



1. Project Data

Project ID P146666	Project Name CV - Competitiveness for Tourism Dev		
Country Cabo Verde	Practice Area(Lead) Finance, Competitiveness and Innovation		
L/C/TF Number(s) IDA-58010	Closing Date (Original) 31-May-2021	Total Project Cost (USD) 4,973,510.19	
Bank Approval Date 10-May-2016	Closing Date (Actual) 31-May-2022		
	IBRD/IDA (USD)	Grants (USD)	
Original Commitment	5,000,000.00	0.00	
Revised Commitment	5,000,000.00	0.00	
Actual	4,973,510.19	0.00	
Prepared by Burcin Pamuksuz	Reviewed by Ebru Karamete	ICR Review Coordinator Christopher David Nelson	Group IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

According to Financing Agreement (p.4) and the Project Appraisal Document (PAD, p.5) the project development objective (PDO) was “to create the conditions necessary to increase investment into and diversification of the tourism sector.”

This review will assess the project outcome based on the achievement of the revised PDO, which is parsed as follows:



Objective 1: To create the conditions necessary to increase investments into tourism sector.

Objective 2: To create conditions necessary to increase diversification of the tourism sector.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

11-Jun-2020

c. Will a split evaluation be undertaken?

Yes

d. Components

The Competitiveness for Tourism Development (CTD) project consisted of three components and was to be implemented by the Unit for Implementation of Special Projects (UPGE):

Component 1: Enhancing governance framework of the tourism sector (Estimated Cost at Appraisal: US\$2.27 million; Actual Cost at Closing: US\$2.02 million): This component was to strengthen the Government of Cabo Verde (GoCV)'s institutional framework for tourism management and diversification. Within the scope of this component, technical assistance for drafting the legal and regulatory reform instruments, preparing and applying a Strategic Environmental and Social Assessment (SESA) for tourism sector, designing of a tourism strategy for the period of 2017-2027 and an associated action plan were to be provided. Furthermore, the provision of technical advice to the Agency of Tourism and Investment (CI-ATIC) and the Ministry of Tourism, Investment and Business Development (MTIBD) and development of an online communication strategy were also foreseen. Through the technical assistance activities, this component was to support the GoCV to design a Tourism Master Plan (POT), a tourism investor outreach strategic plan, a new or improved tourism information package, an investment relations management system, and an outreach campaign to attract potential tourism investors also. The activities of development of standard operating procedures for investor promotion, facilitation and aftercare and carrying out workshops on effective investment promotion were to be supported under this component as well.

Component 2: Diversify tourism sector and increase inclusiveness of tourism-led growth by strengthening the competitiveness of local Micro, Small and Medium Enterprise (MSME)s (Estimated Cost at Appraisal: US\$2.24 million; Actual Cost at Closing: US\$2.24 million): The diversification was to be achieved through increasing capacities and quality of services offered by the MSMEs as well as facilitating conditions for access of MSMEs to finance. Under this component, design and implementation of a quality label for small accommodation establishments, capacity building activities for private sector organizations and technical trainings for MSMEs were to be implemented. In order to address access to finance challenges, necessary improvements in regulatory and legal framework were to be supported. With this aim, review and update of legal and legal and regulatory framework for insolvency, carrying out an outreach campaign on insolvency procedures, capacity building on dispute resolution, establishment of a pilot committee on insolvency procedures, drafting a legal and regulatory framework for a movable collateral



registry (including procurement of software and equipment), evaluating and proposing reforms for a secured lending regime were to be implemented.

Component 3: Project implementation (Estimated Cost at Appraisal: US\$0.49 million; Actual Cost at Closing: US\$0.64 million) This component was to support UPGE in managing and coordinating the Project through financing the provision of technical advisory services, training, operating costs, goods and audits.

Revised Components: At the second restructuring selected project activities (i.e., island master plans, organization of investment forums) were revised. However, the major revision was on the results framework rather than the content of the components. Please refer to section “Restructurings” below for details.

e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

Project Cost: The project cost estimated at appraisal was US\$5 million. The actual cost at closing was US\$4.97 million.

