

 Early Warning System

WB-P170236

Renewable Energy Development Project



### Quick Facts

Countries	Cape Verde
Financial Institutions	World Bank (WB)
Status	Proposed
Bank Risk Rating	B
Voting Date	2020-07-23
Borrower	Republic of Cabo Verde, Ministry of Finance
Sectors	Energy
Investment Type(s)	Grant, Loan
Investment Amount (USD)	\$ 10.00 million
Loan Amount (USD)	\$ 5.00 million
Grant Amount (USD)	\$ 5.00 million
Project Cost (USD)	\$ 15.00 million



## Project Description

According to bank documents, the proposed project objective is to increase electricity generation from renewable energy sources in Cabo Verde.

The project has four components:

1. Infrastructure investments (USD 11 million). This component will support the construction of small-scale solar power plans as well as grid expansion / reinforcement and installation of energy storage facilities to support renewable energy integration. Based on the priority needs of the GoCV, the proposed Project will finance the following renewable energy projects and enabling activities, which are included in the first phase of the energy sector Master Plan:
  - a) enabling infrastructure for the two solar PV IPPs: 5 MW on São Vicente and 5.6 MW on Sal islands; and b) four smallscale solar PV projects: 1.3 MW on Fogo; 1.2 MW on Santo Antão; 0.4 MW on Maio; and 0.4 MW on São Nicolas islands to be financed partially with public funds.
    - i. Sub-component 1a: Small-scale renewable energy generation (est. USD 4 million). The small-scale power plants in the four small islands (1.3 MW on Fogo; 1.2 MW on Santo Antão; 0.4 MW on Maio; and 0.4 MW on São Nicolas islands) are unlikely to attract private developers. This sub-component will therefore be used to finance the development of those power plants.
    - ii. Sub-component 1b: Grid improvements (est. USD 6 million). This sub-component will finance new transmission and distribution lines required to connect the new generation facilities (two IPPs in São Vicente and Sal as well as four power plants in Fogo, Santo Antão, Maio and São Nicolas) and the reinforcement (substation upgrades) of Santiago's transmission and distribution infrastructure. Those investments will solve under-voltage and line over-loading issues resulting from the fact that the load areas are usually far away from the renewable energy generation sites.
    - iii. Sub-component 1c: Energy storage facilities (USD 1 million). In the short to medium term, the GoCV has expressed a need to explore the utilization of battery storage facilities to smoothen demand and supply fluctuations and therefore support voltage and frequency regulation of the grid, particularly in smaller islands of the archipelago where high-voltage grid is not available. An amount of USD 1 million will be used to finance pilot facilities based on the results of the study that is being financed by the grant from ESMAP's Integrating Variable Renewables program.
2. Distributed generation (USD 1 million). The GoCV has a target of implementing approximately 5MW of distributed generation over the next few years for residential and commercial customers. This is part of its broader goal to implement a total of 50MW distributed generation across all nine islands by 2030. The regulatory framework to support distributed generation was put in place in early 2019, including regulation for net billing, and the government has implemented successful pilot projects, supported by the World Bank Distributed Solar Energy Systems Project (P151979). Despite progress on the regulatory front, important barriers still exist for scaling up, including the high up-front cost of systems; high cost of local financing; and lack of awareness of banks, as well as residential and commercial end-users, of the risks and benefits of distributed solar PV systems.
3. Risk mitigation mechanisms for RE IPPs (USD 2 million). Cabo Verde has a recent history of attracting private participation/investment in its renewable energy sector, and two wind IPPs have been operating successfully in the country since 2011. The first and largest IPP, Cabeolica (25 MW wind farm), required a government guarantee to attract private investment. The government has also recently launched tenders for additional solar and wind capacity via IPPs with the support of the Luxemburg Development Agency (LuxDev). LuxDev is in the process of evaluating the market needs for guarantees to support these transactions.
4. Technical assistance and capacity building (USD 1 million). This sub-component will support expenses related to the project's implementation, including an owner's engineer and/or consultants as well as stakeholder engagement, trainings, workshops, and travel. It will also support the preparation of additional technical studies that may be required during implementation, to be identified during the preparation phase. It will also support a communications campaign to support



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## Investment Description

- World Bank (WB)



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## Contact Information

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## Bank Documents

- [Concept Project Information Document \(PID\) - Renewable Energy Development Project - P170236](#) [Original Source]