>
(a) Support entrepreneurship and SME development in tourism and fisheries value chains	2.7
(b) Support enabling policies and programs to increase sustainable private sector investment	3.0
<b>Component 3: Project Implementation Support</b>	<b>0.6</b>
(a) Provide support to the UGPE for the management and implementation of the project and TA to relevant implementing agencies	0.6
<b>Component 4: Contingent Emergency Response Component (CERC)</b>	<b>-</b>
<b>TOTAL AF COST</b>	<b>30.0</b>

*Changes to Closing Date*

18. **The AF extends the closing date of the Parent Project by 12 months from June 30, 2027, to June 30, 2028.** This will allow for the completion of the additional activities under the above-mentioned components, most importantly the proposed new ocean economy infrastructure and works, recognizing the respective complexity and procurement lead times in Cabo Verde.

<sup>8</sup> These efforts will align with the Project for the Economic, Social and Environmental Sustainability of the Tourism Sector led by the Ministry of Tourism and Transport aimed at identifying and implementing concrete initiatives that promote the development of sustainable tourism from an environmental and social perspective and led by private sector in the tourism industry.



### *Changes to Results Framework*

**19. The Results Framework is adjusted to reflect the impact of the additional project activities under the project components.** Some targets are increased to capture additional activities and the expanded project scope and length:

- a) PDO indicators on increasing diversity in the tourism offering—measuring an increase in average daily tourism spending and total overnight stays in destination islands—have expanded sample bases as well as updated intermediate and end targets considering the increased one-year implementation time (spending end-target raised from 15 to 17 percent; overnight stays from 20 to 24 percent, both in year 6);
- b) The PDO indicator on increasing SME participation in tourism-related value—measuring the percentage of beneficiary SMEs with new or expanded contracts to the hospitality value chain—has a larger sample considering the expanded number of SME beneficiaries in more islands, though maintains the original end-target share (60 percent in year 6) of beneficiary SMEs taking into account the rollout period of support programs;
- c) The PDO on increased resilience in the tourism offering—measuring the number of infrastructures rehabilitated, upgraded or established integrating climate resilience practices—has updated intermediate and end-targets considering the expanded suite of investments and expanded implementation schedule (end-target raised from 8 to 23 in year 6);
- d) Intermediate results and respective end-result targets have been updated concurrently in line with the respective PDO indicators, and two intermediate results indicators are dropped: (i) “National inter-modal transport strategy drafted and submitted for adoption (Yes/No)” is dropped as it has been supported through a grant provided by another development partner;<sup>9</sup> and (ii) “Infrastructure rehabilitated, upgraded or established integrating sustainable practices (disaggregated by type)” is considered a suitable measurement of PDO #3 and therefore upgraded from intermediate to PDO level. The indicator on percentage of beneficiary SMEs adopting climate smart practices (disaggregated by gender), will also be adjusted upwards (30 percent upwards from 20 in the Parent Project), considering expected uptick in demand for energy-efficiency technical assistance support.

**20. The Theory of Change was also updated to reflect the description of the additional project activities** in this Second AF and respective contribution to strengthened outputs, feeding subsequently into the original intended broad outcomes (see Annex 4 for reference).

### *Institutional arrangements and disbursement projections*

**21. The AF will be implemented using the institutional arrangements in place under the Parent Project, all of which are working well and have the capacity to absorb additional funds.** The key implementation partner for the AF will remain the Ministry of Finance and Business Development, specifically the Unit for the Management of Special Projects (*Unidade de Gestão de Projetos Especiais/UGPE*), which works in close collaboration with relevant line ministries. The disbursement projections have been updated to reflect the

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<sup>9</sup> Though this intermodal transport strategy is being funded through grant resources outside the project, it is important to note that the World Bank task team remains closely involved with the multistakeholder technical committee that is contributing to and validating this strategy, thus ensuring coordination and alignment between project activities and the overall umbrella strategy/policy recommendations forthcoming to improve both domestic and international connectivity.



new activities and project timeline.

**22. The Project Technical Committee (PTC) needs to adopt a more proactive role under the expanded project scope and as the central hub for project-wide communication, technical advice, and implementation support.** More frequent PTC meetings are required for timely decision-making. More flexibility is needed in the organization of PTC meetings with the National Planning Directorate under the Ministry of Finance and Business Development, which should allow for more streamline delegation of meeting chair responsibilities, in addition to adding the Ministry of Environment and Agriculture for insights and insights and expertise in the relevant areas.

### III. KEY RISKS

**23. Based on the Systematic Operations Risk-rating Tool (SORT), the overall risk of the project, including the AF, is rated moderate, which is consistent with the Parent Project's rating.** While two risks remain relevant to the proposed AF: (i) Environment and Social risk; and (ii) Institutional Capacity for Implementation and Sustainability risk; the macroeconomic risk has been downgraded from substantial to moderate considering it was mainly associated with the impact of the aftermath of the COVID-19 crisis.

**24. The environmental safeguards risk rating is maintained substantial.** The environmental safeguards risk rating remains substantial since the proposed activities for the AF are similar in terms of typology, dimension, and location to those from the Parent Project; meaning similar risks and impacts, that are considered moderate to high intensity, isolated, mostly reversible and to be minimized through the implementation of mitigation and management measures. In addition to the impact studies and mitigation measures planned to limit the impact of the infrastructure financed by the project, special attention will be given to the rehabilitation of trails. This activity has already been financed under the Parent Project and will be extended to the northern islands, with a reinforced program for Santo Antão and the addition of São Nicolau.

**25. The social safeguard risk rating is deemed moderate** taking into account that, with the exception of the new fish market in Praia, the project main works are from small scale infrastructure, limited to rehabilitation of existing structures and construction of new structures on existing sites that are already being used for these purposes. The extensions and upgrades of existing trails will not affect private land and assets. However, a social assessment will be conducted at each of the AF project sites to gather information about the fisheries value chain including fishers, fishmongers, fish processors and equipment suppliers that may be temporarily affected. The AF Resettlement Policy Framework, prepared and disclosed on February 15, 2024, will be used to guide the preparation of any Resettlement Action Plan or livelihood plan that will be required.

**26. Cabo Verde has made positive strides towards gender parity and women's empowerment,** however data on gender and GBV indicate moderate risks of sexual exploitation and abuse and sexual harassment (SEA/SH) related to project activities, including the civil works with labor influx as well as loan/matching fund or inclusion in entrepreneurial and capacity building activities. Poverty reduction policies and programs are effective as evidenced by the rapid decline in poverty rates. Despite limited resources, the country provides a generous social safety net, which demonstrates a link between social inclusion and growth. However, during rehabilitation and construction of small-scale infrastructure, there is a risk that the livelihoods of fishermen and the rest of the value chain including fishmongers, fish processors and equipment suppliers will be temporarily affected.



27. **Institutional Capacity for Implementation and Sustainability continues to be rated Substantial.** Successful implementation of the AF will require close coordination and involvement of different line ministries and implementation agencies. While the government authorities have in-house technical capacity, which has been reinforced under the Parent Project, the AF will significantly increase the demands on implementation capacity, particularly at the Ministry of Sea and related agencies. To mitigate this risk and informed by lessons from the Parent Project implementation, the AF will: (i) continue financing technical assistance under Component 3 and from parallel trust fund projects to help fill existing capacity gaps; (ii) facilitate the hiring of technical experts to strengthen the technical capacity of government authorities in aspects such as tourism and other ocean sectors' infrastructure; and (iii) support a clear communication and coordination mechanism with relevant ministries and implementing agencies to ensure that they are fully aware of their roles and responsibilities and are able to collaborate effectively.

#### IV. APPRAISAL SUMMARY

##### A. Economic and Financial (if applicable) Analysis

28. **The original economic analysis conducted as part of the Parent Project preparation was updated to incorporate the cost and timeline for this AF, along with expected additional benefits.** This analysis is based on increased revenues for SMEs and individual beneficiaries through the activities and investments under this project, along with increased revenues in Cabo Verde that result from tourist spending. The total Net Present Value (NPV) is estimated at US\$101.6 million at a 12 percent discount rate,<sup>10</sup> and the Economic Rate of Return (ERR) at 37 percent based on the total project investments including both the first and second (current) AF. See Annex 4 for more detail.

29. **Additional social benefits due to positive economic spillovers are not included in the above calculation but should be strongly noted.** These benefits include reduced repair costs associated with floods and erosion, reduced vehicle operating costs and travel time due to improved road conditions, reduced rates of water-borne diseases, increased property values, improved availability of public services, and wider growth of the tourism and entrepreneurial ecosystems across the four supported islands and for Cabo Verde as a whole. See Annex 5 for more detail on the economic and financial analysis.

##### B. Technical

30. **The AF will follow the Project Operational Manual (POM) developed for the Parent Project, to be updated as required.** The AF will build on the existing POM including institutional aspects, internal controls and procedures, procurement methods and procedures, disbursement and payments, file and inventory management, accounting organization, environmental and social instruments, and financial audits, and be updated accordingly.

31. **The AF is aligned with the goals of the Paris Agreement on both climate mitigation and adaptation.**

- a) Assessment and reduction of mitigation risks: The new activities are neutral or encourage the country's low carbon development goals. Under Component 1, the AF will feature universally aligned activities by having the upgrading/construction of infrastructure adhere to low energy consumption building designs, including the use of solar and other energy-efficient solutions, and

<sup>10</sup> We estimate a 12 percent discount rate as the risk-adjusted opportunity cost of capital. Additional NPV estimates at other discount rates have also been provided as a measure of the sensitivity of our analysis.



use sustainable materials and rainwater harvesting techniques. It will further contribute to a shift towards responsible tourism by promoting tourism on islands that are currently outside of main tourism areas and by encouraging additional universally aligned activities such as stimulating circular economy business cases in tourism-related value chains. For more detail on climate mitigation risk measures, see Annex 2.

- b) Assessment and reduction of adaptation risks: In addition to long-term droughts, desertification of land and extreme rainfall events leading to flash floods particularly in urban areas and erosion, the geomorphological characteristics of Cabo Verde, the lowlands along the coast, stand out and make coastal communities, infrastructure and relating economic operations such as tourism and other ocean-economy sectors particularly vulnerable to possible sea level rise and associated extreme and adverse climate events such as hurricanes, storms with high winds, tidal waves, and heavy rains. The activities in the AF will include mitigation measures for these risks by increasing climate resilience of coastal (e.g., fish markets, fish landing sites) and inland (e.g., hiking trails) infrastructure investments and subsequently reduce their vulnerability to climate-related disasters – the detailed description of adaptation and mitigation measures per subcomponent and activity is included in Annex 2. The AF will also support fishing communities, particularly climate-vulnerable groups with training on for example diversifying sources of income beyond fishing and access to finance and technical assistance toward meeting industry standards for commercial integration and adopting specific climate adaptation-informed fishing and/or aquaculture practices to reduce identified climate risks. Finally, the AF will improve fisheries and aquaculture governance and management by strengthening the country's fisheries management framework with integration of climate adaptation activities; reviewing and updating the legal and regulatory framework for aquaculture toward improving the business environment for private investment (e.g., in sustainable feed production) and incorporating a climate-smart approach toward increased food production and coastal economic development; implementing an origin and sustainability certification/labeling scheme for fisheries and aquaculture products; updating/ upgrading Cabo Verde's fisheries statistics system and supporting improved fisheries data collection and publication; supporting fisheries community co-management of fisheries resources through capacity building and awareness-building activities toward long-term sustainability and climate resilience of the resource; and preparation of fisheries management plans. The activities will be informed by an analysis of the climate change impact on Cabo Verde's fisheries, which is currently conducted under the Parent Project in cooperation with the University of British Columbia. The technical assistance to enhancing regulations, standards, capacity building, governance and marketing hiking trails is equally integrating climate adaptation measures ranging from developing hiking trail regulation in line with legally-mandated disaster and climate-related risk aspects, enforcing national by-laws and code of conduct for sustainable trail usage and maintenance toward ensuring the long-term climate resilience of the network, and involving communities in sustainable trail use and conservation. For more detail on climate adaptation risk measures, see Annex 2.

### C. Financial Management

32. **The FM arrangements for the AF will be the same as those under the Parent Project**, including the FM risk assessed. As mitigating measures have been implemented for the Parent Project to address FM capacity constraints, FM arrangements satisfy the World Bank's minimum requirements.

### D. Procurement



33. All works, goods, and services will be procured according to the procurement arrangements of the Parent Project, with the UGPE responsible for procurement aspects. The UGPE prepared the Project Procurement Strategy for Development (PPSD), which describes how fit-for-purpose procurement activities will support project operations for the achievement of the PDO and deliver value for money. The PPSD is being updated and the revised version is expected to be approved by effectiveness to reflect the additional investments and activities to be included under this AF.

