



Integrated Safeguards Data Sheet (Updated)

Date ISDS Prepared/Updated: 02/26/2003

Section I - Basic Information

A. Basic Project Data

Country: CAPE VERDE	Project ID: P074055
Project: Growth and Competitiveness Project	Task Team Leader: Sherri Ellen Archondo
Authorized to Appraise Date: February 12, 2003	IBRD Amount (\$m):
Bank Approval: May 15, 2003	IDA Amount (\$m): 11.50
Managing Unit: AFTFS	Sector: General industry and trade sector (40%); General finance sector (20%); Compulsory pension and unemployment insurance (20%); General public administration sector (20%) Theme: Other financial and private sector development (P); Regulation and competition policy (S); Other public sector governance (S)
Lending Instrument: Specific Investment Loan (SIL)	
Status: Lending	

I.A.2. Project Objectives:

The project's overall objective is to broaden the base of private participation in Cape Verde's economic growth and enhance private sector competitiveness, as well as further develop its financial sector. This would be achieved through a series of actions supported by the project, notably (a) financial sector reform, including pension reform; (b) investment climate reform, which includes, but is not limited to (i) tax reform; (ii) alleviation of administrative barriers; (iii) improved supply chains and (iv) legal reform; (c) post privatization and divestiture reforms; and (d) private sector and institutional capacity building. The project would thus help sustain the Government's poverty alleviation efforts by generating increased employment opportunities through improved international competitiveness.

I.A.3. Project Description:

The proposed project would support the following major elements in the Government's private sector-led poverty alleviation strategy.

Component 1. Modernizing, Strengthening and Restructuring the Financial Sector ~~US\$1.4 million, of which US\$2.8 million is financed by IDA~~

As the financial sector in Cape Verde deepens, it becomes critical to strengthen the institutional infrastructure of the central bank to fulfill its mandate as a regulator and the broader financial sector as financial intermediaries. The main activities included in the financial sector component are summarized below.

The project would support the update of a financial sector study to determine the required policy measures, as well as legislative and regulatory changes which are needed to further its development. The

project will also provide funding for *technical assistance requirements* identified in the financial sector study. These requirements would likely include updating of the regulatory framework for leasing, off-shore banking and venture capital.

The project will provide *support to strengthen financial infrastructure and regulation*. More specifically, the project will support strengthening the regulator (both in terms of its human resource skills as well as its technological base), improving credit information, strengthening the national payments system, including international integration (VISA) and establishing deterrents to financial fraud and money laundering. The component would finance technical assistance, training and equipment, especially information technology to upgrade the equipment at the central bank and provide real time connection with the commercial banks for the payment system, credit risk and loan concentration databases. This would improve the availability of credit information on both the corporate and consumers clients which has been a constraint for financial institutions in making informed lending decisions. Non-banking services and availability of new financial instruments are key to the development of the economy. During the last several years, SISP has implemented ATMs and TPA (debit system used at commercial establishments). SISP anticipates adopting the infrastructure necessary to implement a network of VISA and create a critical mass of transactions which permit the economic and financial sustainability of the system. The project would provide funds (only Government and BCV's share) for the necessary hardware, software and training for the implementation of the VISA applications.

The objective of the *pension reform* subcomponent would be to help Government implement reforms aimed at establishing a sustainable pension system. In addition to alleviating a potential contingent liability risk in the budget, another expected result of the reform is that it would help mobilize longer-term resources that could be channeled through the financial sector to finance private investments. The project would provide financing for technical assistance in the following areas: (a) independent audits and an actuarial review; (b) an information system needs assessment; (c) purchase of hardware and software; (d) consultancies to (i) produce a new investment policy; (ii) evaluate valuation rules, reporting and disclosure standards; (iii) civil service integration study/cost analysis; (iv) study the development of contractual savings, regulatory/supervision issues; (v) analysis of the social assistance scheme and FAIMO; and (vi) coverage strategy; (e) training programs for (i) trustees and (ii) technical workshops; and (f) translation of technical materials. INPS is also receiving support from the International Labor Organization (ILO), the Government of Portugal and the Bank in the context of the preparation of the proposed project.

Component 2. Enhancing Private Sector Competitiveness (US\$7.75 million of which US\$6.4 million is financed by IDA.) As discussed in Section B of this report, companies in Cape Verde have responded well with the opening of markets to private initiatives. However, growth in private sector activities has not been accompanied by sufficient measures to modernize the administrative requirements for business operations, the legal framework and the judiciary and improve incentives. The aim of this component is improve the investment climate, institutional capacity building and improving supply chains in key subsectors, as well as continuing work on post privatization and divestiture process which started under the PRCBP but may not have been fully completed prior to the closing of the project. The main subcomponents are described below.

