Mr. Olavo Avelino Garcia Correia  
Minister of Finance  
Ministry of Finance  
Avenida Amílcar Cabral  
C.P. 30, Praia  
Cabo Verde

Re: Cabo Verde: Advance Agreement for Preparation of Proposed Access to Finance for Micro, Small, and Medium Sized Enterprises (MSMEs) Project (P163015)  
Project Preparation Advance No. V102

Excellency:

In response to the request for financial assistance made on behalf of Cabo Verde ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed six hundred thousand Dollars ($600,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase access to finance for micro, small and medium-sized enterprises (MSMEs) in Cabo Verde ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to provide financing in support of the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Louise J. Cord
Country Director

AGREED:
REPUBLIC OF CABO VERDE

By
Authorized Representative
Name
Title
Date: 27 July 2017

Enclosures:

(1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010; and

(2) Disbursement Letter for the Advance of the same date as this Agreement, together with “World Bank Disbursement Guidelines for Investment Project Financing”, dated February 2017.
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

For purposes of this Agreement, the following terms mean:

"PCG" means partial credit guarantee.

"ESMF" means the Recipient’s environmental and social framework for the Project, to be prepared by the Recipient, in a form and manner satisfactory to the World Bank, to address the potential environmental and social risks and impacts of the Project.

"MSME" means micro, small and medium size enterprises.

"Steering Committee" means the Comissao Nacional para o Desenvolvimento do Sistema Financeiro, Recipient’s committee presided by the Minister of Finance, established pursuant to Resolucao 37/2008 of October 27, published in the Recipient’s Boletim Oficial 39 of October 27, 2008.

"UGTE" means the Unidade de Gestão de Projetos Especiais, the Recipient’s unit within its Ministry of Economy and Employment, responsible for the day-to-day implementation of the Activities.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following parts:

(a) Provision of support to undertake a PCG demand survey and market assessment;

(b) Provision of support to undertake a credit registry gap assessment and diagnostics;

(c) Provision of support to hire a credit risk and business management expert for the preparation of MSMEs credit applications and to support banks tailoring services to MSMEs;

(d) Provision of support to the preparation of an ESMF for Project;
2.02. *Execution of the Activities Generally.* The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities in accordance with the provisions of: (a) Article 11 of the Standard Conditions; (b) this Article II; and (c) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2.03. *Institutional and Other Arrangements.*

**UGPE**

(a) The Recipient shall vest the implementation of the Activities in the UGPE. To this end, the Recipient shall ensure that the UGPE shall be maintained, throughout the implementation of the Activities, with adequate resources, staffing and terms of reference acceptable to the World Bank, including, but not limited to, the UGPE coordinator, who will be responsible for the day to day management and implementation of the Activities, a financial management specialist, three, accountants, and a procurement officer.

**Steering Committee**

(b) The Recipient shall maintain the Steering Committee, with functions and composition satisfactory to the World Bank, throughout the implementation of the Activities, which shall be responsible for providing overall strategic guidance and oversight for purposes of the implementation of the Activities.

2.04. *Monitoring, Reporting and Evaluation of the Activities.* The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. *Financial Management.* (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. A single audit will be requested. Such audit of the Financial Statements shall cover the period commencing with the effectiveness of the PPA. The audited Financial Statements of the PPA shall be furnished to the World Bank not later than six months after the closing of the PPA.

2.06. *Procurement*

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.
Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, services, Training and Operating Costs inclusive of Taxes.

For purposes of this Section, the following terms mean:

"Operating Costs" means the reasonable, incremental operating expenditures, which would not exist absent of the Activities, incurred by the Recipient on account of the preparation, implementation and management of the Activities, as approved by the World Bank based on budgets acceptable to the World Bank, including travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; and utilities, media information campaigns and communications' expenses, but excluding salaries, fees, honoraria, bonuses and any other salary supplements of the Recipient's civil servants.

"Training" means any costs associated with capacity building activities including the contracting of consultants, preparation of training materials, per diem and travel costs as well as any miscellaneous equipment.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Refinancing Date. The Refinancing Date is August 15, 2018.

Article IV
Terms of the Advance

4.01. Service Charge. The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. Repayment. The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) Refinancing under the Refinancing Agreement: If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the
Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) Repayment in the absence of a Refinancing Agreement: If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the “Aggregate Balance”) shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates (“Payment Dates”) which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date (“Notice Date”) of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is the minister responsible for finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Minister of Finance
Ministry of Finance
Avenida Amilcar Cabral
C.P. 30, Praia
Cabo Verde

Telex: COORDENACAO 608-MCECV
Facsimile: (238) 61 38 97

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (1)-202-477-6391