34. The Procurement performance of the Parent Project was rated Moderately Satisfactory during the last implementation support mission in September of 2023, and the procurement risk was rated Substantial.

E. Legal Operational Policies

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

F. Environmental and Social

35. The environmental and social risk rating is Substantial. See more detail in Annex 6.

36. The environmental risk of the Parent Project was rated as substantial, and this rating will be maintained for this additional financing as it will finance similar small-scale infrastructure and rehabilitation works as the Parent Project. A pre-feasibility study was carried out in August 2023 covering all small-scale construction and rehabilitation works (jetties, fish markets, ferry passenger terminals) proposed to be financed under this AF. An environmental and social screening is currently being carried out on each of the sites to determine the appropriate environmental and social safeguards instrument needed. The preparation of site-specific Environmental and Social Impact Assessments (ESIAs) and Environmental and Social Management Plans (ESMPs) may be required pending the screening’s outcome. The proposed works include 2 subprojects identified for São Nicolau which are considered similar in size and scale to the other coastal infrastructure, and which were assessed during the October 2023 mission. Satellite photos and site plans confirm that the rehabilitation of existing structures and the construction of new structures will take place on existing sites that are already being used for these same purposes. In addition, the AF proposes to construct a retail fish market in Praia, Santiago Island, for which a new site has been identified and which will be subject to an ESIA/ESMP before the works commence. And finally, a comprehensive study on hiking in Cabo Verde was financed under the Parent Project and the final report was disclosed in May 2023. The study assessed both the historic trends and supply and demand for hiking and trekking in Cabo Verde and provides key recommendations for the sustainable development of this sector.

37. The social risk rating for the AF at Appraisal is considered Moderate. The implementation of the small-scale infrastructure works (jetties, fish markets, ferry passenger terminals) and the extension of the hiking trails are not expected to require any land acquisition or permanent economic displacement or large-scale labor influx. The small-scale infrastructure is limited to rehabilitation of existing structures and construction of new structures on existing sites that are already being used for these same purposes. This has been confirmed with satellite photos and site plans. The one exception is the fish market in Praia where a new site has been identified and will be subject to an ESIA before the start of works. During rehabilitation and construction of the small-scale infrastructure, however, there is a risk that the livelihoods of fishermen and





the rest of the value chain including fishmongers, fish processors and equipment suppliers will be temporarily affected. A participatory social assessment will be conducted at each of the AF project sites to gather information about the fisheries value chain and relating actors that may be temporarily affected. In terms of the hiking trails, these will be extensions and upgrades of existing trails in the Monte Gordo National Park and therefore will not negatively impact any private land, cause any displacement or interfere with regular use and access to the park.

38. **SEA/SH.** The SEA/SH risk is considered Moderate. Cabo Verde has made positive strides to reduce gender inequality and gender-based violence, with inclusion of sexual harassment as a crime in the 2007 Penal Code, the adoption of a comprehensive Law on Gender Based Violence in 2011 and the ratification of the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW). There are two, well-staffed and trained, specialized national agencies under the Ministry of Education, Family and Social Inclusion, the Institute for Gender Equality and Equity (*Instituto Cabo-verdiano para a Igualdade e Equidade de Género/ICIEG*) and Institute for Children and Adolescents (*Instituto Caboverdiano da Criança e do Adolescente ICCA*), responsible for providing psychosocial support to GBV survivors including referrals to medical and judicial services. On the other hand, available data on gender and GBV,<sup>11</sup> highlight the nature and prevalence of GBV in the selected areas of project implementation, the existence of gender norms that justify GBV and related behaviors that would be classified as SEA/SH (e.g., request for sexual favors to be considered for a loan/matching fund or inclusion in entrepreneurial and capacity building activities, sexual harassment of women in the workplace). The SEA/SH risks that could be generated by the scale of labor influx are moderate but cannot be neglected because of the scattered nature of the civil work across islands and the challenges associated with supervision of workers in predominantly male dominated environments. UGPE has some experience in addressing SEA/SH risks through the design of an SEA/SH Action Plan, prepared under the Parent Project and as part of the Environmental and Social Management Framework (ESMF); however, their capacity to implement the Action Plan and to adequately manage project-induced SEA/SH incidents has proven to be limited. The SEA/SH Action Plan has been revised to ensure that the mitigation measures are implemented in all the new sites targeted under this AF and was redisclosed on February 15, 2024. The measures will include (i) signing of the code of conducts by all staff and workers involved in implementation of project activities, (ii) training on SEA/SH risks and measures to mitigate them for staff, workers and project stakeholders, (iii) consultations with women during project life to confirm accessibility of the grievance mechanism (GM) and adequacy of measures planned, and (iv) functioning grievance mechanisms with multiple entry points in project implementation areas, referral to GBV service providers and survivor centered administrative procedures to manage complaints.

39. **Citizen engagement.** The AF will incorporate proactive, gender-sensitive citizen engagement (in local language) throughout the implementation of interventions, and activities, particularly under Component 2, will embed specific gender angles, notably with and socially inclusive growth. A Stakeholder Engagement Plan (SEP) was prepared and reviewed for the Parent Project, which has been updated and redisclosed on February 15, 2024, for this second AF by considering the increase in different stakeholders with the new project activities and expanded scope. Its objective continues to be improving the environmental and social sustainability of the project by providing the affected and benefitting parties with the conditions and opportunities to share contributions and suggestions, in order to facilitate and influence decision-making, and creating an atmosphere of acceptance and understanding by actively involving people in a timely manner. The SEP also includes details regarding the GM that is already operational and will continue to be

<sup>11</sup> Demographic and Health Surveys (DHS) and World Bank (2023). Gender-Responsive Tourism in Cabo Verde – Ensuring better, safe, and more jobs for women. Washington, D.C.: World Bank



used. Efforts will be made during early implementation to ensure that adequate information is shared with the communities located in the new project areas – the Islands of São Nicolau and Boa Vista; and the GRM will be expanded to these new areas before starting project works.

## V. WORLD BANK GRIEVANCE REDRESS

40. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the 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 Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

**VI SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Disbursements Arrangements	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Legal Covenants		✓
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)
Component 1: Development of integrated and resilient tourism and blue economy infrastructure	31.58	Revised	Component 1: Development of integrated and resilient tourism and blue economy infrastructure	55.28
Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy	12.64	Revised	Component 2: Enhancement of inclusive and sustainable	18.34



			management of tourism in a blue economy	
Component 3: Project Implementation Support	0.78	Revised	Component 3: Project Implementation Support	1.38
Component 4: Contingent Emergency Response Component (CERC)	0.00		Component 4: Contingent Emergency Response Component (CERC)	0.00
<b>TOTAL</b>	<b>45.00</b>			<b>75.00</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-71260	Effective	30-Jun-2027	30-Jun-2027	30-Jun-2028	30-Oct-2028
IDA-72720	Effective	30-Jun-2027	30-Jun-2027	30-Jun-2028	30-Oct-2028
TF-B8414	Effective	30-Sep-2025	30-Sep-2025	30-Sep-2025	30-Jan-2026

**DISBURSEMENT ARRANGEMENTS**

Change in Disbursement Arrangements

Yes

**Expected Disbursements (in US\$)**

Fiscal Year	Annual	Cumulative
2022	0.00	0.00
2023	1,607,430.00	1,607,430.00
2024	3,533,280.00	5,140,710.00
2025	4,736,670.00	9,877,380.00
2026	5,263,770.00	15,141,150.00
2027	5,787,960.00	20,929,110.00
2028	6,350,220.00	27,279,330.00
2029	2,033,040.00	29,312,370.00



**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

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

**LEGAL COVENANTS – Cabo Verde Resilient Tourism and Blue Economy Development Second AF (P181369)**

**Sections and Description**

Schedule 2 Section I A. 1, 2 and 3

1. Unidade de Gestão de Projetos Especiais

The Recipient shall maintain, throughout Project implementation, the UGPE within the Ministry of Finance and Business Development to be responsible for day-to-day execution, coordination, and implementation of activities under the Project, including procurement, financial management, environmental and social safeguards, monitoring and evaluation, and supervision and reporting. To this end, the Recipient shall take all actions, including the provision of funding, resources, and personnel, with qualifications and experience, and under terms of reference, satisfactory to the Association, to enable the UGPE to perform said functions, as further detailed in the Project Operational Manual.

2. Project Technical Committee

The Recipient shall maintain, throughout Project implementation, the Project Technical Committee, which shall meet quarterly, and shall be responsible for: (i) reviewing Project Reports; (ii) providing strategic guidance and recommendations to UGPE; and (iii) monitoring Project implementation. The Project Technical Committee shall be led by the National Planning Directorate of the Ministry of Finance and Business Development, with UGPE acting as its secretariat, and shall be composed of representatives of the Ministry of Tourism and Transports and Tourism Institute of Cabo Verde, Ministry of the Sea, Ministry of Infrastructure, Territorial Planning and Housing, Ministry of Culture and Creative Industries, Ministry of Agriculture and Environment, ICV and targeted municipalities. The Project Technical Committee members shall be appointed by the Vice-Prime Minister and Minister of Finance and Business Development, as further detailed in the Project Operational Manual.

3. Project Steering Committee



The Recipient shall maintain at all times during Project implementation, a Project Steering Committee, chaired by the Vice Prime-Minister and Minister of Finance and Business Development, or their delegate, and include Ministers, or their delegate, from all the line ministries implementing activities supported by the Project, and private sector representatives with relevant experience and qualifications, and responsible for providing overall strategic guidance to the Project through the review and approval of the Annual Work Plan. The UGPE shall serve as secretary to the Project Steering Committee as further detailed in the Project Operational Manual.

Schedule 2 Section I B

B. Project Operational Manual

1. The Recipient, through UGPE, shall carry out the Project in accordance with the provisions of a updated manual (“Project Operational Manual”) satisfactory to the Association, containing, inter alia, (a) specific provisions on detailed arrangements for the carrying out of the Project, including responsibilities of UGPE and ICV; (b) the procurement, financial management and disbursement requirements thereof; (c) the performance indicators; (d) the Project environmental and social instruments; and (e) the Anti-Corruption Guidelines.
2. The Recipient, through UGPE, shall not amend or waive or fail to enforce any provision of the Project Operational Manual without the Association’s prior written approval. In case of any conflict between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

Schedule 2 Section I C

C. Annual Work Plan

1. For purposes of carrying out the Project, the Recipient, through UGPE, shall, not later than November 30 of each year during implementation of the Project, prepare and submit to the Association an Annual Work Plan for the following year, and thereafter regularly update it as needed, including, inter alia, the proposed investment plan, its related expenditures and the sources of financing needed to implement the Project activities under the Annual Work Plan, all acceptable to the Association.
2. Only those activities which are included in the Annual Work Plan shall be included in the Project. Notwithstanding the foregoing, the Annual Work Plan may be amended from time to time with the prior and written concurrence of the Association. In case of any conflict between the provisions of the Annual Work Plan and those of this Agreement, the provisions of this Agreement shall prevail.

Schedule 2 Section I F

F. Cooperation Agreement

1. To facilitate the carrying out of Part 1 the Project, the Recipient shall no later than three (3) months after the Effective Date, enter into a Cooperation Agreement with ICV, and thereafter maintain said Cooperation Agreement during the implementation of the Project, on terms and conditions acceptable to the Association, including, inter alia: the Recipient’s obligation to make parts of the proceeds of the Financing allocated to Categories 1 and 3 available to ICV in order to assist the Recipient in the carrying out of Part 1 the Project in accordance with the Anti-Corruption Guidelines, the Procurement Regulations, the ESCP and the Project Operational Manual.
2. The Recipient shall exercise its rights or carry out its obligations under the Cooperation Agreement in such manner as to protect the interests of the Recipient and those of the Association in order to accomplish the



purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive, terminate or fail to enforce the Cooperation Agreement, or any of its provisions.