A. Investment Climate Reform (US\$1.9 million financed by IDA) Building on work already done under the CBPPSP, the subcomponent would focus on the following inter-related issues:

- **Tax reform (US\$300,000).** Government recognizes that the large number of customs and tax exemptions undermine its objectives of creating a level playing field in the business environment and fiscal policy and could subsequently provide more resources for its anti-poverty programs. As such, the Government recently took important steps to rationalize private sector taxation. The project

would finance specialized legal assistance to the tax office at the Ministry of Finance and Plan on the Investment Code and specialized assistance on the evaluation of the fiscal revenue impact of the proposed measures over time, as well as related capacity building initiatives. In addition, the project would finance the cost of disseminating information on the new tax rules, as well as providing necessary training for Government staff and the private sector.

- *Alleviation of Administrative Barriers (US\$500,000)* The Administrative Barriers to Investment Study, which follows several World Bank sponsored FIAS studies in Cape Verde, was launched in October 2002. Based on the report, Government and stakeholders would formulate an action plan for further reforms in this area that would improve the interface between the public and private sector. This plan and subsequent updates, would be implemented with the support of the project. This commitment of Government on how it would address these issues will be addressed in the letter of Sector Development policy issued in the context of this project.
- *Development of Efficient Supply Chain (US\$300,000)*. The project would support supply chain studies for trade and transport, fishing and tourism with a view to making transactions along the productive/distribution network more efficient. In particular, it will finance 3-4 studies, as well as some key technical assistance and training requirements identified under the studies.
- *Modernizing the Legal Environment for Business (US\$800,000)*. The component would provide assistance for further improvements in laws and regulations which affect the private sector, a program which was started under the PRCBP. The project would provide legal technical assistance, as well as some needed equipment to the Ministry of Justice. In particular, the project would provide support to the Department of the Registry, Notary and Identification to speed up the process of registering companies, buildings, etc. from almost 2 weeks to 48 hours by developing computerized links among the various municipal offices on the different islands. Second, in an effort to respond to the requests of the citizens in general and the investors in particular, to simplify procedures, the project would finance technical support to elaborate the regulations for the commercial registry, housing registry and civil registry. Substantial work has already been undertaken (also under PRCBP) on the Labor Code; the project would finance technical assistance necessary to elaborate the regulations and procedures which accompany this code. Finally, the project would also provide support for efforts to improve timeliness and quality of judgments of business cases and enforcement of property rights through capacity building in the courts, especially registrars. The Project will finance the preparation of an Arbitration Law and support the creation of two arbitration centers.

The project would provide support to efforts to making laws and judgments more accessible by publishing the related documents and making key laws available on the internet. In particular, the Project would finance business law dissemination and information by (i) making laws and judgments more accessible and available through the publication of business laws and judicial decisions, and (ii) organizing training and capacity building sessions (including, but not limited to PROMEX and in the Chambers of Commerce) for Judges, Lawyers, Businessmen and all interested public or private stakeholders, WTO, intellectual property, anti-money laundering and arbitration.

The project would support work needed in connection with Cape Verde's accession to the the WTO (World Trade Organization). The project would finance technical assistance not envisaged under a USAID program in this area. Specifically, the project would support the development of a legal and institutional framework for the effective exercise of intellectual property rights, which is required as part of the measures to gain WTO membership. Finally, the project will finance the costs of dissemination of information, as well as training judicial and legal staff.

B. Post Privatization and Divestiture (US\$1.3 million to be financed by IDA) This component will support activities which may not be completed under the Privatization and Regulatory Capacity Building Project prior to its closing. These include: (a) completion of telecoms reform which would encompass: (i) the renegotiation of the existing contract to remove internal inconsistencies, clarify the liberalization of value-added service, revised pricing policy, including access fees, and liberalization of the sector in line with WTO commitment concerning local and international markets; and (ii) award of a new cellular license; (b) support to multi-sector regulatory agency in the form of structured and on-the-job training; (c) Port and Airport reform and divestiture for which the project will provide resources to complete the privatization of the port and study the scope for private participation in airports; and (d) and international or local advisor to help the Ministry of Transport address outstanding policy issues

C. Institutional Capacity Building (US\$2.0 million to be financed by IDA) This subcomponent is designed to address three key objectives: (a) enhancing the capabilities of public institutions to deliver business support services; (b) supporting Government agencies in their efforts to provide business facilitation and promotion services, including improving their capability to identify and ease bureaucratic rigidities and (c) reinforcing staff at the MoFP to play its role in private sector development.

