



**Environmental and Social Management Framework
Revision of ESMF**

**P163015 – Access to Finance for Micro, Small, Medium
Enterprises Project - Additional Financing**

Ministry of Finance

Cabo Verde

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ACRONYMS AND ABBREVIATIONS

AF	Additional Financing
AFIs	Approved Financial Institutions
ANAS	National Water and Sanitation Agency
BCV	Bank of Cape Verde
CPF	Country Partnership Framework
CLGR	Local Complaints Management Committee
CV	Cabo Verde
ESIA	Environmental Social Impact Assessment
DGTT	General Directorate for Tourism and Transport
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
EROT	Territorial Planning Regional Schemes
FDI	Foreign Direct Investment
GoCV	Government of Cape Verde
GNI	Gross National Income
GBV	Gender-based Violence
RCF	Rapid Credit Facility
GRM	Grievances Redress Mechanism
MAA	Ministry of Agriculture and Environment
MAE	Ministry of Agriculture and Environment
MEA	Multilateral Environmental Agreements
MEE	Ministry of Economy and Employment

MF	Ministry of Finance
MIOTH	Ministry of Infrastructure, Territorial Planning and Housing
MSME	Micro Small and Medium Sized Enterprises
ANAS	National Water and Sanitation Agency
ANMCV	National Association of Cape Verdean Municipalities
INECV	National Institute of Statistics of Cape Verde
PCG	Partial Credit Guarantee
PANA II	National Action Plan for the Environment
PEDS	Sustainable Development Strategic Plan
PFI	Partner Financial Institution
PIM	Project Implementation Manual
PIU	Project Implementation Unity
PDO	Project Development Objective
SME	Small and Medium Enterprises
SOEs	State-Owned Enterprises
SDTIBM	Sociedade de Desenvolvimento de Boa Vista e Maio
UGPE	Special Project Management Unit
ZDTI	Integrated Tourism Development Zones
ZRPT's	Zones of Reserve and Protection of Tourism

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)
Access to Finance for Micro, Small, and Medium Sized Enterprises Project (P163015)
Additional Financing
Cabo Verde

Executive Summary

Overview

The World Bank has agreed to provide financing for the Cabo Verde: Access to Finance for Micro, Small and Medium-Sized Enterprises Project (P163015) approved on February 15, 2018, as an Investment Project Financing (IPF). The Project Development Objective (PDO) is to increase access to finance for Micro, Small and Medium-Sized Enterprises (MSMEs).

To support the response to the economic shock caused by COVID-19 crisis the Government of the Cabo Verde request for Additional Financing to the Access to Finance for MSMEs Project in the amount of \$USD10 million IDA credit was submitted to the World Bank in June 2020.

The project is classified as safeguards Category FI (Business activities involving investments in financial institutions (FIs) or through delivery mechanisms involving financial intermediation) as it will primarily finance a partial credit guarantee (Pro-Garante) scheme to be granted to Partner Financial Institution (PFI) to facilitate lending to MSME, as well as it will finance a capital buffer to Pro-Capital for co-investment in sustainable local businesses in strategic sectors.

The specific location of the individual MSMEs sub-projects or local business to be financed under the Project are not known at this time; they could be located anywhere in Cape Verde. The type and scale of activities may vary widely across the diverse geographic and environmental landscapes of the islands that constitute the Cape Verde archipelago.

The Access to Finance Project triggers 2 of the 10 safeguard policies: i) OP4.01 Environmental Assessment, and ii) OP4.11 Physical Cultural Resources. Therefore, the ESMF includes several guidances and tamplate to manage environmental and social risk and impacts in the project and in each subproject's activities, such as i) sample of Environmental and Social Assessment Form, ii) illustrative List of Potential Mitigation Measures, iii) Environmental, Health & Safety Guidelines, Chance-Find Procedures and Good Practice on Civil Works, iv) Good Practice on Civil Works in COVID19 pandemic context, v) Exclusion lists which will serve to inform the criterion "eligible expenditure", vi) Grievances Redress Mechanism (GRM), between others.

The proposed Additional Financing of US\$10 million will support Pró-Garante in scaling-up its resources to support more SMEs, in addition to providing technical assistance and resources to the public venture capital fund Pró-Capital. The **PCG** will be open to all eligible financial institutions that maintain and implement an adequate Environmental and Social Management System (ESMS), who meet prudential requirements and have demonstrated a commitment to lend to the target group. The **PCG** fund should have an operational manual that sets out detailed policies and procedures. The **Pró-Capital** is the third and final pillar of the Government's MSME support framework and is mandated with jumpstarting risk capital in Cabo Verde by sustainably co-investing in viable local businesses, particularly those in strategic sectors.

Project Objective

The project development objective (PDO) is to increase access to finance for micro, small and medium sized enterprises. The core of the Project is to provide support for a partial credit guarantee system in Cabo Verde (dubbed Pró-Garante), to provide capital buffer for co-investment in sustainable local businesses in strategic sectors, in addition to complementary work on updating the credit information system and backing a capacity building program for MSMEs.

The PDO will be instrumental in supporting the Government's comprehensive response to the COVID-19 crisis at the firm-level, helping new and existing MSMEs weather the liquidity and solvency challenges associated with the temporary fall in demand through retention and expanded access to credit.

Project Description

This additional financing will cover five components: i) Partial Credit Guarantee Fund to Enhance MSME Finance; ii) Technical Assistance to MSMEs; iii) Improve Credit Information Systems; iv) Project Implementation Support; and v) Equity Fund to Enhance MSME Access to Capital.

Component 1: Partial Credit Guarantee Fund to Enhance MSME Finance (Parent Project US\$11.2 million equivalent; US\$10.05 million disbursed, Additional Financing US\$18.2 million):

Under this component, the proposed project will finance activities to support the establishment and operationalization of a PCG fund to improve access to finance for MSMEs. This will be achieved by, among other things, (a) preparation and development of a business plan, financial model, and operational policies and procedures for the PCG fund; (b) undertaking of outreach and communication activities targeting Participating Financial Institutions (PFIs) and MSMEs; (c) training to PFIs on accessing the credit guarantees; and (d) capitalization of the PCG fund

The additional financing of 7 million USD will enable significant scaling-up of Pró-Garante partial credit guarantee operations in response to the COVID-19 crisis to a projected 700 SMEs, safeguarding an estimated 3,000 jobs. Beyond capital to strengthen the Partial Credit Guarantee Fund, the additional financing will enable continuous technical assistance to Pró-Garante to face the risk management challenges associated with the COVID-19 shock.

Component 2: Technical Assistance to MSMEs (US\$3.10 million, US\$1.9 million revised, US\$0.15 million disbursed). Under this component, the project will finance activities to support MSMEs in generating and providing information to financial institutions supporting their loan applications, including the provision of accounting and auditing services and support for preparation of business plans and feasibility studies for new ventures. This will include support for loan applications preparation in a clear and complete manner, including higher quality of financial statements. Funds should target credit-constrained MSMEs. This component aims to benefit 500 MSMEs, of which half should be women-led enterprises. This component is critical to improve credit demand, as banks' current business model requires MSMEs to have proper accounting: according to a recent BCV study, 92.5 percent of businesses that received bank credit had organized accounting.

In the framework of the restructuring conducted in November 2019, this Component saw a US\$1.2 million transfer in favor of Component 3.

Component 3: Improve Credit Information Systems (US\$0.5 million, US\$1.7 million revised, US\$0.285 million disbursed): This component will support the central bank in its efforts to upgrade and expand the coverage and depth of its public credit registry, in line with the General Principles for Credit Reporting. It will also support measures to establish effective oversight of credit reporting systems, including of a system where the credit registry operates in cooperation with private credit bureaus. This component was reinforced with US\$1.2 million from Component 2 to cover the heightened cost of developing a completely new credit registry central.

Component 4: Project Implementation Support (US\$0.2 million): This component will support institutional, organizational, and regulatory aspects required for a sustainable implementation of the new framework to increase access to finance for MSMEs. It will finance the provision of advice for technical and economic optimization of existing public support mechanisms for MSME financing. It will also cover the project implementation costs (coordination, procurement, financial management, monitoring, and evaluation).

Component 5: Equity Fund to Enhance MSME Access to Capital (US\$3 million): Under this new component, the project will support the recently established public venture capital firm, Pró-Capital. The project will support Pró-Capital with a total amount of 3 million dollars, 80 percent of which will be allocated to capital for co-investment in sustainable local businesses in strategic sectors (either directly or through an investment in a dedicated third-party SME Equity Fund), and 20 percent in technical assistance to Pró-Capital itself (supporting enhanced corporate governance, market research and risk management capacity).

Potential Environmental and Social Impacts

The expected impacts of the project are as follows:

Component 1 - moderate risk - this component will finance the capital for the **PCG** scheme; establish the operational manual that sets out detailed requirements on policies and procedures the **PFI**s must comply, including the E&S Safeguards on loan selection, in order to join the project. The exact location, nature, scale and scope of the potential impacts can only be known during implementation. Beneficiary MSMEs are expected to engage in diverse types of activities, some of which may have negative environmental and/or social impacts and risks. However, these negative impacts are likely to be minor, localized, and reversible and can be mitigated through proper environment and social screening, application of simple measures and environmental good practices, especially given the nature and small size of the transactions and the limited credit to be made available to MSMEs (\$10,000-50,000 on average, and up to \$400,000 - the maximum amount of loans will increase with the years). This ESMF therefore ensures that such impacts are identified, avoided, minimized and adequately mitigated. The ESMF also includes the list of those transactions that are not eligible for project support.

Component 2 - Low risk with possible indirect positive impact - this component will provide support to eligible MSMEs and **PFI**s. This component will also develop a manual for setting out processes and forms/templates used for grant application, disbursement, financial management, procurement, and monitoring and evaluation. There is the potential to increase the MSMEs' capacity to include environmental and social considerations into business plans and feasibility studies.

Component 3 - no negative impacts expected - this component will support the Cabo Verde Central Bank (BCV) in its efforts to upgrade and expand the coverage and depth of its public credit registry, in line with the General Principles for Credit Reporting.

Component 4 - moderate risk - this component will finance the provision of consulting services for technical and economical optimization of existing public support mechanisms for MSME financing, and it will also cover the project implementation costs (coordination, procurement, financial management, monitoring, and evaluation). The risk derives from the latter on the event that this ESMF is not adequately implemented. To mitigate this risk, the **PCG** Management will include a part-time environmental and social specialist and the senior business advisors will receive training on Safeguards. Besides, the staff of UGPE, **PFI**, MSMEs will also receive training and the **PCG** Management will seek their continuous engagement on environmental and social issues.

Component 5 - moderate risk - this component will provide **Pró-Capital** with technical assistance to strengthen corporate governance, and will allocate investments, between US\$100k and US\$200k ticket size, for eligible

investments under **Pró-Capital** and the Project's financial, environmental and social criteria; and will establish the operational manual that sets out detailed requirements on policies and procedures the local business must comply, including Environmental and Social management of risks on business selection, in order to join the project. The exact location, nature, scale and scope of the potential impacts can only be known during implementation. Beneficiary MSMEs/local business are expected to engage in diverse types of activities, some of which may have negative environmental and/or social impacts and risks. However, these negative impacts are likely to be minor, localized, and reversible and can be mitigated through proper environment and social screening, application of simple measures and environmental good practices. This ESMF therefore ensures that such impacts are identified, avoided, minimized and adequately mitigated. The ESMF also includes the list of those transactions that are not eligible for project support.

As stated above, although the project is not expected to have significant nor irreversible direct environmental or social impacts, it could have potential direct and indirect adverse impacts though of moderate to low magnitude. In order to address these potential concerns an Environmental and Social Management Framework (ESMF) is being prepared and presented in this document. As the mechanism of funding is a partial credit guarantee, the activities will be implemented by third parties (MSMEs awarded credit by the **PFI**s), therefore the ESMF includes an exclusion list which will serve to inform the criterion ‘eligible expenditure’.

The World Bank Environmental Assessment (OP/BP 4.01) and Physical Cultural Resources (OP/BP 4.11) safeguard policies are triggered for this project. The objectives of OP/BP 4.01: Environmental Assessment are to inform decision makers of the nature of the environment and social risks, and ensure that projects proposed for Bank financing are environmentally and socially sound and sustainable. The objectives of OP/BP 4.11: Physical Cultural Resources, are to avoid, or mitigate, adverse impacts on cultural resources (movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance) from development projects that the World Bank finances.

The policy for Physical Cultural Resources (OP/BP 4.11) has been triggered because of the prevalence of ecotourism-related MSMEs in Cabo Verde, which can negatively affect national heritage sites. The ESMF includes chance find guidelines for PFI, in case any chance finds occurs during subproject implementation.

Although MSMEs that benefit from credit guarantees could invest in agriculture, the project will exclude sub-projects intended to finance the purchase of hazardous pesticides, and subprojects that may lead to substantially increased pesticide use. If the sub-projects include new land-use development or changed cultivation practices in an

area; significant expansion into new areas; diversification into new crops in agriculture; intensification of existing lowtechnology systems, any Environmental and Social Impact Assessment (ESIAs)/ Environmental and Social Management Plan (ESMPs) should include ecologically based Integrated Pest Management measures.

The project will not finance activities involving dams. In Cape Verde it would be possible to imagine loans for SMEs to undertake activities involving dams. For example, sand is required and some dams are experiencing sedimentation problems. However, the loans to MSMEs tend to be small and subprojects could require complex studies and safety measures.

Pró-Garante and Pró-Capital will not beneficiate activities that can lead to conversion or degradation of Natural Habitats. The ESMF includes preventive measures for avoiding encroachment or negative leakage on natural habitats. It is not expected that the guaranteed MSMEs will invest physically in forest ecosystem. However, their agricultural activities may induce indirect deforestation. The ESMF provides guidance to prevent such risks. No land take is expected for the project and the PCG will not guarantee investments or activities that result in land acquisition leading to economic or physical displacement. Those restrictions is part of the exclusion list in this ESMF, they are considered in the Pró-Garante's Operations Manual, and they should be excluded in the screening process for potential future investments.

Implementation

Pró-Capital was incorporated and licensed to operate by the Central Bank of Cabo Verde in May of 2018, effectively starting operations in 2019. The State is the single shareholder with a US\$5 million stake. **Pró-Capital** has a specific mandate to jumpstart risk capital in Cabo Verde by co-investing, up to a maximum of 49 percent of share capital, in sustainable local enterprises during a maximum period of 12 years before divestiture. The company is directed by a board of three Government-appointed members – one CEO, one executive administrator and one non-executive administrator. Because of this characteristic, in the scope of this project, **Pró-Capital** will assume, equal responsibilities that are allocated to the **PFI**s, and equal guaranties ensured by Pró - Garante when it comes to the companies in which it will invest the capital under this project.

The **PFI**s and the **Pró-Capital** will be primarily responsible for implementing this ESMF. **Pró-Capital** and eligible **PFI**s are required to develop and maintain, effective environmental and social systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.

Where the **PFI** can demonstrate that it already has an Environmental and Social Management System (ESMS) in place, it will provide adequate documented evidence of such an ESMS, indicating which elements (if any) will be enhanced or modified to meet the World Bank Group standards. The **PFI** will review and adjust, in a manner

acceptable to the Bank, its ESMS from time to time, including when the environmental and social risk profile of its portfolio changes significantly. The Pró-Capital's, Pro-Garante's, and PFI's ESMS are expected to include the following elements: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of subprojects; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of subprojects and the portfolio; and (v) external communications mechanism. However, it should be noted that there are important management instruments in these institutions that meet these requirements. For example, the Pró-Capital holds an Investment Regulations / Procedures Manual ("Regulamento de Investimentos da Pró-Capital/Manual de procedimentos") aiming at guarantee that **Pró-Capital** investments meet the eligibility criteria and ensure the permanent management of environmental and social impacts from the identification phase to the divestment phase, in accordance with national legislation and international obligations assumed by Cape Verde. The national PFIs hold an Environmental and Social Risk Policy, integrated into the Global Risk Policy and the Banks' Sustainability Policy. An annual report on the sustainability of lending operations is prepared to disclose information on these policies, following the Global Reporting Initiative (GRI) guidelines.

The existing **Pró-Capital** and **PFI**'s risk analyst will be required to screen sub-projects for environment and social impacts, and alignment with national policies and regulations, to determine their eligibility to benefit from the project. For each subproject, the **PFIs** and Pro-Capital will include requirements of environmentally sustainable and socially sound development in line with this ESMF and will also monitor compliance of the beneficiary MSME with the mitigation measures.

Pro-Garante and Pró-Capital will have the overall responsibility for ensuring that any environmental or social impacts are appropriately addressed and producing annual reports for the World Bank and the National Directorate of Environment on the status of compliance with the ESMF.

Although the project's environmental and social impacts are likely to be negligible, monitoring for unexpected environmental and social impacts will nevertheless be conducted on a regular basis by project staff from Pró-Garante when it comes to MSMEs beneficiaries of guaranties, and Pró-Capital when it comes to investments in MSMEs. The Pro-Garante and Pró-Capital will do periodic control. In case of Pro-Garante the control must be quarterly, during the first year of guarantee and every six months from there only sampling, to confirm that the credit operations are in line with safeguards best practices. Site visits will be conducted to those MSME beneficiaries who had to prepare action plans as a condition for loan approval, to verify implementation of any identified mitigation actions, and to provide support on their improvement as necessary. Furthermore, implementation of the ESMF will be verified in the field by the World Bank team as part of its regular supervision missions. The control of all the business

that benefited by **Pró-Capital** must be done quarterly during the year that Pró-Capital have owned equity interest in those companies.

The **PFI**s and **Pró-Capital** will categorize the proposed subprojects in 3 categories of environmental and social risk: *Category A* are related to subprojects that are likely to have significant adverse environmental and social impacts that are sensitive, diverse or unprecedented, or subprojects whose impacts affect an area broader than the sites; *Category B* are related to subprojects with moderate environmental and social risk, or that may have environmental or social risks that are less adverse and more limited than category A level, their impacts are site-specific and largely reversible, which could be readily identified and reliably mitigated through good practices known to the sector; *Category C* are related to the subproject that is likely to have minimal, low-risk or no environmental or social risks associated with it.

In principle subprojects that require preparation of ESIA under Cape Verdean legislation will not be covered by the project. However, in the event that the final beneficiary (MSMEs) has already prepared an ESIA in accordance with Cape Verdean regulations and processes and the ESIA has been approved or conditionally approved by the National Directorate of Environment, the **PFI/Pró-Capital** risk analyst will review the process and make a determination whether: it is adequate and accurate in identification of environmental and social impacts; that appropriate measures have been identified to avoid, minimize, or mitigate those impacts; that the applicant has the commitment and the capability to manage the impacts as proposed. Moreover, the **PFI/Pró-Capital** will request evidence that timely and appropriate consultation with directly affected people, local communities, and interested stakeholders has taken place on the findings and recommendations of the ESIA before the approval.

For all moderate environmental and social risk sub-projects in the portfolio, the **PFI/Pró-Capital** will ensure and collect evidence that the MSME is implementing and monitoring the management of environmental and social impacts in a manner consistent with this ESMF. The **PCG** Management will review more in depth these operations. For all subprojects with low risk (e.g., TA activities), the **PCG** Management will carry out random check to verify absence of impacts and compliance with national legislation including permitting.

In addition, Pró-Garante and Pró-Capital will screen for any negative media/ NGO coverage/ reports on environmental and social aspects of its portfolio clients, including the **PFI**'s, on a regular basis and retain records of all findings. The **PCG** Management will agree to make its monitoring and supervision reports available on a business confidential basis to World Bank counterpart upon request.

For the local businesses with moderate environmental and social risk, the **Pró-Capital** will ensure and collect evidence that the MSME is implementing and monitoring the management of environmental and social impacts in a manner consistent with this ESMF.

In order to assess the effectiveness of this ESMF a set of twenty environmental and social indicators is established and will be regularly monitored during the implementation of the sub-projects. The indicators cover the following aspects: i) Technical measures, ii) monitoring and evaluation measures, iii) grievance management; iv) environmental monitoring measures, and v) social monitoring measures.

Implementation costs of this ESMF are estimated in an amount of \$ USD 82 000, and are included in the project's activities plan.

The preparation of this ESMF has followed an extensive consultation process with various stakeholders at national level, namely Pro-Garante, Pro-Empresa, Pró-Capital and Cabo Verde Central Bank. A one-day workshop has been held for discussion among stakeholders, including commercial banks. Moreover, since this is an interactive process, further consultations will be done throughout project implementation. However, it must be emphasized that, to attend the requirements for public consultation and stakeholder engagement in the context of Covid-19 pandemic must be adjusted. Therefore, it will be used the "Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public"¹.

