AFRICAN DEVELOPMENT BANK

MORABEZA INNOVATION PROJECT

Project Appraisal Report

RBF
Results-Based Financing
African Development Bank Group

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PROGRAMME: Morabeza Innovation Project

COUNTRY: Cabo Verde

ID NUMBER: P-CV-GB0-005

RESULTS-BASED FINANCING APPRAISAL REPORT

RDGW/PITD/PISD

December 2024

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A) Currency Equivalents

As of October 2024

UA 1	=	134.038 CVE ESCUDO
UA 1	=	1.21148 EUROPEAN EUROS
UA 1	=	1.35637 US DOLLARS

B) Fiscal Year

1 January – 31 December

C) Weights And Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

D) Acronyms And Abbreviations

ADB	African Development Bank
ADF	African Development Fund
AFAWA	Affirmative Action for Women in Africa
AfCTA	African Continental Free Trade Agreement
AWPB	Annual Work Plan and Budget
BDS	Business Development Services
BSG	Budget Support Group
CC&GG	Climate Change and Green Growth
CPIA	Country Policy and Institutional Assessments
CSP	Country Strategy Paper
CV	Cabo Verde
CVD	Cabo Verde Digital
CVE	Cabo Verdean Escudos
CVTI	Cabo Verde Trade Invest
EEDCV	Digital Economy Strategy of Cabo Verde (see EEDCV)
DGTED	Directorate of Telecommunications and Digital Economy
DY&W Bank	Digital Bank for Youth and Women comprising of Pro Capital, Pro Garante and Pro Empresa
DLI	Disbursement Linked Indicator
DTAP	Digital Transformation Action Plan
e-BDS	Internet based Business Development Services
ECOWAS	Economic Community of West African States
EEDCV	Estratégia para a Economia Digital de Cabo Verde (see EEDCV)
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EOY	End of Year
EPAMP	E-Governance and Public Administration Modernization Program
E-PFMRP	E-Governance and Public Financial Management Reform Program
ESSA	Environmental and Social Systems Assessment
EU	European Union
EUR	Euro
GB	Gigabyte
GDP	Gross Domestic Product
GNI	Gross National Income
GSMA	Global System for Mobile Communication Association
HDI	Human Development Index
ICT	Information and Communication Technology
IEC	International Electrotechnical Commission
IFC	International Finance Corporation
IIAG	Ibrahim Index for Governance in Africa
IMF	International Monetary Fund
INE	*Instituto Nacional de Estatistica*
ISS	Integrated Safeguards System

IVA	Independent Verification Agency
LC	Lusophone Compact
JICA	Japan International Cooperation Agency
LP	Limited Partnerships
LuxDev	Lux-Development S.A.
LPAC	Limited Partner Advisory Committee
M&E	Monitoring and Evaluation
MCI	Mobile Connectivity Index
MED	Ministry of Digital Economy
MIP	Morabeza Innovation Project
MIT	Massachusetts Institute of Technology
MoC	Ministry of Commerce
MoF	Ministry of Finance
MOOC	Massive Open Online Course
MSME	Micro, Small and Medium-sized Enterprises
NDC	Nationally Determined Contribution
NEET	Not in Education, Employment or Training
NOSI	*Núcleo Operacional para a Sociedade de Informação*
PALOP	*Países Africanos de Língua Oficial Portuguesa*
PCN	Project Concept Note
PCR	Project Completion Report
PEDS	*Plano Estratégico de Desenvolvimento Sustentável 2017-2021*
PEDS II	*Plano Estratégico de Desenvolvimento Sustentável 2022-2026*
PIU	Project Implementation Unit
ProC	*Pró-Capital*
ProE	*Pró-Empresa*
ProG	*Pró-Garante*
PRSP	Poverty Reduction Strategy Paper
RBF	Results Based Financing
SME	Small and Medium-sized Enterprises
TBD	To Be Determined
TYS	Ten Year Strategy 2024-2033
UA	Units of Account
UGPE	*Unidade de Gestão de Projetos Especiais*
UN	United Nations
USD	US Dollars
WB	World Bank
WEF	World Economic Forum
WMSME	Women Micro, Small and Medium-sized Enterprises
YEIB	Youth Entrepreneurship and Innovation Bank

1. Programme Information

SECTOR(S) Private Sector, Infrastructure and Industrialization, Industrial and Trade Development

THEME(S) Skills Development, Youth Employment, Women Economic Empowerment, Digital Economy and Innovation, Industrial and Trade Development

2. Loan Information

A) Client's information

BORROWER/RECIPIENT: Ministry of Finance

EXECUTING AGENCY: Unidade de Gestão de Projetos Especiais (UGPE)

Contact	Avenida Amilcar Cabral, Ex. Edifício do BCV, 4º Andar Plateau - Cidade da Praia, Ilha de Santiago C.P.nº 145, República de Cabo Verde
Other responsible agency	Ministry of Digital Economy (DGTED, CVD) Digital Bank for Youth and Women (comprising of Pró-Capital, Pró-Garante , Pro- Empresa)

B) Financing Plan[1]

Source	Amount (EUR Million)	Instrument
Government[2]	57.84	In cash/ In kind
ADB	24.00	Loan
AFAWA	1.00	Grant
Parallel Financing		
LuxDev[3]	17.50	Grant
EU[4]	37.00	Grant
World Bank[5]	18.84	Grant
JICA	TBD	TBD
TOTAL COST	**156.18**	

[1] Please note as this is an RBF and the projects captured are reflective of other institutions direct support the GoCV to deliver on the PEDSII and the EEDCV.
[2] See annex 1-9 of the technical annex document for detailed breakdown of GoCV's commitment
[3] Through the Employment and Employability Program
[4] Through the Global Gateway project -allocating EUR 37 million for digital transformation
[5] Through the Digital Cabo Verde Project

C) ADB key financing information

Loan currency	Euros (EUR)
Loan type	Fully flexible loan
Maturity	To be determined, maximum 25 years, including the grace period
Grace period	To be determined, (maximum 8 years)
Weighted average maturity	To be determined (based on amortization profile, maturity and grace period)
Reimbursements	Equal half-yearly payments at the end of the grace period or profile based on the Borrower's needs
Interest rate	Base rate + financing cost margin + lending margin+ maturity premium if applicable (This interest rate shall be above or equal to zero)
Base rate	Floating (6-month EURIBOR reviewed on 1 February and 1 August). There shall be a free base rate fixing option
Financing cost margin	The Bank's financing cost margin reviewed on 1 January and 1 July, and applied on 1 February and 1 August with the base rate
Lending spread	80 basis points (0.8%)
Maturity premium	To be determined: o 0% if weighted average maturity is<= 12.75 years o 0.10% if12.75<weighted average maturity is <=15years o 0.20% if weighted average maturity is>15 year
Front-end fee	0.25% of the loan amount
Commitment fee	0.25% per annum on the undisbursed amount, effective 60 days following the loan signature date and due on set payment dates
Base rate conversion option*	Besides the free base rate fixing option, the Borrower may revert to the floating rate or reset all or part of the disbursed loan amount. Transaction fees apply
Rate cap or collar option*	The borrower may cap or collar the base rate for all or part of the disbursed loan amount. Transaction fees apply.
Loan currency conversion option*	The borrower may change the currency of all or part of its disbursed or undisbursed loan to another Bank loan currency. Transaction fees apply

**Conversion options and related transaction fees are governed by the Bank Conversion Guidelines available on the website https://www.afdb.org/en/documents/document/guidelines-for-conversion-of-loan-terms-july-2014-87643 /*

A weighted average maturity calculator is available on the website https://www.afdb.org/en/projects-and-operations/financial-products/african-development-bank/loans/1

D) Disbursement Schedule (expected)

Advance Amount in EUR Million	DLI EUR Million	

Fiscal Years	Amount	% of loan amount	DLI 2025 disbursed in 2026	DLI 2026 disbursed in 2027	DLI 2027 disbursed in 2028	DLI 2028 disbursed in 2029	Total
Annual disbursement estimates	6.00*	25%	8.64	3.17	3.72	2.47	**18**
Cumulative amount			8.64	6.17	6.72	2.47	**24**
Total Loan							**24**

**The cumulative amount represents the loan amount without the advance. The project assumes that the advance will be paid over 2 years in equal amounts*

E) Timeframe - Main stepping-stones (expected)

Concept Note approval	August, 2024
Program approval	December, 2024
Effectiveness	January, 2025
Completion	January, 2028
Last repayment	December, 2028

F) Basic Programme Information

Program Development Objective(s)	State objective(s) here	
Compliance		
Policy Does the program depart from the CSP in content or in other significant respects?	Y [ ]	N [**x**]
Does the program meet the eligibility criteria	Y [**x**]	N [ ]
Is approval for any policy waiver sought from the Board?	Y [ ]	N [**x**]
Overall Risk Rating: moderate		
Legal Conditions	See legal section of the report	

3. Executive Summary

PROGRAM EXECUTIVE SUMMARY	
Program Overview	**Description**
Program name	**Morabeza Innovation Project**
Overall timeframe	2024-2028
Program Cost	EUR 24 million (UA 20 million)
Borrower/Recipient	**The Republic of Cabo Verde**
Implementing Agency	*Unidade de Gestão de Projetos Especiais (UGPE)*
Financing Data	ADB Loan of EUR 24 million
Program Description	
Program Development Objective	(i) Position Cabo Verde as a regional hub for innovation and entrepreneurship, transitioning from a tourism-dependent economy to one driven by digital innovation. (ii) Establish digital technology as an enabler of private sector productivity, competitiveness, and sustainable job creation, especially for women and youth, across key sectors, including tourism, agriculture, (agri-tourism), the creative industry, and blue economy.
Results Areas (Components)	The program comprises the following three main results areas: (i) Go Global - create policies, platforms and vehicles to attract and retain Innovation Driven Enterprises (IDE) and digital nomads **(50%)**; (ii) Grow Local - develop local MSME ecosystems to increase productivity and technological adoption **(47%)**; and (iii) Digitally Enhanced Coordination, Monitoring, and Evaluation **(3%)**
Disbursement-Linked Indicators (DLIs)	Ten (10) disbursement-linked indicators will be used to disburse the amount allocated to this operation, three (3) of which gender and youth disaggregated: **(i)** Percentage increase in Private Sector Investments in the Cabo Verdean ecosystem; **(ii)** Persons in CV on a digital nomad visa annually (gender disaggregated and youth-led vs. non youth led); **(iii)** Digital Visa application and onboarding platform for nomads and startups are created. With a monitoring dashboard and automated workflow, **(iv)** Gender smart fund setup completed. Including: fundraising strategy, Investment Committee and fund structure, Term sheet, first close, LPAC agreement **(v)** Enact relevant polices for digital nomad visa / startup visa- backed with transparency on the quota from regions; **(vi)** Number of digital ambassadors trained (F/M) to support MSMEs with technological adoption and climate friendly business practices; **(vii)** Number of MSMEs financed (of which women and youth-led); **(viii)** Platform for aggregating market insights, Providing BDS trainings linked to Guarantee, and insights from lending activities developed; **(iv)** A dashboard to track the comprehensive implementation of MIP is created **(x)** An independent consulting firm is hired to support and strengthen the capacity of IGF (IVM) the implementation of each output in the RBF framework and Capacity building Program for Project Stakeholders.
Alignment with Bank priorities	CSP 2019-2024; Ten-Year Strategy (TYS) 2024-2033; Private Sector Development Strategy 2021-2025; Industrialization Strategy 2016-2025; Digital Transformation Action Plan(D-TAP) 2024-2028, Jobs for Youth in Africa Strategy 2021-2025; Addressing Fragility and Building Resilience 2022-2026; Gender Strategy 2021-2025; the Development Finance for Portuguese-Speaking Countries (Lusophone Compact) Triennial Work Program (2024-2027), and the Climate Change and Green Growth Action Plan (2021-2025).
Needs Assessment and Justification	Cabo Verde has progressed significantly in the implementation of reforms for private sector development and recently, fostering economic diversification through digital transformation. This commitment is reflected in the PEDS II 2022-2026, the Cabo Verde Digital Governance Strategy 2023-2025, and the recently approved Digital Economy Strategy of Cabo Verde (EEDCV 2024-2030) which identifies priority interventions to achieve the targeted digital economy contribution of 25% to the country's GDP by 2030. As it stands, Cabo Verde's private sector faces distinct geographic and demographic challenges that adversely affect its competitiveness. Its economy needs to diversify as it is highly dependent on tourism. Digital innovation offers unparalleled potential for catalysing private sector growth, attracting diaspora investment and enhancing MSME productivity (every USD 1 invested in digital technologies usually generates a USD 20 increase in GDP - a return 6.7 times higher than non-digital investments) and would be key for overcoming Cabo Verde's geographic and market limitations by enabling access to global markets and reducing operational costs. It also enhances investments in sectors like agriculture, blue economy, creative industries and energy, boosts labour productivity, and creates job opportunities, while offering significant social

	impact through digital training and remote work access. Cabo Verde's positioning as a hub for digital nomads, especially those from the diaspora, could significantly boost economic resilience and foster inclusive growth by attracting high-skilled professionals to contribute to the local economy and knowledge ecosystem.
Harmonization	Donor coordination in Cabo Verde is satisfactory through regular engagements with all stakeholders, such as under the Budget Support Group (BSG). During the project appraisal, several bilateral discussions took place concurrently with the Country Strategy Paper (CSP) mission in September 2024, involving key partners such as the European Union, European Investment Bank (EIB), International Monetary Fund (IMF), Japan International Cooperation Agency (JICA), Lux-Development S.A. (LuxDev), the Portuguese Cooperation, Millennium Challenge Corporation, and the World Bank (WB). These discussions helped align the project from both concessionally and debt ratio perspectives, ensuring its financial sustainability. Additionally, the project components are well-integrated with existing national strategies, with deliberate meetings aimed at ensuring synergy on all planned activities. Harmonization with private sector participants has also been key, as they have played a pivotal role in leveraging public funds, strengthening the overall financing structure in the project.
Bank's Added Value	The Bank has developed a unique comparative advantage and deep expertise through its historical investments in the country, positioning it exceptionally well as a lead lender in the digital space, supporting the country's strategy to diversify its economy beyond tourism and foster a vibrant private sector. The Bank's past investments are already strengthening the country's digital infrastructure and led to major learnings on the country's readiness to implement this project. Notable results include: o EUR 58 million investment in e-Government projects since 2022 which have transformed governance, streamlining business registration, implementing tax reforms, and advancing cybersecurity, earning recognition as a "GovTech Leader." o EUR 45 million investment in the CV Tech Park, powered by green energy and linked to the Ella Link cable, has enhanced internet access, reduced energy costs, directly created 170 jobs in one year, and partnered with strategic actors like MIT and Intel. o USD 350,000 grant funded Cabo Verde's first Capital Markets Masterplan, advancing domestic resource mobilization and supporting economic diversification. o > EUR 14 million has been invested in Cabeolica Wind Power Plant construction and operationalization, and an additional EUR 19 million is currently being planned to support its expansion program, increasing access to reliable, renewable energy in Cabo Verde.
Overall Risk rating	Moderate
Contribution to Gender Equality and Women's Empowerment	The project will contribute directly to women's economic empowerment, namely to women's access to employment opportunities, to increased productivity and revenue of the enterprises they lead and improved access to finance (50% of the beneficiary enterprises of the project will be WMSME). The project falls under category II of the Bank's Gender Marker System.