Financing: At appraisal, the International Development Association (IDA) grant was estimated at US\$5 million (equivalent of 3.7 million Special Drawing Rights-SDR). The project disbursed US\$4.97 million.

Borrower’s Contribution: At appraisal, no borrower’s contribution was estimated, and none materialized at project closing.

Restructurings:

There were four Level 2 Restructurings:

Restructuring 1- November 29, 2018:

Between 2016 and 2018 the GoCV went through a series of reorganizations. As a result, the Borrower of the IDA loan, the technical counterpart of the project which was the Ministry of Tourism, Investment and Business Development (MTIE) changed. The MTIE was first restructured as the Ministry of Economy and Employment (MEE) than it was divided into two; the tourism sector was included under the new Ministry of Tourism and Transports (MTT). The implementing agency UPGE, which had been under MEE, was moved to Ministry of Finance. Accordingly, the recipient of the Project became the Ministry of Finance. The Financing Agreement of the Project was also revised in this regard.

Restructuring 2- June 11, 2020:

In line with the recommendations of the MTR review, both PDO indicators were revised. Some of the intermediate results indicators were modified, new indicators were added to better capture project results and the ones related to investment promotion were dropped to reflect on institutional changes. These revisions were introduced due to the following reasons: (i) delays in launching the project as a result of election cycle and institutional changes in the fields of investment promotion and tourism in the government; (ii) the actual duration of an investment cycle in the country (from granting of license to actual opening), which was longer than originally calculated; (iii) the negative impact of the COVID-19 crisis on business and investment in particular on the tourism sector; and (iv) the efforts to certify and build capacity in MSMEs that were expected to take longer to produce effects, resulting in a proposed finetuning toward shorter-term



goals. The following new intermediate results indicators were included in the results framework: 1) Number of Tourism master plans adopted; 2) Number of tourism Zoning Plans (POTs) adopted; 3) Tourism Code enacted by the Government; 4) Number of Investment Forums organized; 5) National certification company established; 6) Technical feasibility of Mindelo Oceanarium approved; 7) Legal framework for insolvency and collateral registry approved. The first PDO indicator was revised to include “investments catalyzed” instead of “investments generated”. The second PDO indicator was deleted and replaced by “Number of MSMEs certified (by Quality Seal or ISO/HACCP or Safe& clean)” which is in fact an output level indicator.

Restructuring 3- April 16, 2021:

The project closing date was postponed to January 31, 2022, from May 31, 2021 to optimize and extend the on-going Covid-19 response activities. With this eight-months extension, the activities of expansion of the Clean & Safe Certification Program nationwide, provision of professional tourism industry and local consultants’ trainings as well as revamping National Tourism Marketing Strategy for the post-pandemic context were to be completed under Component 2. Furthermore, with the extension, additional technical support to the Tourism Institute of Cabo Verde, especially in the context of a new national tourism strategy and the support to the COVID-19 task force were to be provided.

Restructuring 4- January 28, 2022:

The implementation was extended for another four months to May 31, 2022. Within the scope of the project, some of the operational and the legislative targets were delayed due to conditions imposed by the Covid-19 on tourism sector. The additional timeframe would allow completion of operationalization of the online-based movable collateral registry, Cabinet-level approval and publication of the island-level tourism masterplans, the approval and publication of the two remaining POTs, the publication and dissemination of the Tourism Code White Paper and additional capacity building and technical assistance activities under the small accommodation quality seal program.

Dates: The CTD project was approved on May 10, 2016 and became effective on November 15, 2016. The original closing date was May 31, 2021, but it was extended by one year (extended to January 31, 2022, at the third restructuring, and then to May 31, 2022, at the fourth restructuring). The project was closed on May 31, 2022.

Reason to undertake a split assessment of the project outcome: Although the PDO did not change, both PDO indicators were formally revised to adjust the implementation conditions and matching the remaining implementation period. According to The Bank’s Guidance on ICRs (December 9, 2021) these changes require a split assessment of the project outcome.

