



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 12-Nov-2019 | Report No: PIDC27077



**BASIC INFORMATION**

**A. Basic Project Data**

Country Cabo Verde	Project ID P171099	Parent Project ID (if any)	Project Name Digital Cabo Verde (P171099)
Region AFRICA	Estimated Appraisal Date Mar 02, 2020	Estimated Board Date Jun 15, 2020	Practice Area (Lead) Digital Development
Financing Instrument Investment Project Financing	Borrower(s) Olavo Correia	Implementing Agency Secretary of State for Innovation and Technical Training at Government of Cabo Verde	

**Proposed Development Objective(s)**

To support Cabo Verde in establishing the needed foundations to become a digital hub by enhancing digital infrastructure and strengthening the supply of digital skills and the demand for digital services.

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

**SUMMARY**

<b>Total Project Cost</b>	30.00
<b>Total Financing</b>	30.00
<b>of which IBRD/IDA</b>	30.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	30.00
IDA Credit	30.00

Environmental and Social Risk Classification  
Substantial

Concept Review Decision  
Track II-The review did authorize the preparation to



continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

Located 500 kilometers off the west coast of Africa, Cabo Verde (CV) is an archipelago of 10 islands. The country has an estimated population of 520,500 people who live on nine of the islands. Only 10% of its territory is classified as arable land, and the country possesses limited mineral resources. In 2016, about 66 percent of the population lived in urban areas, and Cabo Verde is the most urbanized country on the continent after Gabon. Urbanization has been mostly driven by frequent droughts and job creation in tourism-related activities. The total emigrant population is estimated to be between 750,000 and 1,000,000 people, many of whom left before independence in 1975. Today, more Cabo Verdeans live abroad than in Cape Verde itself. According to UN Migration Data 2017 226,786 Cabo Verdeans live outside of their home country, worldwide (60,590 in Portugal, 39,841 in the United States, 22,630 in France, and 12,583 in the Netherlands). Increasingly, the Government is looking to the diaspora as a source of funding and investment, knowledge transfer and partnerships. The Government is seeking to build closer links with the diaspora established in key regions within the United States and Portugal, as potential source of economic growth.

Cabo Verde's economy is service-oriented (commerce, transport, public services), with tourism as an economic driver, that leverages on a year-round attractive weather, beautiful beaches, stable democracy, limited security risks and proximity to Europe. The country's islands are scattered within a large water area, which constitutes a major constraint to growth and development. It limits economies of scale, and creates significant connectivity issues, as well as challenges for service delivery including energy, water, education, health. Gross domestic product (GDP) growth recovery started in 2016 and is estimated to have reached 4.5% in 2018, driven primarily by exports and investments. Robust growth in the industrial sector and commerce supported the pick-up in economic activities. Agriculture, which employs 15% of the population, continues to be adversely affected by the impact of the year-long drought in 2017. Total revenues reached 28.7% of GDP in 2018. Both tax and non-tax revenues expanded to counter a sharp fall in grants. Total expenditures remained flat at 31.6% of GDP as capital spending was reduced to accommodate higher spending on wages and goods and services.

There is a shared understanding that diversification within and beyond the tourism sector is critical to support Cabo Verde economic recovery and help the country better resist any future shocks. The vision of Cabo Verde as an Information and Communication Technologies (ICT) hub aims at contributing to this economic diversification leveraging on digital technologies and has been articulated in the Strategic Plan for Sustainable Development (PEDS in its Portuguese acronym – Plano de Desenvolvimento Sustentável) for the 2018-2030 timeframe.

### Sectoral and Institutional Context

Cabo Verde has been steadily developing its ICT sector in the last few years with the objectives to bring economic growth, expand opportunities and improve service delivery and quality. Digital Economy is considered as crucial for the achievements of the broader objectives set out in the PEDS for sectors like health, education, transportation as well as an effective accelerator in the tourism sector. The PEDS includes three strategic pillars for achieving the vision of a hub: connectivity; capacity development and services platform.



Four key enablers are also articulated in the PEDS to realize this transformation of the country into a digital hub capable of supporting business outsourcing and back office operations, software development, and Cloud hosting:

1. Cabo Verde Techno Park

The new technological park is currently under construction in Praia with an expected completion date July 2020. It will provide additional infrastructure that will cater to the new initiatives of Cabo Verde as Digital Hub, including an expansion of the existing Data center, a business center, an Incubation center and a training center. The Techno Park will serve as a physical space where all ICT initiatives will congregate, creating an ecosystem that is based on close collaboration of businesses and technology. Another focus of this strategy section will be on the improvement of the existing PIN with focus on submarine cables and the electrical power distribution infrastructure.