4. Results Framework for Results-Based Financing Operations

Results Indicators	DLI (Yes/ No)	Unit of measure	Baseline (2024)	Target Values				Frequency	Data Source/method	Resp. for Data collection
				Year 1 2025	Year 2 2026	Year 3 2027	Year 4 2028			
IMPACT										
OUTCOMES										
OUTCOME STATEMENT 1: Increased Productivity and Revenue from Private Sector /MSME										
OUTCOME INDICATOR 1.1. Share of GDP contributed by the digital economy sector	No	% of GDP	3.88%	4.00%	4.88%	5.88%	6.88%	Annually	INE Business Statistics in Cabo Verde World Bank Data Portal	UGPE/ DGTED/ Digital Bank for Youth and Women
OUTCOME INDICATOR 1.2. MSME revenue growth (***disaggregated by up to 40% women and youth led MSME across various sectors***)	No	$$ revenue	Current revenue $2,6B	$2.70B	$2.89B	$3.33B	$3.70B	Annually		UGPE/ DGTED/ Digital Bank for Youth and Women
OUTCOME STATEMENT 2: Increased employment opportunities for women and youth in Cabo Verde										
OUTCOME INDICATOR 2.1. Number of new jobs/ green jobs (***disaggregated by up to 40% women and youth, across various sectors***)	No	Number of new , direct and induced	Direct jobs – 11,404 (Induced Jobs- 34,212)	1250 direct jobs 3,750 induced jobs	2500 direct jobs 7,500 induced jobs	3750 direct jobs 11,250 induced jobs	5,000 direct jobs 15,000 induced jobs	Annually	MoF, MoC	UGPE/ DGTED/ Digital Bank for Youth and Women

UTCOME STATEMENT 3: Access to financing for MSMEs and Startups is improved.										
OUTCOME INDICATOR 3.1. Percentage increase in Private Sector Investments in the Cabo Verdean ecosystem (specifically in green/ climate friendly digital services)	Yes/DLI1	% increase **YoY**	FDI- 6.8% growth rate	0% additional	3% additional growth	5% additional growth	6% additional growth	Annually (starting in year 2)	Pro Capital LPAC Report (investment raised and attracted) Cabo Verde Invest Report (amounts attracted from private sector investment)	UGPE/ DGTED/ Digital Bank for Youth and Women
OUTCOME INDICATOR 3.2. Number of MSMEs financed	Yes/DLI7	# of MSMEs	500	600 (40% WMSME) (40% youth led)	1000 (40% WMSME) (40% youth led)	1,500 (40% WMSME) (40% youth led)	2,000 (40% WMSME) (40% youth led)	Quarterly	Integrated Market and Loan Monitoring Platform in the Digital Bank	Digital Bank for Youth and Women/ Tech Park
OUTCOME STATEMENT 4: Improved Conducive Business Investment Climate (especially for tech-enabled enterprises)										
OUTCOME INDICATOR 4.1. Percentage increase in new enterprises created in the targeted sectors (***disaggregated by up to 40% women and youth led MSME across various sectors***)	No	% increase **YoY**	Total MSMEs 11,404	11,974 MSMEs	12,932 MSMEs	14,355 MSMEs	16 364 MSMEs	Annually	Public Admin Business registries record	UGPE/ DGTED/Tech Park/ Digital Bank for Youth and Women
OUTCOME INDICATOR 4.2. Persons in CV on a digital nomad visa ***(up to 40% women and youth-led).***	Yes/DLI2	# of persons (F/M)	97 (2023)	100	1,100	2,100	3,100	Monthly	Soft Landing Secretariat Platform Min. of Tourism	UGPE/ DGTED/Tech Park

OUTPUTS										
Result Area 1 – Go Global										
OUTPUT STATEMENT 1: Attract Digital Nomads and Startups										
OUTPUT INDICATOR 1.1. Digital Visa application and onboarding platform for nomads and startups exits.	Yes/DLI3	Yes/No	No	Yes, Platform Commenced development (UI/UX designed)	Yes, Alpha Version Deployed platform	Yes, Physical one-stop shops in 2 islands for the soft-landing project	Yes, Finalized	Annually	Annual Report Evidence of Platform hosted on the web	UGPE/ DGTED/Tech Park
OUTPUT INDICATOR 1.2. nomad visa / startup visa Strategy exists	Yes/DLI5	Yes/No	No	Yes, Firm to develop policy/strategy recruited	Yes, Strategy disseminated (with clear marketing plan)	Yes, Strategy adopted, and training programs deployed	Yes, Strategies developed	Once	Final Digital Nomad Strategy Report| Contract with Firm to develop Strategy| Policy enaction	UGPE/ DGTED/Tech Park
OUTPUT INDICATOR 1.3. Enact relevant polices for digital nomad visa / startup visa- backed with transparency on the quota from regions	Yes/DLI5	Yes/No	No	Yes, Firm to develop policy/strategy recruited	Yes, Strategy disseminated (with clear marketing plan)	Yes, Strategy adopted, and training programs deployed	Yes, Strategies developed	Once	Final Digital Nomad Strategy Report| Contract with Firm to develop Strategy| Policy enaction	UGPE/ DGTED/Tech Park
OUTPUT STATEMENT 2: Provided Access to Scale-Up Capital for Startups in Strategic Sectors, with a focus on Gender and Youth										
OUTPUT INDICATOR 2.1. Gender smart/ Climate	Yes/DLI4	Yes/No	No	No	Yes	Yes	Yes	Once	LPAC report	Fund Manager |

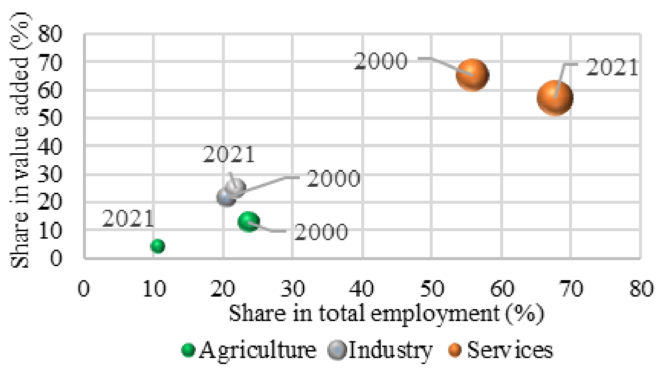
friendly fund setup completed.										Digital Bank for Youth and Women
Result Area 2 – Grow Local										
OUTPUT STATEMENT 3: MSME Productivity Boosted										
OUTPUT INDICATOR 3.1. Number of MSMEs trained (disaggregated by youth and WMSME)	No	# of MSMEs supported with trainings	0	500 (50% WMSME) (50% youth led)	1,000 (50% WMSME) (50% youth led)	1,500 (50% WMSME) (50% youth led)	2,000 (500 onsite / 1,500 online) (50% WMSME) (50% youth led)	Monthly	Training attendance records Project Monitoring Dashboard	DGTED/Digital Bank for Youth and Women /UGPE
OUTPUT INDICATOR 3.2. Number of digital ambassadors trained (F/M) and WMSME)	Yes/DLI6	# of Youth Ambassadors trained	0	65 (50% women)	125 (50% women)	185 (50% women)	250 (50% women)	Monthly	Training attendance records Project Monitoring Dashboard	DGTED/ Digital Bank for Youth and Women /UGPE
OUTPUT INDICATOR 3.3. Number of MSMEs supported for technological adoption in their businesses	No	# of Businesses Supported	0	1,250 (625 WMSME)	2,500 (1250 WMSME)	3,750 (1,875 WMSME)	5,000 (2,500 WMSME)	Monthly	UGPE	Ministry of Commerce
OUTPUT STATEMENT 4: Enhanced Innovative Access to Finance for Cabo Verdean MSMEs										
OUTPUT INDICATOR 4.1. Total value of Guarantee provided through the Digital Bank to financial institutions	No	EUR Amount of money lent to MSME's	CVE 9 million	0	EUR 2million (50% WMSME) (50% youth led	EUR2million (50% WMSME) (50% youth led)	$2 million (50% WMSME) (50% youth led)	Quarterly	Integrated Market and Loan Monitoring Platform in the Digital Bank	DGTED/ Digital Bank for Youth and Women /UGPE

OUTPUT STATEMENT 5: Implemented Market Aggregation and Business Development Support to MSMEs										
OUTPUT INDICATOR 5.1. A Market Aggregation and BDS Platform exists)	Yes/DLI8	Yes/No	No	No platform set up	Yes	Yes	Yes	Quarterly	Digital Bank Report	DGTED/ Digital Bank for Youth and Women /UGPE
Result Area 3 – Digitally Enhanced Coordination, Monitoring, and Evaluation										
OUTPUT STATEMENT 6: Visualized and Analysed Project Implementation and Monitoring through a Dashboard										
OUTPUT INDICATOR 6.1. A Project implementation dashboard exists	Yes/DLI9	Yes/No	No platform architecture is being designed	In progress	Yes, First Version	Yes, Training on data collection commenced	Yes, A fully functional dashboard	Monthly	Evidence of contract with Firm/ Evidence of Platform hosted on web	DGTED/UGPE/ Digital Bank for Youth and Women
OUTPUT STATEMENT 7 : Capacity Building Program For Project Stakeholders and IVA is Implemented										
OUTPUT INDICATOR 7.1: An independent consulting firm to strengthen the capacity of IGF (IVM)	Yes/DLI 10a	Yes/No	No	Yes	No	No	No	Once	Evidence of contract with Firm. IVM reports	DGTED/UGPE/ Digital Bank for Youth and Women
OUTPUT INDICATOR 7.2: # of staff trained (of which 50% women)	Yes/DLI 10b	# staff trained	0 staff trained	5-10 staff trained (50% Women)	10-20 staff trained (50% Women)	5-10 staff trained (50% Women)	5-10 staff trained (50% Women)	yearly	Training certificates Independent report from the INE	DGTED/UGPE/ Digital Bank for Youth and Women

****All the indicators are cumulative, except for those indicated YoY (year-over-year). Therefore, the Year 4 column shows the final result throughout the four years of the project*.**

5. Strategic Context

A) Country Context



Source : Author's calculation using AfDB Statistics/World

A.1.1 Cabo Verde has experienced significant economic growth over the past decade, with structural challenges impacting the economy's absorptive capacity. Nominal GDP rose by 108%, from USD 1.11 billion in 2006 to USD 2.31 billion in 2022, while GDP per capita grew 76%, reaching USD 3,902.6. However, the economy saw limited diversification: the services sector's share of GDP fell slightly from 70.6% in 2000 to 69.2% in 2021, while agriculture dropped from 9.7% to 7.8%, and industry increased from 19.7% to 21.8%. Low-skilled workers, mainly women exiting agriculture, faced limited opportunities due to low absorptive capacity in the industry and capital-intensive services. This was further exacerbated by severe droughts over the past five years, which reduced agricultural productivity.

A.1.2 The economy has shown a strong recovery trajectory post-COVID-19, despite initial setbacks. Pre-pandemic, tourism accounted for 25% of GDP, 10% of formal employment, and was the primary source of foreign direct investment. However, the pandemic led to a severe 14.8% economic contraction in 2020, triggered by containment measures and global disruptions. By 2022, the economy rebounded with 10.5% real GDP growth, followed by 5.1% in 2023, driven predominantly by growth in services (transport, digital economy, renewable energy, and tourism) and industry, which collectively contributed 71% and 24% to GDP growth from 2019 to 2023.

A.1.3 While economic recovery is expected to continue, external macroeconomic risks pose potential setbacks. Projections indicate GDP growth of 6% in 2024 and 6.3% in 2025, supported by a revival in tourism and transportation sectors. However, climate change and rising interest rates are likely to impact agricultural output and increase fiscal pressures. Persistent droughts have led to significant declines in agricultural productivity, while external shocks could exacerbate inflationary pressures and widen the fiscal deficit due to higher spending on social safety net programs. Fiscal sustainability is also at risk from high debt levels and challenges in restructuring public enterprises.

A.1.4 Digital transformation is crucial for diversifying Cabo Verde's vulnerable economy. The economic shock of the pandemic highlighted the fragility of service-based economies, underlining the need for diversification and productivity improvements across sectors. Digital transformation presents an opportunity to build economic resilience, foster new income streams, and create employment, particularly vital for an archipelago with nine inhabited islands. Digital adoption can help bridge geographic disparities, integrate local markets with global value chains, and provide remote work opportunities for youth, including women, who are largely digital natives.

A.1.5 The concept of using digital transformation to reshape Cabo Verde's economy is at the core of its Strategic Plan for Sustainable Development (PEDS II, 2022–26). The plan seeks to transition Cabo Verde from a tourism-dependent economy to one driven by digital innovation, aiming to enhance productivity and competitiveness by leveraging technology. Digital transformation can help close these efficiency gaps and strengthen the country's economic standing. This direction aligns with the 2019-2024 Country Strategy Paper (CSP), particularly Pillar I, which focuses on economic diversification. It also complements the Lusophone Compact's goal of accelerating private sector growth and regional integration. Furthermore, the emphasis on digital transformation aligns with the African Union's Agenda 2063, which promotes science, technology, and innovation as pathways to economic resilience**.**

Box 1: Cabo Verde Debt Distress and the ADB Loan

Although Cabo Verde's overall risk of debt distress is high (according to the WB/IMF Debt Sustainability Analysis (DSA) of June 2023), its external debt risk remains moderate. This is because Cabo Verde's public external debt is highly concessional, with multilateral institutions as the primary creditors. The International Monetary Fund, World Bank, and African Development Bank account for approximately 43.8% of external public debt, while bilateral creditors account for about 19.7%, with Portugal as the largest creditor. The debt service cost is moderate, with an average interest rate of about 0.93% and an average maturity of 17.2 years. As of May 21, 2024, Fitch Ratings upgraded Cabo Verde's Long-Term Issuer Default Rating (IDR) from 'B-' to 'B' with a stable outlook. By stimulating the digital economy's contribution to GDP to reach 25% by 2030, the project aims to enhance economic resilience and diversification, supporting Cabo Verde's path towards sustainable debt management.

In light of this moderate external debt risk, stable country ratings, and the historical concessionality of the Banks' and other DFI loans, the RBF project proposes sustaining the concessionality of the AfDB loan in line with other DFIs. To meet the concessionality requirement of 35% grant elements, the amortization schedule of the AfDB loan would need to achieve an average loan maturity of 18.58 years (see Annex 2-3 for loan pricing and a detailed breakdown).