1

https://biwta.portal.gov.bd/sites/default/files/files/biwta.portal.gov.bd/page/f3ca1ff6_95b0_4606_849f_2c0844e455bc/2020-10-01-11-04-717aa8e02835a7e778b2fff46f531a8c.pdf

Synthesis of attribution of Environmental and social responsibilities

Environmental and social activities	Responsibility
Identification of the sub-project site and description of characteristics relevant to the safeguard analysis	MSMEs
Screening and determination of mitigation measures or instrument to be prepared	PFI / Pró-Capital
Integration of environmental and social clauses into subprojects	MSMEs
Appraisal/approbation of subprojects	PFI /Pró-Capital
Implementation of environmental clauses and reporting on specific subproject	MSMEs
Supervision of MSMEs beneficiaries and report to PCG	PFI
Supervision of MSMEs beneficiaries of investments and report to the World Bank	Pró- Capital
Assessment of the level of implementation of this ESMF	UGPE
Grievances Management	UGPE

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

Access to Finance for Micro, Small, and Medium Sized Enterprises Project (P163015) Additional Financing

Cabo Verde

A. Overview

The World Bank has agreed to provide financing for the Cabo Verde: Access to Finance for Micro, Small and Medium-Sized Enterprises Project (P163015) approved on February 15, 2018, as an Investment Project Financing (IPF). The Project Development Objective (PDO) is to increase access to finance for Micro, Small and Medium-Sized Enterprises (MSMEs).

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The project is classified as safeguards Category FI as it will primarily finance a partial credit guarantee (Pro-Garante) scheme to be granted to Partner Financial Institution (**PFI**) to facilitate lending to MSME. The project will also finance a capital buffer to **Pró-Capital** for co-investment in sustainable local businesses in strategic sectors.

In order to address potential safeguards concerns, the Environment and Social Management Framework (ESMF) of the parent project is being revised. The objectives of this update is to ensure that potential environmental and social risks are adequately screened and mitigated as a result of the AF taking into consideration the prevailing Covid-19 Pandemic.

B. Introduction

Country Context

Cabo Verde is an archipelago of ten islands, nine of which are inhabited, located 500 kilometers off the west coast of Africa with an estimated population of 549,935. Only 10 percent of its territory is classified as arable and the country possesses limited mineral resources. The country is vulnerable to climate change, rising sea levels, and natural disasters including an active volcano on the island of Fogo that last erupted in November 2014. Despite the arid climate and mountainous terrain, Cabo Verde has developed rapidly, in large part owing to its sizeable tourism industry, and attained lower-middle-income country status with a gross national income (GNI) per capita of US\$3,630 in 2019.

Cabo Verde's economic growth over the past two decades has resulted in substantial poverty reduction (from 58% in 2001 to 35% in 2015) and declining income inequality (from a Gini coefficient of 0.53 in 2001 to 0.42 in 2015). The country's strong economic recovery following the euro crisis in 2015 has been brought to a sudden halt by the COVID-19 pandemic. Real GDP in 2020 is projected to contract by 5.5%. Growth could recover in 2021 to 1.3%, driven by scaled-up public spending and credit stimulus measures. The slowdown stems from a 61.6% decline in tourism revenues, which account for 17.7% of GDP, revenue losses in fisheries, which generates 31% of total exports, and stagnant activity in manufacturing, transport, and logistics reflecting disruptions in global supply chains. The contraction of GDP could cause the loss of 17,500 jobs. The unemployment rate has risen from 8.5% in 2019, according to IMF, to a record 19.2 per cent (32.4 percent among youth and women).

Economic activity in Cabo Verde is mostly conducted by small, mostly informal, firms dispersed across nine inhabited islands. In 2015, the business sector was comprised of 9,403 formal firms providing 53,839 jobs and by an estimated 33,000 informal units providing close to 40,000 jobs. Micro and small-sized enterprises (MSMEs) constitute 98 percent of firms operating in Cabo Verde, providing more than 40 percent of jobs and a significant share of the economy. About two thirds of formal firms in Cabo Verde are located on the islands of Santiago and São Vicente.

Banks dominate the financial sector with more than 85 percent of assets. Assets and loans are concentrated in the top two banks (out of eight licensed banks). Liquidity is high and liabilities are predominantly depositing from residents, migrants, and Government entities. The downturn in the tourism and real estate caused non-performing loans (NPLs) to increase to 17 percent of total loans at end-2016. As a result, banks' capacity to finance new projects is limited. Profitability is low with average return on assets of 0.3 percent since 2012.

Access to credit is not widespread. Domestic credit to the private sector has declined from 66 percent of GDP in 2011 to 60 percent of GDP in 2016 as banks increased the share of its assets deposited with the central bank and

lent to the Government and State-Owned Enterprises (SOEs). MSMEs, in particular, face significant financing constraints. A 2014 survey showed that only 26.5 percent of total credit to enterprises goes to micro and small enterprises. Banks cite poor business prospects, limited collateral, lack of proper accounting, and the general macroeconomic environment as the main reasons for restricting credit. Treasury bonds paid an average interest rate of 5 percent in 2016 and were perceived as more attractive than private lending. The microfinance sector is very small with less than 1 percent of total assets in the sector and reliant on donor funding to maintain its operations.

The average cost of finance in real terms is high. Lending rates for loans of up to one year are around 10 percent in real terms. In 2015 the average interest rate spread (lending minus deposit rates) was 7.4 percent compared with 6.4 percent in middle-income economies or 6.9 percent in low middle-income economies. High operating costs, due in part to operating branches on an archipelago and lack of sufficient economies of scale, contribute to high lending costs. Financial reporting and auditing practices are absent in most firms. Two thirds of registered firms do not have proper accounting² and this creates obstacles to accessing bank credit: according to a recent Bank of Cape Verde (BCV) study, 92.5 percent of businesses that received bank credit had organized accounting. Although those registered firms with organized accounting represent 96 percent of total turnover, banks believe that most of these financial reports are not credible because they are not properly audited and because they are prepared primarily for submission to the tax authorities; confusion between personal and business bank accounts and financial flows is also common. Accounting standards are not enforced in the general business community.

Impact of the Covid-19 Pandemic on Cabo Verde and Government Response

The COVID-19 crisis presents a new, unprecedented source of investor risk that is depressing investor confidence to foreign direct investment (FDI). FDI and other capital inflows, mostly from the United Kingdom, Portugal, Spain, and Italy, are expected to contract by 56% to \$53 million in 2020, delaying investments in key sectors, including tourism, construction, transport and information, communication, and technology. Annual growth of remittances is projected to slow to 0.4% in 2020 from the previously projected 4%, reducing incomes and consumption of vulnerable youth, women, and informal workers, thereby worsening poverty and income inequality. Inflation is expected to rise slightly, reflecting monetary policy easing and supply shocks to food and industry output.

The macroeconomic situation is challenged by rising public debt due to coronavirus pandemic. With a shrinking economy and the need to borrow money domestically and externally to finance the new budget, national public debt is now expected to increase to 145% of GDP. The fiscal deficit to widen from an estimated 1.5% of GDP in 2019 to 9% of GDP in 2020 as expenditure surges and revenue falls. It will narrow to 6.8% of GDP in 2021 as revenue

² Instituto Nacional de Estatística. 2017. *Estatísticas de Empresas. Inquérito Anual às Empresas*.

growth accelerates in line with recovering economic growth and as efforts to increase revenue bear fruit. However, lower global demand and reduced tourism inflows would weigh negatively on exports, reduce the accumulation of foreign earnings, and lead to a deterioration of the overall balance of payments.

The COVID-19 induced economic shock opened a fiscal financing gap of 12.3 percent of GDP in 2020, currently being filled by external concessional credits, grants, and domestic borrowing. In addition to a robust World Bank envelope already disbursed in 2020 in the amount of US\$40 million through three different projects (including US\$25 million mobilized through the Crisis Response Window), the IMF approved a Rapid Credit Facility (RCF) for Cabo Verde (US\$32.3 million, 100 percent quota) in April 2020 and the African Development Bank approved a concessional budget support credit (US\$33.5 million). The European Union, Luxembourg, and Portugal frontloaded grants to support the budget in a combined amount of about US\$36 million. The remaining financing gap is covered by government securities market (US\$53 million) and resources freed by the Debt Service Suspension Initiative (US\$9.6 million). All financing has been integrated in the latest IMF framework and revised government budget.

The Cabo Verdean government is taking various measures aimed at containing the coronavirus outbreak and mitigating the impact on the economy. On the fiscal front, the Government presented a revised budget to parliament in June 2020. The 2020 budget was supplemented with US\$20 million, reaching 38.4 percent of GDP at US\$761 million. Also, financial policies to increase banks' liquidity are being implemented. Interest rates were reduced across the board with the intention to provide a financing boost to the economy. Measures to support the private sector include credit lines and loan guarantees amounting to nearly US\$30 million, tax obligation facilities, and a temporary lay-off regime partially subsidized by the pension fund (INPS). Other measures also include income compensation to provide financial support for individuals operating in the informal sector and social inclusion emergency measures for vulnerable people without income.

World Bank Group Support for Responding to the Crisis

The World Bank has responded swiftly to the crisis through a set of emergency operations and the repurposing of existing operations. The World Bank quickly deployed the COVID-19 Emergency Response Project (P173857, US\$5 million), approved on April 2, 2020, and the US\$10 million Cabo Verde Disaster Risk Management Development Policy Financing with CAT-DDO (P160628), triggered and fully disbursed in May 2020. The Second State-Owned Enterprise Reform and Fiscal Management DPF (P171080, US\$25 million), funded by the Crisis Response Window allocation mobilized during the crisis, disbursed in September 2020. An additional project in the health sector, support the Government in enforcing new best practice sanitary procedures, is under preparation. The current Country Partnership Framework (CPF) 2020-2025 remains in flux as the current pipeline of operations is critical to accelerate economic recovery in the post-COVID phase. The critical areas of intervention of the CPF -

accelerating human capital development and strengthening the environment for a more diversified economy - remain a priority.

Rationale for Additional Financing

The economic impact of the COVID-19 pandemic in Cabo Verde is expected to be severe. The main transmission channels are manifesting through a reduction in tourism flows, contraction in foreign direct investment, and a fall in remittances. The domestic containment measures imposed to prevent and mitigate the pandemic further compound supply disruptions and reduce demand. GDP growth is expected to contract by 5.5 percent in 2020 – the most significant fall in the country's history. Responding to this slowdown, authorities have fielded several measures, chief amongst these are Government-backed credit lines of about US\$40 million to help MSMEs and large companies secure working capital to withstand the crisis and safeguard employment. The Government also legislated a temporary lay-off regime, partially subsidized by the pension fund (INPS) to try to mitigate against permanent job losses. Most MSMEs in need of financial support are related to the tourism sector, either directly (hotels and restaurants) or indirectly (firms of the tourism sector value chain: taxi, farmers, outdoors/cultural activities, etc.)

In this framework, the Government of the Cabo Verde requested an additional financing in the amount of \$USD10 million IDA credit to support the response to the COVID-19 crisis.

The proposed Additional Financing of US\$10 million will support **Pró-Garante** in scaling-up its resources to support more SMEs, in addition to providing technical assistance and resources to the public venture capital fund **Pró-Capital**. The size of the Component 1, supporting Pró-Garante, will be increased by US\$7 million from US\$11.2 million to US\$18.2 million. The remaining US\$3 million will be allocated to technical assistance and capital for **Pró-Capital**, the public venture capital fund launched in the summer of 2018 with US\$5 million with the State as single shareholder. **Pró-Capital** is the third and final pillar of the Government's MSME support framework and is mandated with jumpstarting risk capital in Cabo Verde by sustainably co-investing in viable local businesses, particularly those in strategic sectors.

C. Project Objective

The project development objective (PDO) is to increase access to finance for micro, small and medium sized enterprises (MSMEs). The core of the Project is to provide support for the launch of a partial credit guarantee system in Cabo Verde (dubbed Pró-Garante), to provide capital buffer for co-investment in sustainable local businesses in

strategic sectors, in addition to complementary work on updating the credit information system and backing a capacity building program for MSMEs.

The PDO will be instrumental in supporting the Government's comprehensive response to the COVID-19 crisis at the firm-level, helping new and existing MSMEs with the liquidity and solvency challenges associated with the temporary fall in demand through retention and expanded access to credit.

D. Project Description

This additional financing will cover five components: i) Partial Credit Guarantee Fund to Enhance MSME Finance; ii) Technical Assistance to MSMEs; iii) Improve Credit Information Systems; iv) Project Implementation Support; and v) Equity Fund to Enhance MSME Access to Capital.

Component 1: Partial Credit Guarantee Fund to Enhance MSME Finance (Parent Project US\$11.2 million equivalent; US\$10.05 million disbursed, Additional Financing US\$18.2 million):

Under this component, the proposed project will finance activities to support the establishment and operationalization of a PCG fund to improve access to finance for MSMEs. This will be achieved by, among other things, (a) preparation and development of a business plan, financial model, and operational policies and procedures for the PCG fund; (b) undertaking of outreach and communication activities targeting Participating Financial Institutions (PFIs) and MSMEs; (c) training to PFIs on accessing the credit guarantees; and (d) capitalization of the PCG fund

The additional financing of 7 million USD will enable significant scaling-up of Pró-Garante partial credit guarantee operations in response to the COVID-19 crisis to a projected 700 SMEs, safeguarding an estimated 3,000 jobs. Beyond capital to strengthen the Partial Credit Guarantee Fund, the additional financing will enable continuous technical assistance to Pró-Garante to face the risk management challenges associated with the COVID-19 shock.

Component 2: Technical Assistance to MSMEs (US\$3.10 million, US\$1.9 million revised, US\$0.15 million disbursed). Under this component, the project will finance activities to support MSMEs in generating and providing information to financial institutions supporting their loan applications, including the provision of accounting and auditing services and support for preparation of business plans and feasibility studies for new ventures. This will include support for loan applications preparation in a clear and complete manner, including higher quality of financial statements. Funds should target credit-constrained MSMEs. This component aims to benefit 500 MSMEs, of which half should be women-led enterprises. This component is critical to improve credit demand, as banks' current business model requires MSMEs to have proper accounting: according to a recent BCV study, 92.5 percent

of businesses that received bank credit had organized accounting. In the framework of the restructuring conducted in November 2019, this Component saw a US\$1.2 million transfer in favor of Component 3.

Component 3: Improve Credit Information Systems (US\$0.5 million, US\$1.7 million revised, US\$0.285 million disbursed). This component will support the central bank in its efforts to upgrade and expand the coverage and depth of its public credit registry, in line with the General Principles for Credit Reporting. It will also support measures to establish effective oversight of credit reporting systems, including of a system where the credit registry operates in cooperation with private credit bureaus. This component was reinforced with US\$1.2 million from Component 2 to cover the heightened cost of developing a completely new credit registry central.

Component 4: Project Implementation Support (US\$0.2 million). This component will support institutional, organizational, and regulatory aspects required for a sustainable implementation of the new framework to increase access to finance for MSMEs. It will finance the provision of advice for technical and economic optimization of existing public support mechanisms for MSME financing. It will also cover the project implementation costs (coordination, procurement, financial management, monitoring, and evaluation).

Component 5: Equity Fund to Enhance MSME Access to Capital (US\$3 million): Under this new component, the project will support the recently established public venture capital firm, Pró-Capital. The project will support Pró-Capital with a total amount of 3 million dollars, 80 percent of which will be allocated to capital for co-investment in sustainable local businesses in strategic sectors (either directly or through an investment in a dedicated third-party SME Equity Fund), and 20 percent in technical assistance to Pró-Capital itself (supporting enhanced corporate governance, market research and risk management capacity).

E. Environmental and Social Baseline

Coastal erosion, soil degradation, deforestation and the mismanagement of limited water resources all have a severely negative effect on the country's growth prospects, and the cost of environmental damage will likely be borne most heavily by the poor. In addition, as a small island state Cabo Verde faces significant additional challenges associated with climate change, especially rising sea levels and the increased frequency of severe weather patterns, which may provoke increasing droughts and flooding.

The country faces an environmental-social problem of sand extraction from beaches, with the consequent saline intrusion in farmlands. Entire families resort to this heavy labour due to lack of income generation alternatives, or due to tradition. Although legislation on illegal sand extraction, transportation and trade exists, it is not implemented, and many public entities and even Government of Cape Verde (GoCV) bodies still purchase sand from illegal origin. Projects to make sand available from alternative sources, such as "mechanical" sand, import of sand and off-shore extraction are still not major.

There have been improvements on the process of Environmental Impact Assessment (EIA) and post EIA monitoring. Recently, a new legal requirement for environmental impact assessment of public and private projects likely to have significant effects on the environment (Law Decree n° 27/2020, May, 19th) was published. However, it is not uncommon that even public works start without the required EIA. The number of audits, not only to industry but also to different undertakings as aggregate production “pedreiras”, hotels etc. have increased, but application of fines and sanctions is still constricted. There are persistent law enforcement challenges.

A water and sanitation reform is taking place, the technical regulator National Water and Sanitation Agency ANAS, and municipal and multi-municipal utilities of water and sanitation are being established. ANAS has a laboratory that controls the quality of water in the various sources and origins. Regarding the collection and treatment of wastewater, there are sewage networks in the vast majority of cities and some wastewater treatment plants (Praia, Tarrafal, Stª Cruz, São Vicente, Santa Maria...). wastewater treatment needs improvements.

Solid waste management is very limited, as is the national conscience on environmental hygiene.

Progress on biodiversity depends almost exclusively on externally funded projects, in particular by the GEF via UN, and the sub-sector still shows little sustainability.

The Resolution No. 35/2016 of March 17, has approved the National Strategy for Protected Areas, which aims at guarantee a range of ecological goods and services, while preserving the natural and cultural heritage, they can contribute to poverty reduction, providing employment opportunities and alternative income-generating activities for people living within. and around them.

The forest management capacity in the country – responsibility of Ministry of Agriculture and Environment - is weak, a forest inventory has been concluded in 2013, but the elaboration and implementation of forest management plans was paused. Invasive species continue to be a problem that is adequately addressed only inside some protected areas, and not at all outside. Marine resources management namely regarding update of fisheries management plans and inspections are at acceptable level (in particular having in mind the limitation of equipment and resources).

Climate change is still not addressed in an integrated way in the country, and climate change related projects are conceived and implemented on an ad-hoc basis. There is an Interministerial Committee on the issue that is also the Designated National Authority for Kyoto Protocol, but it does not meet regularly.

In the last few years, there has been significant progress in including environmental considerations in Tourism – with the publication of the Tourism Master Plan containing a program on environment and the publication of legislation (including the framework law) addressing environment protection and value, code of conduct towards environment, besides the eco-tourism and rural area tourism legislation. However, tourism inspection is understaffed.

With respect to the practical management of tourism development, the General Directorate for Tourism and Transport (DGTT) has the mandate for developing and overseeing implementation of the tourism policy and vision for the country. There are two institutions responsible for on-the-ground planning, promotion and management of the Integrated Tourism Development Zones³ (ZDTI), namely the Sociedade de Desenvolvimento de Boa Vista e Maio (SDTIBM) and Cabo Verde Trade Invest. The collaboration between these institutions was very limited and while SDTIBM's approach to ZDTI management attempts to integrate environmental aspects into its planning and development, Cabo Verde (CV) TradeInvest needs to reinforce its technical capabilities in the field in order to be able to fully respond to the demands in terms of safeguards.

Cabo Verde's economic growth over the past decade has resulted in poverty reduction.

Using a national poverty line of USD 5.4 per person per day, poverty fell from 58 percent in 2001 to 35 percent in 2015 while extreme poverty, defined as PPP USD 2.9 in 2015, fell from 30 to 10 percent. Over the same period, the share of income of the bottom 40 percent increased from 12.4 percent to 15.3 percent.⁴ Unemployment was 15 percent in 2016. Cabo Verde outperforms its peers on most non-monetary dimensions of poverty, including life expectancy, maternal mortality, net primary school enrolment, and access to an improved water source. Cabo Verde's average life expectancy, estimated at 73.4 years of age, is the highest in Sub-Saharan Africa. Similarly, education outcomes put Cabo Verde at the top of Sub-Saharan Africa: the adult literacy rate is estimated at 88 percent, although disparities continue to persist between men and women.

In terms of gender, the project will prioritize the most vulnerable classes, especially mothers who are heads of household.

The execution of the project activities will have the principle of safeguarding cultural heritage.

F. Policy, Legal, and Administrative Framework

Cabo Verde has an established regulatory and institutional framework that ensure the integration of environmental and social considerations at the project and program level:

³ ZDTI is an area of soil foreseen for tourism use, administered by a specific entity and which according to the law should be managed according to a Tourism Management Plan, by a specific entity. Municipalities do not have jurisdiction on ZDTI.

⁴ The Government expects to publish updated poverty figures in late 2017 analyzing data from a comprehensive household income expenditure survey conducted in 2016.

Law n°86/IV/93 (June 25) is the Environmental Framework Law. It establishes the basis for environment policy development and implementation in Cape Verde and defines the general principles and objectives of the natural environmental components and the protection of their quality as well as the human environmental components.

Legislative Decree 14/97 (July 1) regulates the Framework Law on Environment and establishes the fundamental principles for environmental management and protection with the aim of enhancing the natural resources and combating pollution of various nature and source. Legislative Decree 14/97 was last derogated by Decree-Law n.º 18/2016 (March 18) which defines the legal framework for aggregate extraction.

Law Decree 27/2020, May 19th establishes the legal regime of Environmental Impact Assessment of all public and private projects, which may have an impact on the environment. The list of projects submitted to ESIA is attached to the decree.