2. Digital Skills

Cabo Verde needs to encourage further development of its ICT workforce, creating the framework to deliver specialized ICT training to national and regional human resources, thereby fostering an ecosystem of tech-based innovation and entrepreneurship within its ICT sector. This can be a catalyst for exponential innovation.

3. Collaboration, regulation and Legislation

It is a key necessity to establish meaningful relationships with international key players in the ICT sector, as these relationships can be a conduit to access valuable Direct Foreign Investments (DFI) to finance the ICT services needed to make Cabo Verde's Tech Hub a reality. To this end, it is crucial to guarantee that smart policies, effective regulations and targeted legislation are high priorities for this initiative.

4. Digital Platforms

Cabo Verde has a credible reputation in e-Government services and should deepen and broaden its services to cater to international governments, with a focus on the Community of Portuguese Speaking Countries (CPLP, using the Portuguese acronym). Additionally, it should enhance its current e-Government platform to create further integration with the private sector through a data exchange platform (PDEX).

However, the current digital infrastructure and telecom sector regulatory and enforcement framework is insufficient to support Cabo Verde's aspirations in the ICT sector.

Affordability and quality of Broadband Connectivity

Cabo Verde enjoys some of the highest rates of internet penetration (both fixed and mobile 3rd, and 2nd respectively in Sub-Saharan Africa, 96th and 52nd World) in its sub-region and Africa in general. However, the quality and bandwidth available (23.4kbs/user, 5th in Africa, 93rd World) is quite low in comparison with its aspirational peers. Like the other countries in the region, there is a gap between mobile internet coverage and adoption in Cabo Verde. Thirty percent of the population has access to mobile broadband but does not use it. Affordability is amongst the root factor. According to ICT Africa's RAMP index, the cost of 1GB of data is USD \$5.20 which is slightly higher than the median for West Africa. This price has remained relatively unchanged over the last five years.

Telecom sector Regulation and Competition

A key challenge in the ICT sector for Cabo Verde is in the lack of competition in the telecommunications retail sector, that could foster innovation and demand for capacity. This challenge is in part caused by the current concession contract of the Public Infrastructure Network (PIN) and its subsequent regulation. The PIN is currently managed and commercialized by CV Telecom (partly owned by the government). Its group affiliates, CV Móvel (mobile) and CV



Multimedia (VoIP, Data, TV), engage in retailing fixed and mobile broadband services. The only other broadband and mobile provider, Unitel T+, purchases its access to the PIN from CVT. This situation gives CVT a dominant market position and the existing regulation framework has been considered, by the competitors, to be slow or unresponsive to complaints of alleged unfair market practices in the past.

#### Relationship to CPF

The CPF for FY20-25 which will be presented to the Board of Director Q2 FY20, is aligned with the Government development strategy Plano Estrategico de Desenvolvimento Sustentavel (PEDS) for 2017-2021, with the main objective of supporting the vision of Cabo Verde as a regional economic hub in the mid-Atlantic. To support Cabo Verde's ambition to become an inclusive, resilient service-led economy, the CPF would focus on two results areas: A) accelerating human capital for inclusive, services led growth; and B) strengthening the environment for a more diversified economy, with more private sector participation to maximize finance for development in a context of limited public resources.

The proposed project will support the Government's strategy to transform the country into a digitally-enabled service economy, raising its competitiveness and attracting further investments. Enhancing the supply and demand of broadband connectivity and data depositories (digital infrastructure) is critical to support the development of digital platforms, both public and private, and to create new services for individual, businesses and governments. A successful digital transformation should lead to a vibrant, inclusive and safe digital economy in Cabo Verde, and would therefore require smart regulation and agile governance, hence the importance of establishing an enabling legal and regulatory framework.

Furthermore, it supports specifically:

Objective 1: Enhanced basic education and skills for present and future jobs (through the digital skills interventions) and

Objective 4: Improve the foundations for private sector-led growth (through improvements in connectivity, enhancement of digital government services, and promotion of a forward looking and trust worthy regulatory framework).

The Government has also acknowledged the importance of establishing an enabling legislative framework that will encourage competition, innovation, investment in the ICT sector, guaranteeing incentives for existing international companies to have a physical presence in Cabo Verde, and leveraging the currently established infrastructure (e.g., Techno Park).