3. In case of any inconsistencies between the Cooperation Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**Conditions**

Type	Financing source	Description
Effectiveness	IBRD/IDA	Section 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has updated and adopted the Project Operational Manual in form and substance satisfactory to the Association.
Disbursement	IBRD/IDA	<p>Schedule 2 - Section III B 1(b)</p> <p>(b) under Category (4) for Emergency Expenditures, unless and until all of the following conditions have been met in respect of said expenditures:</p> <p>(i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (4); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and</p> <p>(ii) the Recipient has adopted the ERM, in form and substance acceptable to the Association.</p>



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Cabo Verde

Cabo Verde Resilient Tourism and Blue Economy Development Second AF

Project Development Objective(s)

To increase diversity and resiliency in the tourism offering and small and medium enterprise (SME) participation in tourism-related value chains in targeted destinations.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Increase diversity in the tourism offering</b>								
Increase in average daily tourist spending at destination islands (Percentage)		0.00	0.00	0.00	8.00	8.00	8.00	17.00
<i>Action: This indicator has been Revised</i>								
Increase in total tourist overnight stay in destination islands (Percentage)		0.00	3.00	7.00	12.00	16.00	20.00	24.00
<i>Action: This indicator has been Revised</i>								
<b>Increase SME participation in tourism-related value chains</b>								





Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and sector) (Percentage)		0.00	10.00	20.00	30.00	40.00	50.00	60.00
<i>Action: This indicator has been Revised</i>								
<b>Increase resilience in the tourism offering</b>								
Infrastructure rehabilitated, upgraded or established integrating climate resilience practices (Number)		0.00	0.00	4.00	6.00	12.00	17.00	23.00
<i>Action: This indicator has been Revised</i>								

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Component 1: Development of integrated and resilient tourism and blue economy infrastructure</b>								
Share of local tourism and other ocean-economy value chain beneficiaries satisfied with the project interventions (disaggregated by gender)		0.00	0.00	40.00	40.00	40.00	65.00	65.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
(Percentage)								
<b>Action: This indicator has been Revised</b>								
Infrastructure rehabilitated, upgraded or established integrating sustainable practices (disaggregated by type) (Number)		0.00	0.00	2.00	4.00	8.00		8.00
<b>Action: This indicator has been Marked for Deletion</b>								
Roads rehabilitated (CRI, Kilometers)		0.00	4.00	8.00	14.60	14.60	14.60	14.60
<b>Action: This indicator has been Revised</b>								
Share of fish from fisheries under improved management, landed or handled according to improved practices at project-supported sites (Percentage)		0.00	0.00	40.00	40.00	60.00	60.00	80.00
<b>Action: This indicator has been Revised</b>								
National inter-modal transport strategy drafted and submitted for adoption (Yes/No)		No	No	Yes				Yes
<b>Action: This indicator has been Marked for Deletion</b>								



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Component 2: Enhancement of inclusive and sustainable management of tourism and in a blue economy</b>								
SMEs with improved access to finance supported by the project (Number)		0.00	10.00	30.00	60.00	100.00	150.00	200.00
<i>Action: This indicator has been Revised</i>								
Women-owned/ managed SMEs with improved access to finance supported by the project (Number)		0.00	3.00	10.00	25.00	40.00	68.00	75.00
<i>Action: This indicator has been Revised</i>								
Beneficiary SMEs adopting climate smart practices (disaggregated by gender) (Percentage)		0.00	0.00	0.00	10.00	20.00	25.00	30.00
<i>Action: This indicator has been Revised</i>								
Policies or legal instruments that integrate blue economy principles and climate change adaptation measures drafted and submitted to Cabinet (Number)		0.00	1.00	3.00	6.00	7.00	8.00	9.00
<i>Action: This indicator has been Revised</i>								
Action Plan for Gender Mainstreaming in Tourism is updated and adopted,		No	No	No	Yes	Yes	Yes	Yes



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
including GBV standard guidelines (Yes/No)								
<b>Action: This indicator has been Revised</b>								

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Increase in average daily tourist spending at destination islands	Daily tourism spending is defined as the per day consumption expenditure made by a visitor during his/her trip and stay at the targeted destination. The indicator encompasses a wide variety of items, ranging from the purchase of consumer goods and services inherent in travel and stays to the purchase of small durable goods for personal use, souvenirs and gifts for family and friends. The higher the spending per day, the more efficient the tourist destination is at generating	Baseline, mid-term, and end-year	National Statistics Office (INE) and UGPE-hired survey.	Reported data compiled by National Statistics Office and UGPE through survey data collection	UGPE through National Statistics Office



	<p>tourism value. The indicator will be tracked for targeted island destinations. The end target will be a 17 percent increase in daily spending across these destinations. It will be calculated as the average of the figures for the five Islands (Santiago, Sao Vicente, Santo Antão, Sal and São Nicolau). Currently, baseline data does not exist at the island level. As such, new island-level visitor surveys will need to be designed and administered to capture the baseline data. The baseline data indicated available refers to national average spending (from 2019 at an average spend of \$46.7/day), which will need to be updated during first year of implementation. Data from subsequent years will not be corrected for inflation.</p>				
<p>Increase in total tourist overnight stay in destination islands</p>	<p>The indicator will provide annual information on total overnight stays in a</p>	<p>Annual</p>	<p>National Statistics Office (INE)</p>	<p>Reported data compiled by INE</p>	<p>UGPE through INE</p>



	<p>destination, away from home or primary domicile, combined for all the targeted municipalities. The number of overnight stays is one of the most important indicators for accommodation businesses. The longer tourists stay, the higher the return on investment for marketing and sales and greater impact for hospitality businesses. Baseline data is that of total overnight stays for each island (Santiago, São Vicente, Sal, Santo Antão and São Nicolau) in 2022 (2021 was deemed to be yet too affected by the COVID-19 downturn, hence 2022 was chosen to reflect a more accurate project-related attribution)</p>				
<p>Share of beneficiary SMEs with new or expanded contracts to the hospitality value chain (disaggregated by gender and sector)</p>	<p>This indicator will assess the share of project-beneficiary SMEs which have been able to obtain new or expanded contracts to deliver products or provide services to local</p>	<p>Baseline, mid-term, and end.</p>	<p>Survey data by UGPE with support from Pró-Empresa, Pró-Garante and Pró-Capital</p>	<p>Annual survey with beneficiary firms</p>	<p>UGPE/Pro-Empresa</p>



	hospitality businesses (such as hotels, restaurants, travel agencies, or wholesale intermediaries), or directly to tourists.				
Infrastructure rehabilitated, upgraded or established integrating climate resilience practices	The indicators captures completion of tourism and blue economy infrastructure rehabilitation. It measures critical assets and infrastructure protected from climate risks due to climate risk mitigation interventions supported by the project. Target includes 11 tourism-fisheries piers and landing sites, 3 fish markets, 1 road, 1 museum, 2 visitors centers, hiking and trekking path interventions in at least 2 islands (Santo Antão, São Nicolau and potentially São Vicente), and 3 maritime passenger terminals in Santiago (Praia), Tarrafal de São Nicolau and Boavista.	Annually	Data from relevant beneficiaries	Confirmation of completion of infrastructure incorporating climate resilience practices confirmed by relevant project beneficiaries (eg. Ministry of the Sea, Estradas de Cabo Verde, Instituto de Turismo de Cabo Verde, etc).	UGPE



**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Share of local tourism and other ocean-economy value chain beneficiaries satisfied with the project interventions (disaggregated by gender)	The community satisfaction survey will cover beneficiaries of business development services and capacity building under Component 2 as well as those benefitting from improved infrastructure under Component 1. This indicator will measure the increase in the percentage of survey respondents who report being 'satisfied' or 'very satisfied' with their participation in, and outcomes of, their respective program (including responsiveness to feedback they provide). The results of the survey will be disaggregated by destination and by beneficiaries: disaggregated by fisherfolks; tourism SMEs and blue economy SMEs. The target of 65 percent respondents being satisfied	Baseline, mid-term and end	Community Satisfaction Survey	Survey	UGPE





	is expected for all groups. The survey will be carried out in year 1 and will also be used to report on the PROBLUE indicator 'Men and women in coastal areas with increased economic opportunities in traditional and/or new economic sectors (number), of which women (percentage)'. The PROBLUE indicator will be monitored as currently no data are available on which the target can be set.				
Infrastructure rehabilitated, upgraded or established integrating sustainable practices (disaggregated by type)		Annual	Project M&E system	Collection from project monitoring and & evaluation system, including bi-annual implementation reports.	UGPE
Roads rehabilitated		This indicator measures the cumulative number of kilometers of national roads rehabilitate	Bi-Annual	Project M&E system	UGPE with data from ECV



		d integrating sustainable practices under the Project			
Share of fish from fisheries under improved management, landed or handled according to improved practices at project-supported sites	This indicator relates to improvement in the quality of fisheries landings and handling of seafood products, while ensuring that these improvements do not lead to unwanted increases in fishing effort. To this end, it will track the extent to which the handling and sale of fish and seafood products from fisheries under improved management at Project sites comply with hygiene and sanitation standards, as reflected by proper certification by the competent authority. The calculation of this indicator will be the proportion of products landed using the new conservation or processing infrastructures according to the standards	Bi-Annual	Collection from Directorate General of Maritime Resources	Direct data collected by Directorate General of Maritime Resources	



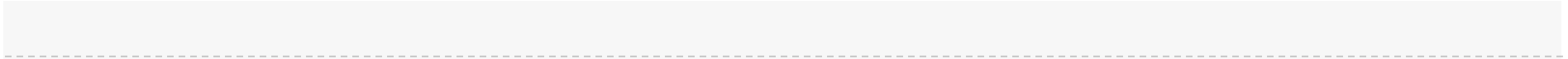
	<p>established on all the products landed at the selected sites. This indicator will be used to report against the PROBLUE indicator ‘Value increase from improved handling from fisheries under improved management (USD)’. During the first year of implementation, the conversion between volume and value will be established.</p>				
National inter-modal transport strategy drafted and submitted for adoption		Bi-Annual	Project M&E system	Collection from project monitoring and & evaluation system, including bi-annual implementation reports. Information on the completion and adoption of the strategy should be provided by the Ministry of Tourism and Transport and Ministry of the Sea.	UGPE with support of MTT
SMEs with improved access to finance supported by the project	To measure access to finance, this indicator counts beneficiary SMEs that have signed a	Bi-Annual	Pró-empresa	Data generated by Pró-empresa	UGPE with support from Pro-empresa



	loan/grant agreement after receiving support under any of the project-funded SME programs. It will also measure increased support for financial products with positive impact in the participation of women along the tourism and blue economy/fisheries value chains.				
Women-owned/ managed SMEs with improved access to finance supported by the project		Bi- Annual	Pró-empresa	Data generated by Pró-empresa	UGPE with support from Pró-empresa
Beneficiary SMEs adopting climate smart practices (disaggregated by gender)	This indicator will include different elements of sustainable tourism businesses including, among others energy efficiency, water conservation and waste management, greenhouse gas emissions and carbon offsetting schemes adopted by supported MSMEs, it will measure the percentage of MSMEs that adopt climate-smart practices thanks to technical assistance or finance received by the project.	Annual	Annual survey conducted to supported firms in collaboration with Pro-émpresa, Progarante and Procapital	Data collected directly by UGPE	UGPE



<p>Policies or legal instruments that integrate blue economy principles and climate change adaptation measures drafted and submitted to Cabinet</p>	<p>The indicator counts the number of policy documents prepared with support from the project including relevant data collection and analysis, dialogues and stakeholder engagement relevant for the regulation and planning of tourism and blue economy. This indicator will be used to report against two PROBLUE indicators: 'National policy reform in coastal tourism informed (number)' and 'National policy reforms in fisheries &amp; aquaculture informed (number)'.</p>	<p>Bi-annual</p>	<p>Project M&amp;E system</p>	<p>Collection from project monitoring and &amp; evaluation system, including bi-annual implementation reports.</p>	<p>UGPE through Ministry of Tourism and Transport and Ministry of the Sea</p>
<p>Action Plan for Gender Mainstreaming in Tourism is updated and adopted, including GBV standard guidelines</p>	<p>The indicator will measure if the referend Action Plan is updated, with M&amp;E framework and fully operational. To confirm its operationalization, the Action plan should be accompanied by a Working Plan.</p>	<p>Annual</p>	<p>Project M&amp;E system</p>	<p>Direct data and information from ICIEG</p>	<p>UGPE with support from ICIEG</p>





## **ANNEX 1: DETAILED PROPOSED ADDITIONAL FINANCING DESCRIPTION**

### **Component 1: Development of Integrated and Resilient Tourism and Blue Economy Infrastructure (Estimated Cost US\$23.7 million equivalent)**

1. The following infrastructure investments have been proposed based on the Blue Economy National Investment Plan (PNIEB) and Tourism Operational Plan (POT), with preliminary designs and feasibility assessments currently being carried out and financed by the Parent Project. See Table 1 for details on relating budgets.