There have been improvements on the process of Environmental Impact Assessment (EIA) and post EIA monitoring. Recently, a new legal requirement for environmental impact assessment of public and private projects likely to have significant effects on the environment (Law Decree n° 27/2020, May, 19th) was published. However, it is not uncommon that even public works start without the required EIA. The number of audits, not only to industry but also to different undertakings as aggregate production “pedreiras”, hotels etc. have increased, but application of fines and sanctions is still constricted. There are persistent law enforcement challenges to be met.

Democratic governance in Cabo Verde is based on the articulation between central government and the municipalities (22 in total), both with rights and responsibilities without intermediate bodies. There are delegations of some ministries that cover several municipalities but are distributed by islands or by areas of islands according to isolation, population, and volume of activities in a specified sector rather than by geographic distribution.

Municipalities are autonomous bodies, with their own patrimony and finances (they can charge some taxes) and with the possibility of regulating some matters. Within the framework of the ongoing decentralization reform, municipalities have an important role on the implementation of environmental policies and measures, as they are the public bodies closer to populations and small companies.

Institutional responsibilities are distributed across a variety of agencies. Those with key linkages to the project include (i) Ministry of Finance which will superintend the Pró-Garante, Pró-Empresa and the Pró-Capital; (ii) Ministry of Agriculture and Environment, which is inter alia responsible for overarching policies on agriculture and on environment; (iii) Ministry of Infrastructure, Territorial Planning and Housing, responsible for major infrastructure as well as territorial planning and housing, and decentralization; (iv) National Environmental Council, which supports articulation of policies and cooperation between public and private sector; (v) National Water and

Sanitation Agency (ANAS) is the competent authority on water and sanitation (including wastewater and solid waste), regulates the service, issues licenses for public water domain use, manages investments, etc.;

Within Ministry of Agriculture and Environment (MAE), the National Directorate of Environment is the main agency for environmental management and protection including EIA functions, and the DG Agriculture and Rural Development is responsible for the design, implementation, and coordination of activities on agriculture, forestry, livestock, rural engineering and extension services; Besides, the Delegations of Rural Development, Environment, and Fisheries, are the decentralized bodies of MAA, and several directorates of MEE implementing ministerial policies, including those in the environment, and supporting the population and SMEs.

Within General Directorate of Energy, Industry and Commerce; General Directorate of Maritime Economy - which includes fisheries, General Directorate of Tourism and Transports regulate most of the economic activities candidate to benefit from the Partial Credit Guarantee.

Moreover, specific instruments have been created, such as Social Sustainability for Tourism Fund (Resolution 94/2013); Environmental Fund and Ecological Tax (Law 76/VII/2010 amended by Law 17/VIII/2012); and Development Fund for Inter-island maritime transportation (Resolution 4/2015); Fund to Support Culture (Resolution 38/2002) and Culture Bank (Regulatory Decree 4/2015).

National legislation and international obligations assumed by Cabo Verde provide a fair protection of environment. Cabo Verde has a comprehensive framework of legislation on the main environmental components. Cabo Verde has the right to the environment granted by its Constitution and reflected in a Framework Law of Environment and its Regulation. Specific policies and legislation have been enacted for the following environment components: air, water, waste, soil, chemicals, noise, biological diversity, and protected areas. Environmental Impact Assessment legislation, as well as environmental licensing exists. There is lack of regulations in some environmental components which difficult its implementation and inspection. This is particularly the case with respect to air, waste, and water. There is a new water and sanitation code and regulations is under preparation.

Besides, the legal regime of aggregate extraction has been updated in 2016 and there has been a Resolution issued in February 2017 to strengthen measures to stop illegal extraction of sand from the beaches. The law also establishes the Tourism Special Zones which are areas identified as having special vocation for tourism supported by its potential endogenous or which have significant potential for future tourism development, and are classified as Zones of Integral Tourism Development (ZDTI's) and Zones of Reserve and Protection of Tourism (ZRPT's), and can be superposed to protected areas. These Zones are managed by Tourism Management Plans.

Cabo Verde is also a party to the main Multilateral Environmental Agreements (MEA) and participates actively in the international arena. All international obligations are part of the national law but have not in many cases been

reflected in national policies and regulations and are therefore difficult to implement. The secretariats of these MEA often make available technical assistance and funds for implementation Multilateral Environmental Agreements.

Several structural documents of the GoCV that enable the integration of environmental and sustainable development considerations on the planning process, such as Sustainable Development Strategic Plan – PEDS (2017 – 2021), Poverty Reduction and Growth Strategy Paper (2012-2016) or the National Action Plan for Environment (2004-2014) are currently outdated.

The National Action Plan for the Environment II, PANA II 2004-2014, used to be the main policy instrument for environment management in Cape Verde, but is no longer being implemented. PANA II implementation followed an integrated approach in which different sectors and all the municipalities are supposed to intervene. In this way two sets of plans existed, the sectorial plans (Planos de Acção Inter-sectoriais⁵, PAIS, some of which are cross-sectoral) and the municipal plans (Planos de Acção Municipais, PAM). A new PANA was scheduled to be drafted in 2016, but the process stopped.

Currently the Environmental Fund supports projects of municipalities, central government entities and companies and organizations through a semi-competitive process. Yearly Directives for Investment on Environment are established that will define the priorities in terms of investment on environment by the Environmental Fund. But no longer-term integrated plan is currently active. There are environmental components plans, such as the Waste Management National Plan (Decree-Law n. ° 32/2016), or the National Plan for Environmental Education 2013-2022 (Resolution n. ° 10/2014).

Environment is presently integrated in the Ministry of Agriculture and Environment under the National Directorate of Environment which includes 4 departments: (i) EIA and prevention; (ii) Environmental information and environmental quality monitoring; (iii) Nature Conservancy; and (iv) Environmental Sanitation. The MAA is represented in the different islands by MAA delegations. Usually there is only one environmental officer in these delegations, unable to address all responsibilities, and requests for support from the National Directorate of Environment cannot always be satisfied.

The process of environment decentralization is still not achieved. Each municipality, except for the larger ones, tend to be a rather small entity, with limited staff and financial resources, some have an environmental department other an environmental team. Additionally, municipalities where no water utility company exists still superintend their

⁵ There are 9 PAIS: i) Environment and sustainable management of water resources, ii) Environment and Public Health; iii) Environment and Biodiversity iv) Environment and Territorial Planning; v) Environment and Education, Training, Information and Awareness vi) Environment and Tourism, vii) Environment and Agriculture, Forestry and Livestock viii) Environment and Fisheries; ix) Environment and Industry, Energy and Commerce

Autonomous Water and Sanitation Services. Municipalities cannot relate directly with donors; they need to submit the project proposal to Ministry of Finance and Planning that will then try to mobilize the funds and negotiate fund allocation. Municipalities have seen their resources for environment, particularly for running costs decreasing since 2009. The Environmental Fund has been changing through years regarding the scheme to allocate funds to municipalities and currently municipalities can access investment funds (or rather funds for projects) through a bidding process. Not all municipalities have the capacity to write appropriate proposals, and they may seek support from municipalities' association ANMCV experts. Municipalities face challenges in terms of their capacity for adequate operation and maintenance of existing infrastructure, equipment and services. The integration of municipalities into water and/or sanitation multimunicipal utilities might help to increase efficiency and reduce costs - but for the time being municipalities are still supporting the emergent utilities.

Since 2010 a spatial planning reform has been ongoing which has strongly increased planning in the country. Spatial planning legislation has been updated, the National Directive of Spatial Planning is being implemented, 7 Territorial Planning Regional Schemes (EROT) have been elaborated – although the ones on Fogo and St. Antão are suspended – and 20 Municipal Master Plans have been enacted. Trainings and seminars with the municipalities' staff have been ongoing throughout the process. In July 2010, the Unit of Autarchic and Territorial Inspection has started operation, and the Spatial Planning Institute (planning, geodesy, cartography, registry) has been established in 2014. Currently new legislation is required to allow law enforcement, otherwise there are no penalties for non-compliant municipalities. The next step will be the elaboration of the Coastal Zone Management Plans, which are regulated by Decree Law n. ° 14/2016.

The renewable energy sub-sector has undergone a strong improvement, namely increased knowledge of resource, adoption of legislation promoting renewable energy production, adoption of a plan of action, and the construction of wind farms and solar power plants in different islands. The renewable energy penetration jumped from 3% in 2009 to about 23% in 2014. Since 2014, there has been no significant new renewable energy infrastructure, while there has been a consolidation and renovation of the thermal power plants and distribution lines. According to ELECTRA the renewable energy penetration in 2016 fell to 18.5%.

The Programme of the Government for 2016-2021 establishes some principles of environmental protection, sustainable use of resources and social equity, which will serve as basis for the development of strategies, plans and programs.

G. Legislation relevant to Covid-19

The Government of Cape Verde has been adopting a set of measures for the prevention, containment, mitigation and treatment of the epidemiological infection caused by COVID -19, as well as to support companies, families and the most vulnerable population. Table 1 summarizes the most relevant legislative acts published in the Official Bulletin with respect to that exceptional situation.

Table 1. legislations related to Covid-19

LEGISLATIVE DIPLOMA	CONTENT
<u>Joint Ordinance No. 17/2020</u>	Proceed with the approval of the guidelines for the production and use of non-medical, social or community use masks, the definition of the specifications of dimensions and materials, as well as the minimum requirements for the level of protection and the capacity for filtration and breathability.
Resolution n° 67/2020	Authorizes the transfer of budgetary appropriations from the National Emergency Fund to the Ministry of Internal Administration. The budget transfer aims to support the implementation of prevention and mitigation measures in the context of combating COVID-19.
Decree-Law No. 47/2020	It establishes rules for the use of masks, as a complementary measure to limit the transmission of Sars-Cov-2 in the community, as well as other measures of hygiene and prevention of contagion and health surveillance, due to the principle of precaution in public health.
Rectification No. 66/2020	Correction to Resolution No. 63/2020, of 20 April, which establishes the possibility of returning to the respective homes of people who are outside their island of habitual residence, namely for professional or health reasons, due to the prohibition of flights and maritime connections resulting from the declaration of a state of emergency.
Resolution No. 65/2020	It sets the date for the resumption of school activities in the third quarter of the academic year 2019/2020 and establishes exceptional and temporary measures to respond to the epidemic COVID-19 to be adopted by pre-school and basic and secondary education establishments aimed at preventing the spread of the epidemic in schools.
Decree-Law No. 45/2020	It makes the first amendment to Decree-Law n° 38/2020, of March 31, which establishes exceptional measures to protect the credits of families, companies, private institutions of social solidarity and other entities of the social economy, as well as a special guarantee regime. State, in the context of the COVID-19 disease pandemic.
Resolution n° 63/2020	It establishes the possibility of returning to the respective homes of people who are outside their island of habitual residence, namely for professional or health reasons, due to the prohibition of flights and maritime connections resulting from the declaration of a state of emergency.
<u>Decree-Law No. 44/2020</u>	Proceed with the regulation of the declaration of state of emergency, resulting from the extension decreed by the President of the Republic and establishes the restrictive measures that continue after the state of emergency
Presidential Decree No. 09/2020	Extension of the declaration of a state of emergency for Santiago Island, justified by public calamity.

LEGISLATIVE DIPLOMA	CONTENT
Presidential Decree n° 08/2020	Extension of the declaration of a state of emergency for the Islands of Boa Vista and Santiago justified by public calamity.
<u>Presidential Decree No. 07/2020</u>	Extension of the declaration of state of emergency justified by public calamity.
Resolution No. 162 / IX / 2020:	Authorization granted for the renewal of the state of emergency, in the exact terms and with the basis and content contained in the draft Presidential Decree No. 07/2020.
<u>Resolution 09/2020</u>	Extends the Term of Restrictive Measures of the CMP in relation to the State of Emergency.
Order No. 14/2020	It delegates powers to the Minister of Internal Administration, for the coordination of preventive measures and mitigation of the spread of the contagion of Covid-19, on the island of Boa Vista.
<u>Decree-Law No. 43/2020</u>	Exceptionally, it extends the term for automatic termination of insurance contracts, prescribed in paragraph 2 of article 61 of Decree-Law no. 35/2010, of September 6, to be sixty days after the contract's expiration date.
<u>Resolution n° 61/2020</u>	Approves the extraordinary measures to reinforce the distribution of drinking water outside the network on the island of Santiago, in the context of the water emergency and the pandemic of COVID-19.
Notice No. 2/2020	Regulating exceptional and temporary prudential measures, communicated by Banco de Cabo Verde.
Notice n° 1/2020	Establishing information elements that must be sent to Banco de Cabo Verde.
<u>Law No. 84 / IX / 2020</u>	Amends the Organic Law of the Bank of Cape Verde.
<u>Law n° 83 / IX / 2020</u>	It establishes the exceptional and temporary measures of response to the epidemiological situation caused by the coronavirus sars-cov-2 and the covid-19 disease.
<u>Resolution n° 160 / IX / 2020</u>	Ratifies the authorization for the declaration of a state of emergency granted by the Permanent Commission.
<u>Decree-Law No. 41/2020</u>	Institutes social inclusion income.
<u>Joint Order No. 12/2020</u>	Appointing the members of the National Emergency Fund Board of Directors.
<u>Decree-Law No. 38/2020</u>	It establishes exceptional measures to protect the credits of families, companies, private institutions of social solidarity and other entities of the social economy, as well as a special regime of personal guarantees of the State, within the scope of the COVID-19 disease pandemic.
<u>Decree-Law No. 37/2020</u>	Establishes exceptional and temporary social protection measures and approves fiscal and parafiscal measures and human resources management in response to the new SARS-CoV-2, which causes COVID-19 disease.
<u>Resolution n° 60/2020</u>	Proceed with the first amendment to Resolution 38/2020, of 4 March, which suspends the application of the fuel pricing mechanism provided for in Decree-Law 19/2009, of 22 June, with regard to price fixing of fuel 380 and fuel 180.
<u>Resolution n° 58/2020</u>	Approves a set of measures aimed at the social protection of families and the protection of the income of those who operate in the informal sector of the economy and who are affected by restrictive measures to combat the new coronavirus, COVID-19.

LEGISLATIVE DIPLOMA	CONTENT
<u>Decree-Law No. 36/2020</u>	The Decree-Law for the execution of the declaration of state of emergency is approved.
<u>Presidential Decree No. 06/2020</u>	Declaration of a state of emergency justified by public calamity.
<u>Resolution No. 109 / IX / 2020</u>	Grants authorization to the President of the Republic to declare a state of emergency, justified by public calamity.
<u>Resolution No. 7/2020:</u>	Institutes additional preventive and restrictive municipal measures against COVID-19.
<u>Resolution No. 53/2020</u>	The situation of calamity is declared throughout the national territory.
<u>Resolution n° 52/2020</u>	It establishes exceptional and temporary measures to respond to the COVID-19 epidemic to be adopted by daycare centers that provide care for children aged 0 to 3 years.
<u>Order No. 10/2020</u>	Aircraft crews accepted in Resolution No. 48/2020, of March 17th.
<u>Resolution 06/2020</u>	Approving contingency measures for the new Coronavirus (COVID 19).
<u>Resolution n° 51/2020</u>	Approves contingency measures for the island of Boa Vista.
<u>Resolution No. 50/2020</u>	Anticipates school holidays in all pre-school, primary and secondary schools.
<u>Joint Order No. 1/2020</u>	Declaring the contingency situation throughout the national territory.
<u>Resolution n° 48/2020</u>	Air connections from Cape Verde to countries marked by the COVID 19 epidemic are prohibited, prohibiting the docking of cruise ships and sailing ships and the disembarkation of their passengers and crew in the ports of Cape Verde, as well as the disembarkation of crew members on commercial ships and fishing.
<u>Resolution 47/2020</u>	It inhibits the realization of events that gather high numbers of participants from countries marked with COVID-19.
<u>Resolution 46/2020</u>	Approves the National Contingency Plan for the prevention and control of the coronavirus epidemic (COVID-19).
<u>Resolution No. 45/2020</u>	Extends to 30 April 2020 the deadline for interdicting flights from Italy to Cape Verde.
<u>Order No. 05/2020</u>	Authorizes the Ministry of Health and Social Security to proceed, through a direct adjustment procedure, to the purchase of health equipment, within the scope of the Emergency Plan for the fight against the coronavirus epidemic
<u>Resolution n° 35/2020</u>	Ban on all flights from Italy to Cape Verde for a period of three weeks.
<u>Resolution 34/2020</u>	Authorizes the transfer of funds between Government Departments, aiming to finance the Emergency Plan for the Fight against the coronavirus epidemic.

H. Policies and Legislations on Gender Equity and Woman

Cabo Verde had about 386,147 people aged 15 and over, and of these, 63.9% (246,680) constituted the workforce, with 209,725 employed and 36,955 unemployed (15%) in 2016 according to the National Institute of Statistics of

Cape Verde (INECV) 2016. The tertiary sector was the main generator of employment, with around 61 in every 100 employees, the phenomenon being predominantly urban, with 72.6% of employment. Unemployment, which is structural, is still very high and is more pronounced among women (17.4%) than among men (12.9%).

Women make up the majority of the population aged 15 and over, yet they are a minority within the employed population, occupying only 45% of jobs.

With regard to gender equality, the need to accelerate women's access to decent work, especially in rural areas and among young women, in access to decision-making positions, including in the political sphere (the percentage of female deputies in Parliament is 23.6% and that of women elected by local authorities is 26.3%), and the institutionalization of support services for victims of gender-based violence (GBV), areas in which their situation it is still unfavorable. The main branches of activity for women are trade, agriculture and domestic employment, all marked by informality and low income. In the informal sector 62.5% of the initiatives are women and 88.9% are self-employed, in areas that are not very productive and profitable.

According to INE-CV, the results of the III Demographic and Reproductive Health Survey (III IDSR) of 2018 show that, between 2005 and 2018, there was a decrease in the proportion of women victims of physical violence, by about 10 percent, from 21% in 2005 to 11% in 2018.

The study also points to a higher prevalence of victims of gender-based violence among divorced / separated or widowed women, women in paid employment and those with a basic education level.

As for the profile of the aggressor, it is the ex-husband / partner, although the data for 2018 indicate a decrease in relation to 2005. In the chapter of sexual violence, a new item introduced in the III IDSR, we registered a prevalence of 5.8% of women who have suffered this type of violence since the age of 15 and 3.4% have been victims in the last 12 months.

The teenage pregnancy rate has been increasing in Cape Verde, according to data from the Ministry of Health and Social Security. In the year 2000 this rate was 11.4 and in 2015 it went to 19%. Still, the percentage of pregnancy among adolescents almost doubled between 2000 and 2011, reaching about 20%.

Women lead approximately 35% of Cabo Verde businesses, but only 18% of companies that have formal accounting. Among the ten islands, the lowest shares of female-led businesses are in Maio (27%), Fogo (26%) and Brava (23%).

In the group of 15 to 24 years old, there is a clear supremacy of women attending an educational establishment compared to men, translating into an RF of about 17% higher in favor of girls.

The current attendance of an educational establishment in rural areas is equally extensive for both boys and girls in the age group of 3 to 14 years. In fact, it appears that there is a greater balance between the sexes both in the group

that corresponds to pre-school (3-5 years), and in the group corresponding to compulsory schooling (6 to 11 with tolerance up to 14 years). Indeed, the Femininity ratio is 0.99 in these two age groups. The imbalance between the sexes in relation to the “current attendance” of an educational institution is favorable for girls both in the age groups corresponding to the secondary (12-17 years old) and in the age group of the post-secondary age of 18 to 24 years old (RF de 1.02 and 1.07), compared to boys.

The Government’s Programme 2016-2021 addressed the challenges that women faced and provided for the national mandate for gender equality. Cabo Verde adopted a gender mainstreaming approach and prioritized issues such as the fight against gender-based violence, the promotion of employment and decent work for women, positive discrimination of women in rural areas, and the adoption of the law on gender equality, among others. Gender equality had been adopted as a cross-cutting measure in the Strategic Sustainable Development Plan 2017-2021, the main planning instrument. It contained specific gender actions and integrated gender in public policies, thus 62.8 per cent of its programmes were aligned with the Sustainable Development Goal number 5: “Gender Equality and Women Empowerment”. The Plan’s first pillar was the economy and the new model of economic development, and it comprised activities in tourism, work and employment, and water and sanitation. The second pillar addressed human capital, the quality of life and the fight against inequalities; it integrated sectors such as education, family, health, inclusion and social security, and prioritized programmes that aimed to empower women, address violence against women, increase women’s political participation, strengthen women’s economic empowerment, and ensure sexual and reproductive rights.

The Finance Ministry and the Ministry for Family and Social Inclusion were in charge of monitoring the implementation of the Plan. The latter, was in charge of implementing policies that aimed to achieve gender equality and promote gender mainstreaming in sectoral programmes and policies. The Inter-Ministerial Commission for Gender Mainstreaming had been set up in 2018; among other issues, it was drafting the gender strategy 2019-2021. Gender was mainstreamed in municipal plans for local development, which focused, inter alia, on the eradication of gender-based violence and the economic empowerment of women. In 2011, Cabo Verde adopted the law against gender-based violence and a favorable legal framework to guarantee the rights of women. The Ministry of Justice and the Ministry of Labour were working on further strengthening this legal framework, said the Minister, adding that the law on criminal procedure contained provisions for the investigation of crimes against the freedom of self-determination of women and gender-based violence. On 18 March, a proposal had been made for the ratification of the International Labour Organization Convention N°102 on the fundamental principles of social security and the Convention N° 144 on tripartite consultations for the promotion and application of international labour norms. The ratification of those two instruments would allow for the expansion of social security guarantees to important labour sectors, for example domestic work, where women represented a majority, said the Minister.