B) Sectoral and Institutional Context

B.2.1 State of Digital in Cabo Verde

Cabo Verde has made significant strides in positioning digital transformation at the core of its economic strategy, with key frameworks including the Strategic Plan for Sustainable Development (PEDS II, 2022–2026), the Digital Governance Strategy (2023–2025), and the Digital Economy Strategy (EEDCV) 2024–2030, approved in October 2024. The PEDs II aims to grow the digital sector's contribution to GDP to 25%, essential for diversification The EEDCV is central to the country's ambition to become a digital and innovation hub, focusing on digital inclusion, economic competitiveness, and advancing a cashless economy. **The government has established a robust institution to support this digital agenda.** The Ministério da Economia Digital (MED), under the Ministry of Finance and Business Development, leads digital transformation efforts, while the General Directorate of Telecommunications and Digital Economy (DGTED) coordinates the implementation of the EEDCV. NOSi, the government's technology arm, has been instrumental in developing e-government services and now exports digital governance solutions globally.

Cabo Verde's strategic location at the junction of five international submarine fiber-optic cables, including the EllaLink, provides direct connections to Europe, South America, and Africa, ensuring reliable, high-speed broadband. This connectivity positions the country as a key player in the regional digital market. The ongoing development of the Amílcar Cabral network is set to further enhance internet capacity, with a projected 43% annual increase in bandwidth through 2027, potentially lowering costs by six percentage points.

The African Development Bank has played a crucial role in Cabo Verde's digital success, laying the groundwork for the growth of its digital ecosystem. Through investments such as the EUR 43 million Parque Tecnológico Arquipélago Digital de Cabo Verde, the country now boasts world-class infrastructure. Within just one year, the technology park has become home to over 400 developers and startups from 16 countries. It also offers special economic zone benefits and has secured partnerships with institutions like MIT and Intel to provide training in cutting-edge technologies, further cementing Cabo Verde's position as a regional digital leader**.**

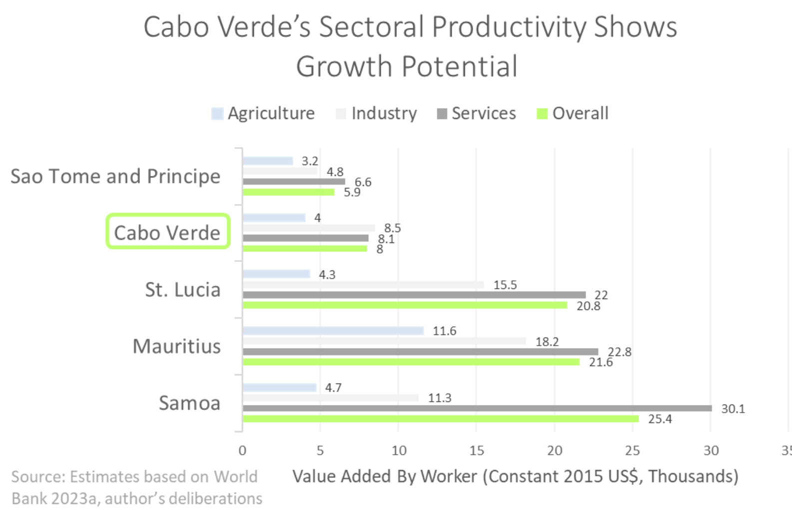
Cabo Verde excels in key digital economy metrics. It ranks among the top ten in Africa for broadband affordability, with the cost of 1GB of mobile data at $3.24 (1.23% of GNI per capita), well below the African average of 6.17% and the ITU recommendation of 2%**.** The country is a leader in digital literacy, with 70% of the population possessing basic digital skills, outperforming most of the region. Internet usage exceeds two-thirds of the population, and there is near universal mobile broadband coverage (95%), though 4G coverage is 71.3%.**In terms of e-Governance, Cabo Verde ranks third in Africa on the 2022 Ibrahim Index of African Governance (IIAG), with a score of 69.6**. It is also one of the least corrupt countries in Africa, ranking 30th globally in the 2023 Corruption

Perceptions Index. The country's e-government system is sophisticated, allowing services like online birth certificate applications with delivery in five days. Digital voting and efficient social benefit distribution during COVID-19 further demonstrate its digital governance capabilities

B.2.1.5 Cabo Verde's digital sector, while small in population is proving to be a significant contributor towards the economy, totalling USD 93 million in 2022 which represented some 3.88% of GDP. This sector employs a workforce of 1,991 people illustrating that a small but productive workforce can generate substantial economic impact. Internet usage exceeds two-thirds of the population, more than double the African average, and 95% of Cabo Verde has mobile broadband coverage (mostly 3G, with 4G coverage at 71.3%). However, this lags behind peers like Mauritius (99%), Fiji (96%), and Comoros (84%).

B.2.2 Private Sector Growth

B.2.2.1 Cabo Verde's private sector is primarily composed of micro, small, and medium enterprises (MSMEs), centered on Santiago, São Vicente, and Sal. There are over 18,000 active companies—a 65% increase since 2018—with 79.5% situated on these islands. Micro-enterprises make up 82.5%, small businesses 7.1%, and medium-sized firms 8.3%, while large companies constitute just 1.8%. Women lead 29% of businesses, with higher representation in education, health, and social action (57%), while their presence is more limited in other sectors, except commerce (38.5%), accommodation **(46%), and other services (50.6%).**



B.2.2.2 The private sector is the largest employer, absorbing 47.2% of the workforce (36.1% of employed women, 55.6% of employed men), followed by self-employment at 19.9%. Public administration employs 17.4%, while 15.6% work in domestic and other roles. Men lead about 71.3% of businesses, including medium and large enterprises, though **service sectors show gradual progress toward gender parity.**

B.2.2.3 Challenges remain due to limited market size and a small talent pool, with a population of approximately 600,000 and a 43% working-age participation rate. With around 40 million digital nomads worldwide in 2023, the tech sector leads in remote work (68%), and 35% of digital nomads earn between \$100k and \$250k, offering opportunities for attracting high-earning talent.

B.2.2.4 The startup ecosystem has grown, with 58 startups, ranking first in the PALOP region, second in West Africa, and 78th globally in 2024. Startups have raised an average of \$341,054, indicating strong bootstrapping but challenges in securing growth capital. To support private sector growth, Cabo Verde established Pró-Empresa, Pró-Garante, and Pró-Capital for financing, risk mitigation, and technical assistance (these entities have now been submerged into what is called the Digital Bank for Youth and Women). A newly created digital bank targets youth

> *Box 2: Diaspora as a Source of Venture Capital for Private Startups*
> *Cabo Verde's diaspora holds significant untapped potential as a source of venture capital for the country's startup ecosystem, offering more than just traditional remittances. With around half of the Cabo Verdean population living abroad, the diaspora plays a vital role in the economy, primarily through remittances, which amounted to USD 290 million in 2022—accounting for 12% of GDP. Despite global economic challenges, such as the COVID-19 pandemic, remittances grew by 19.7% year-on-year from 2019 to 2020, demonstrating the diaspora's resilience and continued commitment to supporting the homeland.*
> ***For the Morabeza Innovation Project Cabo Verdean Diaspora will be leveraged and incentivised to invest in the results area particularly the Grow Local and Go Global Investment Funds***

and women, aiming to reduce financial barriers. Additional initiatives like Bolsa Digital Cabo Verde, GoGlobal, Re!nventa, and Funds Academy further promote entrepreneurship.

B.2.3 Youth Employment and Human Capital

B.2.3.1 Cabo Verde faces significant challenges in developing its human capital and addressing youth unemployment. Despite progress in digital infrastructure, the country struggles with low productivity in the private sector, requiring Cabo Verde firms to employ 2.5 times more workers to achieve similar outputs as their peers. The issue is compounded by a weak competitive environment, logistical challenges, and high energy costs. Additionally, international donors, such as LuxDev are currently planning on implementing upskilling programs to enhance labour market productivity. The Morabeza project will further support these interventions by digitizing the training programs ensuring that they are accessible across all nine inhabited islands.

B.2.3.2 With a youth unemployment rate of 28%[6] (2023) (26% for men 15-35 years of age and 32% for young women of the same age), there is potential for targeted interventions for formal employment of the young generations. Enhancing skills training, promoting entrepreneurship, and creating job opportunities are important steps towards empowering the youth and improving productivity levels. Furthermore, transitioning from informal employment to formal sectors and fostering innovation has the potential to significantly contribute to the country's economic growth and development, aligning with Cabo Verde's goal of eradicating extreme poverty by 2027 and improving its Human Development Index (HDI), which was 0.66 in 2022, positioning it at 138 out of 204 countries.[7]

B.2.3.3 Addressing these challenges requires a multifaceted approach involving government, private sector, and international partners. Strengthening educational institutions and their collaboration with the Cabo Verde Technology Park to provide relevant and high-quality training, investing in technological advancement, and ensuring access to resources are important elements for this initiative. Additionally, policies that incentivize private sector investment and create a supportive environment for startups can stimulate job creation and innovation, potentially leading to a more robust, inclusive and resilient economy.

C) Relationship to the CSP

C.1 The Morabeza Innovation Project aligns with the current CSP (2019-2024), specifically Pillar I, which focuses on economic diversification through enhanced value chains. The project aims to boost productivity in MSMEs and startups across agriculture, the blue economy, and other key sectors. It implements recommendations from the CSP mid-term review and supports the government's goal to strengthen linkages among agriculture, tourism, the blue economy, transport, logistics, industrial, and digital sectors.

The project will advance private sector-led diversification by enabling digitally enhanced agriculture value chains and industrialization. It will support the digital transformation of MSMEs for operational efficiency, scalability, and market access. The "Grow Local" component targets funding access for youth and women entrepreneurs, while the "Go Global" component facilitates private sector and diaspora investments in the Praia Technology Park.

C.2 Moving forward, the Morabeza Innovation Project will be crucial to implementing the updated CSP for 2019-2026, expected to be approved in Q2 2025. The new update will maintain the priority focus on economic diversification, with greater emphasis on the blue and digital economies. It will continue supporting initiatives like the Cabo Verde Tech Park Phases I and II, digital Governance amongst others. The Morabeza Innovation Project will act as a catalyst for the country's digital transformation, leveraging diaspora and private sector investments to accelerate growth**.**

C 2. Relationship to the Lusophone Compact

C.2.1 The Morabeza Innovation Project is part of the Lusophone Compact and aligns with the government's priority intervention areas outlined in the Country Specific Compact (CSC) signed in July 2019. The project reflects the government's commitment to fostering private sector development, demonstrating its readiness to invest in crucial sectors that can unlock the potential of the private sector. Furthermore, the analysis and policy framework included in the CSC are linked to technical assistance projects to address challenges related to private sector growth. These initiatives include strengthening the government-integrated ecosystem to facilitate access to credit programs,

[6] https://www.statista.com/statistics/811740/youth-unemployment-rate-in-cabo-verde/
[7] https://data.undp.org/countries-and-territories/CPV

enhancing the capacity of financial institutions to support better micro, small, and medium-sized enterprises (MSMEs), and implementing a training program for MSME trainers, youth, and women

D) Rationale for Bank Engagement and Choice of Instrument

D.1. Cabo Verde has expressed its willingness to implement RBF and demonstrated sufficient fiduciary capacity to manage RBF, evidenced by successfully completing two World Bank Program for Results[8] Based Financing Projects recently. These include the US$10 million Cabo Verde Education and Skills Development Enhancement, and the US$ 20 million State-Owned Enterprises Related Fiscal Management Project, both managed by UGPE[9]. The country's previous experience in conducting RBF-related operations with a similar organisation as the Bank demonstrates the required institutional capacity to implement the proposed RBF instrument.

In addition, as the proposed operation aims to combine both physical and non-physical government priority programmes into a single operation, the RBF is a suitable instrument as it is the only sovereign instrument of the Bank that makes provision for this type of arrangement. The use of the RBF instrument for this operation will allow the Bank to address the capacity gap in the country's nascent digital sector and facilitate the shift of government incentives from input financing to results financing, thereby reorienting development programmes to be more results oriented.

D.2. Furthermore, the Morabeza Project is a strategic initiative of the Government, and part of its priority intervention areas under the Lusophone Country Specific Compact, thus reflecting Cabo Verde's commitment to transforming its private sector and focusing on MSMEs. The government has demonstrated strong ownership by developing three strategic blueprints: the PEDS II and the Detailed Study on Private Sector Transformation, published in March 2024 as well as the recently adopted Digital Economy Strategy (EEDCV) also referred to as Estratégia para a Economia Digital de Cabo Verde (EEDCV). Previously, in 2019[10], the government allocated 550 million escudos (US$5.5 million) to key activities such as providing microcredits to MSMEs through Pro-Empresa and established[11] Pro-Capital, a public investment management firm, launched Pro-Impacto, focusing on deploying long-term capital and expertise to support businesses in Cabo Verde. Existing policies and a dedicated fund exemplify a political commitment for the Morabeza Innovation Project

D.3. Lastly, leveraging the lessons learned from the Bank's involvement in the targeted sectors within the country reinforces confidence in the capacity to successfully implement the RBF mechanism. By diversifying Cabo Verde's economy, an initial loan of EUR 39 million from the African Development Bank to fund the Cabo Verde Tech Park in 2013, building infrastructure needed to support businesses that will profit through the Morabeza Innovation Project. In July 2023 the Bank supplemented this investment with an additional EUR 14 million loan, to make the Park more climate-resilient and supportive of enterprise development. Today, the Park has quickly established itself as a thriving technology hub, surpassing expectations in less than a year of operation. Strengthened by the Bank's long-lasting commitment to the digital sector in the country, the RBF is expected to sustain this momentum, continuing to attract international startups and expanding opportunities for existing micro, small, and medium-sized enterprises (MSMEs).

6. Program Description

A) Bank-Financed RBF Program

I. Program Scope

The Government aims to transform Cabo Verde's economy from its heavy reliance on tourism to a more diversified model, with the digital economy set to contribute up to 25% of GDP by 2030. It also seeks to establish Cabo Verde as a digital hub in the region and among Lusophone African countries. The underlying thesis is to build on its significant investments in digital infrastructure and e-government to unlock a dynamic digital services

[8] The Programme for Results (PforR) is the World Bank's equivalent to the Bank's RBF instrument.
[9] https://projects.worldbank.org/en/projects-operations/project-detail/P164294
[10] https://furtherafrica.com/2019/07/30/pro-capital-of-cabo-verde-receives-financial-allocation/
[11] https://africa-news-agency.com/cape-verde-launch-of-a-digital-bank-for-youth-and-women/

economy. In this approach, digital is not merely a standalone sector but serves as a central driver of productivity growth and a catalyst for expanding employment opportunities, particularly for young people and MSMEs

This vision is rooted in two core government strategies: the second Strategic Plan for Sustainable Development (PEDS II) and Cabo Verde's Digital Economy Strategy (EEDCV). PEDS II includes the post-COVID economic recovery plan and outlines high-level strategies to grow the digital economy. It emphasizes stimulating the private sector by improving access to financing, information, and markets through a public-private dialogue framework. Meanwhile, EEDCV provides a detailed roadmap for transforming Cabo Verde into a digital nation, promoting digital inclusion, innovation, and economic competitiveness by leveraging emerging technologies and advancing a cashless economy.