The proposed operation is directly aligned with the Digital Economy for Africa (DE4A) initiative, which is supporting the operationalization of the African Union's Digital Transformation Strategy for Africa. The Digital Transformation Strategy for Africa sets out a bold vision to ensure that every African individual, business and government is digitally enabled by 2030; the goal is to drive the digital transformation of Africa and ensure its full participation in the global digital economy. The DE4A initiative recognizes that the digital economy can help achieve the UN Sustainable Development Goals (SDGs) and the World Bank Group's twin goals.

### **C. Proposed Development Objective(s)**

To support Cabo Verde in establishing the needed foundations to become a digital hub by enhancing digital infrastructure and strengthening the supply of digital skills and the demand for digital services.



### Key Results (From PCN)

The achievement of the PDO could be measured by the results indicators below:

- 1) Increase in number of people provided with access in users (and by genders) to enhanced broadband internet under the project
- 2) Broadband internet prices: price for 1 GB of mobile data per month. (currently US\$4.25 per month – 91st in the world)
- 3) Number of unique users using digital government platform
- 4) Number of services provided through digital unified government platform (upgraded services)
- 5) Number of students trained under the project in basic, intermediate and advanced digital skills, of which percentage female.
- 6) Number of government officials trained under the project on Digital Economy enabling policy legal and regulatory environment, of which percentage female.

The proposed operation will be gender-informed.

### **D. Concept Description**

Advancing digital transformation and generating digital dividends in Cape Verde will require supporting digital foundations and accelerating the development of the digital economy. The three main processes by which expanded access to the internet and mobile phones can generate digital dividends are:

- Inclusion – by greatly increasing search capabilities, and reducing information asymmetry, digital technologies make new transactions possible, and thereby create new market and new jobs.
- Efficiency – by reducing transaction costs, and increase the efficiency of existing process, digital technologies help to improve efficiency and convenience.
- Innovation – by reducing transaction costs essentially to zero, for digital goods and services, this generates economies of scale and stimulates new business models.

This proposed project is intended to expand the CV market share in the digital economy, in both ECOWAS countries and the wider region. To do that, the country will need to establish robust digital ecosystem foundations (digital economy legal and regulatory environment), increase supply with an emphasis on strengthening next generation digital infrastructure, and expand demand for data-driven services.

The digital Cabo Verde project envisions accelerating Cape Verde’s Digital Economy, to allow the country to compete effectively in the digital age, and to have its citizens, businesses and government digitally enabled. A digitally enabled society will have a greater contribution to the economy, more jobs and greater efficiencies.

To do this, first, the Government will need to strengthen the laws and regulation that shape the digital ecosystem, as well as the capacity of senior government officials tasked with designing, implementing and evaluating these, and to forward-looking regulations to increase the dividends of digital technologies. This will be the focus of component 1.

Secondly, the country will need to expand and strengthen its digital infrastructure, especially fiber network and mobile broadband, towards achieving the African Union goal of universal affordable and quality broadband access by 2030, supported by the WBG under its Digital Economy for Africa initiative. An area of focus will be improving connectivity



within the islands. The project will also seek to improve digital skills, particularly in young Cape Verdians. This will be the main objective of component 2 of the program, on Digital Connectivity.

Third, the country will need to generate new jobs and foster innovation in service provision through its investment in government digital services and support to data-driven industries. This will be supported by Component 3.

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

Summary of Screening of Environmental and Social Risks and Impacts

While the project activities are expected to expand access to digital services, achieving these outcomes implies a number of environmental and social risks and impacts that will be identified throughout the environmental and social assessment process.

Potential environmental and social risks and impacts relate to (i) risks to the submarine ecosystem from cable laying, (ii) environmental impacts at coastal points of presence when cables run to land, (iii) land acquisition for landing stations and for cable laying; (iv) potential impacts on livelihood activities along the routing of the terrestrial cables, potential livelihood impacts to coastal fishing communities from marine or coastal cable laying; (v) issues of community resistance, particularly fisherfolk who may perceive that the proposed activities negatively affect their activities and their food supply; (vi) occupational health and safety for marine- and land-based works; (vii) community health and safety related to any project interventions in populated areas, (viii) waste management and safe disposal of any construction debris, (ix) risks to both tangible and intangible cultural heritage and (x) risks related to labor influx from high- or low-skilled workers in the project areas.

## CONTACT POINT

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### Borrower/Client/Recipient

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**Implementing Agencies**

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