Police officers were being trained in gender equality, while the integrated platform for the management of information had been introduced to evaluate the risk of aggression and violence, as well as protection needs of victims. The law 47/2017 eliminated discrimination against pregnant girls from the educational system, while the Direction for the Promotion of Citizenry and Inclusive Education had been created, mandated with the promotion of gender equality and the elimination of gender-based violence in the school environment. The national plan to combat sexual violence against children and youth 2017-2019 was in place, and in partnership with civil society organizations, four safe houses had been set up for victims of gender-based violence. Cabo Verde paid particular attention to the equal participation of women in decision-making posts, the Minister said. Currently, women made up 23 per cent of the National Assembly, and the Law on Gender Equality, proposed in March 2019, aimed to establish a 40 per cent quota for women in electoral lists was adopted by all the parties in the local government elections of the past 25, October 2020.

The AF project is also aligned with the growth agenda of the Government of Cabo Verde (GoCV) and supports a key pillar of the national program to support private investment and entrepreneurship, as well as with the WBG's Country Partnership Framework (CPF) 2020-2025 for Cabo Verde, which includes a strong commitment to meet gender targets.

To address issues related to violence and inequality, the project will prioritize vulnerable groups, especially single women and heads of households, and create and implement a GRM to support victims.

The Project include Indicators in results framework to monitor outcomes from actions to address the gender gaps and/or to improve women empowerment:

Table 2. Project commitment to meets gender targets

Indicators	Definition/Description	Frequency	Datasource/ Responsibility for Data Collection
PDO Indicator : Number of approved guarantees for micro and small enterprises	The number of loans to micro and small enterprises that are guaranteed by the government-funded partial credit guarantee scheme, as of the end of the period. One enterprise can have more than one loan guaranteed by the scheme. Micro and small enterprises are defined according to the local legislation. Women-led enterprises are those in which women are in leadership positions and in control of that business, regardless of whether they own 51 percent of the company. Women-led captures the role of women founders in companies that are not majority owners but hold significant equity.	Annual	Project Report/UGPE
of which women-led enterprises		Annual	Project Report/UGPE
PDO Indicator: Number of approved guarantees for medium-size enterprises	The number of loans to medium-sized enterprises that are guaranteed by the government-funded partial credit guarantee scheme, as of the end of the period. One enterprise can have more than one loan guaranteed by the scheme. Medium-sized enterprises are defined according to the local legislation. Women-led enterprises are those in which women are in leadership positions and in control of that business, regardless of whether they own 51 percent of the company. Women-led captures the role of women founders in companies that are not majority owners but hold significant equity.	Annual	Project Report/UGPE
of which women-led enterprises		Annual	Project Report/UGPE
PDO Indicator: First-time MSMEs borrowers covered by the guarantee scheme	Reports the number of MSMEs that are guaranteed by the government-funded partial credit guarantee scheme as of the end of the period, that do not have a borrowing history within the past five years in the Banco de Cabo Verde's credit registry database. Women-led enterprises are those in which women are in leadership positions and in control of that business, regardless of whether they own 51 percent of the company. Women-led captures the role of women founders in companies that are not majority owners but hold significant equity.	Annual	Project Report/UGPE
of which women-led enterprises		Annual	Project Report/UGPE
Intermediate Results Indicator: Number of businesses supported with technical assistance	The number of formal businesses that receive a technical assistance grant from the project. Women-led enterprises are those in which women are in leadership positions and in control of that business, regardless of whether they own 51 percent of the company. Women-led captures the role of women founders in companies that are not majority owners but hold significant equity.	Annual	Project Report/UGPE

With the impacts of Covid 19, the vulnerability of women will be accentuated due to the cessation of activities, some women will find themselves without income and this will have an impact on their ability to repay loans and will also make it difficult to obtain another loan because the first loan has not been repaid.

Even if the risk of GBV is still low, measures to prevent the risk of Gender-based Violence will be defined and implemented, especially when it comes to obtaining loans.

I. Potential Environment and Social Impacts of the Project

The expected impacts of the project are as follows:

Component 1: Partial Credit Guarantee Fund to Enhance MSME Finance, this component will finance the capital for the PCG scheme; establish the operational manual that sets out detailed requirements on policies and procedures the PFIs must comply with, including Environmental and Social safeguards on loan selection, in order to join the project.

The exact location, nature, scale and scope of the potential impacts can only be known during implementation, once the sub-projects are identified. Beneficiary MSMEs are expected to engage in diverse types of activities, some of which may have negative environmental and/or social impacts and risks. However, these negative impacts are likely to be minor, localized, and reversible and can be mitigated through proper environment and social screening, application of simple measures and environmental good practices, especially given the nature and small size of the transactions and the limited credit to be made available to MSMEs (\$10,000-50,000 on average, and up to \$400,000 - the maximum amount of loans will increase with the years). This ESMF therefore ensures that such impacts are identified, avoided, minimized and adequately mitigated. The ESMF also includes the list of those transactions that are not eligible for project support.

Degree of Potential Risk	Moderate
Risks	<p>Failure to comply with the permitting system in Cape Verde, which exposes MSMEs to regulatory sanctions; poor MSME practice in the control of emissions and waste; poor MSME planning for effects on historical or cultural assets, traffic patterns, community safety, labor health and welfare; agricultural practices that might pose risks to the health of the environment; credit risks for lenders, associated liability, and reputation of lenders.</p> <p>The exclusion of women could occur when the guarantee is demanded. Meanwhile, Pro-Garante will support and act as guarantor for the most vulnerable, including women.</p>

Impacts	Closure of MSMEs, fines or delays, escalation of costs for production, increased insurance cost; environmental pollution, loss of biodiversity or cultural resources; damage to cultural resources; reduced community safety, accidents and injuries to workers; liability of MSME and lender; damaged reputation of MSME and lender from media coverage, citizen campaigns, government investigations.
Mitigation Measures	PFI s to screen MSMEs for E&S compliance and performance to verify eligibility for PCG; provide liaison and guidance for regulatory and technical issues; ensure guarantee agreements include E&S requirements; periodically supervise and report. PCG Management to monitor the implementation of this ESMF (quarterly, during the first year; every six months from thereon)

Component 2: Technical Assistance to MSMEs: this component will provide support to eligible MSMEs and **PFI**s. This component will also develop a manual for setting out processes and forms/templates used for grant application, disbursement, financial management, procurement, and monitoring and evaluation. There is the potential to increase the MSMEs’ capacity to include environmental and social considerations into business plans and feasibility studies.

Degree of Potential Risks	Low
Risks	No negative environmental or social risks are identified under this subcomponent.
Impacts	If the technical assistance includes environmental and social aspects, there can be indirect positive impact with MSME: increased capacity to include environmental and social considerations into business plans and feasibility studies.
Mitigation Measures	Capacity building activities, regulatory liaison, compliance technical support.

Component 3: Improve Credit Information Systems - this component will support the Cabo Verde Central Bank (BCV) in its efforts to upgrade and expand the coverage and depth of its public credit registry, in line with the General Principles for Credit Reporting.

Potential Risk	Low
Risks	No negative environmental or social risks are identified under this subcomponent

Component 4: Project Implementation Support this component will finance the provision of consulting services for technical and economical optimization of existing public support mechanisms for MSME financing, and it will

also cover the project implementation costs (coordination, procurement, financial management, monitoring, and evaluation). The risk derives from the latter on the event that this ESMF is not adequately implemented. To mitigate this risk, the **PCG** Management will include a part-time environmental and social safeguards specialist and the senior business advisors will receive training on environment and social safeguards. Besides, the staff of Special Project Management Unit (UGPE) UGPE, **PFI**, MSMEs will also receive training and the **PCG** Management will seek their continuous engagement on environmental and social issues.

Potential Risk	Moderate
Risks	Failure to implement ESMF with associated risks
Impact	Associated impacts from different subcomponents and non-release of potential positive impacts. Potential positive impacts from increased awareness and capacity of PFI s and MoF.
Mitigation Measures	Part time environmental and social specialist in the PCG Management, engagement of UGPE, PFI , Pró-Capital, MSMEs in training activities.

Component 5: Equity Fund to Enhance MSME Access to Capital this component will provide **Pró-Capital** with technical assistance to strengthen corporate governance, and will allocate investments, between US\$100k and US\$200k ticket size, for eligible investments under **Pró-Capital** and the Project's financial, environmental and social criteria; and will establish the operational manual that sets out detailed requirements on policies and procedures the local business must comply, including Environmental and Social safeguards on business selection, in order to join the project. The exact location, nature, scale and scope of the potential impacts can only be known during implementation. Beneficiary MSMEs/local business are expected to engage in diverse types of activities, some of which may have negative environmental and/or social impacts and risks. However, these negative impacts are likely to be minor, localized, and reversible and can be mitigated through proper environment and social screening, application of simple measures and environmental good practices.

Degree of Potential Risk	Moderate
Risks	Failure to comply with the permitting system in Cape Verde, which exposes MSMEs to regulatory sanctions; poor MSME practice in the control of emissions and waste; poor MSME planning for effects on historical or cultural assets, traffic patterns, community safety, labor health and welfare; agricultural practices that might pose risks to the health or the environment; credit risks for lenders, associated liability, and reputation of lenders; exclusion of women from the available opportunities.

Impacts	Closure of MSMEs, fines or delays, escalation of costs for production, increased insurance cost; environmental pollution, loss of biodiversity or cultural resources; damage to cultural resources; reduced community safety, accidents and injuries to workers; liability of MSME and lender; damaged reputation of MSME and lender from media coverage, citizen campaigns, government investigations.
Mitigation Measures	Pró-Capital to screen MSMEs for E&S compliance and performance to verify eligibility for the investments; provide liaison and guidance for regulatory and technical issues; ensure guarantee agreements include E&S requirements; periodically supervise and report, and monitor the implementation of this ESMF (quarterly, during the first year; every six months from thereon)

Given the direct potential for minor, reversible and site-specific environment and social impacts under Components 1 and 5, this ESMF has been prepared. It is expected that most of the beneficiary MSMEs will not have adequate capacity in managing even minor environmental or social impacts. The Partner Financial Institutions (PFI) have their own environmental and social safeguards procedures. This ESMF ensures that the potential impacts are identified, avoided, minimized and adequately mitigated. The ESMF also includes the list of those transactions that are not eligible for project support (Annex 8). The **PFI** risk analyst will be required to screen **PCG** applications for environment and social impacts, alignment with national policies and regulations, and integrate into the **PCG** requirements of environmentally sustainable and socially sound development in line with this ESMF. **PCG** Management will do a periodic control (every six months from thereon), by sampling, to confirm that the credit operations and guarantee are in line with safeguards best practices.

J. Implementation Arrangements

To ensure proper coordination and supervision of the project, the Financial Reforms Committee chaired by the Minister of Finance (MF) will serve as the project steering committee and provide overall guidance and oversight on project implementation. The committee will include representatives from the BCV and from the Ministry of Economy and Employment.

The Ministry of Finance is responsible for project implementation. Its Unit for the Implementation of Special Projects (Unidade de Gestão de Projetos Especiais - UGPE) — which has implemented several development projects since it was established in 1999 — is responsible for implementing the project with overall fiduciary responsibility. UGPE has responsibility for the day-to-day project management and coordination of project-related activities, including overall responsibility for, among others: (a) ensuring timely implementation of the project in accordance with the Project Implementation Manual (PIM); (b) preparing progress reports, including updates to the results

framework, budgets, and procurement plans; (c) overseeing project activities under its direct responsibility and of project-related activities to be carried-out by other entities; (d) managing project finances and maintaining consolidated Project accounts; and (e) developing and maintaining a system for monitoring the project performance indicators.

For the phase 1 of the **PCG** implementation, the **PCG** Management will be a competitively selected firm, with a team consisting of a coordinator and two business advisors, with support from (part time) environmental and social safeguards specialist. For the phase 2 of the **PCG** implementation, an independent **PCG** Management will also be competitively selected. Can be or not the same entity and configuration on both phases.

PFIs are the only visible entity to the end-beneficiary (the MSME) of the PCG. The **PFI**s are licensed financial institutions that are supervised by the BCV and have internal systems that comply with national and World Bank's environment and social policies. Besides, the **PFI** must demonstrate they maintain and implement effective environmental and social systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.

For component 2 and component 5, a specialized entity to manage the TA program will be competitively selected. The TA manager will have a private sector orientation and a track record in delivering this type of technical assistance, either in Cabo Verde or in other similar settings, to ensure quality of service providers and that prices charged are in line with market realities. The TA program will have a manual for setting out processes and forms/templates used for funding application, disbursement, financial management, procurement, and audit. The TA manager will conduct regular meetings with financial institutions.

For component 5, the **Pró-Capital** is the only visible entity to the end-beneficiary (the MSME) of the investments. Due to the inexistence of any environment and social system in place, **Pró-Capital** must demonstrate that it implements effective environmental and social systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.

The World Bank will provide implementation support to the project through regular supervision, follow up, and monitoring of the implementation of this ESMF. Moreover, the World Bank will work closely with the **PCG** Management and **Pró-Capital** during first year of the project to ensure sufficient capacity for ESMF implementation is in place. The World Bank Team will include qualified Environment and Social Development Specialists, who will also assist in the capacity building of UGPE and the **PCG** Management. The environmental and social training program is presented below.

K. Environmental and Social Management Capacity

The **PCG** Management will have the responsibility to ensure the **PFI**s are implementing environment and social safeguards adequately. The **PCG** Management's business advisors will be specifically trained to implement the ESMF, including a review of the World Bank safeguards at project start. The part-time safeguards specialist, with experience in both environmental and social issues, will provide guidance to Pro-Capital throughout the ESMF implementation and monitoring process. This specialist can also provide guidance or assistance to **PFI**s to improve their safeguards procedures.

The (part time) environmental and social safeguards specialist shall:

- Analyze **PFI**s safeguards policy and procedures to assess their alignment with World Bank's safeguards policies and this ESMF and propose and monitor implementation of necessary changes, if necessary;
- Ensure that **PFI**s are complying with their policies and procedures and that all **PCG** benefiting loans have been adequately screened and are being monitored by the **PFI**;
- Within five business days of becoming aware, notify the World Bank of any significant social, labor, health and safety, security or environmental incident, accident, issue, or circumstance with respect to any financing activities covered by the **PCG**;
- During supervision, ensure that all the transactions for MSME comply with government regulations;
- Pro-Capital will report periodically to UGPE;
- Report periodically to UGPE on the status of implementation of ESMF. UGPE will report to the World Bank Team as part of the project progress report.

In order to be eligible, the **PFI** must submit to the **PCG** Management its Environmental and Social Management System (ESMS), which will include the following elements: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of subprojects; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of subprojects and the portfolio; and (v) external communications mechanism. If need be, the **PFI** will review and adjust its ESMS, in a manner acceptable to the Bank. From time to time, including when the environmental and social risk profile of its portfolio changes significantly, the **PFI** is requested to review and update its ESMS in a manner acceptable to the Bank. Where the **PFI** can demonstrate that it already has an Environmental and Social Management System (ESMS) in place, it will provide adequate documented evidence of such an ESMS, indicating which elements (if any) will be enhanced or modified to meet the World Bank Group standards. The **PFI** will review and adjust, in a manner acceptable to the Bank, its ESMS from time to time, including when the environmental and

social risk profile of its portfolio changes significantly. The Pró-Capital's, Pro-Garante's, and **PFI's** ESMS are expected to include the following elements: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of subprojects; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of subprojects and the portfolio; and (v) external communications mechanism. However, it should be noted that there are important management instruments in these institutions that meet these requirements. For example, the Pró-Capital holds an Investment Regulations / Procedures Manual ("Regulamento de Investimentos da Pró-Capital/Manual de procedimentos") aiming at guarantee that **Pró-Capital** investments meet the eligibility criteria and ensure the permanent management of environmental and social impacts from the identification phase to the divestment phase, in accordance with national legislation and international obligations assumed by Cape Verde. The national PFIs hold an Environmental and Social Risk Policy, integrated into the Global Risk Policy and the Banks' Sustainability Policy. An annual report on the sustainability of lending operations is prepared to disclose information on these policies, following the Global Reporting Initiative (GRI) guidelines.

The **PFI** will provide a safe and healthy working environment. The **PFI** will have in place and maintain appropriate labor management procedures, including procedures relating to working conditions and terms of employment, nondiscrimination and equal opportunity, grievance mechanisms and occupational health and safety. The **PFI** will provide adequate documented evidence of such procedures.

The **PFI's** risk assessment team will be responsible for screening individual applications for eligibility under the **PCG** against eligibility criteria, including the list of ineligible activities; screening of applications to determine environment and social issues and impacts, categories, policies triggered and the transaction-specific instruments and measures that need to be put to manage these impacts.

It is expected that the **PFIs** will:

- a. Comply with the List of Ineligible Activities under the Project (Annex 8). This list includes activities prohibited by international environmental agreements or where the World Bank Group considers financing inappropriate because the significance of associated environmental and social risks outweighs the benefits.
- b. Take measures as deemed necessary including site visits if necessary, to validate that the end beneficiary has appropriately identified in its application the environmental and social risks and measures needed to manage them in project implementation.

- c. Monitor compliance of **PCG** beneficiaries in line with this ESMF and the related action plans developed (i.e. ESMP).
- d. Develop, and maintain, grievance redress mechanisms, as provided in this ESMF to ensure that those with grievances to the transactions supported under the project have avenues for redress.
- e. Ensure that the proposed activity covered by the **PCG** complies with all national environmental legislation and regulations. **PFI**s shall ensure that all necessary permits or licenses need to be presented by the final beneficiary of the loan, before the **PCG** for that loan can be approved.
- f. Within five business days of becoming aware, notify the **PCG** Management of any significant social, labor, health and safety, security or environmental incident, accident, issue, or circumstance with respect to any financing activities covered by the **PCG**.
- g. Ensure that where applicable all project-affected people are aware of the respective investments and were consulted before approval of the investment. Disclosure of respective instruments (environmental audit, ESMP, ESIA, etc.) should be done before the application is approved.
- h. Submit to the **PCG** Management periodic reports on the implementation of the ESMF

The **PFI**s are responsible to ensure that their transactions meet the eligibility criteria. Therefore, **PFI**s will ensure that the MSME manage environment and social impacts through the preparation and implementation of measures, including consultations and disclosures of specific safeguard instruments, and provide support if necessary.

It is expected that the **Pró-Capital** will:

- a. Comply with the List of Ineligible Activities under the Project (Annex 8). This list includes activities prohibited by international environmental agreements or where the World Bank Group considers financing inappropriate because the significance of associated environmental and social risks outweighs the benefits.
- b. Take measures as deemed necessary including site visits if necessary, to validate that the end beneficiary has appropriately identified in its application the environmental and social risks and measures needed to manage them in project implementation.

- c. Monitor compliance of the beneficiaries in line with this ESMF and the related action plans developed (i.e. ESMP).
- d. Develop, and maintain, grievance redress mechanisms, as provided in this ESMF to ensure that those with grievances to the transactions supported under the project have avenues for redress.
- e. Ensure that the proposed activities covered by the project comply with all national environmental legislation and regulations. Pró- Capital shall ensure that all necessary permits or licenses need to be presented by the final beneficiary of the investment, before the final approval.
- f. Within five business days of becoming aware, notify the Project Implementation Unity (PIU) PIU of any significant social, labor, health and safety, security or environmental incident, accident, issue, or circumstance with respect to any financing activities covered by the project.
- g. Ensure that where applicable all project-affected people are aware of the respective investments and were consulted before approval of the investment. Disclosure of respective instruments (environmental audit, ESMP, ESIA, etc.) should be done before the application is approved.
- i. Submit to the PIU periodic reports on the implementation of the ESMF.
- j. **Pró-Capital** is responsible to ensure that its transactions meet the eligibility criteria. Therefore, it will ensure that the MSME manage environment and social impacts through the preparation and implementation of measures, including consultations and disclosures of specific safeguard instruments, and provide support if necessary.
- k. Environmental and Social Training on national legislation and World Bank environmental and social framework.