3. Relevance of Objectives

Rationale

Country Context: The PDO was highly relevant to the GoCV’s Growth and Poverty Reduction Strategy Program (GPRSP) III covering the period of 2012-2016 that identified tourism as the economy’s main engine of growth, with the public sector as a catalyst and facilitator of an investment and business-fostering environment and the private sector as its driver. In this context, the PDO was well aligned with the



GPRSP as it supported the implementation of the country's vision for the tourism sector by providing assistance to increasing capacities of both public institutions as well as MSMEs. The PDO also addressed poor diversification which has been one of the main challenges for sustainable growth of the tourism sector in Cabo Verde.

Bank Strategy: At appraisal, the project was highly relevant to the World Bank Country Partnership Strategy (CPS) for the period of FY2015–2017 (Report No 92248-CV). The second pillar of the CPS targets improving competitiveness and private sector development. At closing, the project remains well aligned with the Country Partnership Framework (CPF) 2020–2025 for Cabo Verde (report number 127164) Objective 4 on improving the foundations for private sector growth as it supports capacity development of MSMEs and small accommodations through technical assistance for their participation in the tourism value chains.

Previous Sector Experience: The project design benefited from studies on tourism conducted by the Trade and Competitiveness Global Practice, specifically *“Tourism Development in Cabo Verde: Is It Time to Abandon the All-Inclusive Model”*; *“Establishing a Tourism Ministry, Board, or Institute? Selecting an Institutional Arrangement to Promote Tourism Growth in Cabo Verde”*; *“The World Bank’s Value Proposition for an Integrated Sustainable Tourism Solution”*; and *“Global Investment Promotion Best Practices 2012”*. In addition, the project design involved lessons from other World Bank projects that support tourism, investment promotion agencies and MSMEs including lessons from Independent Evaluation Group’s Targeted Support to MSMEs, 2006-2012. During the project preparation, within the scope of a study tour funded by the South-South Knowledge Exchange Facility, a public-private delegation of Cabo Verde visited the Seychelles to understand how the ministry and the tourism board coordinate and implement the activities in the tourism sector. The lessons learnt were taken into consideration and accordingly, implementation elements like investment promotion, Quality Label, and MSME support were included in the project design. Furthermore, a tourism support approach which involves strengthening markets, valuing cultural heritage, protecting environment, mobilizing investments, and building communities was also reflected in the project design as another lesson learnt.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Objective 1: To create conditions necessary to increase investment into tourism sector.

Rationale

Theory of Change: The theory of change suggests that developing legal and strategic framework as well as improving institutional capacities increase investments into the tourism sector. The project involved technical assistance and training activities for the relevant stakeholders which would result in outputs of development of strategic plans, master plans, and tourism zoning plans. In addition, the technical assistance would



support establishment and strengthening administrative and operational capacities. These outputs were expected to result in clear and well-defined investment attraction policies and qualified investment support by the relevant authorities. These favorable conditions were expected to lead to increased investments into the tourism sector. The original PDO indicator for this objective (“Increased Investment Generated”) was highly relevant although not clearly defined. The causal links, between the project activities, outputs and outcomes were direct. The critical assumptions were that the GoCV would have enough budget to implement the strategic documents developed within the scope of the project and that the legal, strategic and institutional improvements would alone be sufficient to encourage new investment decisions by the investors.

Outputs:

The establishment and start-up of operations of the joint tourism and investment promotion agency (CI-ATIC) could not be achieved as this institution was later restructured and two separate institutions ITCV and Cabo Verde TradeInvest were established. This intermediate results indicator (IRI) was revised at the Second Restructuring. The development of a National Tourism Strategy was completed. The Strategic Environmental and Social Assessment (SESA) to address potential environmental and social risks was developed and Grievance Redress Mechanism (GRM) was established. As part of the formal investor outreach program, two investment forums were organized, one in Sal (Cabo Verde) and one in Boston (USA). This intermediate results indicator was reformulated as “Investment Forums Organized” at the Second Restructuring. Implementation of a formal investor facilitation program could not be achieved.

Outcomes:

The following PDO indicator was designed to measure the objective, and overall, the achievement of the objective is rated substantial.

Increased Investments Generated: The target was US\$ 35 million. Based on data collected by the World Bank team, the original target of investment generated (work commenced and funds disbursed) was exceeded in the amount of US\$134 million against a target of US\$35 million by April 2022.