#### Santiago Island

2. Key investments in fisheries coastal infrastructure have been proposed for Santiago Island. These include the modernization of the wholesale fish market in the fishing complex of Praia, to create a transparent and competitive market environment and improve sanitary and other quality aspects of fish products, and the construction of a retail fish market based on a best practice, climate-resilient design. Additionally, the rehabilitation and upgrading of artisanal fisheries infrastructure in Ribeira da Barca and Porto Rincão in form of construction of a multi-purpose jetty and multi-service fisheries facilities, respectively. These investments will help strengthen the fisheries value chain toward increased export opportunities and supply to services in the tourism sector. Envisaged works in Ribeira da Barca will be complemented by the rehabilitation of the town's access road through the World Bank-funded *Improving Connectivity and Urban Infrastructure in Cabo Verde Project (P178644)*. In Calheta São Miguel, to support the development of the semi-industrial fishing sector, the AF will support feasibility studies for the construction of an offloading jetty for semi-industrial boats and associated access way.

3. The AF also proposes to promote tourism and stimulate economic development on Santiago Island through the construction of a new maritime passenger terminal. The primary objective of this intervention is to enhance maritime connectivity by upgrading the existing Santiago maritime terminal, which is currently deemed too small and obsolete. Under the Parent Project, feasibility studies are currently underway to assess the rehabilitation of the terminal.

#### Santo Antão, São Nicolau and Boa Vista

4. The AF proposes to further strengthen development in the northern islands by expanding investments in Santo Antão and an additional adjacent island, São Nicolau, and to add the island of Boa Vista to increase inter-island connectivity.

5. São Nicolau has strong potential for investments in the tourism value chain, particularly the hiking and the nautical tourism recreational segments. In addition, it represents the third most important fishing area in the country, with potential for achieving synergies under the blue economy umbrella. The proposed concentrated focus for these two islands is supporting the tourism hiking segment and prioritizing coastal and fisheries infrastructure development. To promote the natural attractions of the islands and strengthen their overall tourism potential, the AF will expand support to the upgrading of select hiking trails and viewpoints, following-up from the package and framework included the Parent Project. To strengthen the local fisheries sector and improve the quality of fish landings, the AF proposes the construction of multi-purpose jetties in Tarrafal de Monte Trigo and Monte Trigo, Santo Antão and Carriçal, São Nicolau and the rehabilitation/upgrading of fish landing sites in Cruzinha, Janela, and Paul on Santo Antão and in Preguiça, São Nicolau.



6. Both São Nicolau and Boa Vista islands will also benefit from new maritime passenger terminals, for solving crucial connectivity-related challenges (feasibility and technical study already ongoing in the Parent Project) and contributing towards greater tourist mobility between established and emerging island destinations. Investments in Paul (Santo Antão) will be complemented by the rehabilitation of the town’s seafront through the World Bank-funded *Improving Connectivity and Urban Infrastructure in Cabo Verde Project (P178644)*.

7. All proposed infrastructure will adhere to low energy consumption building designs and use sustainable materials. For example, sustainable, solar-energy solutions will be installed across select existing and newly proposed coastal infrastructure investments with feasibility studies currently being carried out under the Parent Project. The infrastructure designs will also address challenges related to coastal erosion, storm surges (e.g., flood-resilient design), and environmental degradation. See Annex 2 for more detail on climate-resilient designs. The inclusion of women and vulnerable communities will be prioritized, informed by Cabo Verde's Gender Strategy for the Fisheries Sector 2022-2026.

**Table 1: Proposed Activities under Component 1**

<b>Component 1: Develop integrated and resilient tourism and blue economy infrastructure</b>	<b>Project Cost / IDA financing (US\$ million)</b>
<b>(a) Upgrade integrated tourism and fisheries coastal infrastructure</b>	<b>18.00</b>
Rehabilitation of wholesale fish market in Praia	1.40
Construction of new retail fish market in Praia, Santiago	2.50
Rehabilitation of fisheries infrastructure in Ribeira da Barca, Santiago	5.90
Rehabilitation of fisheries infrastructure in Rincão, Santiago	1.00
Design studies for the construction of an offloading jetty for semi-industrial boats in Calheta São Miguel, Santiago	0.50
Rehabilitation of fish landing site in Cruzinha, Santo Antão	0.12
Construction of multi-purpose jetties in Tarrafal de Monte Trigo and Monte Trigo, Santo Antão	3.40
Upgrading of fish landing sites in Penedo, Janela and Paço, Paul in Santo Antão	0.13
Rehabilitation of fisheries infrastructure in Carriçal, São Nicolau	1.50
Rehabilitation of fish landing site in Preguiça, São Nicolau	0.10
Integration of energy-efficient technology across select existing and newly proposed coastal infrastructure	1.45
<b>(b) Improve accessibility to tourism sites</b>	<b>3.90</b>
Construction of new maritime passenger terminal in Praia, Santiago	1.90
Construction of new maritime passenger terminal in Tarrafal, São Nicolau	1.00
Construction of new maritime passenger terminal in Boa Vista	1.00
<b>(c) Rehabilitate trekking trails</b>	<b>1.80</b>
Expansion of rehabilitation of hiking trails in Santo Antão <sup>12</sup>	0.80

<sup>12</sup> To potentially include also a small subset of trails in the natural park of the adjacent the island of São Vicente.





Rehabilitation of hiking trails in São Nicolau	1.00
<b>Estimated Total</b>	<b>23.70</b>

**Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy (Estimated Cost US\$5.7 million equivalent)**

8. Under Component 2, the AF will focus on expanding support for local small- and medium-sized enterprises (SMEs) and value chain actors, while also enhancing the enabling environment and policies to create more private sector opportunities in the ocean-based economy and nature-based tourism.

9. Proposed key activities toward expanding support for local SMEs will include: (i) empowering fishing communities by strengthening their entrepreneurial capacities, in particular women and communities that are associated with the envisaged infrastructure investments, by strengthening their entrepreneurial capacities and activities (e.g., support to entrepreneurial ventures, access to finance, access to technology) as well as engaging the communities in discussions about the gender norms that condone gender inequality and GBV; (ii) circular economy and integrated waste management support for the development of a private sector-led solution for integrated waste management in Sal including conducting a feasibility study for a waste management facility in Sal; (iii) awareness raising and capacity building on topics such as circular economy, gender equality and GBV prevention, development of local tourism experiences marketed on digital platforms, and targeted entrepreneurship support to be directed towards local firms and actors in nature-based tourism, articulating and expanding from the current Tourism Rural Villages program (*Aldeias Rurais Turísticas*) as well as quality certification programs for tourism suppliers.

10. Under Component 2 and to complement investments under Component 1, the project will further improve fisheries governance and management, and provide associated research and training to relevant stakeholders. Specifically, the project will: (i) strengthen the country’s fisheries management framework by integrating gender aspects and actions on prevention of GBV; (ii) review and update the legal and regulatory framework for aquaculture toward improving the business environment for private sector investment and subsequent increased food production and coastal economic development, particularly by incentivizing the participation of women; (iii) implement an origin and sustainability certification/labeling scheme for fisheries and aquaculture products, currently being developed under the Parent Project and aimed at increasing visibility and encouraging local product consumption, particularly by the tourism sector; (iv) update/upgrade Cabo Verde’s fisheries statistics system and support improved fisheries data collection (e.g., stock assessments, gender aspects) and publication, critical for the sustainable, climate-resilient management of Cabo Verde’s fisheries and for strengthening gender equality; (v) support fisheries community co-management through capacity building and awareness-building activities toward long-term sustainability and climate resilience of the resource and integration of gender aspects (e.g., promote the participation of women in planning and decision making, establish quotas for women’s representation in the executive bodies of fisheries and coastal management bodies, raise awareness around prevalence of GBV and strategies to prevent, respond and mitigate risks); and (vi) preparation of fisheries management plans that inform climate-resilient fishing practices and the maintenance of fish stocks considering future climate impacts on these fisheries.

11. Finally, Component 2 will (i) support sustainable development of nature-based tourism including promotional efforts aimed at developing the hiking market in key niche source markets, as well as improvements in governance, management, and legislation related to nature-based tourism, notably on



establishing and enacting a first of its destination management organization-type organization to sustainably manage, maintain and expand the hiking trails, initially on Santo Antão island, reaping also the dividends of a recent tourism-focused public-private dialogue collaborative experiences; and (ii) follow-up efforts to enhance tourism licensing processes and improve the collection and analysis of tourism statistics, including gender statistics.

Table 2: Proposed Activities under Component 2

Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy	Project Cost / IDA financing (US\$ million)
<b>(a) Support entrepreneurship and SME development in the tourism and fisheries value chains</b>	<b>2.70</b>
Supporting and empowering fishing communities in strengthening entrepreneurial capacities and ensuring sustainability of infrastructure investments	1.00
Feasibility studies and implementation of pilot circular economy projects (i.e., integrated waste management facility in Sal)	1.00
Supporting sustainability and inclusion projects in selected islands (i.e., support to implementation of <i>Aldeias Rurais Turísticas</i> national program through capacity building and awareness raising, scale up of PPD framework to Santo Antão)	0.70
<b>(b) Support enabling policies and programs to increase sustainable private sector investment in tourism and other blue economy sectors</b>	<b>3.00</b>
Improving fisheries management, governance, research, and training	2.00
Technical assistance to enhance regulations, standards, capacity building, governance, and marketing hiking trails	0.80
Digitalization of tourism licensing & support to market intelligence	0.20
<b>Estimated Total</b>	<b>5.70</b>

**Component 3: Project Implementation Support (Estimated Cost US\$0.6 million equivalent)**

12. In light of the expected rise in project funding and the addition of multiple infrastructure projects within the AF framework, it has been determined that the UGPE team needs to be strengthened in order to effectively handle the increased workload. To address this, a senior technical staff member will be recruited to assist the project manager and provide technical guidance for specific tasks. Furthermore, additional support staff, such as procurement assistants or consultants to aid line ministries, may be considered during the implementation of the AF, depending on the specific requirements that arise. Finally, a social assessment of fisheries value chains will be supported to identify and address social vulnerabilities, including from climate change impact, that may occur during project implementation.



## ANNEX 2: CLIMATE RELATED ACTIVITIES SUPPORTED BY THE ADDITIONAL FINANCING

### Climate Change Vulnerability Context

1. **As a small island development state (SIDS), Cabo Verde is among the countries most vulnerable to climate change.** Cabo Verde, as other SIDS, contributes only insignificantly to global warming. However, due to the country's vulnerability to climatic shocks - the Notre Dame Global Adaptation Initiative ranked Cabo Verde 77 in 2021,<sup>13</sup> which places the country well below its aspirational peers such as Mauritius, Saint Kitts and Nevis or Saint Lucia<sup>14</sup> - it continues to advocate for a stronger global response and implement mitigation and adaptation measures. Mitigation is focused on reducing greenhouse gas emissions by reducing energy intensity and fostering energy efficiency, increasing renewable energy targets, lowering the carbon intensity of mobility, shifting toward responsible tourism and a circular economy, and fostering the natural sink function of ecosystems, while adaptation is concentrated on enhancing resilience through initiatives aimed at ensuring food, water, and energy sustainability.

2. **The country's marine and coastal resources - the base for a sustainable blue economy - are particularly affected, threatening the competitiveness and resilience of the tourism industry.** The definition of vulnerable groups in light of climate change and the role of gender aspects in climate policy is not yet sufficiently established or institutionalized in Cabo Verde. However, climate vulnerability is highest in cities, shallow islands, steep agricultural and forest areas, and coastal areas. Population density and economic activity is highly concentrated in the coastal areas hosting about 80 percent of the population and generating 62 percent of GDP. In addition to long-term droughts, desertification of land and extreme rainfall events leading to flash floods particularly in urban areas and erosion, the geomorphological characteristics of Cabo Verde, the lowlands along the coast, stand out and make coastal communities, infrastructure and relating economic operations such as tourism particularly vulnerable to possible sea level rise and associated extreme and adverse climate events such as hurricanes, storms with high winds, tidal waves, and heavy rains. Sea level rise is projected to increase from 0.26m to 0.98m over the next 60-80 years and cause coastal submersion, erosion, salinity and flooding. The country is already witnessing loss of coastal territory due to these phenomena and coastal infrastructure has been affected by erosion caused by sea level rise and storms with high winds, tidal waves, heavy rains and associated flash floods. Finally, changes in surface temperature, salinity, acidity and oxygen levels may potentially have catastrophic effects on Cabo Verdean fisheries. Modelling indicates potential decreases in maximum catch potential of up to 36 percent,<sup>15</sup> but the range of potential outcomes is large and sensitive to the choice of model. The most optimistic scenarios indicate potential gains in maximum catch potential of 26 percent. Further research of changes in catch composition and subnational distribution of stocks over time would provide vital inputs to Cabo Verdean planning processes and improve the resilience of the sector.