L. Environmental and Social Training Program

Table 3. Environmental and Social Training Program

PARTICIPANTS	TRAINING TOPIC	TRAINING MODALITY	DURATION	TRAINER
PCG Management Pró-Capital Pró-Garante Pró-Empresa MSMEs Management PFIs MF staff	Introduction to World Bank safeguard policies, & specific project environmental and social safeguard requirements and procedures.	Workshop (may be provided after the approval of the additional financing)	1-3 days	Consultant
Relevant government institutions and PFIs , MSMEs, Pro-capital.	Environmental and social aspects – national framework and regulations.	Workshop (may be provided after the approval of the additional financing)	1-2 days	Consultant
Pró-Capital and their invested companies, Pró-Garante Pró-Empresa, PFIs and their client MSMEs	General Environmental and Social awareness raising, ESMF processes and procedures, including the Completion of Environmental and Social Screening Checklist, preparation of ESMP, ESIA, etc.	Quarterly (or more frequent if needed)	1-2 days	Project Safeguard Specialist or Consultant

M. Environmental and Social Screening Process of Subprojects

PCG / Pró-Capital Proposals

Subprojects supported by the project must satisfy national and World Bank environmental and social requirements as well as this ESMF. The **PFI**s and **Pró-Capital** will prepare a brief description of each subproject which the loan finances, namely what they consider are likely to be environmental or social risks and issues of concern with respect to the activities (see form in Annex 2 and 3), and categorize the project accordingly.

Screening and Categorization of environmental and social risk

The choice of categorization will have the following implications:

- *Category A:* These are subprojects that are likely to have significant adverse environmental and social impacts that are sensitive, diverse or unprecedented, or transactions whose impacts affect an area broader than the sites or facilities subject to physical works. These projects can affect a larger area for example, a dam, a larger industry, larger scale farming or forestry, use of pesticides of high risk or of large quantities, waste treatment operations. It is highly unlikely that Category A subprojects will be proposed by eligible applicants, namely as the cost and time associated with assessing such impacts and developing mitigation measures will likely be quite considerable even for the maximum loan amount (up to \$400,000). Loans for category A subprojects will not be eligible for PCG funding.

- *Category B:* The subprojects may have environmental or social risks that are less adverse and more limited than category A level, their impacts are site-specific and largely reversible, which could be readily identified and reliably mitigated through good practices known to the sector, including those described in World Bank Group Environmental, Health and Safety Guidelines (EHSBs). UGPE will monitor the Pro-capital. The PFI and Pro-Capital (and later the PCG Management when monitoring⁶) will verify that: (1) supported activities comply with applicable national environmental and social laws and regulations, and World Bank safeguard policies, including eligibility criteria of the ESMF; (2) appropriate environmental permits are obtained prior to support; and (3) investments do not contravene the List of Ineligible Activities presented

⁶ It is of paramount importance that the manuals to be developed by the Access to Finance for Micro, Small, and Medium Sized Enterprises Project focus on evidence gathering.

in Annex 8 of this Framework. The principles and methods of categorization section of this ESMF provides the characteristics of subprojects that typically trigger Category B categorization.

Examples of category B projects:

- Small agro-food industries,
- Aquaculture and Marine Culture (this may be Category A if larger scale or if a number of such small projects do exist or are planned in the vicinity),
- Renewable energy (depending on the size)
- Some types of small industries, depending in the activities (namely hazardousness of possible gaseous, liquid or solid emissions),
- Small maintenance and modernization projects,
- Tourism in newly developed areas (this may be Category A in the context of a location in a natural park),
- Hotel development or redevelopment with a capacity of between 50 and 120 rooms as well as any restaurant with capacity between 60 and 250 place settings,
- Any recreo-tourist development with an area between 2 and 20 ha,
- Manufacture of building materials,
- Cinemas (hygiene and safety, ex fire prevention),
- Wholesale and retail trade (hygiene and safety ex prevention against Fire, waste management),
- Construction of office buildings,
- Agriculture projects that include new land-use development or changed cultivation practices in an area; significant expansion into new areas; diversification into new crops in agriculture; intensification of existing low-technology systems (any required ESIA/ESMPs should include ecologically based Integrated Pest Management measures).

- *Category C:* The subproject is likely to have minimal, low-risk or no environmental or social risks associated with it. No further environmental and social assessment work is required after screening, but there is need to verify compliance with national regulations and relevant permit requirements as well as to monitor implementation of the activities; any environmental and/or social impacts that may occur will be addressed as per this ESMF. Category C subprojects are

expected to be the bulk of PCG supported loans given the limited size of the support and eligibility criteria. Examples of Category C subprojects include: purchase of business development services, financial services, IT services; training; purchase of equipment on an artisanal scale; small commerce, etc. All subloans of less than \$10,000 equivalent are classified as category C.

Subprojects not eligible for financing under the Project:

Besides subprojects with significant adverse impacts, classied under Category A, some subprojects are not allowed under the project for financing because of higher costs and time associated with preparation of impact assessment and development of mitigation measures, and given the limited capacity of the project in managing such impacts in line with World Bank safeguard policies. The list of these subprojects is provided in Annex 8, and include those subprojects typically prohibited by international environmental agreements or where the World Bank Group considers direct financing inappropriate because of the significance of associated environmental and social risks.

The subprojects eligible for financing under the project, and that involve pest and disease management, must opt for the Integrated Pest and Disease Management system (IPM) as recommended by the National Directorate of Agriculture Forestry and Livestock provided in Annex 8a.

N. Environmental and Social Review and Assessment

Principles and Methods of Screening for Risk Review

Screening is the first step in the environmental assessment process, which will assign the subproject in question to one of the three categories (high, moderate and low risk) or exclude subprojects that are in the exclusion list. This categorization will decide the nature and scope of further environmental and social assessment. The significance of impacts may be described in different ways: the simplest approach is the presence or absence of impacts, and qualification of degree of impact as minimal, moderate, significant, or highly significant. In assessing degree of impact or risk, it is appropriate to take into consideration type, scale, location, timing, and sensitivity of the impact.

A key factor to consider is whether the impact is reversible, and if so, the rate of recovery. Annexes 3 and 4 provide sample forms for screening.

The **PFI** will submit to the **PCG** Management a list of subprojects that should benefit from credit guarantee (with some basic information that will confirm that each subproject meets the eligibility criteria, as well as its safeguards categorization). For sub-projects with moderate risk, the **PFI** will have the records ready to be assessed by the **PCG** Management. The **PCG** Management when performing monitoring of implementation of safeguards - which will be done on a sample of projects for each **PFI** - will ensure that the environmental and social risks and impacts have been adequately identified and that the **PFI** is monitoring the implementation of the Action Plan. The **PCG** will reserve the right to reject subprojects that do not meet the eligibility criteria (including safeguards criteria).

Environmental and Social Review and Assessment for low risk Subprojects

If the likely environmental and social risks and impacts are determined through the screening process to be very low or negligible, the transaction is a low risk and no further environmental review and assessment is required. However, results of the safeguard screening should be included in the **PFI**'s list of subprojects submitted to the **PCG**. Also, the **PFI** should ensure that the sub-project the loan will support meets the national requirements including permitting. They should also monitor implementation in order to address any environmental and/ or social impacts that may result.

Environmental and Social Review and Assessment for moderate risk Subprojects

For moderate risk subprojects, the environmental and social risks and impacts are perceived to be manageable, site specific, reversible and with established remedial and good practice measures, as described in the appropriate WBG Environmental Health and Safety Guidelines.

The **PFI** may carry out an environmental and social impact review on these proposed moderate risk subprojects as well as on existing facilities which focuses on two elements: (a) compliance of existing facilities and operations with relevant environmental (including occupational health and safety) and social laws, regulations, and World Bank policies' requirements; and (b) the nature and extent of environmental and/or social impacts, including contamination to soils, groundwater, and structures, as a result of past/ on-going activities and proposed transactions. The scope and depth of the audit or review should be commensurate to potential impacts and type of transactions.

A corrective Action Plan will be developed if the environmental and social impact audit or review finds that negative but manageable impacts may occur as a result of continuing implementation of on-going activities or new implementation of proposed transactions. The Action Plan may call for preparation and implementation of measures to address the impacts that are identified based on the audit. The Action Plan should also include measures to inform potentially affected people of the nature of transactions, potential impacts, mitigations measures and grievance mechanisms. The Action Plan should be attached to the subproject documentation and the assessment and verification for compliance with the proposed actions will be subject to **PCG** review.

The **PFI** may opt to arrange for an appropriate environmental review on its own behalf using outside expertise. At minimum, for all moderate risk subprojects, the **PFI** will prepare for the records a brief summary report or memorandum identifying sources of information and relevant facts and findings that allow a determination that the application is consistent with applicable environmental and social requirements (see Annex 4, Form B).

In principle subprojects that require preparation of ESIA under Cape Verdean legislation are excluded from PCG. However, in the event that the final beneficiary has already prepared an ESIA in accordance with Cape Verdean regulations and processes and this ESIA has been approved or conditionally approved by the National Directorate of Environment, the **PFI** risk analyst will review the process and make a determination whether: it is adequate and accurate in identification of environmental and social impacts; that appropriate measures have been identified to avoid, minimize, or mitigate those impacts; that the applicant has the commitment and the capability to manage the impacts as proposed. Moreover, the **PFI** will request evidence that timely and appropriate consultation with directly affected people, local communities, and interested stakeholders has taken place on the findings and recommendations of the ESIA before **PCG** approval.

The World Bank will retain rights to prior review the results of environmental and social screening, audits and corrective Action Plans, if developed, until the **PCG** Management is considered to have developed adequate capacity to review them independently.

O. Monitoring, Supervision and Reporting

For all moderate risk transactions in the portfolio, the **PFI** will ensure and collect evidence that the MSME is implementing and monitoring the management of environmental and social impacts in a manner consistent with this ESMF, including the development and implementation of Corrective Action Plans, and ESMP/ ECOP. The **PCG** Management will review more in depth these operations. For low risk transactions (e.g., TA activities), the **PCG** Management will carry out random check to verify absence of impacts and compliance with national legislation including permitting.

In addition, the **PCG** Management will screen for any negative media/ NGO coverage/ reports on environmental and social aspects of its portfolio clients on a regular basis and retain records of all findings. The **PCG** Management will agree to make its monitoring and supervision reports available on a business confidential basis to World Bank counterparts upon request.

The **PCG** Management will prepare an annual report for the World Bank and the National Directorate of Environment as follows:

- Listing of all transactions approved during the reporting period, listing environmental moderate and low risk and the name and location of MSMEs receiving PCG;
- For moderate risk subprojects approved during the reporting period, a copy of the summary report including environmental and social assessment process findings;
- A brief summary regarding how this Framework has been implemented in transactions covered by PCG, including any material changes (e.g., to staffing, procedure); and
- Details of any negative media/NGO coverage and reports on **PCG** beneficiaries regarding environmental and social aspects that have come to the attention of the **PCG** Management and are deemed to produce reputational risk to the Government and the World Bank.

P. Public Consultation

The preparation of this ESMF has followed a consultation process. At a first stage the main stakeholders of the project were given the opportunity to read the draft ESMF and provide comments. These included Ministry of Finance, Ministry of Agriculture and Environment and Ministry of Economy and Employment. On a second moment, due to the context of the pandemic, a one-day workshop, via video conference, has been held for discussion among stakeholders, including commercial banks.

During the project implementation some more details for the ESMF will be established. As this is an interactive process, further consultations will be done throughout project implementation.

Public consultation and information is essential for the following reasons: (i) misinformation and rumours about the lack of loans in the context of COVID-19, (ii) stigmatization of people who have not been able to meet their commitment, (iii) discrimination and exclusion if the selection criteria are not well defined, (iv) discrimination of vulnerable groups. These elements require risk communication and community engagement to raise awareness and inform the public about the measures taken in the context of COVID-19 among the general population and vulnerable groups. Beyond the resulting conflict due to false rumors, vulnerable groups may be excluded from funding structures or abused. The project ESMC will describe how these risks will be managed, both through project design that emphasizes disclosure, communications and behavior change in response to the pandemic, and mitigation measures.

Objectives: The objective of public consultations is to ensure the participation of stakeholders in the project planning process. This include: (i) to provide information on the project and its activities; (ii) to allow stakeholders

to express themselves and give their opinion on the project; (iii) to identify and collect the concerns (needs, expectations, fears, etc.) of the stakeholders regarding the project as well as their recommendations and suggestions.

Methology: Based on the identification of the main intervening actors, the public consultation consists of the widest possible dissemination, information and awareness among the MSME, aiming at an effective appropriation of the project by the main beneficiaries and by the Institutions in general, involving the different entities responsible at the national and local level.

Given the calamity situation in the country, no guided consultation has been held so far, in addition to public authorities and national experts in the sector. It should be noted that the socialization of the ESMF will be carried out, in accordance with the new communication measures instituted following the declaration of the state of calamity.

The project will ensure that activities are inclusive and culturally sensitive, ensuring the benefit of vulnerable groups. Considering the need for social distance and whenever possible, the project will conduct communication through individual contacts, including domestic activities, group discussions and consultations with communities using different approaches, as needed. Where this is not possible, the project will use local radio and media (radio, TV, cell phone messages) to inform and consult the population and target groups. The project can also use the websites of both the UGPE and the MF to communicate with communities and design virtual workshops. These consultations will be supported by the UGPE.

The following table summarizes the methods used to consult the key actors.

Table 4. Consultation Methods

Consultation theme	Methods used	Programming	Key partners	Responsibilities
Project Design	UGPE meetings with different institutions linked to guarantee and financing of micro, small and medium-sized companies Individual meetings with FI.	According to the needs	world Bank	World Bank Team, UGPE leadership
Sectorial and institutional context	Interviews with Pró-Garante, Pró-Empresa, Pró-Capital	In the project preparation phase	BCV	UGPE
Project implementation agreements	Discussions with Pró-Garante, Pró-Empresa, Pró-Capital IUP	According to the needs	BCV	UGPE
Community awareness	IEC sessions with micro, small and medium enterprises	In the project preparation phase	Municipalities NGOs	UGPE
Training Sessions	Training sessions and results synthesis	In the ESMF preparation phase	Municipalities NGOs	UGPE, BCV, Pró-Garante, Pró-Empresa e Pró-Capital

Analysis of the results of the public consultation:

The analysis of the results of institutions consultations can be summarized in three points: i) the project partners know the project and have already taken ownership of it; ii) they have institutional and technical capabilities for their implementation; iii) they are engaged in the implementation of the ESMF as required by national legislation and the Safeguards. However, there is a consensus that the project stakeholders need to strengthen their capacities in World Bank procedures and in the BM's Environmental and Social Framework.

Q. Grievance Mechanisms

PCG and Pró-Capital will clearly describe the mechanisms through which people who may be affected by subprojects can inform the authorities - namely Ministry of Finance or the Steering Committee - of their concerns or grievances. In parallel to this ESMF, a Grievances Redress Mechanism (GRM) is being developed through which concerns or grievances will be addressed. If local communities or directly affected stakeholders approach the Ministry of Finance, the Steering Committee, or the **PCG** Management with reasonable and responsible claims that an activity has caused harm to them, their livelihoods, or their environment, the **PCG** Management will work with **PFI**, so that the concerns are addressed in a reasonable and responsible manner. The **PCG** Management will report as soon as possible such complaints to the UGPE and the World Bank.

The process of GRM implementation in the project started with multi-stakeholder meetings activities aiming to promote the grm and establish basic conditions to address complaints related to the project.. Grievances of the Access to finance for Micro, Small and Medium –Sized Enterprises Project will be handled at the national level by the UGPE - Central Complaint Management Committee (CCGR - in Portuguese: Comité Central de Gestão de Reclamações). The CCGR is a project-specific and multi-stakeholder body created with the mission of managing complaints. this Committee includes the following:

- UGPE Environmental and Social Development Specialist - Larissa Varela (engaged)
- UGPE Monitoring and Evaluation Specialist – Lisandro Mendonça (engaged);
- Pro-Empresa representative;
- Pró-Garante representative;
- **Pró-Capital** representative (to be engaged)
- National Environment Directorate (Direção Nacional do Ambiente) representative (engaged)
- Cabo Verdean Institute for Gender Equality and Equity (ICIEG) (engaged)
- Cabo Verdean Institute for Children and Youth (ICCA) (engaged)

- National ONG Platform (to be engaged)
- Observatório da Cidadania (to be engaged)

Roles of the CCGR

The roles and responsibilities of the committees are clearly established in the GRM and include the following:

- ✓ Publicize the MGR - Inform and raise awareness of those affected by and with an interest in the projects about their right to complain if they are not satisfied; as well as about all of the procedures, particularly the venues for registering grievances and the time frame for the resolution thereof;
- ✓ Receive, register, classify, investigate and develop resolution options, respond to grievances, and close cases;
- ✓ Urgently address moderate risk subproject complaints related to gender-based violence (GBV) and violence against children (VAC)
- ✓ Sign a satisfactory agreement with the complainant;
- ✓ Monitor and evaluate the implementation of responses to complaints;
- ✓ Monthly report on the management of complaints and preparation of semi-annual report of grievances to the World Bank;
- ✓ Monitor and evaluate the implementation and handling of all complaint-related processes.

The organizational arrangement for managing grievances fosters proximity to the beneficiaries through the Local and Central Committees, as well as the diversified venues through which grievances may be registered.

The GRM will include the following steps:

- ✓ Submission of grievances
- ✓ Recording of grievance and provision of initial feedback
- ✓ Investigating the grievance
- ✓ Complainant Response
- ✓ Communication of the Response
- ✓ Grievance closure or the taking of further steps if the grievance remains open

All the grievances will be treated by the CCGR in meetings organized as soon as possible after receiving at least one complaint.

Depending on the nature of complaints, a period of 10 days is estimated between the reception of and response to the complaint. Once all possible redress has been proposed, and if the complainant is still not satisfied, the complainant is then to be advised of their right to legal recourse.

The UGPE developed a platform to register, categorize and supervise complaints received. Once a complaint has been received, it should be recorded in the online GRM platform.

The UGPE Environmental and Social Development Specialist will manage the GRM on a day-by-day basis.

Complainants will be continuously informed of the progress and details of the processing of their complaints. This information will be provided by the GRM to the complainant.

Table 5. Steps and complaint processing times

STEPS	ACTION	RESPONSIBLE	MAXIMUM WORKING PROCESSING TIME (IN DAYS)
REGISTRATION AND PRELIMINARY EXAMINATION	Receipt and registration of the complaint	E&S expert and UGPE stakeholder engagement officer	1
SORTING THE COMPLAINT	Preliminary examination, classification and constitution of the complaint file	GRM	1
ACKNOWLEDGMENT OF ACCEPTANCE	Send acknowledgment of receipt to complainant	GRM (Stakeholder Engagement Agent)	3
LEVEL 1 TREATMENT	Meeting with the complainant and the 1st instance Complaints Management Committee	GRM-SC	7

STEPS	ACTION	RESPONSIBLE	MAXIMUM WORKING PROCESSING TIME (IN DAYS)
	Preparation and writing of the 1st instance decision	GRM-SC	7
	Implementation of the 1st instance decision	GRM-SC	15
	Formulation of an appellation	Local agent / E&S Expert	30 from the notification of the resolution of 1st instance
TREATMENT LEVEL 2	Meeting with the complainant and the 2nd instance mediation committee	GRM	14
	Deliberation by the Mediation Committee	GRM	7
	Implementation of the 1st instance decision	GRM	21
MONITORING & CLOSING	Monitor the implementation of decisions	GRM	60
	Close the case	GRM	The time needed until the decisions have been implemented to satisfaction

Venues to register Grievances - Uptake Channels

Figure 0-1. Grievances redress time frame

Complaints may be submitted at any time after concerns have been brought directly to the UGPE's and all key stakeholders' attention. A complaint may be registered directly at the UGPE (CCGR or CLGR) through any of the following modes and, if necessary, anonymously or through third parties.

- ✓ By telephone – toll-free: 800 13 14
- ✓ By e-mail: reclamacao.ugpe@mf.gov.cv
- ✓ By filing an online complaint form - <https://forms.gle/VE1fH2zp1oxQg2kM9>
- ✓ Walk-ins - registering of a complaint in the grievance logbook at UGPE and all key stakeholders in project implementation;
- ✓ Walk-ins - communicating a complaint to the grievance focal points in UGPE and all key stakeholders of the project;
- ✓ By letter to all key stakeholders of the project;

The venues available to lodge complaints are common in Cabo Verdean society. For those who cannot access this online platform, or who cannot read or write Portuguese, complaints may be presented verbally to the CCGR or CLGR and will be dealt with properly or via the free hotline.



Figure 0-2. Venues to register Grievances

Internal reports on grievances will be prepared and submitted monthly to the UGPE. These reports will be attached to the semiannual Project Report to the World Bank. The reports will provide a mechanism for assessing both the number and nature of complaints and requests for information, along with the Project's ability to address them in a

timely and effective manner. Awareness raising campaign will be conducted to disseminate information about this GRM.

In addition, this GRM could not solve some complaint, the aggrieved parties have the right to bring their complaints to staff in the World Bank office, at this address: Bureau de la Banque Mondiale / (221) 33-859-41-00 /Corniche Ouest X Rue Léon Gontran Damas /Dakar, Senegal.

R. Budget

Implementation costs of this ESMF are subsumed in the project's activities. Safeguards training of the **PCG** Management and **Pró-Capital** employees, project staff and appropriate ministerial staff will be conducted early on in the project. The Safeguards Specialist will provide on average around 50 days of support per annum over the lifetime of the project. This consultancy is estimated to cost of up to \$USD 40,000. In addition, a budget provision of \$ USD 20,000 has been made to cover the costs of training, and \$ USD 10,000 for ad hoc environmental studies should the need arise. Institutional, technical and monitoring measures will be implemented an amount of \$ USD 82 000.