To achieve the strategic goals outlined in PEDS II, the Government introduced new financial and non-financial instruments to support private sector investment in capital markets and the banking system. This includes a $17 million boost to the partial credit guarantee fund, strengthening the Risk Capital instrument, and issuing thematic bonds such as Blue, Green, Diaspora, and Social Bonds. Additionally, a $10 million Impact Fund—called Pro-Impacto—which supports SMEs and is managed by Pro-Capital with an initial equity contribution of $5million from the GoCV, and a Sovereign Fund that will guarantee private investment of €90 million. The Government, through Pro-Garante, has also set aside 9 million CVE from its yearly budget, offering interest at 3.5% per annum, with 50% to 80% guarantee coverage for treasury and financing support credits, thus providing 100% coverage to MSMEs. The Results-Based Financing (RBF) will target 25% of the Pro-Impacto fund for digital enterprises and will support Pro-Garante with a counter-guarantee mechanism to unlock further financing for MSMEs. It aims to implement a digital bank strategy for efficient guaranteed issuance and performance monitoring of MSMEs while scaling its reach across more islands.

The EEDCV is organized into six pillars, addressing 37 strategic objectives that underpin the government's digital transformation agenda, approved on 04 October 2024. The Morabeza project will contribute to key objectives across all six pillars, specifically supporting 18 of the 37 strategic objectives outlined in the EEDCV. These pillars encompass Digital Infrastructure, where the Morabeza RBF will support 27% of objectives; Capacity Building and Brain Gain, where it will contribute to 100% of the goals through ICT training and diaspora engagement; Market and Innovation, with a contribution of 56% by strengthening the tech ecosystem and accelerating digital transformation of MSMEs; Governance and Policy, focusing on 14% support for the Startup Act and digital economy legislation; Inclusion and Sustainability, driving toward 33% of KPIs through inclusive financial training; and Security and Resilience, contributing 25% in partnership with existing Bank initiatives (see Technical Annex 2.2).

The PEDS II (2022–2026) framework guides Cabo Verde's sustainable development, with oversight of the digital economy and financial inclusion assigned to the Ministry of Digital Economy. This ministry ensures that the Estratégia para a Economia Digital de Cabo Verde (EEDCV) 2024–2028 aligns with PEDS II objectives. However, collaboration with other ministries, agencies, and the private sector is crucial for success. The Ministry of Public Administration will integrate digital nomad and startup visa services into the e-Government platform, while the Ministry of Tourism will promote Cabo Verde as a destination for digital workers. The Ministry of Culture and Creative Industries will support financial inclusion and digital training, focusing on creative enterprises. Institutions like Pro-Empresa and the Digital Bank will expand digital financing for MSMEs. The Ministry of Education & Skills will manage the digitalization of training programs via an online learning system. Additionally, the Technology Park will provide infrastructure and SEZ benefits to attract private investment, and Cabo Verde Trade Invest will market the country to high-growth startups and digital nomads

II. Program Description

Overview

T**he proposed Results-Based Financing (RBF) project, spanning from 2024 to 2028 is structured to cover four budget years (2025, 2026, 2027 and 2028).** The Bank's financing of EUR 24 million accounts for 15.37% of the overall cost of the broader program, which totals EUR 156.18 million. This support is specifically targeted towards the implementation of 18 out of 37 key activities under Cabo Verde's Digital Economy Sector Strategy. These activities focus on critical areas such as promoting digital nomads, supporting the digitalization of non-digital MSMEs, building capacity through training, and expanding access to digitally enabled financial inclusion for MSMEs.

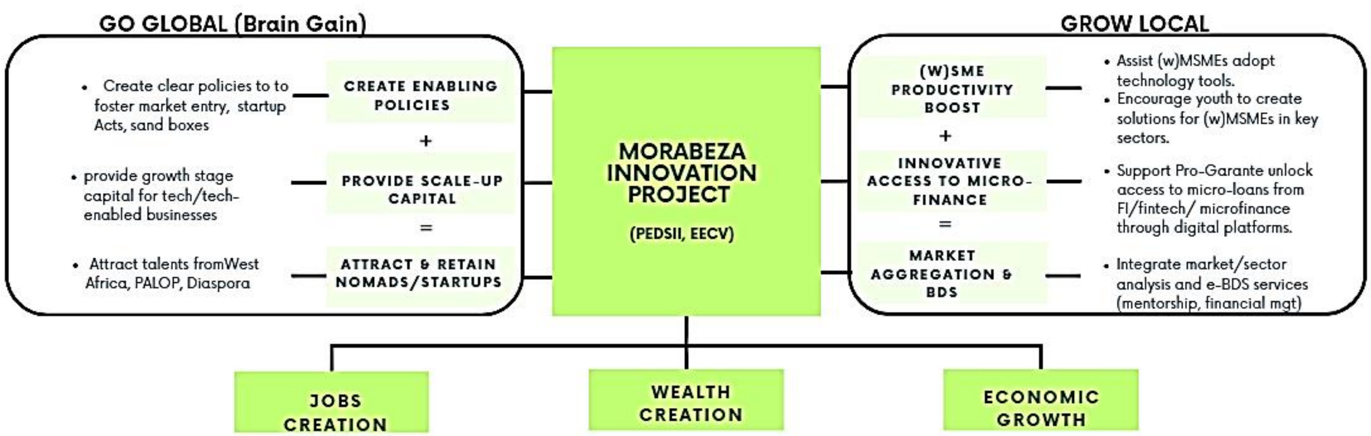
The priorities selected within this project have been jointly defined by the Ministry of Finance and the Ministry of Digital Economy (it was also presented to other ministries and agencies for review) to ensure alignment with

the national vision. These priorities have also been shared with various development partners, including the European Union, World Bank, JICA, LuxDev, and MCC, all of whom have expressed interest in supporting the initiative. Some of these partners are already financing specific activities under the digital economy program, while others are in the process of mobilizing internal resources for parallel financing.

Project Objectives

The primary objective of this project is to use digital innovation to contribute to private sector growth and employment, for youth and women in particular, in Cabo Verde. As alluded to in the country context, Cabo Verde's private sector faces distinct challenges due to its geographic and demographic realities. As a Small Island Developing State (SIDS), an archipelago comprising nine islands and a dispersed population of approximately 600,000, the country struggles with poor economies of scale and limited market size, which hinder local private sector growth. Additionally, the small, dispersed population constrains the supply of talent necessary to sustain economic growth and competitiveness.

In response to these challenges, the project adopts a two-pronged strategy by supporting the growth of Cabo Verde's digital economy while at the same time leveraging digital technologies as a catalyst for other sectors. The RBF interventions are organized into two main result areas: 1) "Go Global" and 2) "Grow Local." This dual approach aims to overcome geographic limitations by expanding market opportunities beyond national borders



III. Program Activities

Results Area 1 Go Global (Digital Brain Gain)

This area focuses on three of the six critical pillars of Cabo Verde's Digital Economy Strategy (EEDCV): Market & Innovation (MI), Capacity Building & Brain Gain (CBG), and Governance & Policies (GP).

The activities in this result area aim to attract and retain technology talent, including digital nomads and tech-enabled companies, positioning Cabo Verde as a hub for digital services. By incentivizing elite talent and growth-stage digital/ digitally enabled enterprises, it will contribute to expanding Cabo Verde's talent pool and market reach, addressing the challenges posed by its small and dispersed population.

Activities in the Go Global Results Area includes:

Sub-Area 1.1 - Attract Digital Nomads and Startups: The goal is to attract 3,100 high-value digital nomads and tech/tech enabled enterprises by offering incentives such as virtual tenancy at the local tech park with tax benefits. This will be achieved by digitalizing programs (remote work visa, onboarding platform, soft landing) for a seamless application process. Local content laws will be strengthened to ensure economic contributions from digital nomads and startups, including quotas for local employment (with at least 40% women) and incentives for training the local ecosystem, especially women and youth NEET.

Sub-Area 1.2- Talent Retention & Scale-Up Financing (see Technical Annex 2.2 for details): This sub-area will support 100 growth-stage tech startups and tech enabled enterprises in key growth sectors owned by Cabo Verdean nationals or international nomads willing to domicile in Cabo Verde (target nomads/ startups from PALOP, West Africa Region, and Diaspora). To manage single country risk, the fund will expand operations and enter new markets through partnerships with existing funds (Pró-Impacto, ICP-Injaro already within the Digital Bank for Youth and Women ecosystem) and attracting more investors- targeting a closing size of $20million. The government's exposure to funding will be limited to 50% of the target, with the rest from private, diaspora, and impact investors. The focus will be on sectors like the blue economy, tourism, and digital services (especially Fintech). (see annex 2-2 sub-area 1.2 for details)

Sub-Area 1.3 – One-Stop-Shop and Enabling Policies for the Digital Nomad Program: This sub-area will focus on the setting up the onsite one-stop- shop services for digital nomads and support the process of the process within the existing online integrated e-Gov system by working with the Ministry of Internal Affairs. The scope of activities will include visa application , business registration, and support services for the startups and digital nomads. The onsite hubs will be established in Santiago, São Vicente, Sal, Boa Vista, and Maio linked to "Casa do Cidadão". The sub area will support policy reforms in digital financial inclusion, Startup Acts, and cybersecurity, with a regulatory sandbox to enable startups to contribute to policymaking. An additional focus under this sub-area will be to craft a strategy for Cabo Verde to export its digital innovation model to markets where it holds a comparative advantage. This strategy will leverage AfCFTA, the African Union, ECOWAS, and bilateral relations with Lusophone countries and West Africa, enabling Cabo Verde to scale its impact beyond national borders and build regional relevance.

Results Area 2: Grow Local

This area focuses on implementing three of the six pillars of the Digital Economy Strategy for Cabo Verde (EEDCV): Inclusion & Sustainability (IS), Security & Resilience (SR), and Digital Infrastructure (ID).

Grow Local: This strategy aims to develop the local MSME ecosystem by promoting the use of technological tools, digital services, and platforms to boost productivity and using fintech platforms to scale access to finance. By scaling up local businesses and enabling them to access new markets, the project seeks to disrupt traditional growth cycles and foster long-term economic sustainability.

Activities in the Grow Local Results Area includes:

Sub-Area 2.1 – Scaled Digital Platforms and Skills Development for Local Enterprises to Enhance Productivity and Market Linkages: This component aims to scale digital skills, tools, and technologies to enhance productivity and innovation in sectors such as artisanal crafts, tourism, agriculture, and the blue economy, with a focus on women-led and youth-led MSMEs. It will also digitize essential business development training—covering areas like climate friendly business practices, financial management, soft skills, and vocational skills—making them accessible both online and onsite. The initiative will utilize two mechanisms

1. **Training for 2,000 MSMEs** in business productivity, market linkages, financial management, digital services, and cybersecurity. This training will be delivered both online and onsite, leveraging existing programs through partnerships with the Skills Fund, Tech Park, Cabo Verde Digital, CVTI, and tech companies. Online learning platforms will include MOOCs and small grants for digital transformation across all nine islands.
2. **Incentivizing 250 digital ambassadors** to support MSMEs in their communities. These ambassadors will receive training to address local business challenges, followed by a six-month project support period with stipends or grants(in case of startups) and startup kits. The initiative aims to upskill youth, create job links, and provide relevant work experience, focusing on supporting vulnerable groups, including NEETs.

Sub-Area 2.2 – Increased access to Digitally Enabled Access to Microfinance: This sub-area will support the Digital Bank for Youth and Women ecosystem, providing EUR7.5 million in guarantees/ microloans—for at least t2,000 MSMEs , distributed through commercial banks, microfinance institutions, mobile money, and fintech platforms. It also includes business development services for 2,500 MSMEs to boost productivity through technology. Digital tools will streamline processes from application to approval, ensuring transparency and tracking MSME profiles. Additionally, grants will incentivize startups to address specific challenges.

Sub-Area 2.3 – Improved Market Aggregation and Business Development Support Provision: The aim of this sub-area is to build a network of incubators and MSMEs, providing them with priority information and leveraging data sets to offer better support from the Digital Bank for Youth and Women. This initiative seeks to capitalize on economies of scale by aggregating similar businesses and incubators across different islands into a unified system. Additionally, it aims to provide targeted access to training for the labour sectors and offer targeted business development and mentorship support, directly linked with Sub-Area 2.2. This comprehensive approach will enhance the support ecosystem for MSMEs, fostering growth and sustainability.

Results Area 3: Digitally Enhanced Project Coordination, Monitoring, and Evaluation

This results area supports the government by establishing an active, digitally enhanced project monitoring unit. This unit will be responsible for operationalizing the MIP project, ensuring that appropriate digital tools are designed, and aggregating data from various stakeholders. The unit will also house different secretariats responsible for administratively supporting the ministries and existing initiatives within the identified interventions in each of the other result areas detailed above.

Activities in the Digitally Enhanced Project Coordination, Monitoring, and Evaluation Area includes:

Sub-Area 3.1: Visualized and Analysed Project Implementation and Monitoring through a Dashboard: The main objective of this area is to establish a fully functional dashboard to track the operationalization of MIP and leverage a capacity building program for project stakeholders and IVA, with at least three (3) staff hired. Another objective is to positively communicate on the advancements of the digital ecosystem through the publication of at least twelve (12) digital nomad policies or relevant startups achievements in international media outlets.

Summary of the scope of each Results Area for the MIP:

SCOPE OF RESULTS AREA	
EXPECTED RESULTS	**GEOGRAPHIC SCOPE (Use other boundaries as applicable)**
Results Area 1: Go Global (Brain Gain)	
Beneficiaries of the *Attract Digital Nomads and Startups*	Country-wide, West Africa, Lusophone Africa and Diaspora
Beneficiaries of the *Talent Retention & Scale-Up Financing*	Country-wide
Beneficiaries of the *One-Stop-Shop and Enabling Policies for the Digital Nomad Program*	Santiago, São Vicente, Sal, Boa Vista, Maio (on-site one-stop-shops) Country-wide (for Enabling Policies)
Results Area 2: GROW LOCAL	
Beneficiaries of the *Scaled Digital Platforms and Skills Development for Local Enterprises to Enhance Productivity and Market Linkages*	Country-wide
Beneficiaries of the Increased *Access to Digitally Enabled Microfinance*	Country-wide
Beneficiaries of the *Improved Market Aggregation and Business Development Support Provision*	Country-wide (online platform)
Results Area 3: DIGITALLY ENHANCED PROJECT COORDINATION, MONITORING, AND EVALUATION	
Beneficiaries of Digitally Enhanced Project Coordination, Monitoring, and Evaluation	DGTED,UGPE,CVD, Digital Bank for Youth and Women

IV. Program Financing

The Government has made strategic investments in private sector development and the digital economy. To date, it has contributed USD 5 million in sweat equity to Pro Capital, a key partner alongside USAID in the Pro-Impacto funds, which provide debt, equity, and quasi-equity financing to SMEs. Under the Morabeza initiative, this support will be extended to startups. **In addition, the Digital Bank for Youth and Women currently provides 100% guarantee schemes for eligible MSMEs, facilitating access to financing backed by the national treasury.** In 2023, the Government allocated a total of CVE 9 million at an interest rate of 3.5% per annum, with guarantee coverage ranging from 50% to 80% through Pró-Garante (5 million CVE) and State assurance (4 million CVE). The funds were distributed as follows: (i) 30% (CVE 2.7 billion) for treasury support credit. (ii) 70% (CVE 6.3 billion) for financing support credit. This comprehensive approach is designed to strengthen MSMEs and enhance their access to capital.