Rating

Substantial

OBJECTIVE 1 REVISION 1

Revised Objective

Revised Objective 1: To create conditions necessary to Increase investment into tourism sector.

Revised Rationale

Theory of Change: This remained essentially the same. The PDO indicator was revised as “Increased investment catalyzed”. The ICR reports that, the time between the moment the investment license is granted, or investment is committed, and the actual groundbreaking and completion of the activity, was deemed beyond the control of the project team or its counterparts (MTT); therefore, the indicator together with its definition was assessed as unrealistic (ICR, p. 15) and was revised at the Second Restructuring. However, the relevant target for the revised indicator remained unchanged. Also, with an aim to strengthen M&E



framework, additional IRIs were introduced in the results framework, relevant outputs of which were already part of the project. However, these did not change the project structure or the objective.

Outputs:

The targets for all four new IRIs introduced at the Second restructuring (seven Tourism Master Plans, six POTs, the Tourism Code for Cabo Verde, organization of three investment forums) were met. Based on the island master plans, the ministry developed a Tourism Operational Program (2021–2026) which foresaw realization of a group of investments to be co-funded by another WB financed project (Resilient Tourism and Blue Economy Development in Cabo Verde Project - P176981). The POTs were critical to attracting foreign investment as they determined the sustainable zoning guidelines and infrastructure guidelines for special tourism investment zones of Sal and São Vicente thus enabling the diversification and leverage of other high-potential demand segments (contributing to the project's second objective). The Tourism Georeferencing App was also developed as an output. This online platform provides tourists with key information on tourism sights and venues as well as complementary relevant information contributing to development of the sector. The project supported development of a Strategic Marketing Plan which builds country's marketing vision and strategy for the post-COVID-19 recovery period. However, its impact could not be assessed as the implementation commenced only in 2022.

Outcomes:

The following revised PDO indicator was designed to measure the objective, and overall, the achievement of the objective, after the restructuring is rated substantial.

Increased Investments Catalyzed: The cumulative amount of investment projected at full potential expressed by the sampled projects—excluding the abandoned one—was US\$269.55 million, of which 50 percent, that is US\$ 134 million, had been disbursed as of April 2022. The sample is expected to generate approximately 1,070 direct jobs at full capacity. The project team conducted a survey of the nine firms that signed investment contracts during the project period. Seven out of nine firms declared positive influence of the project. When asked what the key factors were which influenced their decision to invest in Cabo Verde, the majority of the interviewees highlighted the clarity and quality of Cabo Verdes' investment attraction policy, followed by support from investment promotion agency and/or other government bodies, availability of investment incentives, as well as domestic and regional market potential; all of which were supported by the project (ICR, p. 16).

Revised Rating

Substantial

OBJECTIVE 2

Objective

Objective 2: To create conditions necessary to increase diversification of the tourism sector.

Rationale

Theory of Change: According to PAD, the tourism sector in Cabo Verde was poorly diversified in terms of operators, geography and products offered (PAD, page 3). Particularly the participation of the domestic



private sector in tourism value chains was very limited and the sector was dominated by international chains leaving the sector dependent on international operators. The theory of change suggests that diversification in the tourism sector could have been achieved through involvement of local small and medium sized accommodation establishment in the tourism value chains offering new products and values. In the medium and long run this improvement would contribute to inclusive growth and improvement of the economy in the country. To achieve this, capacities of these establishments through certification and training was to be increased and business environment for their access to finance to be improved. The activities like capacity building and technical assistance to MSMEs, Ministry of Finance and Ministry of Justice, outputs like certification of MSMEs, the establishment of a national certification company, a movable collateral registry and adoption of a legal framework for insolvency would be implemented.

The objective was broadly defined. It is not clear what type of diversification was targeted. The activities and outputs concentrated on diversification in operators mostly (involving MSMEs in tourism value chains). On the other hand, some of the activities and outputs mentioned within the scope of the first objective (i.e., development of island master plans, POTs etc.) contributed to geographical as well as product diversity also. PDO indicator for this objective was highly relevant however, as mentioned in the ICR not achievable during the project implementation period. The PDO indicator was revised at the Second Restructuring.