Table 6.ESMF implementation buget

N°	Activities	Unit	Quantity	Unit cost (\$ US)	Total cost (\$ US)
1	Institutional, technical and monitoring measures				
1.1	Safeguards Specialist	Days	50	800	40 000
1.2	Permanent monitoring of the implementation of the ESMF by the technical services concerned.	Uni.	4	1 500	6 000
1.3	Audit (mid-term and final) of the implementation of the ESMF	Uni.	2	3 000	6 000
	Sub-total institutional, technical and monitoring measures				52 000
2	Training				
2.1	Safeguards training of the PCG Management and Pró-Capital	N°.	-	-	20 000

N°	Activities	Unit	Quantity	Unit cost (\$ US)	Total cost (\$ US)
	employees, project staff and appropriate ministerial staff				
	Sub-Total Training				20 000
3	Studies				
3.1	ad hoc environmental studies	N°	-	-	10 000
	Sous-Total studies				10 000
	TOTAL GENERAL \$ US				82 000

S. Monitoring Indicators

The **PCG Management** and the **Pró-Capital** will have the overall responsibility for ensuring that any environmental or social impacts are appropriately addressed. Although the project's environmental and social impacts are likely to be negligible, monitoring for unexpected environmental and social impacts will nevertheless be conducted on a regular basis by project staff, in particular the **PCG Management** and **Pró-Capital**. The **PCG Coordinator** and **Safeguard Specialist** will request the **PFI** and **Pró-Capital** to conduct visits to those MSME beneficiaries who had to prepare action plans as a condition for loan approval, to verify implementation of any identified mitigation actions, and to provide support on their improvement as necessary. Furthermore, implementation of the ESMF will also be verified in the field by the World Bank team as part of its regular supervision missions.

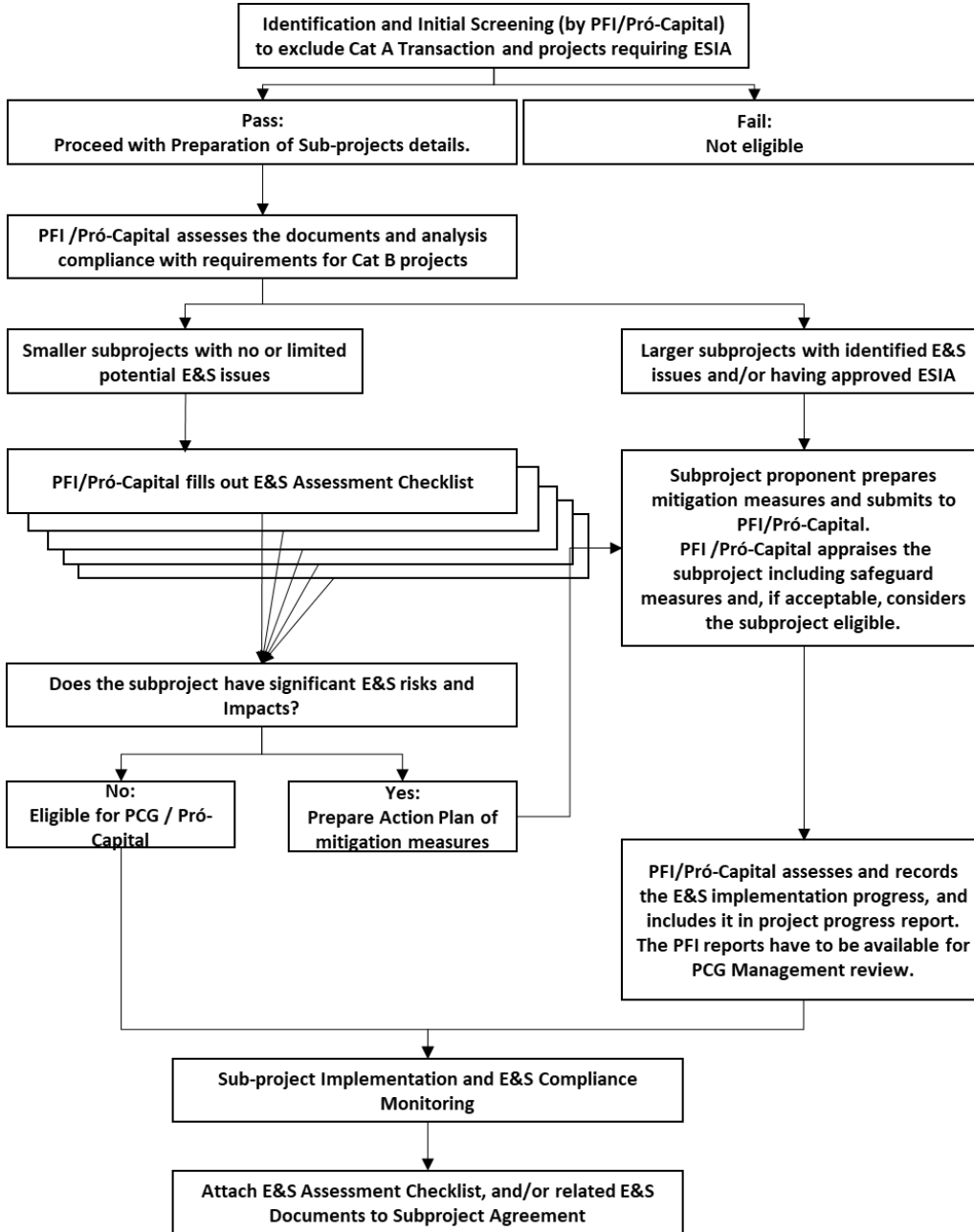
In order to assess the effectiveness of the project, a set of environmental and social indicators are defined and listed in the table below. These indicators will be regularly monitored during the implementation of the sub-projects.

Table 7. Project monitoring indicators with respect to environmental and social management

Measures	Areas of intervention	Indicators
Technical measures	Screening form, or Specifications	<p>Number of environmental and social screening prepared</p> <p>Number of forms and ESIA's / ESMPs prepared, validated and approved</p> <p>Number of ESIA / ESMP and contractors' specifications being monitored</p>
Monitoring and evaluation measures	Environmental monitoring and environmental monitoring of the sub-project	Number of missions carried out to monitor risk mitigation measures
Grievance management	Management of grievances from people directly or indirectly affected by a Project activity	<p>Number of awareness sessions on the issues of complaint management organized</p> <p>Number of Complaint Forms received</p> <p>Number of Complaint Forms processed</p> <p>Number of complaint files having found a solution</p>
Environmental monitoring measures	Soils vegetation, fauna, landscape	<p>Number of trees felled</p> <p>Number of trees planted</p> <p>Surface affected</p> <p>Rehabilitated area</p>
Social monitoring measures	Socio-economic activities	<p>Number of information sessions on GBV and VCC</p> <p>Number of community consultation</p> <p>Number of webinars promoted</p>
	Health and safety at work	<p>Level of compliance with safety standards</p> <p>Waste management</p> <p>Number and type of complaints</p> <p>Number of accidents</p> <p>Level of risk of disruption of the activities of neighboring populations and services.</p>

Annex 1. Environment and Social Safeguard Review Process

Schematic Safeguard Review Process



Annex 2. General Project and Site Information

PFIs **Pró-Capital** have their own forms for subprojects and sites description. The example below provides the minimum acceptable information to be gathered by **PFI** and Pró-Capital. Minimum acceptable checklist format.

INSTITUTIONAL & ADMINISTRATIVE	
Country	Cabo Verde
Project title	
Scope of project and activity	
SITE DESCRIPTION	
Name of site	TBD once site(s) have been selected
Describe site location	TBD once site(s) have been selected Attachment 1: Site Map []Y []N
Who owns the land?	TBD once site(s) selected. (N.B., No land acquisition permitted)
Description of geographic, physical, biological, geological, hydrographic and socio-economic context	TBD once site(s) have been selected.
Locations and distance	TBD once site(s) have been selected.
LEGISLATION	
Identify national & local legislation & permits that apply to project activity	Law number 86/IV/93, the Basic Law of Environmental Policy, Legislative Decree number 14/97 of July 1, whose objectives are to optimize and guarantee the utilization of natural resources. Decree-Law number 27-2020, of March 19, which sets the framework for the environmental evaluation of development projects.

Annex 3. Sample of Screening Form

PFIs and **Pró-Capital** might also have their own screening forms. The example below provides the minimum acceptable information to be gathered by **PFI**s and the **Pró-Capital** to screen for project category and potential environmental and social issues of a sub project, and to determine the instruments to be prepared for the sub project.

Subproject Name	
Subproject Location	
Subproject Proponent	
Subproject Type/Sector	
Estimated Investment	
Start/Completion Date	

Questions	Answer		If Yes	Documents requirement if Yes
	yes	no		
Is the proposed project likely to have minimal or no adverse environmental impacts?			Low risk	No action needed beyond screening
Are the proposed project impacts limited, site specific and readily mitigated with known mitigation measures? Please provide brief justification:			Moderate risk	Action plan

(For sub projects classified as a moderate risk category) The following safeguards measures will be implemented:

1. _____
2. _____
3. _____
4. _____

SCREENING QUESTIONS	ASSESSMENT	MITIGATION MEASURES REQUIRED
A. NEGATIVE LIST REVIEW		If Yes, proposal must be rejected
Land acquisition funded by the proposed subproject (business plan)?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	* If Yes, proposal must be rejected. If Unknown, additional information is required before proposal can be considered.
Involuntary resettlement?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Do the proposed activities or budget include any of the Project negative list (see Annex 8 of the ESMF) ?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	If Yes, proposal must be rejected. If Unknown, additional information is required before proposal can be considered.
B. ENVIRONMENTAL TRIGGERS:		
Does the sub-project involve alterations or construction in areas adjacent or within any of the following environmentally sensitive areas?		Mitigation: must comply with local regulations; ESA is required. If unknown, additional information is required before proposal can be considered. Documentation required.
Protected Area, Wildlife Reserve, Buffer Zone, or other conservation area	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Wetland	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Areas at risk of salinization	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Other: _____	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
C. POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS WILL THE SUBPROJECT CAUSE:		
Impairment of downstream water quality and therefore, impairment of downstream beneficial uses of water?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	Mitigation: must comply with local regulations. ESMP is required. If unknown, additional information is required before proposal can be considered. Documentation required.
Noise or dust from construction equipment and/or subproject implementation?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Are there risks of soil erosion?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Are there adverse effect on the value of the landscape aesthetics?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Are there any pollution and/or public health risks?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Does it cause temporary or permanent loss of habitat, crops, agricultural land, pasture, fruit trees and domestic infrastructure?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Are there risk to generate solid and liquid waste ?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Risk to affect the quality of surface water, groundwater, or drinking water resources?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Does it cause changes in the population lifestyle	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Does it cause incompatible uses or social conflicts between different users?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Other:	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	

SCREENING QUESTIONS	ASSESSMENT	MITIGATION MEASURES REQUIRED
D. REQUIRED E&S DOCUMENTS:		
Social and Environmental Management Plan (ESMP)?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Full Environmental and Social Impact Assessment (ESIA)?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	
Other?	NO <input type="checkbox"/> UNKNOWN <input type="checkbox"/> YES <input type="checkbox"/>	

E. OTHER REMARKS:

F. CONCLUSIONS/ RECOMMENDATIONS:

G. SIGNING OFF:

PROPONENT

**PFI REPRESENTATIVE /
PRÓ-CAPITAL REPRESENTATIVE**

NAME

NAME

POSITION:.....

POSITION:.....

DATE

DATE

Subproject E&S Assessment Form B (form #) –with limited impacts

Applicant:	Proposal name:	Proposal number:
Loan/Investment type:	SME <input type="checkbox"/> Micro <input type="checkbox"/>	Amount requested:
Screened by:	E&S Applicable Requirements: <input type="checkbox"/> Mitigation Plan Required	Date:
	<input type="checkbox"/> No Mitigation Required <input type="checkbox"/> No ESMF Clearance	
<p>PFI recommendations for proposal improvement before submitting to PCG Management for review:</p> <p>Previous recommendations from the Pró-Capital for proposal improvement before final submission</p> <p>Remarks:</p>		

General Instructions:

- This checklist is to be completed to support the verification of a Subproject record that is to be prepared by the **PFI** and disclosed to the **PCG** Management, if requested.
- This checklist should also be completed to support the verification of a Subproject record that is to be prepared by the proponent for **Pró-Capital** investments.
- This checklist focuses on Environmental and Social issues and concerns to ensure that social dimensions are adequately considered in subproject evaluation.
- The purpose is to identify the feasibility and potential environmental and social impacts of the subproject activities. If applicable, please use the “remarks” section to discuss any suggested mitigation measures.

Annex 5. List of Potential Impacts and Mitigation Measures

The following table includes an illustrative list of mitigation measures for potential impacts that might be encountered, taking also into account the exclusion list of Annex 8.

Component	Potential negative impacts	Potential Mitigation measures
Air	<p>Deterioration in the air quality due to dust and gas emissions from industries</p> <p>Increase in emissions of greenhouse gases (mainly associated with combustion sources)</p> <p>Emission of noxious and harmful odors</p>	<p>Install and operate air pollution control devices. (Ex.: electrostatic precipitators, filter collectors, dry and wet scrubbers, absorption systems, etc.).</p> <p>Install sufficiently tall chimneys for proper dispersion of pollutants and respect the quality criteria of the ambient air.</p> <p>Include measures to limit fugitive dust emissions during transport or handling of materials (use of dust suppressants on access roads and circulation areas, adequate coverage of conveyors).</p> <p>Plan the implementation of industrial zones so that prevailing winds will push the pollutants towards inhabited areas.</p> <p>For combustion systems, promote the use of cleaner fuels and emission burners reduced in nitrogen oxides.</p> <p>Encourage energy saving and optimization.</p> <p>Use equipment in their optimal operating conditions (establishment of a regular inspection program and preventive maintenance).</p> <p>Impose on industry standards or national emissions standards corresponding to the criteria developed by the World Bank in the guide <i>"Pollution Prevention and Abatement Handbook 1998"</i></p> <p>Ensure that odorous substances are stored in a way that limit the emission of odors and that transactions involving noxious emissions are carried out in a closed building equipped with an adequate ventilation system and sufficiently tall chimneys.</p>

Soundscape	Increase in ambient noise	<p>Close to residential areas, avoid carrying out noisy work outside normal working hours.</p> <p>Provide access roads to the industrial area and businesses to avoid or circumvent residential areas.</p> <p>Put in place measures to reduce or mitigate noise (screens, walls, speakers, etc.)</p> <p>When available, use low-noise equipment</p>
Water	<p>Variation in groundwater levels or decline of surface water due to water pumping for industrial needs</p> <p>Variation in groundwater levels due to changes in drainage resulted from the construction of buildings and paved area</p> <p>In coastal areas, possible saltwater intrusion into the aquifer if groundwater is pumped</p> <p>Deterioration in the quality of groundwater and surface water following discharges of industrial wastewater</p> <p>Risk of eutrophication of water receiving wastewater discharges</p>	<p>Establish measures to limit the use of water by industries and agriculture. Implement economic activities in areas with high water volume where water requirements for industries/agriculture minimally affect local activities (water needs for the population, for household farmland, etc.)</p> <p>If ground water is pumped for industrial/agriculture needs, ensure that the volume of water pumped is not higher than the charging level of the aquifer</p> <p>Promote the development of closed systems and, especially, for cooling water systems and steam production systems (maximum recovery of condensate)</p> <p>Promote the use of collected rainwater/moist water to fill water needs</p> <p>Design the industrial area to allow proper drainage of surface water Install separate systems for water collection: rainwater (rainwater from uncontaminated areas), domestic water and industrial contaminated water. This type of collection allows the design of water treatment systems that are better suited to the type of pollution to be treated.</p> <p>Maintain vehicles, machinery and equipment in good condition to prevent leaks and spills of hazardous products (hydrocarbons, chemicals, etc.) and waterproof areas where leaks are most likely to occur.</p> <p>Safely manage hazardous products and store them in confined areas with spill recovery equipment.</p> <p>Keep vegetation along lakes and streams and near wetlands</p> <p>Plan emergency measures in the event of accidental spillage</p>

		<p>Impose criteria to industrial enterprises for wastewater discharges to protect the quality of receiving streams or apply the minimum compliance criteria developed by the World Bank in the guide "Pollution Prevention and Abatement Handbook 1998"</p> <p>Ensure that companies implement water treatment systems required to comply with discharges criteria or pretreatment systems required for pollutant loadings that could not be treated in public facilities</p> <p>Plan rejection of used waters taking into account absorption capacity of the receiving water body.</p> <p>Maintain the pH content of wastewater between 6.0 and 9.0</p> <p>Prohibit the discharge of cooling water at high temperatures (the temperature of the receiving water should not rise more than 3 ° C)</p> <p>Promote, where possible, recycling of used water for agriculture</p> <p>For large industrial areas, build a water treatment plant to treat water discharged by industries</p>
Soil	<p>Change the local topography</p> <p>Use of fertile land for agriculture or forestry purposes</p> <p>Erosion by runoff water causing sedimentation problems</p> <p>Soil contamination due to hazardous spill Use of land adjacent to the industrial area as a dumping ground</p>	<p>Avoid areas sensitive to erosion</p> <p>Perform construction work in the dry season</p> <p>Encourage the installation of the industrial zone on low productivity soils</p> <p>Minimize machinery traffic areas</p> <p>Avoid the construction of access roads in the axis of steep slopes; rather promote a direction perpendicular or diagonal to the slope</p> <p>Use existing borrow pits rather than create new ones; after the work, restore the borrow pits stabilizing slopes and facilitating the regeneration of vegetation</p> <p>Stabilize soils to reduce the risk of erosion</p> <p>Require companies to manage their waste in a responsible and respectful way towards the environment (use of existing discharges, particularly for hazardous waste management, establishment of composting plant for biodegradable waste (particularly for food companies), promote recovery and recycling, etc.)</p> <p>Establish controlled landfills</p>

Ecosystems	<p>Degradation of surrounding ecosystems through exploitation of natural resources (raw materials industries)</p> <p>Drainage of wetlands</p> <p>Reduction of biodiversity</p> <p>Destruction of habitat for some species</p>	<p>If natural habitats may be affected by the sub-projects, implement measures outside the transformed area to create or promote the creation of new habitats Put in place measures to limit the spread of harmful species that may feed of released industrial waste</p> <p>Establish a protection perimeter around water collection areas and sensitive ecosystems such as wetlands and wildlife habitats of endangered species</p>
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Safety	<p>Increased risk of industrial accidents related to the storage, handling, use or production of hazardous materials</p> <p>Increased road traffic in residential areas</p>	<p>Develop health and safety plans within the industrial complex to identify, assess and fight against risks to health and safety of workers and the population. This plan must specify the rules to be followed for their protection.</p> <p>Ensure that the storage facilities and handling of hazardous materials are designed using recognized design standards.</p> <p>Provide control mechanisms in the project to reduce the possibility of a spill or release of hazardous materials.</p> <p>Provide appropriate training to employees to ensure safety in operation.</p> <p>Provide employees with protective work gear complying with safety standards.</p> <p>Develop and implement safety procedures for handling hazardous materials</p> <p>Develop a plan for emergency measures to reduce the consequences of potential accidents</p> <p>Provide bypass roads towns and villages to avoid heavy truck traffic in residential areas</p>
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Vegetation	<p>Destruction of vegetation in the industrial area and/or in the areas assigned to the supply of raw materials for economic purposes.</p> <p>Loss of forest products</p> <p>In case of significant and permanent drawdown in levels of static fossil groundwater, vegetation growth is reduced, which can accelerate desertification</p>	<p>Do not approve sub-projects that involve aggressive deforestation (whether for the construction of industrial zones or supply of raw material to wood processing industries)</p> <p>Collect forest products derived from deforestation and identify redistribution mechanisms for local population</p> <p>Restore vegetation in deforested areas</p> <p>Ensure the planting of native species</p> <p>For implantation of food processing or textile industries, promote an ecological agriculture that is respectful of plant diversity for the supply of raw materials</p> <p>Promote the development of community nurseries, preferably run by women</p>
Wildlife	<p>Disruption of wildlife habitats and wildlife migration</p> <p>Habitat degradation of aquatic fauna due to water contamination</p> <p>Habitat degradation of avian wildlife due to the degradation of air quality and noise generated</p> <p>Increased poaching due to the presence of nonresident workers</p> <p>Disturbance of wildlife habitat in case of significant and permanent drawdown of levels of static fossil groundwater (excessive pumping)</p>	<p>Avoid discharging wastewater into breeding grounds for wildlife and migratory corridors</p> <p>Put in place measures to limit the proliferation of harmful species (rats, cockroaches, scavengers, ...)</p> <p>Set up a fence around the industrial area to restrict access to the site for wildlife</p> <p>Control illegal fishing and hunting, especially by non-resident workers</p> <p>If ground water is pumped for industrial needs, ensure that the volume of water pumped is not higher than the charging level of the aquifer</p>