In terms of infrastructure, the Government has allocated approximately EUR 45 million to the technology park, creating an environment conducive to work, internet access, and green energy. This facility will foster innovation among enterprises. The EIB, EU, LuxDev, World Bank, and other donors have supported digital skills programs, improved internet connectivity, and provided technical assistance and non-financial support through Pro-Empresa to bolster the Government's ongoing efforts. This includes funding to enhance the skills of SMEs and MSMEs.

Additionally, the Government has committed to providing tax benefits under the SEZ zone of the Tech Park, which will benefit over 1,000 startups eligible for admission into the digital nomad program. Furthermore, the Government is supporting the payment of the UGPE, which will oversee fiduciary matters for the project throughout its duration. Long after the project's conclusion, the Government will continue to sustain, maintain, and upgrade the digital platforms established during the Results-Based Financing (RBF) initiative.

Overall, there are significant contributions in cash, infrastructure, enabling policies, support services, and donor resource mobilization to bring the Morabeza project to fruition. The table below illustrates this breakdown.

Total Projected Program Financing for the RBF Program		
Source	**Amount EUR 'Million**	**% of Total**
Government[12]	57.84	**37.03**
ADB	24.00	**15.37**
AFAWA	1.00	**0.64**
Other Donors (Parallel Financing)		
Lux Dev[13]	17.50	**11.21**
EU (EIB)[14]	37.00	**23.69**
World Bank[15]	18.84	**12.06**
JICA	TBD	**-**
Total Program Financing	**156.18**	**100**

V. Program Development Objective(s):

Progress towards the development objectives is measured by the following indicators: (i) 6.88% contribution of the digital sector to the GDP; (ii) 15% MSME annual revenue growth equivalent US$3.7 billion by 2028 (disaggregated by women and youth led MSME); (iii) 14% growth in number of enterprises created in the targeted sectors per year equivalent of 16,364 MSME's by 2028 (disaggregated by women and youth led MSME); (iv) 5,000 new jobs created ; (v) 6% of increase in private sector investments in the Cabo Verdean ecosystem.

VI. Program Key Results and Disbursement Linked Indicators

The loan resources allocated to the DLIs in Annex 1 of this document (further details are in the Annex 4.1 of the technical annexes document) are based on their contribution to achieving the development objective.

VII. Key Capacity building and system strengthening activities

Capacity-building measures will strengthen the implementation of the Morabeza Innovation Project and enhance governance and institutional capacities to achieve the objectives. In addition to the Bank's financial support, the IGF, UGPE, and other key project players will receive program support, including:

Regarding Technical Assistance (i) TA to UGPE and MED for monitoring and evaluation (M&E) skills, and dedicated project management; (ii) support for DGTED, CVD, and the Digital Bank for Youth and Women to integrate the digital bank within the Morabeza Project, improve platform efficiency, and enhance its use by financial and regulatory institutions; (iii) advisory support through ESOs and BDSPs, and integration of the Grow Local fund; (iv) establishment of a "Digital Economy Working Group" with development partners to enhance public-private dialogue, promote reforms, and coordinate interventions for efficient resource use; (v) assistance for back-office operations of the one-stop-shop/soft-landing program for digital nomads; and (vi) training for relevant government stakeholders (police, immigration, public administration, tech park) on onboarding digital nomads.

Regarding fiduciary assistance, (vii) support the design of internal procedures and a manual outlining roles and responsibilities for procurement and financial management, with designated officials for fiduciary tasks; (viii) institutional capacity-building will be provided for IGF to ensure adequate monitoring and verification under the RBF; (ix) training will be delivered on performance-based procurement for outsourced services under the Project; (x)

[12] See annex 1-9 of the technical annex document for detailed breakdown of GoCV's commitment
[13] Through the Employment and Employability Program
[14] Through the Global Gateway project -allocating EUR 37 million for digital transformation
[15] Through the Digital Cabo Verde Project

additional training will be provided for UGPE , the Digital Bank for Youth and Women Ecosystem and MED on M&E, including the use of digital project coordination tools and reporting dashboards; (xi) capacity-building support will target the audit body and PMU on RBF requirements and guidelines; and (xii) a training program in public procurement and financial management will be introduced for the PMU.

Climate, environmental, social, and gender issues, the following capacity building/TA measures are recommended, despite the project being classified as Category 3 for E&S and Climate: (xiii) training for UGPE, MED, the Digital Bank for Youth and Women on green financing, including best practices for resource mobilization, monitoring, and reporting mechanisms. For gender (xiv) capacity-building on gender mainstreaming, for the digital and entrepreneurship ecosystem to better adapt their procedures, products and services to the needs of women and youth and (xv) study on girls and women's vocational choices in technology.

7. Program Implementation

A) Institutional and Implementation Arrangements

The Ministry of Finance and Business Development, particularly the Directorate of National Planning (DNP), will serve as the executing agency for this project, coordinating various result areas and ensuring proper budgeting. The Management Unit for Special Projects (Unidad de Gestão de Projetos Especiais, UGPE), also within the Ministry of Finance, will oversee all fiduciary activities. The UGPE in collaboration with the Digital Bank for Youth and Women Ecosystem will support the implementation and coordination of the project. This includes the implementation, supervision, and documentation of project-related activities through comprehensive Monitoring and Evaluation (M&E) reports. Familiar with AfDB fiduciary procedures, the UGPE will manage day-to-day execution, incorporating procurement, financial management, and environmental and social monitoring into its operational framework.

UGPE will establish a dedicated project management unit (PMU) comprising key experts, including: i) Project Manager, ii) Environmental and Social Expert, iii) Procurement Expert, iv) Financial Management Expert, v) Monitoring and Evaluation Expert, and vi) Thematic Experts from the implementing agencies (this should include experts from the Ministry of Digital Economy (DGTED|CVD), from the Digital Bank for Youth and Women ecosystem and from the Tech Park. Additionally, the UGPE in collaboration with the Digital Bank for Youth and Women ecosystem will institutionalize the Project Steering Committee meetings and provide documented evidence to the Bank regarding the outcomes of quarterly or biannual meetings. It will be held accountable for ensuring that key implementing agencies participate in periodic project performance meetings and convene the Quarterly Project Steering Committee meetings.

UGPE manages nearly the entire portfolio of donor-financed projects in Cabo Verde and will ensure the seamless operation of this project by leveraging its extensive experience. However, the UGPE's M&E capacity faces challenges due to its centralized structure, which requires a single entity to manage all development-financed projects, including those from the World Bank, AfDB, and others. This centralization can stretch the UGPE team thin and lead to overwork. Nonetheless, it also provides a valuable overview of all projects, enhancing M&E capacity and offering significant experience from collaboration with multiple similar organizations. To address the capacity gap, it is proposed to allocate EUR 300,000 to provide the UGPE team with additional dedicated resources specifically for this project. These resources will also support capacity building for the entire PMU.

UGPE shall work with the following Implementation agencies, and these shall be the roles and responsibility of the sub agencies as follows:

1. **The Digital Bank for Youth and Women Bank Ecosystem:** The ecosystem comprises of the following **a) Pro-Empresa** will lead be the overall coordination and implementation of the investment activities targeting MSMEs. They will also lead on digitizing training programs for skills development of the MSMEs**. b) Pro-Capital** will manage equity/quasi-equity investment activities designing governance mechanisms and establishing an investment committee. c) **Pro-Garante**: will oversee guarantee instruments and activities related to unlocking/derisking capital from financial institutions.

2. **The Ministry of Digital Economy (DGTED ,CVD) and the Tech Park** will oversee Results Areas 1.1, 1.3, and 2.1, managing digital nomad programs, strategy/policy, and the digitization of the application platform. They will finalize the consolidated digital monitoring dashboard under Results Area 3. The Ministry will also be responsible for matching trained youth digital ambassadors to address local MSME technology needs and for supporting businesses with e-learning initiatives for financing and capacity building in Results Area 2.1. A dedicated project manager will be appointed to provide direct reporting and thematic support to the UGPE, while also being part of the PMU. This manager will ensure that the associated KPIs under the Ministry's implementation are reported accurately, and that evidence is provided to UGPE in a timely manner. Additionally, the Ministry will collaborate with the Digital Bank for Youth and Women ecosystem on specifications for digitizing business development training, develop digital nomad platforms with various ministries, and ensure compliance with fiduciary standards while training stakeholders to meet Disbursement Linked Indicators (DLIs) and Key Performance Indicators (KPIs).

B) Results Monitoring and Evaluation

Central to this project is the implementation of a digitally enhanced project coordination tool, which will be housed within the Project Management Unit (PMU) under UGPE . While the platform will be managed by the PMU, the Ministry of Digital Economy will be responsible for its development and the collation of data sets, specifically through a designated focal point to support the PMU. The PMU team will collaborate closely with all key implementing agencies and ministries to establish clear data collection mechanisms across all entities involved in the project, with the required level of disaggregation. This specialized approach will facilitate monthly reconciliations of project Key Performance Indicators (KPIs) and results areas, ultimately leading to the creation of a near-real-time results monitoring digital dashboard as the system matures.

This digital dashboard is crucial not only for the government to track and monitor project outcomes but also for advancing the Digital Economy Strategy for Cape Verde (EEDCV). This strategy is central to the government's vision of transforming Cape Verde into a Digital Island within the Mid-Atlantic region. To ensure the quality, integration, and relevance of the collected data, the PMU team will be strengthened by an expert in Monitoring and Evaluation (M&E).

The Results-Based Financing (RBF) framework includes Disbursement Linked Indicators (DLI) 10a/b, allocating EUR 600,000 for capacity building to enhance the PMU's data capture skills. During the first year of implementation, the system is expected to be in the design phase, with monthly data collation deemed more suitable for the second year. Thus, traditional M&E mechanisms will be utilized in the first year, with the expectation that these processes will be integrated into the consolidated monitoring platform by the second year. Traditional mechanisms will include regular quarterly reports on the program's activities submitted by the PMU, as well as the annual mandatory audit reports required by the Banks fiduciary systems, these will remain essential and not be replaced by the platform. Regular project meetings, technical visits, and data analyses will provide opportunities for real-time discussions regarding the program's progress, challenges, and solutions among various stakeholders. This collaborative approach will ensure effective implementation and monitoring throughout the project lifecycle.

C) Disbursement Arrangements and Verification Protocols

Disbursement Arrangements

Advance: Disbursements will follow results-based financing (RBF) procedures. Based on the investment program agreed upon with the Government, the Morabeza Innovation Project (MIP) will be eligible for a funding advance of up to 25% of the program cost. This advance will enable the Government to initiate activities such as*: Results area 1 Go Global* - start-up investments, specifically related to the creation of the digital nomad strategy, Results Area 2 Grow Local- Digital Youth Ambassadors Program and *Results area 3*-the monitoring platform. The disbursement of this funding advance will occur upon a request from the Government to the Bank.

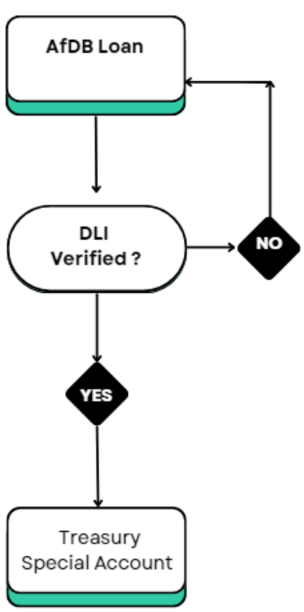
Subsequent disbursement requests will be submitted to the Bank as the agreed outcomes are achieved, on a half-yearly basis, and will align with the recommendations from the IVM (IGF), which will confirm the achievement of disbursement-linked indicators (DLIs). For each DLI, the audit protocol presented in Technical Annex 4.2 will define baseline levels, annual targets, conditions, and deadlines for achievement. Before submission to the Bank, the audit report will undergo adversarial procedures involving the entities concerned by the audited DLIs and the IVM, particularly if the report's conclusions do not align with the outcomes presented by these entities. The final audit report, including responses from the relevant entities, will be submitted to the Bank by the audit body. The Bank will then make the final determination as to whether the objectives have been met, based on its analysis of compliance with the reported outcomes and outputs.

Balance Refund: If the Bank has received evidence of only partial compliance under the DLIs only part of the full planned amount will be disbursed. In such case, the amount to be disbursed by the Bank, on that DLI, shall be an amount less than 100 percent of the sum and relative to level of achievement on that DLI. At the end of the closing audit of the loan, any disbursed funds surplus relating to actual expenditure recorded by DLI shall be returned to the Bank, and within six months of project closure

Program Audit Protocols

Verification protocols of the Program: The Inspectorate General of Finance (IGF) will serve as the Project Independent Verification Agent (IVA), responsible for verifying DLIs and producing results reports. The IGF will issue opinions on the accuracy and validity of information provided by the Ministry of Digital Economy (DGTED and CVD), The Digital Bank for Youth and Women, and other related entities. Certificates of verification will be submitted to the Bank. To enhance IGF's capacity, an independent consulting firm will be competitively recruited for one year to support operations, ensuring continuity through training for IGF staff to effectively fulfil their IVM responsibilities.

About IGF: The General Inspectorate of Finance (IGF) is an independent body within the context of this results-based financing (RBF) framework. It serves as a central control service for the State's financial administration, with the mission of providing technical support to the Ministry of Finance in inspection matters. This includes oversight of entities in the public administration and business sectors, as well as the private sector, as defined by law. The IGF is particularly well-suited for this RBF due to its specific mandate to monitor and audit public companies and those in which the State or other public entities have a direct or indirect stake in the share capital, excluding credit institutions, para-banking institutions, and insurance companies. This expertise will be especially critical for The Digital Bank for Youth and Women Ecosystem, as they will be responsible for managing the investment funds in Results Areas 1 and 2.



D) Program Financing and Expenditure Framework:

Flow of Funds: The loan resources will be deposited into a special account established by UGPE for the project at the Central Bank of Cabo Verde's national treasury account. The flow of funds will follow the diagram based on the disbursement arrangements outlined in Section E. The agreed allocation for the Disbursement Linked Indicators (DLIs) will be transferred into the special accounts for eligible project expenditures, contingent on the verification of the DLIs.

Expenditure Framework: It is important to note that a detailed breakdown of government financing is provided in Section IV. The government has committed 37.03% of the project cost, while the Bank will cover 15.37%. Additionally, other Development Finance Institutions (DFIs), including the World Bank, the EU, and Lux Dev, will collectively support 47.60% of the financing program.