Outputs:

- Beneficiaries of the small accommodation quality label that feel project investments reflected their needs (%): The target of 75% could not be achieved. The first small and medium enterprises (SMEs) to get certified would only start in mid-2022, due to the election cycle and institutional reshuffling in the sector and MSME support mandates. In addition, difficulties regarding the implementation of quality seal for small accommodations program arising from low quality of consultancy services as well as change of leadership in agency responsible for program management (Institute for Quality Management and Intellectual Property-IGQPI) and the Covid-19 pandemic had a negative impact on achievement of this output. This indicator was revised at the Second Restructuring.
- Establishment of a movable collateral registry was achieved. The project supported development of legal framework on secured transactions, and it was approved in 2020. Following this, a web-platform was successfully developed (<https://rgm.gov.cv/>), The Council of Ministers resolution assigning operational purview on the registry was approved in May 2022 and as required, a few MSMEs movable assets were registered on the web prior to project closing.
- Number of MSME representatives trained by private sector organizations, of which women (%): As clarified during the meeting with the project team, the original focus was to deliver support to and through the private sector organizations (Commerce Chambers), but this was later expanded to programs implemented and facilitated by the public sector considering, the institutional reshuffling placing the mandate of MSME support mostly on public institutions. Target could not be achieved.

Outcomes:

The PDO indicator target of “increased bed nights at beneficiary small accommodation establishments by 18%” could not be achieved. The certification of MSMEs and parallel work on marketing could not start as planned. Although by project closing 208 SMEs were certified, the evidence was not available regarding the increased bed nights at beneficiary small accommodations. It was explained during the meeting with the project team that after the second restructuring when this indicator was dropped, the Borrower stopped



tracking this indicator. If tracked, additional evidence could have accumulated with regards to the increased contribution of the small accommodation establishments in the sector.

Rating
Negligible

OBJECTIVE 2 REVISION 1

Revised Objective

Revised Objective 2: To create conditions necessary to increase diversification of the tourism sector.

Revised Rationale

Theory of Change: This remained essentially the same. The PDO indicator was revised as “Number of MSMEs certified (with Quality Seal or ISO/HACCP or Safe & Clean)”, which was at output level. The ICR reported that the first MSMEs or small accommodations to get certified with a quality seal was likely to happen in mid-2020 only, leaving limited time before project closure for improvements to take place and translate into additional bed nights. In addition, other efforts to increase the country’s visibility and attract further tourists were also still ongoing and would have taken time to complete. While IEG agrees with the necessity to adjust the indicators, as the new indicator was at output level, it weakened the M&E framework. On the other hand, new intermediate results indicators were added to the results framework, but these were already among the planned outputs of the project (except for the “National Certification Company established”). Additions were made to enable the M&E framework capture some of the project results which were already part of original project design. However, these did not change the project structure or the objective.

Outputs:

- At project closing 58 small accommodations benefited from technical assistance. The revised indicator included technical assistance not only under the Quality Seal project, but also under the GoCV’s Covid response programs. Through the project 240 MSMEs benefited from training activities exceeding the target of 100. By project closing 36% of beneficiary MSMEs representatives were women, slightly exceeding the target of 35%.
- National Certification Company (NCC) could not be achieved (new indicator) as the agreement between the local chambers of commerce and a Portuguese provider of international certification (EIC) could not be reached.
- Technical and Feasibility Study of Mindelo’s Oceanarium was jointly approved by the Ministry of Tourism and the Ministry of the Sea (new indicator achieved).
- Legal framework for Insolvency and Collateral Registry (new indicator) which included approval of statute of judicial administrator, establishment of the special legal regime for pledges and the general legal framework for the use of movable assets as a guarantee for the fulfilment of obligations and the Register of Securities Guarantees were adopted.
- Through the project activities Covid-19 training for tourism professionals and MSMEs was provided.
- At project closing 208 beneficiaries were certified by either Quality Seal, ISO/HACCP or Safe & Clean and 47% of these MSMEs were owned by women. Target was 40 MSMEs.