First, the project will provide support ~~public~~ *public institutions that interface with private sector* (US\$500,000). There are several public institutions that work with the private sector which, in the spirit of changing the Government into a facilitator, would (i) need to establish a clear, well-defined strategy, with guidance from Government on the focus of their core activities and (ii) will need support for internal strengthening and programs which have a limited focus with expected high returns. The project will support Government efforts to develop a framework for its support the private sector and financial and technical capacity building for its implementation.

Second, capacity building assistance will be extended to PROMEX for (i) the development of a strategically focused investment promotion strategy and business plan; (ii) an institutional capacity/skills building for PROMEX staff; (iii) the preparation of up-to-date marketing materials, including revamping the PROMEX website; (iv) introduction and upgrading of necessary systems and processes (investor tracking system, Intranet); and (v) support of a number of outreach/promotion activities in priority sectors.

Finally, the project will provide support to the *Ministry of Finance and Planning* in its efforts to develop the necessary environment for private sector development. The project would there provide support for (i) technical assistance to provide financial management of autonomous public institutions and manage government shares in private companies; (ii) capacity building for MoFP's staff, including two trade missions during the four years; and (iii) institutional support for the research and studies department.

D. Private Sector Capacity Building (US\$1.33 million to be financed by IDA) The mechanisms by which private firms transfer technology and raise their technical capabilities are weak and while foreign investment in the country is increasing, technology transfer remains limited. Until recently, all tertiary education, as well as vocational and technical training, had to be obtained abroad. The private sector strategy calls for capacity building within private operators, especially SMEs. There is substantial demand by the private sector for these services, which the two Chambers of Commerce are trying to accommodate with their programs. The project would support this demand by private operators and enable the Chambers to expand the services to their members, as well as other associations (example is Association of Micro-enterprises) through a 50:50 matching-grant, using an approach and procedures successfully developed and tested in other countries. This subcomponent would focus on the technical capabilities of Cape Verdean firms, in manufacturing and services (both domestic and for export).

Funding will be used to (i) improve firm competitiveness by providing access to supporting services external to the firm in the form of technical assistance or managerial expertise; and (ii) address the constraints in staff training. The two Chambers of Commerce, whose mandate is to represent the private sector with Government, as well as provide these services, will also benefit from the grant as manager/administrator of the matching grant. They would also be able to access this grant to strengthen their capacity to deliver services to their members. The grant would be demand-driven and managed on a first come/first serve basis. However, the Chambers may target certain industries which are priority sectors, but not at the exclusion of other Cape Verdean enterprises. In addition the project would finance, as needed, the dissemination of business related-information which would (i) widen the dialogue on business environment reforms, (ii) help raise awareness among the business community as well as policymakers, and (iii) educate and build consensus among the concerned actors.

Component 3. Supporting Project Implementation (US\$1.13 million, of which US\$1.13 million is financed by IDA).

The project would support the operations of the Project Implementation Unit (PCU), discussed below. Specifically, the project would finance the project implementation team and about 48 person-months of short-term international or local experts to assist the PCU team in the implementation of its work program, as well as other PCU staff, training, equipment, and incremental operating costs. Refinancing of the proposed PPF is included in this component.

Components:

1. Modernizing, Strengthening and Restructuring the Financial Sector
 - A. Financial Sector Development/BCV
 - B. Pension Reform
2. Enhancing Private Sector Competitiveness
 - A. Investment Climate Reform
 - B. Post Privatization Process
 - C. Institutional Capacity Building
 - D. Private Sector Capacity Building
3. Project Implementation
4. PPF Refinancing
5. Unallocated

I.A.4. Project Location: (Geographic location, information about the key environmental and social characteristics of the area and population likely to be affected, and proximity to any protected areas, or sites or critical natural habitats, or any other culturally or socially sensitive areas.)

The project will not be "island specific". The objective of the project is to develop a vibrant and competitive private sector. Each island has different characteristics, for example there are wineries on the island of Fogo, services industries on Santiago and textiles on Mindelo (in an industrial park). Through the two Chambers of Commerce (located on Santiago and Mindelo), all eligible Cape Verdean enterprises may take the opportunity to avail themselves to training and technical expertise. With respect to the pension reform and financial sector development, while the majority of actions will take place in the capital, Praia, financial sector development will be initiated in the other islands where there are financial services.

Institutional capacity building may also be undertaken in any targeted island.

B. Check Environmental Classification: C (Not Required)

Comments: The overall objective to this project is to broaden private sector participation. In order to do this, the components consist of capacity building, addressing policy constraints, and implementing financial reforms. There are no environmental or safeguard issues.