8. Assessment Summary

A) Technical

Strategic Relevance and Technical Soundness

The 2024 Cabo Verde Private Sector Diagnostic Study indicates low productivity levels in Cabo Verde, surpassed only by São Tomé and Príncipe among peer countries. Firms in Cabo Verde need 2.5 times more workers to achieve the same output as firms in aspirational peers and 1.5 times more than structural peers. Higher productivity is found in larger, foreign-owned, exporting, and older firms, mostly located in Santiago, São Vicente, Sal, and Boa Vista, which represent 60% of formal jobs. Foreign firms also offer higher wages, averaging CVEsc 9,583 (US$103), compared to CVEsc 9,091 (US$97) for domestic firms and CVEsc 14,142 (US$151) for trading companies. To boost productivity, the report recommends enhancing firm capabilities, reallocating resources to efficient firms, and enabling dynamic firm entry and exit: 1) Developing firm capabilities through technology adoption, innovation, and skills enhancement. 2)Facilitating firm entry and exit by supporting startups with incubation, addressing finance barriers, improving financial literacy, and promoting digital financial solutions. 3)Reducing input misallocation by enforcing competition policies and eliminating restrictive market regulations. 4)Strengthening financing mechanisms and human capital development; and 5) using digital financial services can help MSMEs overcome structural constraints and integrate more fully into the economy.

These interventions align with PEDS II and the Digital Economy Strategy 2024-2026, which prioritize productivity improvements, digital transformation, and access to finance. The MIP is technically relevant to address the issues identified and the strategic recommendations. Interventions, for instance, through the Digital Nomad Program (Results Area 1): The MIP project addresses these issues by developing a digital nomad program that builds on digital infrastructure investments to drive digital skills and economic growth. Targeting specific nomad groups can boost local entrepreneurship, expand international networks, and position Cabo Verde as an innovative destination for businesses and investors. By boosting MSME Productivity and Access to Finance (Results Area 2): The MIP tackles MSME productivity gaps and information asymmetries, especially for firms on less connected islands, where accessing services often requires travel. By digitizing training programs and leveraging fintech solutions through a digital bank, the project will improve financial access, integrate MSMEs into the economy, and reduce transaction costs.

Results framework: The results framework is presented in detail with the key outputs and expected outcomes of the MIP are detailed on page 19. The framework includes the key expected outcomes, the activities to be carried out, and the underlying dialogue on the reforms.

B) Program Economic Evaluation

The Economic Internal Rate of Return (EIRR) analysis for Cabo Verde's Morabeza project reveals a highly promising outlook, with an EIRR of 166.60% and a Net Present Value (NPV) of EUR355.39 million. The project involves a total investment of EUR81 million, financed through EUR57 million from the government and EUR24 million from the African Development Bank (AfDB) (if no other DFI fulfils their investment commitment). Its aim is to accelerate digital transformation by increasing the contribution of the digital sector from 3.88% to 6% of GDP by 2028 and fostering growth across multiple economic areas. The projected benefits include a EUR100.65 million increase in MSME revenues, driven by a targeted cumulative 15%l growth over years (base line is 2, alongside the creation of 5,000 new direct jobs and an estimated 25,000 indirect jobs through a multiplier effect, yielding a EUR304.2 million economic impact from employment alone.

The plan also includes a 6% growth in private sector investments by 2028, translating to an additional EUR17.4 million, and scaling the number of digital nomads from 97 to 3,100, contributing EUR28.8 million through spending on housing and local services. The development of high-growth startups is projected to rise from 16 to 100, generating EUR42 million in economic output.

However, there are risks that could undermine these outcomes. Achieving significant growth in digital nomads and startups may be challenging due to competition from other regions and potential regulatory barriers. Delays in infrastructure projects such as data centre and fibre optics deployment may also hinder progress. Furthermore, the project is vulnerable to global economic shifts, which could impact private sector investment inflows and startup growth. Despite these risks, the EIRR suggests that with strategic risk management and timely execution, the Morabeza project holds considerable potential to catalyse Cabo Verde's digital economy and deliver substantial returns on investment (see Technical Annex 4.3).

C) Fiduciary

(i) Fiduciary

The program-level evaluation focused on assessing the capacity of the implementing entity that will be involved in the implementation of the program. The proposed executing agency the Special Project Management Unit (UGPE) of the Ministry of Finance and Digital Economy was also assessed in terms of their capacity to implement the subject project. The preliminary conclusions indicates that the fiduciary risk for the Results-Based Financing instrument for implementing the proposed Morabeza project is moderate. In addition, the UGPE which successfully implemented the Bank's Technology Park Project Phase I and currently implementing Phase II of the project has also implemented other World Bank financed projects including the Resilient Tourism and Blue Economy Development in Cabo Verde Project, Digital Cabo Verde Project, Improving Connectivity and Urban Infrastructure in Cabo Verde, Competitiveness for Tourism Development Project as well as the Cabo Verde Education and Skills Development Enhancement Project which successfully closed in 2023 and had a Results-Based Financing component (see Technical Annex 4.3 for detailed assessment).

(ii) Financial Management

The project's financial management will be based on the use of Cabo Verde's existing systems and public finance management processes. The UGPE's Administrative and Financial Manager will be responsible for setting up an appropriate financial management system for the program. He is assisted by five accountants, all dedicated to the project. In addition, the PMU has an accounting and financial management software package with three integrated accounting modules: budgetary, general and analytical accounting. This software is multi-project and multi-site and allows separate accounting.

The project will be part of the national budgetary process and will rely on existing institutional systems for its implementation. Thus: (i) the project funds will be fully considered in the State budget; (ii) a designated account will be opened at the Cabo Verde Central Bank to receive the project funds. (v) The Inspectorate General of Finance (IGF) will act as the project's independent auditor; (vi) The Tribunal de Contas will be responsible for an annual external audit of the combined financial statements and a performance audit at the end of the Project in accordance with terms of reference acceptable to the Bank. All these financial management provisions will be detailed in an operations manual approved by the Bank before the first disbursement. This manual will include, among other things, a framework for quarterly financial reports, the process for preparing the combined annual financial statements, the protocol for verifying indicators and the conditions for disbursement. With this in view the project is financial management risk is "moderate".

(iii) Procurement

The project procurement evaluation was conducted at the country level and then at the program level in accordance with the requirements and methodology of the Bank's procurement framework.

At National Level*:* The National Procurement System will constitute the reference to be used by the Executing Agency (EA) for the implementation of the activities necessary to achieve the results agreed within the framework of this project. It is therefore important to analyse this system in order to identify its strengths and especially its weaknesses likely to have a negative impact on the implementation of the project and to propose mitigation actions likely to provide satisfactory solutions. To do this, the Bank used the updated Country Fiduciary Risk Assessment report (CFRA) based on the approved 2024 MAPS report of Cabo Verde. This document, which is recent reflects the current context, concluded that the level of risk for procurement is "**moderate**". This CFRA also made it possible to identify points of concern and risks, some of which will be addressed on ad hoc basis within the context of the Morabeza Innovation Project (MIP) in order to guarantee success of implementation whiles following dialogue with the authorities to address the issues through reforms. In this regard, the following points of concern among others, for which actions will be proposed in the PAP of the programme, were noted: (a) Reduction in the number of direct awards over the implementation period of the project (b) Consistent publication of procurement plans and contract awards notices. (c) ARAP's weak capacity to undertake market Surveys that is needed to inform its operations, (d) Inadequate involvement of Civil Society Organizations (CSOs) in ARAP's stakeholder activities.

At program level - The program-level evaluation focused on assessing the capacity of the implementing entity that will be involved in the implementation of the program. The proposed executing agency the Special Project Management Unit (UGPE) of the

Ministry of Finance and Digital Economy was also assessed in terms of their capacity to implement the subject project. The UGPE currently has four (4) Procurement Specialist and two Procurement Assistants overseeing six procurements of development partners and the level of their workload allows for adding on to their current project responsibilities. The procurement experts have experience in the use of the Public Procurement Code. The executing agency is subject to the Public Procurement Code and is autonomous in the performance of its activities. The preliminary conclusions indicates that the fiduciary risk for the Results-Based Financing instrument for implementing the proposed **Morabeza project is moderate.**

All of these identified risks which is mainly at the country level will be taken into account through mitigation measures and actions that will feed into the PAP; and whose implementation will contribute to the success of the Morabeza project.

Procurement arrangements for the program. In accordance with the Bank's Results-Based Finance (RBL) policy, all contracts provided for in the implementation of the program's activities to achieve the planed results will be awarded according to the national procurement system of Cabo Verde embodied by the 14 April 2015 Law n°88/VIII/2015 establishing the Public Procurement Code. The law was followed by the decree-law no 55/2015 of 9th October 2015 on the Regulatory Agency on public procurement (ARAP) statute and defining its powers in terms of regulation, oversight and conflict resolution in public procurement and the deliberation nº 011/CA/2015 of 27th November 2015- which authorizes ARAP's regulatory and functional structure and other follow-up decrees including the statute of the Conflict Resolution Commission (CRC), approved by Decree-Law 28/2021, of 5 April and regulation on the electronic government procurement (e-GP), approved by Decree-Law 11/2023, of 17 February which set the legal foundation for the implementation of the country’s e-GP.

The UGPE will be responsible for procurement under the project and the UGA based at the Ministry of Finance will provide the direction on procurement within its mandates of the procurement law. The UGAC and DGPCP will also play their role of prior review of contracts within the applicable threshold as provided for by the law and procurement audit will be handle by ARAP in addition to monitoring the procurement processes as part of its compliance activities.

***Eligibility rules*:** The Bank's resources to finance the programme's activities come from an AfDB loan and thus the applicable rules of origin are that of the AfDB window. Given the nature of the instrument (RBF) that will be used for the Morabeza program and the provisions of the Bank's RBF policy, only the National System can be used for procurement. However, the rules of origin in force for public contracts under Cabo Verdean law are not the same as those of the AfDB window and any practical operational incompatibility must be prevented. To this end, and for the resources of the AfDB loan, the program could benefit from the partial waiver (only contracts of a specified size are concerned) granted by the Bank's Board of Directors ("the Board") in March 2017 (see Document ADB/BD/WP/2016/184/Rev.2) for the non-application of the AfDB window rule of origin (as provided for in Article 17.1.d Management Principles, of the Agreement Establishing the African Development Bank, known as the Rule of Origin) and its alignment with the RMC rule of origin for all goods contracts of UA 1,000,000 or less, all consultancy contracts of UA 300,000 or less, and all works contracts of UA 6,000,000 or less, which are financed from AfDB window resources and concluded in accordance with a national procurement system. However, to the extent that this partial exemption granted by "the Board" in March 2017 does not cover contracts to be concluded under the program that could be of an amount above the thresholds indicated earlier, the implementation of the program would encounter operational challenges in the absence of a specific waiver granted by the Board. **Consequently, and in order to ensure that the implementation of the program does not encounter operational challenges, a waiver will be requested from the Board of Directors of the Bank to ensure that the rules of origin applicable to public contracts under Cabo Verdean law are applicable to all contracts financed from the resources of the AfDB loan concluded under the program, including those whose amounts exceed the thresholds set out in Document ADB/BD/WP/2016/184/Rev.2.** Notwithstanding the above, if the borrower's decision results in the award of a contract to an entity under the Bank's sanction or under United Nations Chapter VII sanctions, the Bank's lending resources could not be used to finance such a contract. The list of companies under sanctions is available at http:/www.afdb.org/debarred.

External Audits: For this project, the combined annual financial statements of the project will be audited by the Tribunal de Contas on the basis of terms of reference approved by the Bank. The audit reports must be sent by the UGPE to the Bank within six months of the end of the year audited. At the end of the project, the Tribunal de Contas will carry out a performance audit in accordance with the terms of reference acceptable to the Bank. Should the Tribunal de Contas find itself unable to carry out the audit of the project, it will have to recruit a private firm to carry out the audit under its supervision. The costs of this audit will be borne by the Bank

(iv) Governance

Cabo Verde is widely recognized amongst African countries for its good governance. According to the 2022 Ibrahim Index of African Governance (IIAG), the country scored 69.6 out of 100, ranking 3rd out of 54 African countries. An analysis of scores and indicator trends shows that overall governance performance has progressed over the past decade on the back of improvements in economic opportunity, security and rule of law, and human development criteria. Regarding corruption, in the Transparency International's Corruption Perceptions Index 2023, Cabo Verde was the second African country with the lowest perception of corruption among its citizens and ranked 30th out of 180 countries.

D) Climate, Environmental and Social Effects

As a small island developing state, Cabo Verde is already grappling with extreme climate events that impact critical economic sectors and livelihoods. Compared to its peers (Mauritius, St. Kitts and Nevis and St. Lucia), Cabo Verde is highly vulnerable to climate change, raking 90th on the 2022 Notre Dame Global Adaptation Index[16]. Temperatures in the country have increased by 0.04 percent per year since 1990 while rainfall has reduced by 2 percent[17]. According to Cabo Verde's Updated NDC, temperatures will increase by 1 degree Celsius over the 2011–40 period and by 3 degrees Celsius at the end of the Century while rainfall will decrease by 5 percent. The limited availability of arable land, estimated at only 10% of the land area, has resulted in high dependency on imported food, a situation that has been worsened by prolonged and severe droughts that have increased in frequency and severity. The last five years have, for instance, been marked by severe droughts, which have reduced agricultural productivity and water availability. Sea level rises and erosion are affecting the country's coastlines, which houses 80% of the country's 600,000 inhabitants, and poses threats to tourism, the main driver of the country's service-oriented economy.

The Morabeza Innovation Project is assessed as Category 3 on the Bank's Climate Safeguards System, meaning it is not vulnerable to climate risks. It will support climate action in Cabo Verde in two ways. First, it will promote climate resilience by facilitating the development of alternative MSMEs and (green) jobs in artisanal crafts, tourism blue economy, and agriculture sectors. Second, it will promote digitization of businesses and development of digital enterprises, thereby contributing to low carbon development. Whereas emissions in the ICT sector are primarily driven by fossil fuel-based electricity used to run data centres and as backup power sources as well as high GWP refrigerant gases for cooling equipment, the Government of Cape Verde has stepped up efforts to increase the share of renewables in the energy mix. The country has committed to achieve a decarbonized net-zero emissions economy by 2050. To this end, it aims to achieve 30% renewables in the energy mix by 2025 and 50% percent by 2030 and is on course in realizing these targets as the share of renewables currently stands at 26%, thanks to enhanced investments in renewable energy. The operation aligned with the Paris Agreement on Climate Change since "information and communication", under which activities of the project falls, constitute the type of operation under the sector of "ICT and Digital Technologies" that is considered universally aligned[18].

Environmental and Social Safeguards

Environmental and Social Project Categorization: The programme is confirmed as Category 3 according to the Bank's Integrated Safeguards System (ISS) and the national Decree-Law No. 27/2020 approving the Legal Framework for Environmental Impact Assessment (EIA), as no physical investments are envisaged as part of the programme, soft activities will be financed, and the E&S risks associated with the provision of microfinance to (w)MSMEs (Sub-Area 2.2) and equity investments on technology startups (Sub-Area 1.2) are considered low. The E&S category for the programme was validated in ISTS on 23/08/2024 and confirmed in SAP on 27/08/2024.

Applicable E&S safeguard instruments and readiness and disclosure status: No safeguards documents were required for this programme. E&S mitigation measures for the project are set out in the programmes' action plan as part of the financing agreement (FA) as required by the ISS for RBF operations. The measures are, but not limited to: i) establishing the project-level Grievance Redress Mechanism (GRM) before implementation, ii) establishing an E&S Exclusion list for the selection of the SMEs and MSMEs to be supported to ensure that the activities being funded remain at low E&S risks, relevant to DLI4 iii) establishing a sub-project and beneficiary selection committee with membership including the Direcção Nacional do Ambiente, (DNA) in charge of E&S risk categorization, relevant to DLI4.