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<sup>13</sup> The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. It aims to help governments, businesses and communities better prioritize investments for a more efficient response to the immediate global challenges ahead. The higher the rank, the better.

<sup>14</sup> Mauritius, Saint Kitts and Nevis, or Saint Lucia rank 48, 58, 68, respectively, by the Notre Dame Global Adaptation Initiative.

<sup>15</sup> World Bank. 2019. Climate Change and Marine Fisheries in Africa: Assessing Vulnerability and Strengthening Adaptation Capacity. The RCP 8.5 pathway indicates a 36% decrease in maximum catch potential (MCP) by 2100 using the multispecies size spectrum ecological model. Other models and timelines indicate changes in MCP ranging from +26% to -36%.



3. **Climate change impact is exacerbated as the physical, coastal environment is increasingly fragile.** A growing population coupled with unplanned and often ad hoc development of coastal areas with inadequate environmental safeguards and solid waste management infrastructure is intensifying the exploitation of coastal resources along with increased pollution and waste deposition, putting at risk the health of marine and coastal ecosystems and reducing the capacity of nature to regenerate itself. This is particularly applicable to the overexploitation of fishery resources and environmental degradation of marine and coastal ecosystems including beaches, which are critical for their environmental (habitat) services and their value to the tourism industry.

#### **Intent to Address Vulnerability**

4. **The AF is designed to mitigate and adapt to the impacts of climate change and natural hazards, in particular sea level rise and associated extreme and adverse climate events such as storms with high winds, tidal waves, and heavy rains; and to respond to overexploitation of fishery resources, pollution, and environmental degradation of marine and coastal ecosystems including beaches.** The AF will respond to these climate change risks through rehabilitating coastal infrastructure that has been affected by climate change impact by ensuring it is climate-resilient, constructing new climate-resilient coastal infrastructure, increasing energy-efficiency, diversifying tourism sites and promoting sustainable tourism, incentivizing climate-smart SME interventions, incentivizing the reuse and recycling of materials, improving fisheries governance and management, empowering and incentivizing coastal communities to safeguard marine and coastal resources, and raising awareness for climate change impact.

5. **The proposed AF is closely aligned with the World Bank’s climate change, disaster risk management (DRM), coastal and urban resilience agendas.** The World Bank’s Climate Change Action Plan (CCAP) targets increasing climate finance to reduce emissions, strengthen climate change adaptation, and align financial flows with the goals of the Paris Agreement, specifically coastal resilience and nature-based solutions and healthy oceans for jobs and food. The Next Generation Africa Climate Business Plan (NG-ACBP) emphasizes “Environmental Stability” of seascapes and watersheds for increased ecosystems resilience, carbon sequestration, and contributes to socio-economic resilience. In the 2019 Action Plan on Climate Change Adaptation and Resilience, the Bank notes the importance of increasing adaptation financing as well as doing so through cross-cutting solutions including resilient cities and nature-based solutions, which are fully embedded in the project design.

6. **The proposed AF is also consistent with Cabo Verde’s NDC.** In its updated NDC, submitted to the United Nations Framework Convention on Climate Change in 2021, Cabo Verde commits, by 2030, to reducing greenhouse gas emissions by 18 percent below the business-as-usual scenario, and by 24 percent with international support. By 2050, Cabo Verde aims to achieve a decarbonized, net-zero emissions economy. The proposed AF contributes to the NDC as follows: (i) mitigation contribution #2 on increasing renewable energy targets by following low energy consumption building designs and promoting the use of solar photovoltaic and other energy-efficient solutions in the proposed infrastructure; (ii) mitigation contribution #4 on shifting towards responsible tourism and circular economy by promoting tourism on islands that are currently outside of the main tourism trafficked areas and by stimulating circular economy business cases in tourism value-chains; and (iii) adaptation contribution #4 on increasing and sustaining ocean-based food security through regenerative fishing by improving fisheries management and governance including strengthening fisheries data collection and monitoring, control and surveillance (MCS), and introducing an origin and sustainability certification/labeling scheme for fisheries and aquaculture products. The proposed AF is furthermore consistent with the country’s National Adaptation Plan and its aim to implement adaptation action toward an increased resilience by strengthening resilience



of coastal (e.g., fish markets, fish landing sites) and inland (e.g., hiking trails) infrastructure and reducing their vulnerability to climate-related disasters.

#### **Links to Project Activities: Climate Co-Benefits by Sub-Component**

7. The following highlights project activities and associated costs that are proposed to be financed under the AF and which would address the vulnerabilities to climate change and natural disasters discussed above together with potential co-benefits for greenhouse gas mitigation.

#### **Component 1: Development of Integrated and Resilient Tourism and Blue Economy Infrastructure**

8. ***Sub-Component 1 a) - Upgrade integrated tourism and fisheries coastal infrastructure.*** This sub-component finances the rehabilitation and/or construction of coastal infrastructure including the upgrading of the fisheries offloading wholesale market and the construction of a new retail fish market, both in Praia, Santiago Island, and the rehabilitation of fish landing and other coastal infrastructure in Santo Antão, São Nicolau, and Santiago Islands, most of which have been affected by climate change impact. The sub-component also provides for solar and other energy-efficient installations for select existing and newly proposed infrastructure under this AF.

9. Adaptation and mitigation activities: The rehabilitation of existing and construction of new integrated tourism and fisheries coastal infrastructure will: (i) adhere to energy-efficient building designs by using energy-efficient lighting and renewable energy sources (i.e., solar) to reduce the carbon footprint and reliance on external energy sources and be in compliance with international sustainability/energy-efficiency standards/qualifications; (ii) make use of rainwater harvesting; and (iii) use sustainable and durable materials that can withstand corrosion from saltwater and resist damage from strong winds. To consider projected sea-level rise and minimize risk of flooding during storm surges and high tides, flood protection measures in form of breakwaters will be incorporated, jetties will be built on piles for minimum wave impact, and the location of small-scale infrastructure will be elevated or at a secure distance from ocean swell areas. See Tables 1-4 for site-specific measures.<sup>16</sup>

10. ***Sub-Component 1 b) - Improve accessibility to tourism sites.*** The main additional investments under this subcomponent will involve the construction of new maritime passenger terminal buildings in Praia, Santiago Island, Tarrafal, São Nicolau Island, and Sal-Rei, Boa Vista Island, to meet the growing demand for increased connectivity to service tourism and to provide adequate services to visitors.

11. Adaptation and mitigation activities: The construction of the terminals will: (i) adhere to energy-efficient building designs by using energy-efficient lighting and renewable energy sources (i.e., solar) to reduce the carbon footprint and reliance on external energy sources and to be in compliance with international sustainability/energy-efficiency standards or qualifications; and (ii) use sustainable and durable materials that can withstand corrosion from saltwater and resist damage from strong winds. In addition, the terminal locations will be elevated or at a secure distance from ocean swell areas to consider projected sea-level rise and minimize risk of flooding during storm surges and high tides.

12. ***Sub-Component 1 c) - Rehabilitate trekking trails and cultural heritage and visitor centers.*** Under this sub-component, hiking trails will be expanded across the Northern Islands to include a strengthened package for Santo Antão and São Vicente and another island, São Nicolau.

13. Adaptation and mitigation activities: Considering heavy rainfall events, flooding and erosion, the

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<sup>16</sup> The cost estimations associated with added climate resiliency and energy efficient measures have been determined conservatively in consultation with sector experts.



rehabilitation of trekking trails will (i) feature erosion control measures such as retaining walls, rock armoring and adequate grading and drainage to channel water away from the trail surface and minimize erosion; (ii) establish vegetation buffer zones along the edges of trails to stabilize the soil, absorb water and reduce erosion; (iii) install crossing structures (e.g., bridges, boardwalks) at stream crossings and low-lying areas prone to flooding; and iv) introduce waste collection points and bins throughout the trails, with supporting service pickups and outreach to local stakeholders. Relevant stakeholders including local communities will be engaged closely in the rehabilitation process to foster a sense of ownership and stewardship over the trail network. In addition, the rehabilitation of hiking trails can stimulate and build local economies, create job opportunities and generate revenue; and diversification of local economies may reduce vulnerability to climate-related risks in traditional livelihoods.

**Table 1: Proposed integration of energy-efficient technology under the AF**

Project Activity	Project Cost / IDA financing	Project Cost Allocation to Climate Mitigation/Adaptation
Integration of energy-efficient technology across select existing and newly proposed coastal infrastructure	US\$1,450,000	US\$1,450,000 (100%)
<b>Estimated Total</b>	<b>US\$1,450,000</b>	<b>US\$1,450,000 (100%)</b>

**Table 2: Proposed infrastructure investments for Santiago Island under the AF**

Project Activity and Specific Climate Mitigation/Adaptation Action	Project Cost / IDA financing	Project Cost Allocation to Climate Mitigation/Adaptation
Rehabilitation of wholesale fish market in Praia will adhere to low energy consumption building designs by installing solar and rainwater harvesting and to follow international sustainability/energy-efficiency standards or qualifications, and use sustainable materials during construction	US\$1,400,000	US\$140,000 (10%)
Construction of new retail fish market in Praia will adhere to low energy consumption building designs by installing solar and rainwater harvesting and to follow international sustainability/energy-efficiency standards or qualifications, and use sustainable materials during construction	US\$2,500,000	US\$250,000 (10%)
Rehabilitation of fisheries infrastructure in Ribeira da Barca to address climate change impact (i.e., existing infrastructure is eroded due to sea level rise, increased frequency of storms and flash floods): rehabilitation of service platform including construction of jetty that will be designed in caissons anchored to the seabed for minimum wave impact considering sea level rise and relating risk of flooding during storm surges and high tides, and construction of rubble mound breakwaters to mitigate impact of storm surges and more extreme weather events.	US\$5,900,000	US\$5,900,000 (100%)
Construction of fisheries infrastructure in Rincão will be	US\$1,000,000	US\$100,000 (30%)



elevated and at a secure distance away from ocean swell areas and adhere to low energy consumption building designs by installing solar. Existing infrastructure is frequently flooded by tidal waves during the high wave months (May to October).		
Construction of new maritime passenger terminal in Praia will (i) adhere to energy-efficient building designs by using energy-efficient lighting and renewable energy sources (i.e., solar) to follow international sustainability/energy-efficiency standards or qualifications; (ii) use sustainable and durable construction materials; and (iii) be located in an existing port area.	US\$1,900,000	US\$190,000 (10%)
Design studies for the construction of an offloading jetty for semi-industrial boats in Calheta São Miguel will feature the jetty to be on piles for minimum wave impact.	US\$500,000	US\$500,000 (100%)
<b>Estimated Total</b>	<b>US\$13,200,000</b>	<b>US\$7,080,000 (54%)</b>

**Table 3: Proposed infrastructure investments for Santo Antão under the AF**

Project Activity	Project Cost / IDA financing	Project Cost Allocation to Climate Mitigation/Adaptation
Rehabilitation of fish landing site in Cruzinha to address climate change impact (i.e., erosion due to sea level rise, tidal waves affecting operations)	US\$120,000	US\$120,000 (100%)
Construction of multi-purpose jetties in Tarrafal de Monte Trigo and Monte Trigo will be designed to be on piles for minimum wave impact in light of coastal erosion and sea level rise. The construction will have no marine environmental footprint and no demand on power.	US\$3,400,000	US\$3,400,000 (100%)
Mechanization of fish landing sites in Penedo, Janela and Paço, Paul will place required equipment at a distance from the shore to ensure climate resilience in light of sea level rise.	US\$130,000	US\$13,000 (10%)
Rehabilitation of hiking trails will address climate change impact (i.e., erosion, flooding) and include stakeholder engagement and (i) feature erosion control measures; (ii) establish vegetation buffer zones along the edges of trails; (iii) install crossing structures at stream crossings and low-lying areas prone to flooding; and (iv) introduce waste collection points and bins.	US\$800,000 <sup>17</sup>	US\$800,000 (100%)
<b>Estimated Total</b>	<b>US\$4,450,000</b>	<b>US\$4,333,000 (97%)</b>

**Table 4: Proposed infrastructure investments for São Nicolau under the AF**

Project Activity	Project Cost / IDA financing	Project Cost Allocation
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<sup>17</sup> To potentially include also a small subset of trails in the natural park of the adjacent the island of São Vicente.