Outcomes:

Significant effort was made to complete project activities under the conditions imposed by Covid-19. In this regard, the project’s output targets were achieved and exceeded. On the other hand, after the second restructuring, there was no adequate outcome indicator to measure this objective, as the newly introduced indicator was at output level. However, although the project’s M&E framework does not provide a PDO level indicator, some evidence could be found outside the framework with respect to diversification of the sector. Some of the outputs of the project’s first objective contributed to the diversification of the tourism sector particularly geographically (and also with respect to the products offered). The developed island master plans as well as the POTs clarified conditions and plans for possible future investments. Accordingly, within the scope of the follow-up project (“Resilient Tourism and Blue Economy Development Project -P176981) new investments are being implemented in Sao Vicente, Santo Antao and Santiago islands. Before the implementation of above said activities under the CTD project, the tourism sector was focused on two islands only: Boa Vista and Sal. With respect to diversification of operators and increased participation of MSMEs in the tourism sector, although the project contributed to capacity building, there is not enough evidence to demonstrate project’s impact on the increased participation. Thus, the achievement of the revised of objective is rated modest.

Revised Rating
Modest

OVERALL EFFICACY

Rationale

The first objective to create conditions necessary to Increase investment into tourism sector is rated Substantial before the restructuring. The second objective, to increase diversification into tourism offerings is rated Negligible due to lack of evidence. Therefore, the project’s overall efficacy is rated Modest before the restructuring.

Overall Efficacy Rating
Modest

Primary Reason
Insufficient evidence

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

The first objective to create conditions necessary to increase investment into tourism sector is rated Substantial after the restructuring. The second objective, to increase diversification into tourism offerings is Modest. The project’s overall efficacy is rated Substantial with some shortcomings regarding the project’s second objective.



Overall Efficacy Revision 1 Rating

Substantial

5. Efficiency

Economic and Financial Analysis

Ex-ante analysis:

A through economic analysis was not prepared at appraisal. It was indicated in the PAD that the economic analysis of this type of project presented special difficulties because of the indirect relationship between actions taken under the project and the stream of benefits that result from them. In addition, it was also highlighted that as the project contained important institution-building activities, quantifying benefits were especially difficult. The PAD concentrated on assessment of qualitative benefits of the project. Therefore, it is not possible to compare ex-post and ex-ante results.

Ex-post Analysis:

The ICR presents an economic and financial analysis to estimate the economic rate of return of the project, incorporating actual disbursement figures also taking into consideration investments catalyzed by the project and the number of MSMEs certified. Based on this analysis, the net present value (NPV) is estimated to be US\$6.3 million at a 12 percent discount rate with an ERR of 33 percent over a fifteen-year period, including the six years of project implementation. The 12% discount rate is risk-adjusted rate and better reflects the risk associated with investments (especially given the cyclical nature of tourism investments in developing economies, ICR, p. 49) in comparison to a discount rate of 5% which reflects the cost of capital to the Government of Cabo Verde. The analysis assumes that the certification would allow the MSMEs to increase their nightly accommodation charges by 5 percent (from an average nightly rate of US\$70 to US\$74) and the certified MSMEs can accommodate approximately 6 tourists per day, totaling at 45,000 tourists per year. The average length of stay is estimated at six days. On the other hand, the investments were catalyzed through three major investments, and it is estimated that 10 percent of the investment value announced will be implemented within a six-year period, and that each project will generate an average of 50 jobs, with an annual salary of US\$3,000. The analysis does not involve wider spillovers and positive social impacts on the local economy such as increased access to finance and improved the capacity of local tourism businesses allowing them to expand their businesses, service more tourists, and explore higher-priced demand segments. The implementation of better planning and support mechanisms introduced through improved legal and regulatory environment are likely to result in extensive social benefits both within and outside the tourism sector.

Administrative and Operational Efficiency:

The cost of major activities was kept within the original budget. However, the implementation efficiency was affected by implementation delays. The delays occurred because of election cycles, subsequent institutional changes and government re-organizations including changing of several ministers. In addition, the project implementation unit had difficulties in managing large number of activities as well as procurement operations. These had a negative impact on the implementation and delayed realization of several project activities (particularly on activities related to certification of MSMEs). Furthermore, Covid-19 pandemic and the restrictions imposed by it, also adversely affected project's performance. As ICR reports it was especially relevant to the



tourism sector worldwide, as all countries closed their borders for a considerable period and the tourism industry came to a virtual stop. Following the closure of Cabo Verde’s international borders in March 2020 and the partial reopening in October 2020, tourism arrivals collapsed by about 75 percent that year (ICR, p.28).