[16] https://gain.nd.edu/our-work/country-index/rankings

[17] Government of Cape Verde (2021). 2020 Update to the First Nationally Determined Contribution (see https://unfccc.int/documents/497420)

[18] https://documents1.worldbank.org/curated/en/099220306162369703/pdf/IDU00ef11f9807471044870b9c6041d5dda75c78.pdf

E&S risks: There are no direct environmental risks expected from the implementation of the programme.
Environmental and social compliance. The Borrower is committed to the full and adequate implementation of the measures to address non-anticipated risks and impacts occurring during project implementation. These obligations are reflected in the E&S conditions of the financing agreement. The project is compliant and ready for submission to Board consideration, as evidenced by the ESCON in Annex 6 below

E) Opportunities for Strengthening Resilience

Cabo Verde's economy faces several inherent vulnerabilities, such as a heavy reliance on tourism, exposure to climate shocks, and limited economic diversification. Additionally, youth unemployment remains alarmingly high at 28%, disproportionately affecting women (32%) and men (26%). The NEET group (Not in Education, Employment, or Training) is particularly at high risk of both labour market and social exclusion, because this group is neither improving their future employability through investment in skills nor gaining experience through employment. The digital divide further marginalizes these groups, limiting their participation in the growing digital economy. Addressing these vulnerabilities is crucial for enhancing social cohesion and ensuring that all segments of the population can contribute to and benefit from economic growth. To build a resilient economic future, diversification is crucial, and fostering a more inclusive digital economy presents an opportunity.
One of the key strategies for strengthening Cabo Verde's resilience lies in the digital transformation of the economy. The Morabeza Innovation Project, aligned with the Digital Economy Strategy for Cabo Verde (EEDCV), plays a vital role in this transformation. By focusing on the development of digital infrastructure, enhancing digital literacy, and supporting MSMEs, particularly those led by women and youth, Cabo Verde can bolster economic resilience. Targeted interventions that enhance digital and business skills training for vulnerable groups, especially NEET youth, will empower them to participate more actively in the economy (see DL3 in the matrix of disbursement-linked indicators). This shift to a digital economy not only generates new jobs but also fosters innovation within traditional sectors like tourism, agriculture, and the blue economy, making them more competitive and less vulnerable to external shocks.
The diversification of economic activities through the promotion of green jobs in sectors like the blue economy, as well as artisanal crafts, can further strengthen resilience. This would reduce the country's over-reliance on tourism, which has shown susceptibility to global disruptions such as pandemics or climate-related events. Additionally, promoting access to finance for MSMEs via innovative financial instruments through the Digital Bank for Youth and Women will help businesses scale.
Furthermore, regional integration through initiatives under the Go Global result-area (the Tech Park and digital nomad programs) can position Cabo Verde as a regional hub for innovation, offering access to larger markets beyond its borders. By attracting international startups and digital nomads, the country can enhance its knowledge base and create sustainable, high-value and green jobs that contribute to long-term economic resilience.
Finally, the project contributes to the Bank's Strategy for Addressing Fragility and Resilience in Africa (2022-2026), particularly its Priority #3 – Catalysing Private Investment – by creating new employment and livelihood opportunities to increase economic diversity and alleviate the digital divide and marginalization, through midstream measures (MSMEs access to markets through digitalization) and downstream actions (access to finance for local businesses and startups, especially those youth and women led).

F) Impact on gender equality and women's empowerment

The project falls under category II of the Bank's Gender Marker System and contributes, at an outcome level, to women's economic empowerment, namely to women's access to employment opportunities, to increased productivity and revenue of the enterprises they lead (tech-enabled or tech-driven) and improved access to finance. Women's economic empowerment is recognized as key to the country's socio-economic development and, despite women's access to, and success in education, at all levels, gender stereotypes influence vocational choices; the labour market is gender segregated, with women's under-represented in technologically oriented areas and in all the sectors identified as accelerators for growth and economic diversification (ICT, energy, agriculture, fisheries, transport, etc.); women's entrepreneurship is low in technology-related sectors, including ICT.
To reduce the gender gap, the project will ensure that the policy dimensions under component 1 (Go Global) mainstream gender, namely in terms of the (i) local content legal framework (to ensure women have a share in the quotas of local employment (40%), training opportunities, etc.) and other regulatory measures to be put in place, and (ii) that the fund established to scale-up Tech startups includes gender provisions. Under component 2 (Grow Local) the project will (iii) target women-led and young women-led enterprises as much as men led ones (50% WMSME), supporting their access to training, small grants for digital transformation, finance and BDS services, (iv) while the digital and entrepreneurship ecosystem better adapt their procedures, products and services to the needs of women

and youth (both male and female) (gender needs assessment and capacity building plan, including through AFAWA's support); the (v) pool of digital ambassadors developed under the project will include 50% of young women. The project will (vi) define and implement advocacy activities in support of the project's gender targeting strategy (prepare an issues paper on girls and women's vocational choices and ICT, define priority measures to address, in a transformative way, the gender issues identified, implement key activities). The project's (vii) monitoring and evaluation framework and digital platform will be gender sensitive.

Integrated Risk Assessment Summary

The technical, fiduciary, environmental and social assessments concluded that the overall risk rating of the MIP is moderate. The differentiated risk rating is presented in the table below. The main risks and related mitigation measures are presented in Technical Annex 4.3. Measures intended to enhance the capacity and performance of the structures in charge of the programme, as well as to mitigate the technical, fiduciary, environmental and social risks identified, are included in the capacity-building plan presented in Technical Annex 4.7 and appended to the loan agreement.

Integrated Risk Assessment Summary	
Risk	**Rating (low, moderate, high, substantial)**
Technical	**Low**
Fiduciary (country financial management)	**Moderate**
Fiduciary (sector financial management)	**Moderate**
Fiduciary (procurement)	**Moderate**
Climate, Environment and Social	**Low**
Disbursement Linked Indicator	**Moderate**
Other risks as applicable: Change of Government	**Low**
Overall Risk	**Moderate**

G) Program Action Plan

Based on the technical, fiduciary, environmental and social assessments, recommendations have been made and capacity-building measures taken to operationalise the MIP implementation framework and facilitate achievement of the MIP's expected outcomes (Technical Annex 4.7).

H) Legal Compliance and Authority

Legal Instrument

The legal instrument will be an ADB loan agreement between the Republic of Cabo Verde (the "Borrower") and the African Development Bank (the "Bank") for an amount of EUR 24 million.

Conditions Associated with Bank's Intervention

1. **Conditions precedent to the entry into force of the loan agreement:** The entry into force of the loan agreement is subject to the fulfilment by the Borrower, to the satisfaction of the Bank, of the conditions set out in Section 12.01 of the General Conditions applicable to the Bank's loan agreements and guarantee agreements (sovereign entities).

2. **Conditions precedent to first disbursement**: The first disbursement is subject to the Borrower fulfilling the following conditions, to the satisfaction of the Bank:

   - Provide proof of the establishment of a dedicated project management unit (PMU) comprising key experts within the UGPE;
   - Provide proof of the establishment of the project-level Grievance Redress Mechanism (GRM).

3. **Conditions precedent to loan disbursements related to LDIs**: The disbursement of each tranche of the resources of the Loan related to a loan disbursement indicator (LDI) is subject to the Borrower fulfilling the followings:
   (i) the satisfaction by the Bank with the expected results set out in Annex 1, upon submission of an independent verification report satisfactory to the Bank attesting to the achievement of the relevant DLI4;
   (ii) the inclusion of the disbursement in the annual finance laws of the applicable year;
   (iii) the satisfactory fulfilment of the following E&S conditions (relevant to DLI 4):

- establishing an E&S Exclusion list for the selection of the SMEs and MSMEs to be supported to ensure that the activities being funded remain at low E&S risks;
- establishing a sub-project and beneficiary selection committee with membership including the Direcção Nacional do Ambiente, (DNA) in charge of E&S risk categorization.

4. **Commitments**: The Borrower will redeploy the human resources necessary for the operation of the program. The Borrower also refrains from using the resources of the loan to finance activities not eligible for the RBF.

Compliance with Bank Policies:

The Project is in compliance with all applicable Bank policies.

I) Recommendations and Conclusion

Recommendations: Management therefore recommends that the Board of Directors approves the following:

i. The adaptation of the repayment profile to meet the 35% concessionality requirement
ii. A waiver to breach the 17-year limit of Average Loan Maturity

(see Annex 2-3 for loan pricing and a detailed breakdown).

Conclusion

In conclusion, the digital economy project presents a valuable opportunity for Cabo Verde to enhance its resilience and promote inclusive economic growth. By addressing the fragility drivers and leveraging existing sources of resilience, the project can create a more robust and diversified economy that benefits all segments of the population, particularly vulnerable groups. Through targeted interventions and strategic private sector driven partnerships, Cabo Verde can position itself as a leader in the digital economy while ensuring sustainable development for its communities.

ANNEX 1: MATRIX OF MIP DISBURSEMENT-LINKED INDICATORS

	DLI	Baseline (2023)	2025	2026	2027	2028	Entity Responsible	Verification Mechanisms
OUTCOME: Access to financing for MSMEs and Startups is improved. ***% of total cost***								***Total Allocation EUR 'Million***
Percentage increase in Private Sector Investments in the Cabo Verdean ecosystem	DL1	No data	0%	3%	5%	6%	Fund Manager-Injaro	LPAC report showing investment raised and attracted to the Ecosystem Cabo Verde Invest Report showing amounts attracted from private sector investment | Data spooled from Digital Bank for Youth and Women
Amount Allocated DL1			**0.00**	**0.00**	**0.08**	**0.10**	**0.75%**	**0.18**
Result Area 1 – Go Global (Brain Gain)								
Persons in CV on a digital nomad / Tech/Tech enabled enterprises visa annually (gender disaggregated and youth-led vs. non youth led).	DLI2	97 (2023)	100	1,100	2,100	3,100	Ministry of Digital Economy(DGTED) (Internal Affairs)	Data from Cabo Verde e-Government Platform managed by Ministry of internal affairs/Tourism | Data spooled from Digital Bank for Youth and Women
Amount Allocated DL2			**0.20**	**0.30**	**0.50**	**0.50**	**6.25%**	**1.50**
Digital Visa application and onboarding platform for nomads and startups is created. With a monitoring dashboard and automated workflow (including, steering committee, KYC, SLA, NEET youth & gender-sensitive employment requirements for firms/ nomads)	DLI3	No	Yes, Platform Commenced development (UI/UX designed)	Yes, Alpha Version Deployed platform	Yes, Physical one-stop shops in 2 islands for the soft-landing project	Yes, Finalized	Ministry of Digital Economy (DGTED)(Internal Affairs, Tech Park, NOSI)	Evidence of a platform being developed, and review of documents related to the platform development submitted by UGPE to the IVA
Amount Allocated DL3			**0.50**	**0.30**	**0.34**	**0.00**	**4.75%**	**1.14**
Gender smart fund setup completed. To invest in Tech/ Tech enabled/ creatives Including: fundraising strategy, Investment Committee and fund structure, Term sheet, first close, LPAC agreement, …	DLI4	No	No	Yes	Yes	Yes	Fund Manager Injaro-ICP and Pro-Capital (Digital Economy)	Evidence of the LPAC agreement signed by the Fund manager / and/or evidence of the fund establishment and relevant document on fund setup
Amount Allocated DL4			**4.50**	**2.50**	**2.50**	**0.50**	**41.67%**	**10.00**
Develop relevant polices and/ or strategy for digital nomad visa / startup visa- backed with transparency, clear governance structure, requirements such as quota from regions etc This includes a communication plan	DLI5	No	Yes, Firm to develop policy/strategy recruited	Yes, Strategy Disseminated (with clear marketing plan)	Yes, Strategy adopted and training programs deployed	Yes, Strategies developed	Ministry of Digital Economy (DGTED) (Ministry of Internal Affairs)Tech Park)	Evidence of the strategy document developed disseminated and implemented
Amount Allocated DLI 5			**0.54**	**0.25**	**0.20**	**0.00**	**4.13%**	**0.99**
Result Area 2 – Grow Local								
Number of youth digital ambassadors trained (F/M) to support MSMEs with technological adoption and climate friendly business practices (MSME and WMSME)	DLI6	0	65 (50% women)	125 (50% women)	185 (50% women)	250 (50% women)	Digital Bank for Youth and Women Ecosystem	Program enrolment and completion report from cycle managed by the CV digital or from the Digital Bank for Youth and Women Or Evidence from Project Monitoring

								Dashboard (after year 3)
Amount Allocated DLI6			**0.30**	**0.42**	**0.30**	**0.12**	**4.75%**	**1.14**
Number of MSMEs which have unlocked financing from Fis (disaggregated by women and youth) Cumulative numbers	DLI7	500	600	1,000	1,500	2,000 (50% WMSME) (50% youth lead)	Ministry of Digital Economy DGTED| Digital Bank for Youth and Women Ecosystem	Monthly report from IFIs/intermediaries. | Also, data spooled from the digital Bank for Youth and women platform (unique MSMEs)
Amount Allocated DLI 7			**2.00**	**2.00**	**2.50**	**1.00**	**31.25%**	**7.50**
Platform for aggregating market insights, Providing BDS trainings, financial management to MSMEs	DLI 8	No platform setup	Yes	Yes	Yes	Yes	Ministry of Digital Economy DGTED| Digital Bank for Youth and Women Ecosystem	Evidence will be from the platform UI/Design, alpha launching and beta testing to final deployment. All under the Digital Bank for Youth and Women.
Amount Allocated DLI 8			**0.10**	**0.10**	**0.10**	**0.00**	1.25%	**0.30**
Result Area 3- Digitally Enhanced Coordination, Monitoring, and Evaluation								
A dashboard to track the comprehensive implementation of MIP is created.	DLI 9	No	Yes, Requirement Specified and Firm Recruited for Development of Dashboard	Yes, First Version of Platform designed	Yes, Training on data collection and stakeholder's utilisation of the system	Yes, A fully functional dashboard is operational	Ministry of Digital Economy | UGPE | Digital Bank for Youth and Women	Evidence of Contract signed with startups. Evidence of platform (URL hosted and functional)
Amount Allocated DLI 9			**0.30**	**0.10**	**0.10**	**0.15**	**2.70%**	**0.65**
An independent consulting firm is hired to reinforce capacity of the IVA and support services Capacity building Program for Project Stakeholders and IVA	DLI 10a/b	No 0 staff trained	Yes 5-10 staff trained	Yes 10-20 staff trained	Yes 5-10 staff trained	Yes 5-10 staff trained	Digital Bank for Youth and Women | UGPE| IGF	Independent report from the INE
Amount Allocated DLI 10a/b			**0.20**	**0.20**	**0.10**	**0.10**	**2.50%**	**0.60**