		to Climate Mitigation/Adaptation
Rehabilitation of fisheries infrastructure in Carriçal to address climate change impact (i.e., erosion, tidal waves) will include construction of a multi-purpose jetty consisting of a permanent structure built at an elevated level to resist sea level rise and with durable materials that can withstand corrosion from saltwater and resist damage from strong winds and waves	US\$1,500,000	US\$1,500,000 (100%)
Rehabilitation of fish landing site in Preguiça	US\$100,000	US\$0 (0%)
Rehabilitation of hiking trails will address climate change impact (i.e., erosion, flooding) and include stakeholder engagement and (i) feature erosion control measures; (ii) establish vegetation buffer zones along the edges of trails; (iii) install crossing structures at stream crossings and low-lying areas prone to flooding; and (iv) introduce waste collection points and bins.	US\$1,000,000	US\$1,000,000 (100%)
Construction of new maritime passenger terminal in Tarrafal de São Nicolau will (i) adhere to energy-efficient building designs by using energy-efficient lighting and renewable energy sources (i.e., solar) to follow international sustainability/energy-efficiency standards or qualifications; (ii) use sustainable and durable construction materials; and (iii) be located in an elevated area and/or at a secure distance from ocean swell areas.	US\$1,000,000	US\$100,000 (10%)
<b>Estimated Total</b>	<b>US\$3,600,000</b>	<b>US\$2,600,000 (72%)</b>

Table 5: Proposed infrastructure investments for Boa Vista under the AF

Project Activity	Project Cost / IDA financing	Project Cost Allocation to Climate Mitigation/Adaptation
Construction of new maritime passenger terminal in Boa Vista Island will (i) adhere to energy-efficient building designs by using energy-efficient lighting and renewable energy sources (i.e., solar); (ii) use sustainable and durable construction materials; and (iii) be located in an elevated area and/or at a secure distance from ocean swell areas.	US\$1,000,000	US\$100,000 (10%)
<b>Estimated Total</b>	<b>US\$1,000,000</b>	<b>US\$100,000 (10%)</b>

**Component 2: Enhancement of inclusive and sustainable management of tourism in a blue economy**

14. **Sub-Component 2 a) - Support entrepreneurship and SME development in the tourism and fisheries value chains.** Under this sub-component i) fishing communities will be supported and empowered in strengthening entrepreneurial capacities, ii) circular economy and integrated waste management activities will be implemented for the development of a private sector-led solution for integrated waste management in Sal including conducting a feasibility study for a waste management facility in Sal, and iii) sustainability





and inclusion projects will be supported in select islands.

15. Adaptation and mitigation activities: Support to fishing communities will include i) training for climate-vulnerable groups on economic activities (including for example on diversifying sources of income beyond fishing, access to finance that can enable communities to invest in climate adaptation measures) as part of a broader set of training activities in business management, and ii) provision of technical assistance toward meeting industry standards for commercial integration and adopting specific climate adaptation-informed fishing and/or aquaculture practices to reduce identified climate risks (i.e., sustainable fishing practices, selective fishing techniques, climate-resilient aquaculture feeds and feeding practices). The circular economy and integrated waste management activities are directly focused on exploring and stimulating, through matching grants and technical assistance, business use cases at the MSME-level around waste residue recycling (including plastic-use reduction), water reusage and energy efficiency, thereby reducing resource consumption and waste generation toward a reduction in greenhouse gas emissions. The support to sustainability and inclusion projects will include elements of this MSME support, identifying tourism-linked sustainable service and product business cases at the community-level (leveraging from the ongoing national program Aldeias Turísticas Rurais – Rural Tourism Villages). About 60 percent of sustainability and inclusion projects encompass awareness raising and capacity building on energy efficiency, recycling and waste residue/plastic reduction.

16. ***Sub-Component 2 b) - Support enabling policies and programs to increase sustainable private investment in tourism and other blue economy sectors.*** The AF will strengthen the governance and management of the fisheries and aquaculture sector and support associated research and training. It will also allocate more resources towards sustainable development of nature-based tourism, including promotional efforts aimed at the hiking market, and improvements in governance, management, and legislation related to nature-based tourism, implementing and piloting a hiking trail management and maintenance institutional framework with a focus on Santo Antão as a launch-island.

17. Adaptation and mitigation activities:

- a) Fisheries and aquaculture governance and management activities will include the following: i) strengthening the country's fisheries management framework by integrating climate adaptation activities such as upgrading and maintaining fisheries infrastructure to withstand the impacts of climate change, particularly sea-level rise, coastal erosion and increased storm intensity; promoting sustainable fishing practices (e.g., selective fishing gear, regulated catch limits) and maintain healthy fish stocks; provide fishing communities with access to accurate climate information and forecasts; facilitate participatory fisheries management and co-management arrangements to empower local communities to take collective climate action; ii) reviewing and updating the legal and regulatory framework for aquaculture toward improving the business environment for private sector investment (e.g., in sustainable feed production) and incorporating a climate-smart approach toward increased food production and coastal economic development; (iii) implementing an origin and sustainability certification/labeling scheme for fisheries and aquaculture products, aimed at increasing visibility and encouraging local product consumption, particularly by the tourism sector, by integrating climate adaptation considerations into the certification criteria and promoting practices that enhance the resilience of fisheries and aquaculture operations to climate change; (iv) updating/upgrading Cabo Verde's fisheries statistics system and support improved fisheries data collection (e.g., stock assessments) and publication, critical for a better understanding of climate impacts, enhanced decision-making, and adaptive management toward the sustainable, climate-resilient management of Cabo Verde's fisheries; (v)



supporting fisheries community co-management of fisheries resources through capacity building and awareness-building activities (i.e., for climate change impact on fisheries, better understanding local climate risks, adaptive fisheries management approaches that empower communities to respond to a changing climate, climate-resilient fishing practices) toward long-term sustainability and climate resilience of the resource; and (vii) preparation of fisheries management plans that inform climate-resilient fishing practices and the maintenance of fish stocks considering future climate impacts on these fisheries. The activities are being informed by an analysis on climate change impact on Cabo Verde's fisheries, which is currently being carried out under the Parent Project in cooperation with the University of British Columbia.

- b) Technical assistance to enhance regulations, standards, capacity building, governance and marketing hiking trails: The establishment of a governing framework for the hiking trails will be anchored on safeguarding the environmental, social and economic sustainability of those natural heritage sites through activities such as, inter alia: i) development of adequate regulation of hiking trail usage, zoning and signage, including compliance with legally-mandated disaster and climate-related risk aspects (e.g., development of maintenance standards for hiking trails to ensure they are resilient to disasters and climate-related impacts such as erosion control measures and reinforcement of infrastructure; zoning regulations that take into account the vulnerability of different areas to disasters and climate-related risks; incorporation of educational materials into trailheads/visitor centers to raise awareness for climate change impact); ii) enforcement mechanism for national by-laws and code of conduct for sustainable trail usage and maintenance toward ensuring the long-term climate resilience of the trail network; and iii) strategy and action plan for community-involvement and outreach towards the sustainable use and conservation of the hiking trails. Relevant stakeholders including local communities will be engaged to foster a sense of ownership and stewardship over the trail network, build awareness for protecting natural resources, and enhance capacity to respond to climate-related challenges toward building broader adaptive capacity within the system.

Table 6: Proposed Activities under Component 2

Project Activity	Project Cost / IDA financing	Project Cost Allocation to Climate Mitigation/Adaptation
<b>Sub-component a) Support entrepreneurship and SME development in the tourism and fisheries value chains</b>		
Supporting and empowering fishing communities in strengthening entrepreneurial capacities and ensuring sustainability of infrastructure investments	US\$1,000,000	US\$250,000 (25%)
Feasibility studies and implementation of pilot circular economy projects (i.e., integrated waste management facility in Sal)	US\$1,000,000	US\$600,000 (60%)
Supporting sustainability and inclusion projects in selected islands (i.e., support to implementation of <i>Aldeias Rurais Turísticas</i> national program through capacity building and awareness raising, scale up of PPD framework to Santo Antão)	US\$700,000	US\$420,000 (60%)
<b>Sub-component b) Support enabling policies and programs to increase sustainable private sector investment in tourism and other blue economy sectors.</b>		
Improving fisheries management, governance, research, and training	US\$2,000,000	US\$500,000 (25%)



Technical assistance to enhance regulations, standards, capacity building, governance, and marketing hiking trails	US\$800,000	US\$240,000 (30%)
Digitalization of tourism licensing & support to market intelligence	US\$200,000	US\$0 (0%)
<b>Estimated Total</b>	<b>US\$5,700,000</b>	<b>US\$2,010,000 (35%)</b>

**Component 3: Project Implementation Support**

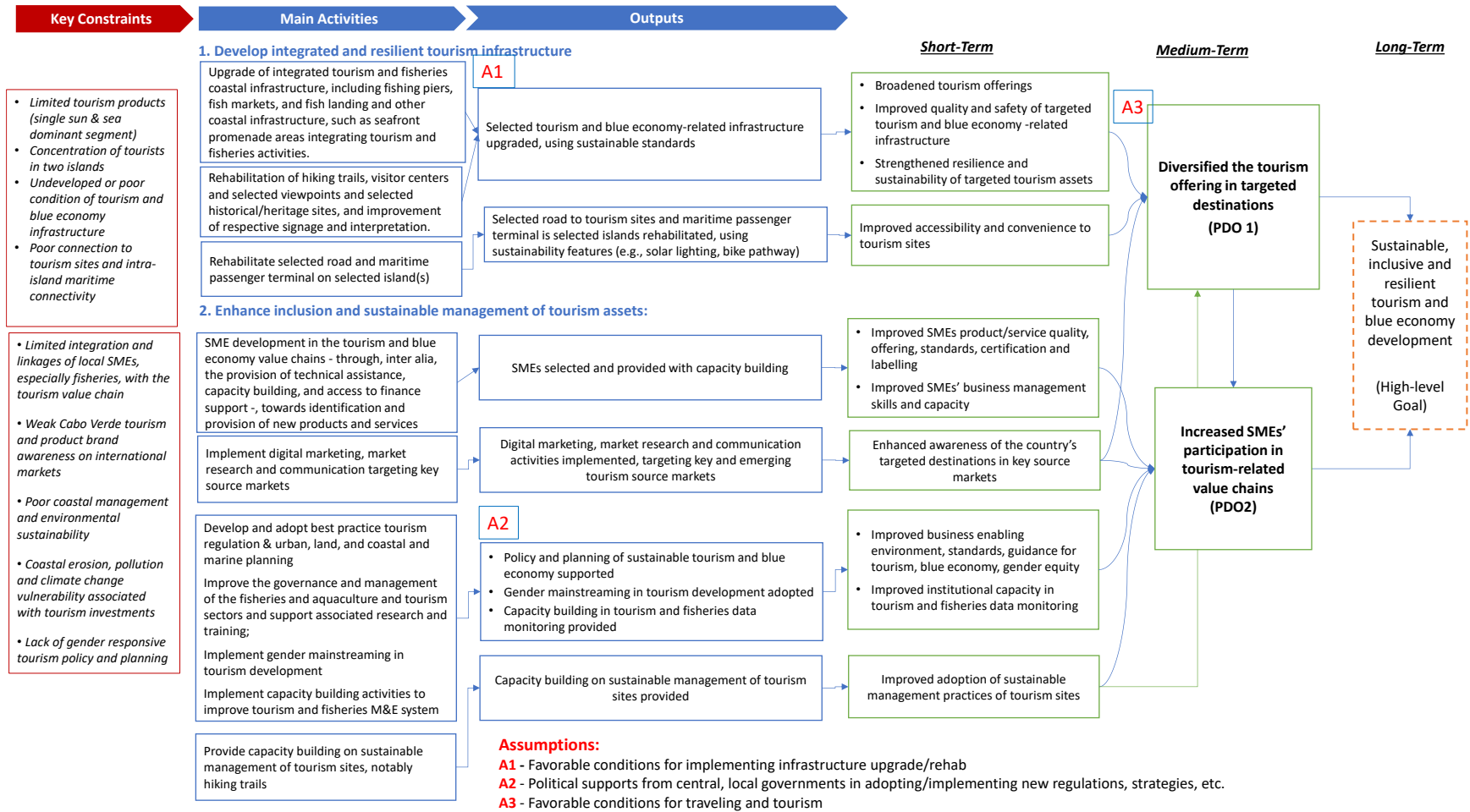
18. Adaptation and mitigation activities: This component will finance the direct costs associated with managing the AF toward ensuring smooth delivery and compliance with World Bank policy and guidelines and monitoring and evaluation including climate change indicators. In addition, a social assessment of fisheries value chains will be supported to identify and address social vulnerabilities, including from climate change impact, that may occur during project implementation.