Overall, the project’s efficiency rating is Substantial on balance, despite lack of a complete economic analysis at appraisal and some implementation delays.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The outcome rating before restructuring is moderately unsatisfactory due to modest efficacy rating. The outcome rating after restructuring is substantial with some shortcomings related to the project’s second objective. When a split rating is implemented as per Bank Guidance, the project’s overall outcome rating is moderately satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

The risk to development outcome is low. The project contributed to improvement of conditions to invest into tourism sector. This became possible by the commitment and ability of the GoCV to implement the reform process in the tourism sector. This commitment is expected to continue in the future as the Government is already engaged in implementation of another World Bank Project “Resilient Tourism and Blue Economy Development Project (P176981), where the project activities will continue to support the MSMEs for their participation in the respective value chains as well as will provide financing for direct investments and address ongoing market failures and bottlenecks in the tourism sector. The lessons learnt and institutional strengthening achieved through the project will be fed into this recent project. Regarding tourism sector’s



vulnerability, the country is now more resilient to conditions imposed by the pandemic. This is mainly thanks to project's a series of response activities implemented during the pandemic, namely a "safe and clean" training and certification program for tourism operators; training courses for guides, taxi drivers, chefs, and bakers; and outreach and marketing efforts which were implemented throughout the second half of 2020 and 2021.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project had strategic relevance as it aimed to support the GoCV's vision is to develop a competitive and sustainable tourism sector while linking with local enterprises and services that will expand the benefits of this development and contributing to inclusive growth. Improving investment environment, increasing capacities of the MSMEs and facilitating their access to finance through improved legal and regulatory improvements were project's interventions aimed to serve this vision. The implementation arrangements were adequate. The MTIE was the designated responsible ministry, and the implementation was under the responsibility of UGPE which had experience with the implementation and the management of the World Bank Projects. However, the unit's capacity was over estimated. The ICR reports that the unit could have benefitted from additional training and capacity building activities for conducting procurement activities and managing a large number of small technical activities of the project (ICR, p. 31). The M&E framework had weaknesses. The project's first objective was not clear, and the second objective was broadly defined and the achievement of both PDO indicators were not likely to be fulfilled during the implementation of the project. In addition, some of the key outputs which would capture project results were not included in the results framework. Also, a through economic analysis was not conducted at appraisal; nevertheless overall, the Bank's inputs and processes were adequate.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The Bank team's focus on development impact was demonstrated by their effort to address slow implementation and to restructure the project in accordance with the findings of the Mid-Term Review. In accordance with the recommendations of the review the results framework was also amended. The two PDO indicators which were found to be unrealistic were revised and additional intermediate results indicators were included in the results framework. However, the relevant targets were left unchanged. The restructurings also extended the implementation period which enabled the completion of activities. Particularly during the demanding emergency environment imposed by Covid-19 the Bank demonstrated flexibility, understanding, and provided support in changing, adjusting project activities in line with the changing demands of the country.



Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project's second objective was not clearly defined, as it is not clear what type of diversification was targeted. As mentioned in the PAD, to achieve sustainable development of the tourism sector and inclusive growth in the country the tourism activities needed to be diversified by geography, by operator and by the products offered. The original M&E framework also had some weaknesses. The project's first PDO indicator was not clearly defined. Both of the original PDO indicators were not likely to be achieved during the project implementation period. Regarding the intermediate results indicators, the framework did not have sufficient indicators which could capture some impacts of the project's achievements. The baseline and target values for indicators were verified and confirmed by the relevant institutions. The data collection, analysis and reporting were to be carried out by the government and the chamber of commerce. The main monitoring mechanism was the annual and the semi-annual reports to be prepared by the UGPE. The project manager was in charge of coordinating M&E and was to be supported by an M&E specialist.