C. Safeguard Policies Triggered

Policy	Applicability
Environmental Assessment (OP/BP/GP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural Habitats (OP/BP/GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP/GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP/BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waterways (OP/BP/GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP/BP/GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

**By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

Section II - Key Safeguard Issues and Their Management

D. Summary of Key Safeguard Issues. Please fill in all relevant questions. If information is not available, describe steps to be taken to obtain necessary data.

II.D.1a. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts.
not applicable

II.D.1b. Describe any potential cumulative impacts due to application of more than one safeguard policy or due to multiple project component.
not applicable

II.D.1c Describe any potential long term impacts due to anticipated future activities in the project area.
not applicable

II.D.2. In light of 1, describe the proposed treatment of alternatives (if required)
not applicable

II.D.3. Describe arrangement for the borrower to address safeguard issues

II.D.4. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

There will be several methods to ensure stakeholder participation. It will be the responsibility of the PIU to ensure that stakeholder participation is consistent. First there are the beneficiaries themselves, who will be actively involved in preparing the project, based on their commitment to the National Development Plan, as well as Investment Strategy. Most of the proposed beneficiaries already have 2-5

year work plans under these programs and a subset will be drawn out and developed into project components, with performance indicators which they feel are reasonable, rational and attainable within the project timeframe. Second, during preparation, there will be meetings with the donor community to avoid duplication of support and to seek their views on the economic and financial environment in Cape Verde. Finally, there will be two mini-private sector forums organized by the Chambers of Commerce (for geographical representation) to ensure that the issues are well discussed and appropriate solutions presented, which can be translated into project subcomponents.

E. Safeguards Classification. Category is determined by the highest impact in any policy. Or on basis of cumulative impacts from multiple safeguards. Whenever an individual safeguard policy is triggered the provisions of that policy apply.

- S1. – Significant, cumulative and/or irreversible impacts; or significant technical and institutional risks in management of one or more safeguard areas
- S2. – One or more safeguard policies are triggered, but effects are limited in their impact and are technically and institutionally manageable
- S3. – No safeguard issues
- SF. – Financial intermediary projects, social development funds, community driven development or similar projects which require a safeguard framework or programmatic approach to address safeguard issues.

F. Disclosure Requirements

<i>Environmental Assessment/Analysis/Management Plan:</i>	<i>Expected</i>	<i>Actual</i>
Date of receipt by the Bank	Not Applicable	Not Applicable
Date of “in-country” disclosure	Not Applicable	Not Applicable
Date of submission to InfoShop	Not Applicable	Not Applicable
Date of distributing the Exec. Summary of the EA to the ED (For category A projects)	Not Applicable	Not Applicable
<i>Resettlement Action Plan/Framework:</i>	<i>Expected</i>	<i>Actual</i>
Date of receipt by the Bank	Not Applicable	Not Applicable
Date of “in-country” disclosure	Not Applicable	Not Applicable
Date of submission to InfoShop	Not Applicable	Not Applicable
<i>Indigenous Peoples Development Plan/Framework:</i>	<i>Expected</i>	<i>Actual</i>
Date of receipt by the Bank	Not Applicable	Not Applicable
Date of “in-country” disclosure	Not Applicable	Not Applicable
Date of submission to InfoShop	Not Applicable	Not Applicable
<i>Pest Management Plan:</i>	<i>Expected</i>	<i>Actual</i>
Date of receipt by the Bank	Not Applicable	Not Applicable
Date of “in-country” disclosure	Not Applicable	Not Applicable
Date of submission to InfoShop	Not Applicable	Not Applicable
<i>Dam Safety Management Plan:</i>	<i>Expected</i>	<i>Actual</i>
Date of receipt by the Bank	Not Applicable	Not Applicable
Date of “in-country” disclosure	Not Applicable	Not Applicable
Date of submission to InfoShop	Not Applicable	Not Applicable

If in-country disclosure of any of the above documents is not expected, please explain why.

Signed and submitted by

Task Team Leader:

Project Safeguards Specialists 1:

Project Safeguards Specialists 2:

Project Safeguards Specialists 3:

Name

Sherri Ellen Archondo

Serigne Omar Fye

Date

February 26, 2003

February 26, 2003

Approved by:

Regional Safeguards Coordinator:

Sector Manager/Director:

Name

Serigne Omar Fye

Demba Ba

Date

February 26, 2003

February 26, 2003

For a list of World Bank news releases on projects and reports, [click here](#)

SEARCH

FEEDBACK

SITE MAP

SHOWCASE