Population	<p>Demographic pressure due to the arrival of nonresident workers and immigrants attracted by new economic opportunities</p> <p>Rural migration and emigration of young people especially to the city or place of establishment of industries</p> <p>Temporary imbalance between men and women because of the influx of male workers and immigrants, especially during periods of site development and construction of factories</p> <p>Rapid urbanization and squatting of certain neighborhoods or certain urban areas or suburbs</p> <p>Arrival of hawkers and traders of all kinds to sell their goods both to construction workers as well as factory employees.</p>	<p>Promote as much as possible the hiring of local labor</p> <p>Work closely with local communities to facilitate the integration of immigrants</p> <p>Develop strategies and retention plan and rural population; or, where appropriate, monitor the arrival of rural populations and prepare adequate facilities</p> <p>Establish workers camps at a reasonable distance from villages</p> <p>Provide good spatial organization and an adequate management plan for a balanced spread of population</p> <p>Minimize undue densification of neighborhoods in residential areas</p> <p>Provide locations to accommodate traveling merchants and sanitation facilities to prevent unintended facilities and waste accumulation in peripheral plants</p>
Quality of life	<p>Overcrowding in homes, development of promiscuity, especially during the construction period</p> <p>Inappropriate living conditions for nonresident workers</p> <p>Increased rates of violence and crime, particularly during the construction period, due to poor living conditions and lack of leisure facilities for young migrant workers</p>	<p>Creation of labor camps</p> <p>Monitoring of rental property prices to accommodate immigrant workers and their families</p> <p>Development of recreational and educational centers to attract and entertain youth</p> <p>Strengthening of general security systems</p>
Gender	<p>Possible feminization of rural areas following the exodus of young male workers</p> <p>Risk of increased prostitution during the construction phase due to the influx of migrant workers</p>	<p>Prioritize the recruitment of women for similar activities</p> <p>Plan actions/volunteering activities as well as income generation activities for rural women unwilling or unable to follow their husbands to town</p> <p>Provide oversight measures</p> <p>Creation of leisure activities to entertain young people who are away from their family and environment</p>

Health	<p>During the operational phase, potential nuisance by noise and dust caused by heavy vehicle traffic</p> <p>Poor housing for migrant workers</p> <p>For food companies, diseases transmitted by inappropriate methods of storage, processing of raw materials and waste disposal</p> <p>Risks of contamination in certain industries</p> <p>Risk of accidents on construction sites for workers</p> <p>Problems due to lack of equipment available for workers (latrines, showers, garbage) during the site development and construction</p> <p>Increased incidence of STDs, especially HIV / AIDS due to the influx of workers</p> <p>Increased incidence of COVID19 due to the influx of workers, and people crowded at workplaces</p>	<p>Develop infrastructure facility or sanitary equipment (showers, latrines, waste disposal sites) on the site and in labor camps</p> <p>Recommend the use of safety headgear and other safety equipment to industry staff to limit accidents and protect them from contamination</p> <p>Make available a nursing service to track and monitor staff health</p> <p>Control of sanitary and safety measures in the workplace</p> <p>Awareness and implementation of preventive measures to limit the spread of STDs and to fight against AIDS</p> <p>Establish technical standards for monitoring fecal coliform and other bacteria that may form in raw materials and waste</p> <p>Ensure that waste likely to transmit diseases are properly managed and sent to disposal facilities</p> <p>Provide a contingent plan for COVID-19;</p> <p>Provide a plan for waste management in the development and constructions;</p> <p>Monitoring the COVID-19 especially in the workers included un the group of risk;</p> <p>Strengthening the communication between workers by video conferencing, phone and email;</p>
Education	<p>Possible increase in school dropout rates for both girls and boys in rural and urban areas due to new job opportunities in factories</p>	<p>Carry out works preferably during school holidays to ensure that site development and construction works are not detrimental to the smooth running of the school year</p> <p>Provide training or skills development courses to future factory workers</p> <p>Implant industry at reasonable distances from homes, schools, office buildings to avoid any inconvenience</p> <p>Create awareness for young people around the need for proper training in order to improve their working conditions and living standards</p> <p>Promote various training needed to improve the quality of work and products made the factory or industry, but also to allow greater mobility for workers to take over different tasks within the company.</p>

Annex 6. Environmental, Health & Safety Guidelines

1. The World Bank Group has Environmental, Health & Safety Guidelines (EHSGs) that are specific to various industrial sectors, as well as General Environmental, Health & Safety Guidelines which covers a wide range of issues and is applicable to all industrial in addition to the sector-specific guidelines. The full set of Industry Sector EHSGs and the General EHSGs can be most readily accessed on IFC's website (www.ifc.org).

2. The IFC website is also the location where updates of the EHSGs will be posted, as new examples of good practice are identified, or as new guidelines are prepared. These EHSGs are also part of the Equator Principles. As required by the Equator Principles, the most recent version of the respective applicable guidelines should be used in the screening and review of new transactions.

3. For most investments in the services industry, the General Environmental, Health & Safety Guideline is most likely the only applicable EHSG. However, for some investments possible under the Partial Credit Guarantee and/or the **Pró-Capital** Investments, there are specific industry sector guidelines that also would apply in addition to the General EHSG. A few examples of some of these are:

- Tourism and Hospitality Development
- Telecommunications
- Mammalian Livestock Production
- Poultry Production
- Plantation Crop Production
- Annual Crop Production
- Aquaculture
- Fish Processing
- Meat Processing
- Poultry Processing
- Food and Beverage Processing.

4. It should be noted that these Industry Sector EHSGs and the General EHSG are intended to identify recognized good practice, particularly in the absence of comparable national or local legislation. Moreover, they are designed to cover a wide range of topics, especially in the case of

the General EHSg, some or many of which specific topics may not be relevant or applicable to the project enterprise seeking PCG support. The EHSgs will be used by the financial institution as useful tools in the screening and review process to determine whether environmental and social risks associated with the project enterprise have been appropriately identified and managed.

Annex 7. Chance-Find Procedures and Good Practice on Civil Works

1. The Chance-Find Procedures' in this annex will be incorporated into all contracts related to civil works. It comprises 2 parts: (1) a standard clause for “chance find” procedures and (2). recommended good practices for civil works involving proper storage, use, cleanup, and disposal of the various materials used during construction for human and environmental safety.

Part (1) The “*chance find*” procedures:

- If the Contractor discovers archeological sites, historical sites, remains and objects, including graveyards and/or individual graves during excavation or construction, the Contractor shall:
 - Stop the construction activities in the area of the chance find;
 - Delineate the discovered site or area;
 - Secure the site to prevent any damage or loss of removable objects. In cases of removable antiquities or sensitive remains, a night guard shall be arranged until the responsible local authorities or the National Culture Administration take over;
 - Notify the supervisory Project Environmental Officer and Project Engineer who in turn will notify the responsible local authorities and the Culture Department of Province immediately (within 24 hours or less);
 - Responsible local authorities and the Culture Department of Province would be in charge of protecting and preserving the site before deciding on subsequent appropriate procedures. This would require a preliminary evaluation of the findings to be performed by the archeologists of National Culture Administration. The significance and importance of the findings should be assessed according to the various criteria relevant to cultural heritage; those include the aesthetic, historic, scientific or research, social and economic values;

- Decisions on how to handle the finding shall be taken by the responsible authorities and National Culture Department. This could include changes in the layout (such as when finding an irremovable remain of cultural or archeological importance) conservation, preservation, restoration and salvage;
- Implementation for the authority decision concerning the management of the finding shall be communicated in writing by relevant local authorities; and
- Construction work could resume only after permission is given from the responsible local authorities or National Culture Department concerning safeguard of the heritage.

Part (2) Recommended Practices on civil works:

1. DO:

- Limited working hour during the day time, especially in residential areas, and control driving speed;
- Minimize earth excavation and appropriate disposal of spoil;
- Minimize opening of new borrow pits and ensure proper closure;
- Minimize traffic congestion, dust and noise generation;
- Proper maintenance of construction equipment and vehicles;
- Provide appropriate safety sign (day and night) and closely inform local residents;
- Avoid spill of used oil and other toxic materials, including safe transportation and storage;
- Ensure access to clean water and latrines by workers and provide mosquito net;
- Avoid social/cultural conflict between workers and local population; and
- Apply good housekeeping in the construction and/or storage sites to ensure safety of workers and peoples (Gather up and remove debris to keep the work site orderly and safe;
- Plan and implement adequate disposal of scrap, waste and surplus materials;
- Keep the work area and all equipment tidy.
- Designate areas for waste materials and provide containers;
- Keep stairways, passageways and ladders free of material, supplies and obstructions; Secure loose or light material that is stores on roofs or open floors;

- Keep materials at least 2m (5ft) from openings, roof edges, excavations or trenches; Remove or bend over nails protruding from lumber;
- Keep hoses, power cords, welding leads, etc. from laying in heavily traveled walkways or areas;
- Ensure structural openings are covered/protected adequately;
- Provide the appropriate fire extinguishers for the materials found on-site. Keep fire extinguisher stations clear and accessible; etc.).

2. DO NOT:

- Do not permit rubbish to fall freely from any locations of the project and/or access by animals (dogs, cats, pigs, etc.). Use appropriate containers.
- Do not throw tools or other materials.
- Do not raise or lower any tool or equipment by its own cable or supply hose.
- Use grounding straps equipped with clamps on containers to prevent static electricity buildup.
- Do not allow hunting of animals by workers in protected areas.

3. SPECIAL NOTE ON FLAMMABLE/EXPLOSIVE MATERIALS:

- Store flammable or explosive materials such as gasoline, oil and cleaning agents apart from other materials.
- Keep flammable and explosive materials in proper containers with contents clearly marked.
- Dispose of greasy, oily rags and other flammable materials in approved containers.
- Store full barrels in an upright position.
- Store empty barrels separately.
- Post signs prohibiting smoking, open flames and other ignition sources in areas where flammable and explosive materials are stored or used.
- Store and chain all compressed gas cylinders in an upright position.
- Mark empty cylinders and store them separately from full or partially full cylinders.
- Ventilate all storage areas properly.
- Ensure that all electric fixtures and switches are explosion proof where flammable materials are stored.

Annex 7a. Good Practice on Civil Works in COVID19 pandemic context

Undertaking construction works during COVID-19 pandemic will require that measures are put in place in order to minimize the spread of the disease on the workers and adjacent communities.

The below listed measures to be taken in the context of COVID 19 pandemic are intended to be used as a resource only, and not to be relied upon as legal or official guidance. The proponents are encouraged to consult with safety, insurance, and labor authorities continuously to determine the appropriate practices for their respective operations.

- All employees/vendors should be asked COVID-19 screening questions prior to entering the worksite. If they answer “yes” to any, they should be asked to leave the worksite immediately.
 - Have you, or anyone you have had close contact with, been in contact with a person that has tested positive for COVID-19?
 - Have you, or anyone you have had close contact with, been in contact with a person that is in the process of being tested for COVID-19?
 - Are you having trouble breathing or have you had flu-like symptoms within the past 48 hours, including: fever, cough, shortness of breath, sore throat, runny/stuffy nose, body aches, chills, or fatigue?
- Manage sick employees to ensure any illness is not spread to other workers.
- Actively encourage sick employees to stay home. It is critical that individuals NOT report to work while they are experiencing illness symptoms such as fever, cough, shortness of breath, sore throat, runny/stuffy nose, body aches, chills, or fatigue. Individuals should seek medical attention if they develop these symptoms.
- Employees who have symptoms of acute respiratory illness are recommended to stay home and not return to work until they are free of fever (37° C or less).
- Immediately separate and send home employees who appear to have acute respiratory illness symptoms (i.e. cough, shortness of breath) upon arrival to work or become sick during the day.
- Personal Protective Equipment (PPE)
 - Do not share PPE.
 - Ensure used PPE is disposed of properly.
 - Sanitize reusable PPE per manufacturer’s recommendation prior to each use.
 - Utilize disposable gloves where appropriate; instruct workers to wash hands after removing gloves.

- Tools, Supplies, Equipment
 - Do not share hand tools (shovels, floats, loots, hand saws, etc.)
 - Disinfect reusable supplies before and after use.
 - Operators use the same piece of equipment all day.
 - Clean surfaces of construction equipment and service/fleet vehicles including steering wheel, gear shift, instrument panels, etc. at beginning and end of shifts.
 - Use aerosol sanitizers inside closed cabs.
- Social Distancing
 - Restricting access to confined areas (field office, control room, etc.) to only essential staff needed to operate.
 - If possible, stagger work hours to avoid everyone arriving and leaving at the same time.
 - Do not congregate in lunch areas – eat separately.
 - Do not use a common water cooler.
 - Use individual bottles or personal cooler.
 - If possible, keep operations separate. Do not stack trades/subcontractors.
 - Discourage carpooling to worksite
 - When possible, perform all meetings online or via conference call. Do not host large group meetings – National health authority considers large group as 15+ people.
 - When possible, keep a 1,5 meters distance between people.
 - When possible, allow non-essential personnel to work from home to limit the number of people at a worksite.
 - Non-contact greetings only. Discourage hand-shaking and other contact greetings.
- Promote good hygiene
 - Provide hand sanitizing stations. If soap and water is not available, use alcohol-based (60 – 95%) hand sanitizer.
 - Encourage people to use the mask and/or to cover mouth and nose with a tissue when you cough or sneeze or use the inside of elbow. Throw used tissues in the trash.
 - Discourage touching eyes, nose and mouth.
 - Provide additional port-a-potties.

- Provide routine environmental cleaning (doorknobs, keyboards, counters, and other surfaces).
- Utilize disposable hand towels and no-touch trash receptacles. Identify specific locations and practices for daily trash.
- Request additional/increased sanitation (disinfecting) of portable toilets.

Annex 8. Exclusion List

1. The following subprojects are not eligible for financing under the project given the significant adverse impacts that will likely require more resources to mitigate than the scale of benefit and the limited capacity of the MSMEs in managing impacts in line with the World Bank safeguard policies. Therefore, the **PCG** and the **Pró-Capital** must apply the following exclusions:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the World Bank Group considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers or use of asbestos-containing materials. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor⁷/harmful child labor⁸.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

⁷ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

⁸ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

- Production or trade in wood or other forestry products other than from sustainably managed forests. Production and distribution of construction materials is eligible provided that wood/lumber production is legally sourced.
- Subprojects involving major construction and civil works that would cause significant adverse impact and require a full ESIA report according to the national ESIA regulation and in line WB safeguard policies (i.e., category A), except in the cases in which an ESIA has already been approved by the competent authorities and an ESMP compliant with WB safeguard policies has been produced.
- Subprojects that will require involuntary resettlement of people.
- Subprojects that could destroy or damage physical cultural resources, i.e., resources of archaeological, paleontological, historical, architectural, religious (including graveyards and burial sites), aesthetic, or other cultural significance.
- Subprojects which involve transformation or degradation of critical natural habitats and could result in the loss of biodiversity, including any official natural protected areas such as national parks and other protected areas.
- Subprojects which require the use of hazardous pesticides or do not comply with FAO Pesticide Guidelines on Storage, Labeling, and Disposal (Rome, 1985), or that do not follow recommendations and minimum standards as described in the United Nations Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003).
- Activities involving dams.⁹

⁹ Although there are opportunities for SMEs to undertake activities involving dams (e.g., extraction of sand in dams experiencing sedimentation problems), these projects typically require complex studies and safety measures.

Annex 8a. Integrated Pest and Diseases management

The subprojects eligible for financing under the project, and that involves pest and disease management, they must opt for the Integrated Pest and Disease Management system (IPM) as recommended by the National Directorate of Agriculture Forestry and Livestock.

Agriculture in Cabo Verde is predominantly based on subsistence family production. Agricultural production systems can be categorized into rainfed and irrigated systems. Major crops produced in Cabo Verde include maize, pulses (e.g. beans, groundnut), vegetables (e.g. carrot, cabbage, lettuce, tomatoes etc.), coconut, sugar cane, coffee and fruits (e.g. banana, citrus, apple etc.). Sugar cane, pineapple, coffee and banana are the main cash crops. Maize is the only cereal presently grown in Cabo Verde normally in association with beans. Maize covers about 44.2 percent of the total crop harvested area with average yield between 2013 and 2017 estimated as 1 677 kg/ha which varies among the different agroecologies.

In terms of agricultural inputs, Cape Verde has an irrigation potential of 3 109 hectares. Drip irrigation has expanded fast, with investments made in water mobilization and gravity irrigation schemes. Between 2004 and 2015, the number of farms that use irrigation increased from 7 023 to 8 580. In 2015, 19 percent of the farms used irrigation and 14 percent of all plots were irrigated, up from 11 percent in 2004. Meanwhile, pesticide use is very minimal (0.08 kg/ha) while on average, aggregated fertilizer application rate is about 55.63 kg/ha.

Whenever a subproject or a business benefited by the project involves pest and disease management, they must opt for the Integrated Pest and Disease Management system (IPM). Integrated pest and disease management promotes a safer and more sustainable management of pesticides. In Cabo Verde integrated pest management systems involves the use of natural enemies of plants and promotes a safer and more sustainable management of approved pesticides. IPM has been successfully used to reduce seasonal infestations of fall army worms and reducing crop yield losses.

Benefits of the IPM:

- Improves crop production and quality, hence potential increases in income;
- Prevents crop losses caused by diseases. Increases the potential to overcome climate shocks;
- Increases carbon storage in soils;
- Has no use of synthetic fertilizers and related GHG emissions/carbon footprint it reduces GHG emissions attributed to ploughing;
- Reduces soil disturbance;

Cape Verde has approved a list of pesticides, more than 60 percent of which are organic, taking production of high quality products into consideration, as well as introducing new production technologies on a wide scale whilst also reducing the use of chemicals

The list of authorized pesticides currently in force in Cape Verde (as of February 2012), contains six biological pesticides (commercial formulations) including one for the control of grasshoppers, the country's most important crop plague and wild grasses; a natural pesticide based on *neem*; two growth deregulators and a selective, in addition to a set of other chemical pesticides but of equally low toxicity.

Currently, any pesticide that is not part of the list of authorized pesticides in Cape Verde cannot be imported or used in the country.

List of authorized pesticides in Cape Verde (February 2012)¹⁰

Product name (including the type of preparation)	Active substance	Product name (including the type of preparation)	Active substance
Thuricide (k)	Bacillus thuringiensis	Euparene WP 50%	Dichlofluanide
Dipel	Bacillus thuringiensis	Funginex EC	Triforine
Bactura (k) Xentari {a Turex	Bacillus thuringiensis	Manzate WP 80%	Mancozebe
Batik	Bacillus thuringiensis	Mancozan WP 80 %	Mancozebe
Batik W	Bacillus thuringiensis	Dithane WG 75%	Mancozebe
Green Muscle	Metarhizium anisopliae var. acidum	Dithane M 45	Mancozebe
Suneem 1% EC	Azadirachtine (10 g/L)	Sumisclex P50	Procymidone
Dimilin DF 6	Diflubenzuron	Aliette (flash) WG 80%	Foséthyl-A
Dimilin WP 25	Diflubenzuron	Plantisoufre WP 80	Enxofre
Pirimor G WG 50%	Pyrimicarbe	Microlux	Enxofre
Decis EC 25	Deltametrine	Enxofre Bayer Ultra D 80%	Enxofre
Sumithion EC 50	Fenitrothion	Ippon 500 SC	Iprodione (500 g/L)
Fenical 3 DP	Fenitrothion	Systhane 240 EC	Miclobutanil (240 g/L)
Fenical 400 UL	Fenitrothion	Previcur N 772	Propamocarbe

¹⁰ https://www.informea.org/sites/default/files/reports/action_plans/stockholm/UNEP-POPS-NIP-CaboVerde-COP5.English.pdf;
<http://www.portaldoconhecimento.gov.cv/bitstream/10961/3767/1/Novas%20Tecnologias%20Revolucionaram%20Agricultura%20em%20Cabo%20Verde.pdf>