b. M&E Implementation

The establishment of M&E section at the UGPE was significantly delayed mainly due to reorganizations in the government. The M&E section could only be established three years after the start of implementation. The relevant software which enabled efficient monitoring of project's indicators were established in April 2021. The ICR reports that from this time on the monitoring activities were conducted efficiently. The project team tried to address M&E weaknesses at the second restructuring. Accordingly, the two PDO indicators were revised. The revised indicator for project's second objective was at the output level rather than an outcome indicator. This has weakened the results framework. On the other hand, the framework was improved by addition of seven new intermediate results indicators which represent outputs that were already part of the project. The results framework could have been improved also by revising the targets identified at appraisal.

c. M&E Utilization

Based on the collected monitoring data, the results framework was revised, and a number of indicators were either deleted or revised. The reporting of UGPE on the project's outputs and outcomes enabled corrective actions and the restructurings of the project. A theory of change diagram was developed as a result of the Mid-term review.



M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

At appraisal, as a precaution the project was rated as Category B, and the following safeguards were triggered: OP/BP 4.01—Environmental Assessment; OP/BP 4.04—Natural Habitats; and OP/BP 4.11—Physical Cultural Resources. However, the project activities did not include any physical interventions like construction of facilities. The project only involved interventions of capacity building, development of services, upgrading of instruments, and support for tourism policy development. These did not have direct impacts on the environment.

b. Fiduciary Compliance

Procurement: At appraisal the procurement risk was assessed as Substantial but expected to be moderate once the mitigation measures were implemented. These included updates of the administrative and financial procedures manual and the training of the UGPE's project team in World Bank's basic procurement procedures. The procurement activities were slow at the beginning of the project but picked up over the years of implementation. Procurement performance was rated as Satisfactory throughout the project, and no major issues were encountered. A total of 75 contracts were signed throughout the project's life, each contract standing for one activity. With a few exceptions, contracts were executed in a timely manner (ICR, p. 31).

Financial Management: The financial management arrangements for the project was based on the UGPE's existing arrangements in place under the ongoing World Bank energy and water sector projects. The arrangements were adequate, and the overall financial management performance of the project was Satisfactory. There were no major issues regarding financial management during implementation. Both the internal and external audit reports were submitted on time and the external auditor had issued an unqualified opinion on all financial statements throughout the project implementation.

c. Unintended impacts (Positive or Negative)

None.

d. Other

None.



11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Moderately Satisfactory	Due to shortcomings of quality of entry
Quality of M&E	Substantial	Modest	No disagreement. Inadvertent mistake in the ICR. Project team confirmed the rating as Modest.
Quality of ICR	---	Substantial	

12. Lessons

The following are lessons learned from the ICR with some paraphrasing:

- **In small projects a simple project design can help improve the implementation and the achievement of project’s results.** In the case of this project, the project included many small activities and several beneficiaries, which added complexity and transaction costs. The ICR reports that during the early phase of project implementation, the implementing agency struggled with coordinating these diverse activities with the various beneficiaries who were new to World Bank policies and procedures.
- **Ensuring sufficient level of procurement capacity of the project implementation units and beneficiary institutions contributes to successful project implementation.** In the case of Cabo Verde’s project, both the implementing agency and the beneficiary institutions lacked the technical capacity to develop relevant procurement documents and to conduct relevant procurement activities. If foreseen at project design stage, some technical assistance could have supported these institutions in developing project’s complex terms of references as well as evaluating offers.
- **Projects with diverse set of activities and large number of beneficiaries can benefit from a technical committee, which would coordinate and monitor project activities.** The CTD project has a steering committee, but a technical committee could have helped overcoming technical and procurement capacity problems delaying the implementation of the project.

13. Assessment Recommended?

No

14. Comments on Quality of ICR



The ICR provides a detailed overview of the project. It is candid in explaining the issues encountered at different phases of implementation. The report is concise and follows most of the guidelines. In general, it is internally consistent. There is a logical linking of the various parts of the report. The ICR had a few weaknesses: The split rating was not conducted in line with the Bank Guidance. The project achievements before the restructuring should be assessed “for the entire duration of the project”, not partially before and after the restructuring. The discussions in the Lessons section are clear and useful. However, some of the lessons mentioned in the ICR are in the form of findings or recommendations, rather than lessons.

a. Quality of ICR Rating
Substantial