ANNEX 2: RESULTS AREAS AND DETAILED ACTIVITIES

	Activity	Description of Activity	Type	Location	Responsible for Implementation
1.	Persons in CV on a digital nomad / Tech/Tech enabled enterprises visa annually (gender disaggregated and youth-led vs. non youth led)	1.1. Online/onsite Marketing (incl. social media outreach, targeting influencers in relevant markets) and Additional Marketing Activities at key conferences for relevant personnel. 1.2. Marketing also includes roadshows to (PALOP, Diaspora and WAfrica) implement exporting innovation alluded in 5.2 of this table and sub-area 1.3	Services	National	Ministry of Digital Economy (DGTED|CVD)(Ministry of Internal Affairs)
2.	Digital Visa application and onboarding platform for nomads and startups is created. With a monitoring dashboard and automated workflow Or Online one-stop-shop for nomads and startups	2.1. Digitizing Application Processes and integration with Ministry of Tourism, Interior, Foreign Affairs etc. Databases focussing on Regional Integration and Intra Regional Knowledge Exchange, (including, steering committee, KYC, SLA, NEET youth & gender-sensitive employment requirements for firms/ nomads) Or Online one-stop-shop for nomads and startups	Services	National	Ministry of Digital Economy (DGTED|CVD), Ministry of Internal Affairs, Tech Park, Nosi)
		2.2. Maintenance of online application process platform and troubleshooting	Services	National	Ministry of Digital Economy (DGTED|CVD), Ministry of Internal Affairs, Tech Park, Nosi)
3.	Operationalization Physical Secretariat Setup (One-Stop Shops) and operating expenses for four years (2 full time staff, and rent, amenities, etc., water, cooling)	3.1. Set-Up of Physical Secretariat in the CV Tech Park	Services	Praia, São Vicente, Sal, Boa Vista, Maio (on-site one-stop-shops)	Ministry of Digital Economy (DGTED|CVD), Ministry of Internal Affairs, Tech Park, Nosi)
4.	Retaining Digital Nomads and Startups through Scale-Up Financing	4.1. Design & Preparation of investment thesis of investment vehicles to be hosted by digital Bank for youth and women	Services	National	Digital Bank for Youth and Women Ecosystem | DGTED
		4.2. Preparation of marketing and legal documentation of the Go Global Fund	Services	National	Digital Bank for Youth and Women Ecosystem | DGTED
		4.3. Capitalization of the Go Global Fund through Morabeza RBF	Services	National	Digital Bank for Youth and Women Ecosystem | DGTED
		4.4. Capitalization of the Go Global Fund- Capitalization from Donors/ Diaspora and other Limited Partners	Services	National	Digital Bank for Youth and Women Ecosystem | DGTED
5.	Develop relevant polices and/ or strategy for digital nomad visa / startup visa- backed with transparency on the quota from regions	5.1. Develop relevant polices and a strategy for digital nomad visa / startup visa- backed with transparency on the quota from regions and other metrics	Services	National	Ministry of Digital Economy (DGTED|CVD), Ministry of Internal Affairs, Tech Park, Nosi)
		5.2 A strategy and implementation plan for Cabo Verde to export its digital innovation model to markets where it holds a comparative advantage. Leveraging AfCFTA, AU, ECOWAS, and bilateral relations . This also includes Sandboxes, Startup ACTs, fintech policies and related	Services	National	Ministry of Digital Economy (DGTED|CVD), Ministry of Internal Affairs, Tech Park, Nosi)
6.	Number of digital ambassadors trained (F/M) to support MSMEs with technological adoption and climate friendly business practices (MSME and WMSME)	6.1. Development of Online and Mobile Learning Platform (training, access to finance, business information and loan tracking) incl. the integration, via APIs of microfinance and commercial financial institutions (This should not stop at development also include training of ambassadors)	Services	National	Digital Bank for Youth and Women Ecosystem |DGTED
		6.2. Stipends and seed financing to digital ambassadors/youth ambassadors to deliver planned digital projects to boost MSMEs productivity and competitiveness	Services	National	Digital Bank for Youth and Women Ecosystem |DGTED
		6.3. Development of Training Content linked with 2.1.1.1 to facilitate access to capital incl.	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)

7.	Number of MSMEs financed (disaggregated by women and youth)	7.1. Operating Activities for Running the Grow Local Fund (Organising Annual LPAC meeting, Publication Annual Report and Audit Report, Publication of EnS Audit Report)	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
		7.2. Marketing Activities in all Regions to onboard MSMEs on all islands in Cabo Verde	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
8.	Operationalizing the Grow Local Fund	8.1. Design & Preparation of investment thesis of investment vehicles to be hosted by Digital Bank for Youth and Women	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
		8.2. Capitalization of the Grow Local Fund through RBF	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
		8.3. Capitalization of the Grow Local Fund-Capitalization from Donors as Limited Partners	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
		8.4. Enabling Environment and Reform Processes, based upon outcomes above	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
9.	Platform for aggregating market insights, BDS needs, and insights from lending activities	9.1. Platform for aggregating market insights, BDS needs and insights from lending activities	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
		9.2. ESG system (ESG policies and dashboard; climate. Gender and financial inclusion mainstreaming polices, and development outcomes tracking and monitoring support)	Services	National	Digital Bank for Youth and Women Ecosystem (supported by DGTED)
10.	A dashboard to track the comprehensive implementation of MIP	10.1. Establishment of Digitally Enhanced Project Monitoring Unit	Services	National	UGPE|DGTED|Digital Bank for Youth and Women
		10.2. A dashboard to track the comprehensive implementation of MIP is created.	Services	National	UGPE|DGTED|Digital Bank for Youth and Women
		10.3. Capacity Building for Data Management and Analytics amongst all staff over four years	Services	National	UGPE|DGTED|Digital Bank for Youth and Women
11.	Overheads	11.1. Hiring of an Consulting Firm to support IVM (PIU expenses, EA/PSC activities, EA marketing and services)	Misc	National	UGPE
		11.2. Executing Agency and PIU operations	Misc	National	UGPE (with support from Digital Bank for Youth and Women ecosystem)
		11.3. ESMS technical measures (GRM, and capacity building of stakeholders)	Services	National	UGPE
		11.4. Audits (Annual Financial Audits)	Services	National	UGPE

ANNEX 3: CONSOLIDATED PROGRAMME EXPENDITURE FRAMEWORK

Government Budget will be come from the Pilar Economia, Pilar Estado Social, Gestão e Administração Gera of the 2025-2028 budgets

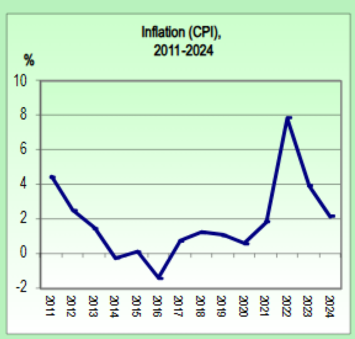
Years	Total 2025 EUR' Million		Forecast 2026		Forecast 2027		Forecast 2028	
Sources	**ADB Loan**	**GoCV[19] Budget**	**ADB Loan**	**GoCV Budget**	**ADB Loan**	**GoCV Budget**	**ADB Loan**	**GoCV Budget**
DL1, D2 ,D3 DLI5 Support to digital Nomads policy, platform and one stop shop	1.24	0.15	0.85	0.00	1.12	1.00	0.60	1.00
DL4- Go-Global Fund	4.50	5.00	2.50	1.00	2.50	0.00	0.50	1.00
DLI 6 and DLI 8 Training Youth Ambassadors in Digital and Developing of digitalized BDS systems - digital Bank	0.4	31.00	0.52	0.00	0.40	0.0	0.12	0.52
DLI7 -Setting up the Grow Local Guarantee Fund	2.00	0.5	2.00	0.50	2.50	0.50	1.00	0.20
DLI 9, DLI10a/b Project Monitoring and Capacity building for PMO and IVM	0.50	0.44	0.30	0.44	0.20	0.44	0.25	0.44

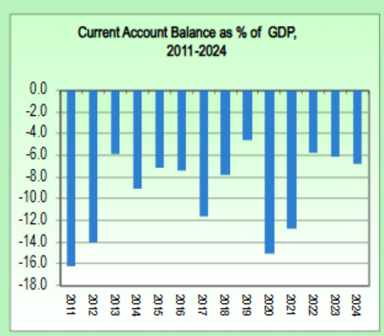
[19] This includes valuation of previous Government infrastructure assets directly contributing to the Morabeza project

ANNEX 5- SELECTED MACRO INDICATORS FOR CABO VERDE

Indicators	Unit	2010	2019	2020	2021	2022	2023 (e)	2024 (p)
National Accounts								
GNI at Current Prices	Million US $	1,835	2,268	1,806	1,964	2,343	...	...
GNI per Capita	US$	3,520	3,930	3,100	3,340	3,950	...	...
GDP at Current Prices	Million US $	1,664	2,267	1,882	2,093	2,335	2,615	2,865
GDP at 2010 Constant prices	Million US $	26,144	34,009	26,935	28,821	33,836	35,406	37,077
Real GDP Growth Rate	%	3.4	6.9	-20.8	7.0	17.4	4.6	4.7
Real per Capita GDP Growth Rate	%	2.3	5.8	-21.6	6.0	16.4	3.7	3.7
Gross Domestic Investment	% GDP	47.6	27.0	45.1	45.3	30.9	28.4	28.2
Public Investment	% GDP	30.4	5.0	9.6	9.3	5.8	5.3	5.1
Private Investment	% GDP	17.3	21.9	35.5	36.0	25.0	23.1	23.1
Gross National Savings	% GDP	32.1	33.7	8.8	28.4	35.0	20.9	16.9
Prices and Money								
Inflation (CPI)	%	2.1	1.1	0.6	1.9	7.9	4.0	2.2
Exchange Rate (Annual Average)	local currency/US $	83.3	98.5	96.6	93.2	104.6	100.9	99.1
Monetary Growth (M2)	%	4.7	7.3	2.8	2.1	1.1	...	...
Money and Quasi Money as % of GDP	%	125.5	133.4	168.5	160.4	129.4	...	...
Government Finance								
Total Revenue and Grants	% GDP	28.6	25.7	24.5	22.8	21.1	21.5	21.7
Total Expenditure and Net Lending	% GDP	39.2	27.3	33.6	30.2	25.7	25.9	24.8

Overall Deficit (-) / Surplus (+)	% GDP	-10.5	-1.6	-9.0	-7.4	-4.6	-4.4	-3.1
External Sector								
Exports Volume Growth (Goods)	%	28.2	4.5	-29.1	-4.6	4.1	29.9	9.6
Imports Volume Growth (Goods)	%	3.3	2.3	-9.8	3.5	6.1	13.1	7.3
Terms of Trade Growth	%	17.0	-2.1	-26.9	32.7	35.1	-18.5	-0.8
Current Account Balance	Million US $	-207	-105	-283	-266	-135	-159	-194
Current Account Balance	% GDP	-12.4	-4.6	-15.0	-12.7	-5.8	-6.1	-6.8
External Reserves	months of imports	4.2	6.9	7.9	8.0	6.3	6.5	6.6
Debt and Financial Flows								
Debt Service	% exports	8.3	6.1	14.1	15.6	11.3	14.1	12.7
External Debt	% GDP	57.8	104.1	145.9	138.6	119.3	107.6	105.0
Net Total Financial Flows	Million US $	261	194	123	276	38	...	...
Net Official Development Assistance	Million US $	327	152	158	145	83	...	...
Net Foreign Direct Investment	Million US $	240	123	68	104	136	...	...





Source: AfDB Statistics Department: African; IMF: World Economic Outlook, April 2024; International Financial Statistics, April 2024; AfDB Statistics Department: Development Data Portal Database, May 2024. United Nations: OECD, Reporting System Division.

Notes: … Data Not Available (e) Estimations (p) Projections

ANNEX 6: ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

A. Basic Information[20]		
Project Title: Morabeza Innovation Project		**Project SAP or TFMS code:** P-CV-GB0-005
Country: Cape Verde	**Region:** RDGW	**Lending Instrument**: Result Based Financing
Project Sector: Industry	**Task Team Leader(s):** EDOSIO, UYOYO/FERREIRA, NEIMA	
Appraisal dates: September 16 to 20, 2024		**Estimated Approval Date**: December 9, 2024
Environmental Safeguards Officer: LACAL BERESLAWSKI, Julia		
Social Safeguards Officer: XXXX		
Environmental and Social Category: Category 3	**Operation type**: Public Sector Operation	**Financial Intermediary**: No
Categorization date: August 19, 2024	**Categorization in ISTS:** August 23, 2024	**Categorization in SAP:** August 27, 2024
Is this project processed under rapid responses to crises and emergencies?		No
Is this project processed under a waiver to Integrated Safeguards System (ISS) requirement(s)?		No

B. Disclosure and Compliance Monitoring B.1 Mandatory disclosure	
Environmental Assessment/Audit/System/Others: NA.	
Was/Were the document (s) disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Resettlement Action Plan (RAP)[21]: NA.	
Was/Were the document (s) disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Stakeholder Engagement Plan (SEP): NA.	
Was/Were the document (s) disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Pest or Vector Management Plan (PMP/VMP): NA.	
Was/Were the document (s) disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Vulnerable Peoples Plan (VPP): NA.	
Was the document disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Riparian Communities Participation Plan (RCPP): NA.	
Was the document disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*
Emergency Preparedness & Response Plan (EPRP): NA.	
Was the document disclosed ***prior to appraisal?***	NA.
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	*Click to Set the date*
Date of disclosure by the Bank	*Click to Set the date*

[20] **Note**: *This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.*

[21] *Including Livelihood Restoration Plan*

Hazardous/Medical Waste Management Plan (HWMP): NA.	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Riparian notification:	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
Environmental and Social Management Plan (ESMP) of the financing agreement[22]	
Was the document disclosed ***prior to appraisal?***	**NA.**
Date of "in-country" disclosure by the borrower/client	Click to Set the date
Date of receipt, by the Bank, of the authorization to disclose	***Click to Set the date***
Date of disclosure by the Bank	***Click to Set the date***
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: **xxx**	

B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	**Yes**
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	**NA.**
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized, and secured?[23]	**NA.**
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	**NA.**
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	**Yes**

C. Clearance

Is the project compliant with the Bank's environmental and social safeguards requirements, and can be submitted to Approval? **Yes**

Prepared by	***Name***	***Signature***	***Date***
Environmental Safeguards Officer:	Julia LACAL BERESLAWSKI		**October 30, 2024**
Social Safeguards Officer:	NA		
Task Team Leader:	EDOSIO, UYOYO		**November 7, 2024**
Submitted by			
Sector Director:	Ousmane Fall	[signature]	11/07/2024
Cleared by			
Director SNSC:	Maman-Sani ISSA	[signature]	November 8, 2024

[22] As referred to in section III.2.3 of the Bank's Environmental and Social Policy (ESP)

[23] *In case a resettlement action plan (RAP) are not required although ESIA is/are disclosed, attached the image/picture of the project's area/site/landscape to evidence it is free of any encumbrance (simple statement or letter from the borrower does not suffice), in addition to the statement by the borrower/client (Official letter) that it is a public-owned or client-owned land.*