**ANNEX 3: FINANCING SUMMARY BY COMPONENT AND SOURCE (US\$ MILLION)**

Component	Parent Project		1 <sup>st</sup> AF (IDA)	2 <sup>nd</sup> AF (IDA)	Total
	IDA financing	PROBLUE Financing			
<b>Component 1: Develop integrated and resilient tourism and blue economy infrastructure</b>	<b>21.58</b>	-	<b>10.00</b>	<b>23.70</b>	<b>55.28</b>
(a) Upgrade integrated tourism and fisheries coastal infrastructure	7.50	-	-	18.0	25.50
(b) Improve accessibility to tourism sites	8.00	-	10.00	3.9	21.90
(c) Rehabilitate trekking trails	5.12	-		1.8	6.92
(d) Develop a strategy and action plan to enhance international and interisland intermodal connectivity	0.96	-	-	-	0.96
<b>Component 2: Enhance inclusion and sustainable management of tourism in a blue economy</b>	<b>7.64</b>	<b>5</b>	<b>--</b>	<b>5.7</b>	<b>18.34</b>
(a) Support entrepreneurship and SME development in tourism and fisheries value chains	3.04	2.7	-	2.7	8.44
(b) Support enabling policies and programs to increase sustainable private sector investment	4.60	2.30	-	3.0	9.9
<b>Component 3: Project Implementation Support</b>	<b>0.78</b>	-	-	<b>0.6</b>	<b>1.38</b>
(a) Provide support to the UGPE for the management and implementation of the project and TA to relevant implementing agencies	0.78	-	-	0.6	1.38
<b>Component 4: Contingent Emergency Response Component (CERC)</b>	<b>--</b>	-	-	-	-
<b>TOTAL</b>	<b>30</b>	<b>5</b>	<b>10</b>	<b>30</b>	<b>75</b>



### ANNEX 4: UPDATED THEORY OF CHANGE





## **ANNEX 5: ECONOMIC AND FINANCIAL ANALYSIS**

1. The original economic analysis conducted as part of the Parent Project preparation was updated to incorporate the cost and timeline for this AF, along with expected additional benefits. This analysis is based on increased revenues for SMEs and individual beneficiaries through the activities and investments under this project, along with increased revenues in Cabo Verde that result from tourist spending. The total NPV is estimated at US\$101.6 million at a 12 percent discount rate,<sup>18</sup> and the ERR at 37 percent based on the total project investments including both the first and second AFs.
2. In reference to this valuation estimate, several points are worth noting. First, this calculation is indicative, using expected average parameters for the component beneficiaries and the resulting impact of the component activities. While these assumptions are based on the project team's discussions with potential beneficiaries along with results of other projects and economic literature, they are not precise representations of the impact that the project will have. The exercise of financially modelling projected impacts helps to ensure that project funds are being allocated to investments and activities that will provide a return to the local population, along with helping to identify key risks and thresholds for the Project to achieve its desired impact. Additionally, international development projects often target regions and sectors where the risk is high since these types of projects can specifically take on higher risk investments because of the social good that could result from them; as such, financial valuations of these investments may not be as high as those in other regions, yet the social and/or environmental value of such investments could be considerably higher.
3. That said, the methodology used (detailed below) accounts only for the project's impact on direct beneficiaries rather than using a broader multiplier approach which would encompass positive externalities and spillover effects, along with overall growth of the tourism and business ecosystems. The value of such externalities is difficult to estimate; project investments could result in larger-scale private and public investments. The social rate of return could be even higher since private sector investment could reduce over time without this project and other development initiatives addressing key bottlenecks on the ground.
4. Details on the analysis for each component are as follows.

### **Component 1: Develop integrated and resilient tourism and blue economy infrastructure**

5. Based on our analysis, the NPV for Component 1 (including both the first and second [current] AFs) is estimated at US\$100.0 million with an ERR of 40 percent.
6. The economic analysis of this Component is based on increased tourism revenues due to the impact of the project investments. The infrastructure investments under this Component will upgrade additional infrastructure within the tourism and coastal economy and rehabilitate a number of potential tourism sites. These investments are expected to increase Cabo Verde's attractiveness to potential tourists and increase spending.
7. The cost portion of the analysis for this component includes the anticipated disbursement schedule for both the original project, the first AF, and the current second AF.
8. Economic analysis estimates for this Component are based on the following parameters:

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<sup>18</sup> We estimate a 12 percent discount rate as the risk-adjusted opportunity cost of capital. Additional NPV estimates at other discount rates have also been provided as a measure of the sensitivity of our analysis.



a) Arrivals:

(i) *Number of arrivals:* Given the vast discrepancy between baseline arrivals for Sal versus the other islands being supported under the project and the AF, the analysis has been separated to account for this difference. The analysis anticipates a return to pre-pandemic tourism arrivals in 2024, and as such the baseline is based on 2019 arrivals. Of the 493,484 arrivals for Sal, 30 percent are assumed to be impacted by the project, while 50% of the total 41,925 arrivals across the other three islands are assumed to be impacted.

(ii) *Growth rate in arrivals:* The analysis uses a growth rate estimate of 9 percent annually based on pre-pandemic growth levels for the country. However, for the target segment noted above for Sal, the original analysis estimated that the project will contribute a 3 percent additionality for a total 12 percent growth rate. Given the lower baseline arrivals for the other three islands, the analysis assumes the project will contribute an additional 5 percent in arrivals for a total 14 percent growth rate. This additional growth rate applies for two years, after which the growth rate is expected to return to 9 percent.

b) Length of stay: The analysis estimates that average length of stay per tourist will grow from six to eight days, as laid out in the results framework targets. This assumption was not changed as part of the AF analysis.

c) Tourism (non-accommodation) spending: The analysis projects that tourism spending will increase at 10 percent annually, with an additional 6 percent increase for Sal and 7 percent increase for the other islands as a result of the project investments and activities including this AF. These growth rates are applied to the daily non-accommodation spending rate of US\$46 per day.<sup>19</sup>

d) Timeline of impact: The original analysis assumed that the additional impacts noted above would be observed starting in year 5. With the contribution of the AF, the additional tourist arrivals and spending are expected to begin in year 3. For Sal this impact is expected to last for one year, while the impact across the other islands is expected to last for three years given the much lower baseline number of tourists.

9. A number of studies support these assumptions:

a) FAO studies also note that climate-smart policies improve efficiency in the use of natural resources to produce fish and aquatic foods, counter climate vulnerability, and build resilience across the intervened countries that promote sustainable development.<sup>20</sup> Such investments use an ecosystem approach to fisheries and aquaculture management, strengthen the local knowledge base on sustainable practices, reduce overfishing, and promote integrated aquaculture and agriculture systems, including using flooded/saline land and water bodies.<sup>21</sup> Evidence from the Caribbean region indicates that investments in coastal infrastructure can create and enhance beaches' amenity value

<sup>19</sup> Based on recent market diagnosis for the Tourism Strategy Marketing Plan, joint World Bank and Ministry of Tourism effort.

<sup>20</sup> FAO (2013). Climate-Smart Agriculture: Sourcebook. Module 10: Climate-smart fisheries and aquaculture. <http://www.fao.org/3/i3325e/i3325e.pdf>

<sup>21</sup> International Fund for Agricultural Development (IFAD). Guidelines for Integrating Climate Change Adaptation into Fisheries and Aquaculture projects. <https://www.ifad.org/documents/38714170/39135645/fisheries.pdf/17225933-cea1-436d-a6d8-949025d78fbd>



for local and tourist use.<sup>22</sup> Conservation investments of coastal zones are of significant importance to allow for growth of sustainable and resilient tourism.<sup>23</sup>

- b) A number of research studies examine the varied impact of transport investments across multiple facets of economic development. Transport investments connect potential labor markets with employers, connect buyers, sellers, and their products, have the potential to transform local land markets, and can facilitate other sectors such as capital markets, tourism, education, government, etc.<sup>24</sup> Such benefits are generally not accounted for in traditional cost-benefit analyses for transport investments (Barrett, 1999).<sup>25</sup>
- c) Corral (2017)<sup>26</sup> highlights the positive economic impact of improvements in coastal infrastructure based on panel data from Barbados in addition to their environmental impacts. Although the exact economic impact per location is difficult to precisely estimate, the study indicates that improved coastal infrastructure leads to an increase in residential permits and real estate values and increased night light intensity (which indicates greater economic activity). These increases correlate with a 10 to 20 percent increase in local economic activity.
- d) Sotelo (2020)<sup>27</sup> examines the relationship between trade, productivity, and welfare in Peru based on high internal and external trade costs. The study demonstrates that paving roads to reduce transport time and improve access to markets improves agricultural productivity by over 4 percent and improves farmer welfare by 2.7 percent.
- e) Research showing that in East and South Africa losses due to poor transport conditions range from 14-17 percent each year from 2003-2009 (weighted average of all cereals) (Hodges et al., 2014).<sup>28</sup>
- f) An International Food Policy Research Institute (IFPRI) research study simulating the effects of market access and transport improvements, along with improvements in productivity, find that better market access increases smallholder farmers' income growth to 1.4 percent annually instead of 0.3 -0.4 average growth currently observed in low-income Africa.<sup>29</sup>

10. A summary of Component assumptions is provided below:

<b>Tourism assumptions</b>
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<sup>22</sup> Corral, L. & Schling, M. (2017). The Impact of Shoreline Stabilization on Economic Growth in Small Island Developing States. *Journal of Environmental Economics and Management*. 86. <https://doi.org/10.1016/j.jeem.2017.06.001>

<sup>23</sup> Phillips, M.R. & Jones, A.L. (2006). Erosion and tourism infrastructure in the coastal zone: Problems, consequences, and management. <https://doi.org/10.1016/j.tourman.2005.10.019>

<sup>24</sup> World Bank (2005). "Economic Evaluation of Transport Projects: Projects with Significant Expected Restructuring Effects". The World Bank, Transport Note No. TRN-19, January 2005.

<sup>25</sup> Barrett, G. (1999). "Review of the Methodology for Assessing the Economic Development Impact of New Highway Infrastructure. Report to SACTRA. London: DETR.

<sup>26</sup> Corral, L et al. (2016). "The Impact of Coastal Infrastructure Improvements on Economic Growth; Evidence from Barbados". Inter-American Development Bank, September 2016.

<sup>27</sup> Sotelo, S. (2020), "Domestic Trade Frictions and Agriculture", *Journal of Political Economy*, 2020, vol. 128, no. 7.

<sup>28</sup> Hodges, R., Rembold, F., and Bernard, M. (2014). "APHLIS – Post-harvest cereal losses in Sub-Saharan Africa, their estimation, assessment and reduction". Natural Resources Institute, European Commission, Joint Research Centre, Institute for Environment and Sustainability.

<sup>29</sup> Fan, S., Brzeska, J., Keyzer, M., and Halsema, A. "From Subsistence to Profit: Transforming Smallholder Farms," International Food Policy Research Institute, July 2013.





<b>Arrivals</b>	<b>Sal</b>	<b>Other islands</b>
Baseline arrivals	493,484	41,925
Percentage targeted by project interventions	20%	100%
Baseline arrivals, segment targeted by project	98,697	20,963
Annual growth, # of tourists	9%	9%
Project additionality	3%	5%
Number of years	1	2
Year additionality applies	3	3
<b>Spending</b>		
Baseline, per day (US\$)	46	46
Annual growth, daily spend, non-accommodation	10%	10%
Project additionality, non-accommodation	6%	7%
Number of years	1	3
Year additionality applies	3	3
Length of stay		
Baseline, # of days	6	6
Annual growth, length of stay	0%	0%
Project additionality	30%	30%
Number of years	1	1
Year additionality applies	5	5

11. With the assumptions noted above, the component valuation and other key metrics are estimated as follows:

- a) NPV at a 15 percent discount rate: US\$70.2 million
- b) ERR: 40 percent
- c) NPV at a 12 percent discount rate: US\$100.0 million

1. Sensitivity analysis:

- a) Reducing the estimated growth rate additionality by 50 percent reduces the component ERR to 35 percent.
- b) Increasing the estimated growth rate additionality by 20 percent increases the component ERR to 42 percent.
- c) Reducing the project impact on length of stay by 50 percent (target of 7 days instead of 8 days per tourist) reduces the component ERR to 28 percent.

12. Additional impacts: The analysis for this component was based on estimated tourism impacts. The road and other infrastructure and coastal rehabilitation investments supported under this component could also have considerable positive impacts by reducing vehicle operating costs and travel time due to the improved road conditions, improved health outcomes due to better drainage conditions, reduced costs associated with floods and erosion, etc. Such investments can also contribute toward public safety (through better street lighting and higher quality infrastructure), reduced property damage, improved metropolitan services, increased property values, sanitation improvements, commuter safety, reduced incidence of



water-borne diseases, etc.