Product name (including the type of preparation)	Active substance	Product name (including the type of preparation)	Active substance
Lebaycid EC 50	Fenthlon	Stroby	Cresoxime-Metilo
orthene SP 75%	Acephate	Morestan WP 25 %	Chlnornethionate
Dipterex SP 80	Triclorfon	Plantisoufre WP 80%	Enxofre
Confidor SL (17,7 % ou 200 g/l)	Imidaclopride	Microlux	Enxofre
Applaud 40 SC(400 g/l)	Buprofezine	Enxofre Bayer Ultra D	Enxofre
Unden WP 75%	Propoxur	Oleo mineral	Oleo mineral
Unden DP 2%	Propoxur (20 g/Kg)	Biomite L	Oleo mineral
Sevin DP 5%	Carbaryl	Cesar	Hexythiazox
Actara 25 WG	Thiamethoxam (250 g/kg)	Centurion P 10%	Hexythiazox
Attakan C 344 EC	Cyperméthrine (144 g/L) e Imidaclopride (200 g/L)	Conquest C176 EC	Acétarnlpride (32 g/L) e Cyperméthrine (144 g/L)
Caiman Rouge P	Perméthrine (25 g/kg) /Thirame (250 g/kg)	Cypercal P230 EC	Cyperméthrine (30g/L) e profénofos (200g/L)
Calife B 250 EC	Profénofos (250 g/L)	Lamdex 165 EC	Lambda - cyhalothrine 15 g/L Chlorpyrifos Ethyl (150 g/L)
Capt 96 EC	Acétamipride (24 g/L) / Cyperméthrine (72 g/L)	Vertimec 18 CE	Abamectina (18 g/L)
Conquest C 88 EC	Acétamipride (16 g/L) e Cyperméthrine (80g/L)	Calife B 250 EC	Profénofos (250 g/L)
Cypercal 50 EC	Cyperméthrine (50g/L)	K-Othrine DP	Deltaméthrine
Dursban 5% DP	Chlorpyrifos-éthyl	Lebaycid EC50%	Fenthion
Dursban 24 ULV	Chlorpyrifos-éthyl (240 g/L)	Sumithion EC 50	Fénitrothion
Fyfanon 925 UL	Malathion (925 g/L)	Apron Star 42 WS	Thiamethoxam (200 g/kg); Mefenoxam (200 g/Kg) Difenoconazole et (20 g/kg)
Imidalm T 450 WS	Imidaclopride (350 g/kg) et Thirame (100 g/kg)	Momtaz 45 WS	Imidacloprid (250g/kg) et thirame (200g/kg)
Karaté Max 2,5 WG	Lambda-cyhalothrine (25 g/L)	Phostoxin TB 57 % (Comprimido) Celphos (560 gr/Kg)	Phosphure d'aluminium
pyrical 5 DP	Chlorpyrifos-ethyl (5 g/Kg)	Detia Gás EX-B	Phosphure d'aluminium (570 g/kg)
pyrical 240 UL	Chlorpyrifos-ethyl (5 g/Kg)	Phosfinon 570 GE	Phosphure d'aluminium
pychlorex 480 SC	chlorpyrifos-ethyl (480 g/L)	Diclorvos EC 50	Diclorvos
Reldan 40 EC	chlorpyrifos-méthyl (400 g/L)		
Laser 480 SC	Spinosad (480 g/L)		

Product name (including the type of preparation)	Active substance	Product name (including the type of preparation)	Active substance
Tihan 175 O- TEQ	Flubendiamide (100g/L) et spirotétra mate (75g/L)	Mesural anti-Iesma RB 4% (isco)	Metiocarbe
Tracker 16,5 UL	Tralométhrine (16,5g/L)	Mesurool WP 50%	Metiocarbe
Vertimec 18 CE	Abamectina (18 g/L)	Toprat forte pellets GB	Brodifacume
Reldan EC 40	Abamectina (18 g/L)	Brody isco fresco RB	Brodifacume
Morestan WP 25 %	Chlorpyriphos-méthyl	Rafix (Isco com 0,005%)	Bromadiolona
Apache	Chinomethionate	Ramortal PF (Isco com 0,005%)	Bromadiolona
Bayleton	Triadimefon	Commando	Phosphide de zinc (800 g/kg)

Annex 9 – Stakeholder meetings

Reunião de Auscultação UGPE / Pró-Capital

Data: Quarta-feira, 07/10/2020

Projeto: Acesso ao Financiamento para Micro Pequenas e Médias Empresas

Local: Online

Hora: 09:00 – 10:00 horas

Nº de participantes: 4

Assuntos tratados: (i) Apresentação da nova reestruturação do projeto Acesso ao Financiamento para Micro Pequenas e Médias Empresas; (ii) Recolha de subsídios para a preparação do (1) Plano de Envolvimento das Partes Interessadas, (2) Plano de Compromissos Ambientais e Sociais, (3) Plano de Gestão Laboral, e revisão do (4) Quadro de Gestão Ambiental e Social.

Participantes por parte da UGPE:

Coordenador da UGPE: Nuno Miguel Gomes

Especialista Ambiental e Social da UGPE: Larissa Varela

Participantes por parte das entidades executoras-chave:

Administradora Executiva da Pró-Capital: Adalgisa Vaz

Administrador: Julio Fortes

1. Apresentação dos objetivos do encontro

A UGPE promoveu um encontro virtual com uma das principais partes envolvidas no projeto de Acesso ao Financiamento para Micro Pequenas e Médias Empresas, precisamente a Pró-Capital, para a recolha de subsídios para a conceção de instrumentos gestão das salvaguardas Ambiental e Social do projeto designadamente: (1) Plano de Envolvimento das Partes Interessadas, (2) Plano de Compromissos Ambientais e Sociais, (3) Plano de Gestão Laboral, e (4) revisão do Quadro de Gestão Ambiental e Social, alinhados com as Normas do Banco Mundial.

A UGPE se encarregou de efetuar o enquadramento do encontro e a apresentação do projeto, assim como a apresentação da utilidade dos diferentes instrumentos na governança do mesmo, destacando para os participantes os seguintes pontos:

O projeto Acesso ao Financiamento para Micro Pequenas e Médias Empresas é um projeto do Governo de Cabo Verde liderado pela UGPE e financiado pelo Banco Mundial com os objetivos de aumentar o acesso ao financiamento para Micro, Pequenas e Médias Empresas (MPMEs). A implementação do projeto arrancou em fevereiro de 2018.

Para apoiar a resposta ao choque económico provocado pela crise do COVID-19 o Governo de Cabo Verde submeteu junto do Banco Mundial em junho de 2020 um Pedido de Financiamento Adicional para o projeto no valor de \$ USD10 milhões.

Com esta reestruturação, o projeto passou a ser executado através de 5 componentes, nomeadamente:

Componente 1: Fundo de Garantia de Crédito Parcial para Melhorar o Financiamento de MPME

O projeto financia o fortalecimento do sistema de garantia de crédito parcial (PCG), técnica assistência às MPME que recorrem ao crédito e seus credores (bancos comerciais privados - PFI) para fazer uso do sistema - incluindo suporte para a preparação de planos de negócios de demonstrações financeiras e pedidos de empréstimos - administrado pelo governo e melhorias no registro de crédito existente para reduzir informações assimetrias. O financiamento adicional permitirá um aumento significativo das operações de garantia parcial de crédito do Pró-Garante em resposta à crise do COVID-19 para um projeto de 700 PMEs, salvaguardando cerca de 3.000 empregos. Além do capital para reforço do Fundo Garantidor de Crédito Parcial, o financiamento adicional possibilitará assistência técnica contínua ao Pró-Garante para fazer frente aos desafios de gestão de risco associados ao choque da COVID-19.

Componente 2: Assistência Técnica às MPMEs

Esta componente apoia a Assistência Técnica às MPMEs para melhorar a qualidade dos modelos de negócios, planos, demonstrações financeiras e empréstimos das MPMEs formulários. O programa de assistência técnica será complementado com uma estratégia de divulgação e marketing para estimular a adoção, inclusive por meio de parcerias com organizações locais, como associações e cooperativas rurais. Embora nenhuma mudança seja prevista no orçamento para este componente, os arranjos de implementação serão otimizados para aumentar o desempenho. Está previsto o envolvimento da Câmara de Comércio como parceiros de implementação no âmbito de um memorando de entendimento.

Componente 3: Melhorar os Sistemas de Informação de Crédito

Esta componente apoia o Banco Central de Cabo Verde em seus esforços para atualizar e expandir a cobertura e profundidade de seu registro de crédito público, em linha com os Princípios Gerais para Relatórios de Crédito. Também apoiará medidas para estabelecer uma supervisão eficaz dos sistemas de relatórios de crédito, incluindo um sistema onde o registro de crédito opera em cooperação com agências de crédito privadas. Espera-se que o novo registro de crédito esteja instalado e funcionando em dezembro de 2020.

Componente 4: Apoio à implementação do projeto

Esta componente apoia os aspetos institucionais, organizacionais e regulatórios necessários para uma implementação sustentável da nova estrutura para aumentar o acesso ao financiamento para as MPMEs. Financiará a prestação de consultoria para a otimização técnica e econômica dos mecanismos de apoio público existentes para o financiamento de MPME. Também cobrirá os custos de implementação do projeto (coordenação, aquisição, gestão financeira, monitoramento e avaliação).

Componente 5: Fundo de Participação para Melhorar o Acesso ao Capital das MPME

Esta componente é criada no âmbito deste financiamento adicional, através da qual o projeto apoiará a empresa pública de capital de risco recém-criada, Pró-Capital. O projeto proporcionará ao **Pró-Capital** assessoria técnica para fortalecer a governança corporativa alinhada às melhores práticas internacionais, além de capital para o arranque do capital de risco em Cabo Verde através do co-investimento, até ao máximo de 49 por cento de capital social, em empresas locais sustentáveis durante um período máximo de 12 anos antes da alienação.

2. Apresentação da atuação da Pró-Capital defendidos no encontro e reconfirmados na resposta ao questionário em exel.

A **Pró-Capital** está empenhada no cumprimento das salvaguardas ambientais e sociais cometidos através do seu Regulamento/Manual de Procedimentos para Investimentos procura reunir e sistematizar um conjunto de informações relevantes para as áreas competentes de modo a definir metodologias e procedimentos a adotar na análise, decisão e gestão de investimentos de acordo com os instrumentos de gestão previsional de investimentos aprovados pela Assembleia Geral da Pró-Capital.

A **Pró-Capital** inclui nas análises a projetos submetidos para financiamento os potenciais impactos ambientais e segue as instruções e procedimentos emanados de instituições públicas responsáveis. Por exemplo, os projetos com potenciais impactos ambientais têm de apresentar os estudos e a validação dos mesmos pela Direção Nacional do Ambiente. Se a empresa não tem capacidade para efetuar os estudos, a

Pró-Capital recorre a instituições competentes para a prestação da devida Assistência Técnica. Os resultados e as eventuais medidas de mitigação fazem parte dos critérios de decisão de financiamento.

As condições de trabalho da **Pró-Capital** são adequadas. A **Pró-Capital** adotou e tem em funcionamento um Protocolo de Prevenção do COVID-19 que reflete as instruções e procedimentos emanados a nível nacional e reforçadas pelas medidas do Condomínio para o efeito.

Aprovou PCCS, e Estatutos do Pessoal, Código de conduta e Código de Ética. A **Pró-Capital** requer que as leis, regulamentos e procedimentos nacionais relativos às condições de trabalho sejam aplicados nas empresas participadas. Quaisquer eventuais reclamações são tratadas a nível do Conselho de Administração. A **Pró-Capital** nas interações com os beneficiários tem recomendado a adoção das medidas preventivas produzidas pelas instituições nacionais. A **Pró-Capital** tem um Código de Ética e de Conduta subscrito pelos colaboradores e que de alguma forma aborda o tema da VBG. O Código de Conduta obriga a uma postura socialmente responsável.

Enquanto instituição financeira, a **Pró-Capital** requer que, sendo aplicável, as questões ambientais sejam parte do programa de operações. O seguimento, por parte da **Pró-Capital** é responsabilidade do Técnico encarregue do projeto que tem assento nos órgãos de decisão da empresa participada. Se preciso for, a **Pró-Capital** recorre a assistência técnica externa para o estudo de impactes ambientais dos projetos da empresa participada.

A **Pró-Capital** opera em parceira com todos os bancos comerciais da praça que complementam as necessidades de financiamento após reforço do capital pela Pro Capital na ótica de capital de risco. A **Pró-Capital** complementa os seus investimentos com ações de acompanhamento in loco através do colaborador da instituição designado para integrar Órgãos Sociais da empresa participada. Havendo necessidade, recorre-se a Assistência técnica externa.

Em termos de canais de comunicação com o exterior, encontram-se disponíveis: Website e redes sociais, meios de comunicação audiovisuais, contactos institucionais, etc.

A **Pró-Capital** identifica a necessidade de Ações de formação nas áreas de gestão de impactes ambientais e sociais.

3. Conclusões

Após a discussão das atividades do projeto e da atuação das partes neste financiamento adicional, deu-se por finda a reunião. Foram destacadas as seguintes conclusões e passos seguintes:

- A **Pró-Capital** está ciente do enquadramento e das suas responsabilidades no âmbito do projeto Acesso ao Financiamento para as MPMEs. Está também disposto a participar como partes interessadas;
- Ficou o compromisso de se socializar as versões draft dos instrumentos a todos os stakeholders para consulta e apropriação;

Não havendo mais nada a acrescentar, deu-se por finda a reunião.

Reunião de Auscultação UGPE/ Pró-Empresa /Pró-Garante

Data: Quinta-feira, 08/10/2020

Projeto: Acesso ao Financiamento para Micro Pequenas e Médias Empresas

Local: Online

Hora: 09:00 – 10:00 horas

Nº de participantes: 5

Assuntos tratados: (i) Apresentação da nova reestruturação do projeto Acesso ao Financiamento para Micro Pequenas e Médias Empresas; (ii) Recolha de subsídios para a preparação do (1) Plano de Envolvimento das Partes Interessadas, (2) Plano de Compromissos Ambientais e Sociais, (3) Plano de Gestão Laboral, e revisão do (4) Quadro de Gestão Ambiental e Social.

Participantes por parte da UGPE:

Coordenador da UGPE: Nuno Miguel Gomes

Especialista Ambiental e social da UGPE: Larissa Varela

Consultora Ambiental e Social para assessorar a elaboração dos instrumentos de salvaguarda ambiental e social: Arlinda Neves

Participantes por parte das entidades executoras-chave:

Administrador Executivo da Pró-Garante: Andrés Bernal

Presidente do Concelho de Administração da Pró-Empresa: Pedro Barros

1. Apresentação dos objetivos do encontro

A UGPE promoveu um encontro virtual com as principais partes envolvidas no projeto de Acesso ao Financiamento para Micro Pequenas e Médias Empresas, incluindo a Pró-Empresa, a Pró-Garante, a Pró-Capital, para a recolha de subsídios para a conceção de instrumentos gestão das salvaguardas Ambiental e Social do projeto designadamente: (1) Plano de Envolvimento das Partes Interessadas, (2) Plano de Compromissos Ambientais e Sociais, (3) Plano de Gestão Laboral, e (4) revisão do Quadro de Gestão Ambiental e Social, alinhados com as Normas do Banco Mundial.

A UGPE se encarregou de efetuar o enquadramento do encontro e a apresentação do projeto, assim como a apresentação da utilidade dos diferentes instrumentos na governança do mesmo, destacando para os participantes os seguintes pontos:

O projeto Acesso ao Financiamento para Micro Pequenas e Médias Empresas é um projeto do Governo de Cabo Verde liderado pela UGPE e financiado pelo Banco Mundial com os objetivos de aumentar o acesso ao financiamento para Micro, Pequenas e Médias Empresas (MPMEs). A implementação do projeto arrancou em fevereiro de 2018.

Para apoiar a resposta ao choque económico provocado pela crise do COVID-19 o Governo de Cabo Verde submeteu junto do Banco Mundial em junho de 2020 um Pedido de Financiamento Adicional para o projeto no valor de \$ USD10 milhões.

Com esta reestruturação, o projeto passou a ser executado através de 5 componentes, nomeadamente:

Componente 1: Fundo de Garantia de Crédito Parcial para Melhorar o Financiamento de MPME

O projeto financia o fortalecimento do sistema de garantia de crédito parcial (PCG), técnica assistência às MPME que recorrem ao crédito e seus credores (bancos comerciais privados - PFI) para fazer uso do sistema - incluindo suporte para a preparação de planos de negócios de demonstrações financeiras e pedidos de empréstimos - administrado pelo governo e melhorias no registro de crédito existente para reduzir informações assimetrias. O financiamento adicional permitirá um aumento significativo das operações de garantia parcial de crédito do Pró-Garante em resposta à crise do COVID-19 para um projeto de 700 PMEs, salvaguardando cerca de 3.000 empregos. Além do capital para reforço do Fundo Garantidor de Crédito Parcial, o financiamento adicional possibilitará assistência técnica contínua ao Pró-Garante para fazer frente aos desafios de gestão de risco associados ao choque da COVID-19.

Componente 2: Assistência Técnica às MPMEs

Esta componente apoia a Assistência Técnica às MPMEs para melhorar a qualidade dos modelos de negócios, planos, demonstrações financeiras e empréstimos das MPMEs formulários. O programa de assistência técnica será complementado com uma estratégia de divulgação e marketing para estimular a adoção, inclusive por meio de parcerias com organizações locais, como associações e cooperativas rurais. Embora nenhuma mudança seja prevista no orçamento para este componente, os arranjos de implementação serão otimizados para aumentar o desempenho. Está previsto o envolvimento da Câmara de Comércio como parceiros de implementação no âmbito de um memorando de entendimento.

Componente 3: Melhorar os Sistemas de Informação de Crédito

Esta componente apoia o Banco Central de Cabo Verde em seus esforços para atualizar e expandir a cobertura e profundidade de seu registro de crédito público, em linha com os Princípios Gerais para Relatórios de Crédito. Também apoiará medidas para estabelecer uma supervisão eficaz dos sistemas de relatórios de crédito, incluindo um sistema onde o registro de crédito opera em cooperação com agências de crédito privadas. Espera-se que o novo registro de crédito esteja instalado e funcionando em dezembro de 2020.

Componente 4: Apoio à implementação do projeto

Esta componente apoia os aspetos institucionais, organizacionais e regulatórios necessários para uma implementação sustentável da nova estrutura para aumentar o acesso ao financiamento para as MPMEs. Financiará a prestação de consultoria para a otimização técnica e econômica dos mecanismos de apoio público existentes para o financiamento de MPME. Também cobrirá os custos de implementação do projeto (coordenação, aquisição, gestão financeira, monitoramento e avaliação).

Componente 5: Fundo de Participação para Melhorar o Acesso ao Capital das MPME

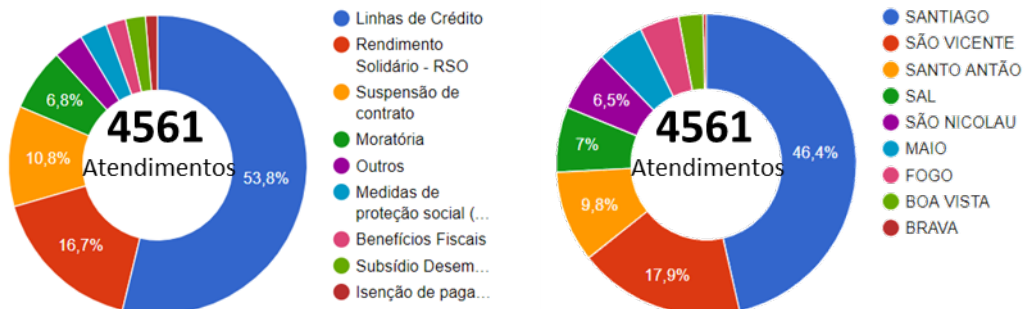
Esta componente é criada no âmbito deste financiamento adicional, através da qual o projeto apoiará a empresa pública de capital de risco recém-criada, Pró-Capital. O projeto proporcionará ao **Pró-Capital** assessoria técnica para fortalecer a governança corporativa alinhada às melhores práticas internacionais, além de capital para o arranque do capital de risco em Cabo Verde através do co-investimento, até ao máximo de 49 por cento de capital social, em empresas locais sustentáveis durante um período máximo de 12 anos antes da alienação.

2. Debate sobre as alterações previstas na atuação de cada stakeholder

Presidente do Concelho de Administração da Pró-Empresa: Pedro Barros

A Pro-Empresa está empenhada no cumprimento das salvaguardas ambientais e sociais e disponibiliza-se para colaborar de forma adequada na conceção e na implementação dos instrumentos de gestão ambiental e social. Apesar de que o financiamento adicional não altera significativamente a composição das funções e responsabilidades deste stakeholder, pretende-se uma melhoria contínua do desempenho nas atividades do Projeto. A principal componente de atuação da Pro-Empresa continua sendo a Componente 2.

A Pro-empresa desempenhou um papel essencial no atendimento e orientação e resposta das empresas à COVID-19. Dum total de 4561 atendimentos registados até outubro de 2020, tem-se que cerca 50% são relativos à medidas da COVID 19. A maioria da procura é da ilha de Santiago, seguido de São Vicente.



Atendimentos às empresas registados pela Pr-Empresa até outubro de 2020

Administrador Executivo da Pró-Garante: Andrés Bernal

A Pró-Garante será um dos principais beneficiários do financiamento adicional. As atividades da Pró-Garante no projeto serão intensificadas com o financiamento adicional, e não é alterada o prazo em que estas ações serão desenvolvidas, ou seja, o fecho do projeto se mantém para 2023.

A Pró-Garante apresentou um alinhamento com as normas do Banco Mundial, e leis de proteção ambiental e social vigentes no país assegurados através dos instrumentos de gestão da instituição.

3. Conclusões

Após as colocações de cada parte envolvida, deu-se por finda a reunião. Foram destacadas as seguintes conclusões e passos seguintes:

- Os parceiros estratégicos estão cientes do enquadramento e das suas responsabilidades inerentes no âmbito do projeto Acesso ao Financiamento para as MPMEs e dispostos a participarem como partes interessadas;
- Um questionário de questões de base sobre as perspectivas do projeto foi encaminhado a todos os envolvidos para ajudar na identificação das mudanças menos óbvias;
- Comprometeu-se a socializar as versões draft dos instrumentos a todos os stakeholders para consulta e apropriação;

Não havendo mais nada a acrescentar, deu-se por finda a reunião.