## **Component 2: Enable Inclusive and Sustainable Management of Tourism and Blue Economy Developments**

13. Based on our analysis, the Component 2 NPV is estimated at US\$1.6 million with an ERR of 16 percent. This calculation focuses only on additional investments under Component 2a to support entrepreneurship and SME development. The soft investments under Component 2b will support enabling policies that will amplify this impact; however, because the timing and precise magnitude of this impact are difficult to estimate, these investments have been excluded from this calculation.

14. This estimate is based on the following parameters.

- a) Number of beneficiaries: We estimate the number of SME beneficiaries receiving support as 75 SMEs within the fisheries sector and an additional 125 tourism SMEs based on the team's estimates of project pipeline.
- b) Channels of impact: The primary assumption in the analysis of SME impacts is that project beneficiaries will demonstrate additional growth above that without the project investments. Additionally, we assume that project investments will result in a lower failure rate amongst beneficiaries.
  - (i) Additional growth rate: We estimate a steady state revenue growth rate of 3 percent for entrepreneurs without the project investments, with an additional revenue growth totalling at 15 percent for beneficiaries receiving project support.

15. The above assumptions are supported by a wide range of studies in different regions on the impact of different types of support services for SMEs. We've provided a summary of the different supporting studies below:

- a) A series of studies finds significant impacts from training programs on profits or sales in developing countries based on evidence from rural Mexico<sup>30</sup>, Colombia<sup>31</sup>, and other economies.<sup>32</sup> This impact applies across various types of beneficiaries, including micro-enterprises.<sup>33</sup>
- b) Supporting climate-related upgrades in fisheries SMEs such as climate-smart fisheries and aquaculture can both increase revenues and boost adaptive capacity and resilience both of communities and the ecosystems on which they depend.<sup>34</sup>

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<sup>30</sup> Calderon, G., J. Cunha, and G. de Giorgi. 2012. "Business Literacy and Development: Evidence from a Randomized Trial in Rural Mexico." Mimeo. Stanford University, Stanford, CA.

<sup>31</sup> Attanasio, O., Guarin, A., Medina, C., & Meghir, C. (2015). Long Term Impacts of Vouchers for Vocational Training: Experimental Evidence for Colombia. NBER Working Paper Series, 1-38.

<sup>32</sup> Ibarraran, P., Kluve, J., Ripani, L., & Rosas, D. (2015). Experimental Evidence on the Long-Term Impacts of a Youth Training Program. IZA Discussion Paper Series, No. 9136.

<sup>33</sup> Berge, Lars Ivar Oppedal, Kjetil Bjorvatn, Bertil Tungodden (2011) "Human and financial capital for microenterprise development: Evidence from a field and lab experiment", *NHH Discussion Paper Sam 1, 2011*. Valdivia 2012

<sup>34</sup> Olawale, O. & Oluniyi, O. (2016). Climate Smart Aquaculture: A Sustainable Approach to Increasing Fish Production in the Face of Climate Change in Nigeria. *International Journal of Fisheries and Aquatic Studies* 2(1): 012-017. DOI: 10.17352/2455-8400.000013



- c) Sarder, et al. (1997) study “The Importance of Support Services to Small Enterprises in Bangladesh” find 5-16 percent increase in employment, sales and productivity with technology adoption support provided to SMEs.
- d) Tan & Lopez-Acevedo (2005) look at the impact of SME programs in Mexico using panel firm data and find that 9-14 percent improvement in training and 9 percent improvement in technology absorption have been achieved. Various SME programs – Business Advisory Services, Technology Development, Credit, Supplier Development (1992 – 2000) in Chile presented similar results.
- e) Lopez-Acevedo & Tan (2010), “Impact Evaluation of SME Programs in Latin America and Caribbean” found 8 percent increase in wages and 9 percent increase in productivity as a result of these programs.
- f) Bloom et al. (2013)<sup>35</sup> demonstrates the importance of supporting firm managerial capabilities to improve firm productivity and growth based on evidence from India. In a similar vein, Bruhn et al. (2013)<sup>36</sup> document the impact of this type of support based on a randomized trial conducted in Mexico. Evidence from Colombia shown in Iacovone, et al. (2019)<sup>37</sup> also supports this underlying thesis in support of the impact of improving firm managerial capabilities. Based on a cross-country review, business training programs also help to increase SME profits and sales (McKenzie 2020)<sup>38</sup>.
- g) A Harvard Business Review Study conducted by Anne Marie Knott calculates the impact of R&D and equipment investments in the US by estimating a Research Quotient (RQ) which defines a relationship between firm inputs (capital, labor, and R&D investments) and firm output (revenues) based on regression analysis of American firms. Their analysis estimates that a 10 percent increase in RQ results in an increase in market value of 1.1 percent, which can translate to a 10-20x multiple in firm revenues. Since this analysis is based on R&D investments in established firms rather than start-ups, we have increased revenue growth assumptions for the project’s start-up beneficiaries.
  - (i) Reduction in failure rate: The analysis assumes a 20 percent reduction in the failure rate of SMEs due to the assistance provided by the project.
- h) Timeframe of impact: We estimate a two-year delay for impact of the activities and investments under this project.

16. Additional assumptions are provided below:

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<sup>35</sup> Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., and Roberts, J. (2013). “Does management matter? Evidence from India.” *The Quarterly Journal of Economics*, 128(1), 1-51.

<sup>36</sup> Bruhn, M., Karlan, D., and Schoar, A. (2013). “The impact of consulting services on small and medium enterprises: Evidence from a randomized trial in Mexico.” *World Bank Policy Research Working Paper 6508* (2013).

<sup>37</sup> Iacovone, L., Maloney, W., and McKenzie, D. (2019). “Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia.” *World Bank Policy Research Working Paper 8854*. World Bank, Washington, DC.

<sup>38</sup> McKenzie, D. (2020). “Small Business Training to Improve Management Practices in Developing Countries: Reassessing the Evidence for ‘Training Doesn’t Work’.” *World Bank Policy Research Working Paper 9408*.



SME assumptions	Tourism SMEs	Fisheries
Number of entrepreneurs	120	75
Failure rate w/o Project intervention	50%	50%
Failure rate w/ Project intervention	30%	30%
Average income (US\$, annual)	25,000	25,000
Job creation rate (additional US\$ in income per job created)	8,000	8,000
Average salary	3,000	3,000
Annual revenue growth (w/o Project)	3%	3%
Additionality to growth rate	15%	15%
Number of years that additionality applies	3	3

17. **With the assumptions noted above, the project valuation and other key metrics are estimated as follows:**

- a) NPV at a 15 percent discount rate: US\$259 thousand
- b) ERR: 16 percent
- c) NPV at a 12 percent discount rate: US\$1.6 million

18. Sensitivity analysis:

- a) Reducing the estimated number of SME beneficiaries by 30 percent reduces the Component ERR to 7 percent.
- b) Increasing the estimated number of SME beneficiaries by 30 percent increases the Component ERR to 23 percent.



## ANNEX 6: OVERVIEW OF RELEVANT ENVIRONMENTAL AND SOCIAL STANDARDS

1. The following are the Environmental and Social Standards (ESSs) that apply to AF activities being considered:
2. **ESS1: Assessment and Management of Environmental and Social Risks and Impacts:** the project investments are targeted for small-scale infrastructure and rehabilitation works that are not likely to have major environmental and social risks and impacts. However, minor occupational and community health and safety risks and impacts, as well as use of resources (water, energy and raw materials) and potential pollution associated with the construction and rehabilitation works could be expected. In addition, depending on the number, type and behaviors of tourists, some adverse environmental impacts on biodiversity and protected areas could be anticipated. These risks and impacts will be site-specific and manageable. The Environmental and Social instruments prepared for the Parent Project and first additional financing were reviewed and updated as needed to manage the risks and impacts associated with this second AF. The fish market in Praia where a new site has been identified and will be subject to an ESIA/ESMP before the start of works. This is reflected in the updated Environmental and Social Commitment Plan (ESCP) which summarizes the material measures, actions timeline and responsible parties agreed between the Borrower and the Bank.
3. **ESS2: Labor and Working Conditions:** the Labor Management Procedures (LMP) prepared for the Parent Project will be used for the 2nd AF. The activities that will be financed by the 2nd AF are not expected to require labor influx. All new workers hired for these activities must sign a Code of Conduct and abide by their contracts. All contractors will need to comply with the national Labor Code. A Labor GRM is operational and will continue to be used for the 2nd AF. It includes referrals to the Labor Inspectorate for violations of the national Labor Code.
4. **ESS3: Resource Efficiency and Pollution Prevention and Management:** the construction and rehabilitation works are likely to generate some pollution of air, water and land and consume finite resources. However, considering the nature and scale of the civil works, the activities are expected to require moderate resources and raw materials and are not expected to generate significant GHG emissions. The Project will make use of the World Bank Group's general and sector-specific Environmental Health and Safety Guidelines and other Good International Industry Practice, for efficient use of resources (water, energy and raw materials) and pollution prevention. The relevant mitigation measures in the ESMPs will be included in bid and contractual documents.
5. **ESS4: Community Health and Safety:** some negative impacts on the health and safety of the local community may occur during the active rehabilitation, and construction phase as the small-scale civil works are located in areas that are being used on a daily basis by the local communities. Some negative impacts on communities are also expected during the operational phases of the new or rehabilitated infrastructures. The contractors' ESMP will include measures for adequate signage and OHS, as well as prevention and response to SEA/SH. The social assessment undertaken to assess the fisheries value chain will also include recommendations for how to best engage with the local communities during the works. The SEA/SH Action Plan developed by the Parent Project was revised and redisclosed on February 15, 2024, to cover the new sites targeted by this AF.
6. **ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement:** the implementation of the small-scale infrastructure works (jetties, fish markets, ferry passenger terminals) and the extension of the hiking trails are not expected to require any land acquisition or permanent economic displacement.



The works are limited to rehabilitation of existing structures and construction of new structures on existing sites that are already being used for these purposes. This has been confirmed with satellite photos and site plans. The one exception is the fish market in Praia where a new site has been identified and will be subject to an ESIA before the start of works. To adequately assess the impact of the temporary economic displacement that might be required during rehabilitation and construction of the small-scale infrastructure, a social assessment will be conducted at each of the AF subproject sites to gather information about the fisheries value chain including fishers, fishmongers, fish processors and equipment suppliers that may be temporarily affected. The RPF prepared for the Parent Project has been updated and redisclosed for this AF on February 15, 2024. It will be used to guide the preparation of any RAP or livelihood plan that will be required. In terms of the hiking trails, these will be extensions and upgrades of existing trails in the Mount Gordo National Park and therefore will not negatively impact any private land, cause any displacement, or interfere with regular use and access to the park.

7. **ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources:** Project activities include promotion of tourism in islands that previously had limited tourist traffic. This is likely to have some impact on biodiversity. However, since the project is investing in sustainable ecotourism, measures are being taken to properly manage protected areas and biodiversity in the Islands. A specific Biodiversity Management Plan was developed for the trails sub-project in Santo Antão which is part of the Parent Project. The ESMF prepared for the Parent Project includes a screening checklist to screen out activities likely to have a negative impact on natural habitats and biodiversity. The environmental and social safeguards instruments prepared for the Parent Project have been updated for the needs of this AF.

8. **ESS8: Cultural Heritage:** the AF is financing rehabilitation and construction of small-scale infrastructure that is not expected to have any negative impact on cultural heritage. However, the national protocol prepared by the National Heritage Institute (IPC) and outlined in the ESMF that was prepared for the Parent Project will be used to manage any chance finds. Contractor ESMPs will include the contact name at the IPC who will be responsible for doing any screening and who will be responsible for providing guidance if there is any impact on cultural heritage.

9. **ESS10: Stakeholder Engagement and Information Disclosure:** A Stakeholder Engagement Plan (SEP) was prepared for the Parent Project, and it has been reviewed and disclosed on February 15, 2024, to cover the activities of this 2nd AF. It includes details regarding the grievance mechanism (GM) that is already operational and will continue to be used. Efforts will be made during early implementation to ensure that adequate information is shared with the communities located in the new project areas. The GM will be expanded to new areas before starting project works. Sensitive complaints related to SEA/SH will continue to be received and support provided to survivors by ICIEG per the Memorandum of Understanding (MOU) that they have with the UGPE to provide these services. Additional capacity building and training will be provided by the Bank team.



ANNEX 7: COUNTRY MAP

