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AFRICAN DEVELOPMENT FUND

PROJECT: CAPE VERDE ELECTRICITY TRANSMISSION AND DISTRIBUTION NETWORK DEVELOPMENT PROJECT

PROJECT APPRAISAL REPORT

Date: 26 July 2011

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CURRENCY EQUIVALENTS

July 2011

UA 1	CVE 122.709
UA 1	USD 1.60045
UA 1	EUR 1.10735
UA 1	JPY 129.188

FISCAL YEAR

1 January - 31 December

WEIGHTS AND MEASURES

m	metre	1 m	V	volt	1 V
cm	centimetre	0.01 m	kV	kilovolt	1 000 V
km	kilometre	1000 m	W	watt	1 W
m ²	square metre	1 m ²	kW	kilowatt	1 000 W
cm ²	square centimetre	0.01 m ²	MW	megawatt	1 000 kW
mm ²	square millimetre	0.001 m ²	GW	gigawatt	1 000 MW
km ²	square kilometre	1000 000 m ²	kWh	kilowatt-hour	1 000 Wh
kg	kilogramme	1 000 g	GWh	gigawatt-hour	1 000 000 kWh
t	tonne	1 000 kg	T/Co2	tonne CO2	1 000 Kg CO2

ACRONYMS AND ABBREVIATIONS

ACFA	Accelerated Co-financing Facility for Africa
ADF	African Development Fund
ARE	Economic Regulation Agency
BD	Bidding Documents
ESIA	Environmental and Social Impact Assessment
GPRSP	Growth and Poverty Reduction Strategy Paper
HV	High Voltage
IEC	Information Education and Communication
JICA	Japan International Cooperation Agency
MIC	Middle-income Country
MV	Medium Voltage
PCN	Project Concept Note
PCR	Project Completion Report
PIU	Project Implementation Unit
RMC	Regional Member Country
SCADA	Supervisory Control and Data Acquisition
UA	Unit of Account

LOAN INFORMATION

Client Information Sheet	
Borrower	Republic of Cape Verde
Executing Agency	Ministry of Tourism, Industry and Energy / General Directorate of Energy

FINANCING PLAN		
Sources of Financing	Amount in UA Million	Instrument
ADF	8.42	Loan
JICA	47.244	Loan
GOVERNMENT	0.985	Counterpart Contribution
Total Project Cost	56.649	

ADF KEY FINANCING INFORMATION	
Loan Currency	Unit of Account (UA)
Interest Type	1% on the loan amount
Interest Rate Margin	Not applicable
Commitment Charge	0.50% per year on the undisbursed loan amount outstanding.
Service Charge	0.75% on the disbursed amount, commencing 120 days after Loan Agreement signature.
Tenor	30 years
Grace Period	Eight years, with effect from the date of Loan Agreement signature.
FIRR: 17 %	FNPV: EUR 360 million
EIRR: 18%	ENPV: EUR 380 million

DURATION AND MAIN MILESTONES	
Concept Note Approval	June 2011
Project Approval	October 2011
Effectiveness	November 2011-April 2012
Last Disbursement	December 2016
Completion	December 2016
Last Repayment	December 2042

EXECUTIVE SUMMARY

1. Project Overview

The Electricity Transmission and Distribution Network Development Project on Santo Antão, Sao Vicente, Sal, Maio, Santiago and Fogo Islands was designed after a feasibility study completed in September 2010 with financing from the Japan International Cooperation Agency (JICA). The project will help to upgrade power distribution networks to improve access to electricity and service efficiency and quality. The project will contribute to achieving the primary objective of the electricity sector development strategy, which seeks to raise power utility quality in Cape Verde to international standards (network loss rate of between 5% and 10%, power outages of less than 100 min./year, etc.). It will also contribute to improving the technical, commercial and financial performance of the National Electricity Company (ELECTRA).

The project will concern 492 000 inhabitants (or 94% of the total population) of Cape Verde living on six of its islands. It will contribute to increasing the overall rate of access to electricity from 88% in 2010 to 98% by 2018, and will also facilitate the electrification of some fifty localities in rural areas. The project's direct beneficiaries will be the households, craftsmen, businesses, government services and SMEs/SMIs of the six islands.

2. Needs Assessment

The feasibility study helped to highlight constraints on the operation of networks and a nearly 6% annual increase in demand on average over the last decade. These constraints concern technical losses (about 26%) and the management of large stocks of spare parts due to the coexistence of networks with different voltages. It is necessary to reduce these losses and to harmonize network voltages to improve service quality. Three islands (Sao Nicolau, Brava and Boavista) out of the nine inhabited are not included in this project. The networks of Sao Nicolau and Brava, which were rehabilitated in 2008, are in good condition. Electricity distribution on Boavista Island has been leased to the private sector. In addition, the relatively large size of networks, the large number of subscribers and the duration and frequency of power outages justified the selection of Sao Vicente, Sal and Santiago Islands.

Furthermore, the country's economic take-off, which will enable it to progress from least developed to middle-income country status, is attracting many private investors and necessitates the upgrading of electricity infrastructure to meet the ensuing increased demand for power. The country's GDP has risen by 6% per year on average over the last five years and electricity supply and demand projections (see Technical Annex A2) over the 2010-2020 period show that supply will continue to exceed demand due to the implementation of a sustained investment policy in the sector. Thus, the demand relating to the connection of new subscribers by this project will be met.

3. Value Added for the Bank

The Bank has a good knowledge of the electricity sector in Cape Verde owing to on-going power generation (thermal and wind) and distribution projects. The Bank's resources served as a lever for mobilizing financing from the country's other development partners. The Bank's operation also helped to open up the power generation segment, particularly wind energy, to the private sector. This operation, which seeks to improve service quality and the rate of access to electricity by the population, is in perfect synergy with previous Bank and other donor operations in the sector.

4. Knowledge Building

The project will enable the Bank to increase its knowledge in financing energy infrastructure within the specific context of an island country like Cape Verde. Furthermore, this second operation, which will be jointly financed with JICA under the Accelerated Co-financing Facility for Africa (ACFA), will help to draw lessons for greater efficiency in using this instrument to finance future operations in Cape Verde or in other countries. This knowledge will be disseminated through the Bank's website, meetings and other events organized to share information with various stakeholders in the sector. Capacity building provided under the project will help to create conditions for the success of projects in the sector and to enhance the sustainability of investments.

Results-based Logical Framework

Country and Project Name: Republic of Cape Verde –Electricity Transmission and Distribution Network Development Project.						
Project Goal: Contribute to raising power utility quality in Cape Verde to international standards.						
OUTPUTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATIVE MEASURES	
	Indicator (including ISC)	Benchmark in 2010	Target in 2016			
IMPACT	Improvement in the population's standard of living	1. Increase in GDP per capita	USD 3 156	USD 4 740	National statistics Report: - Ministry of Energy - ELECTRA	
		2. Increased rate of access to electricity in urban areas (ICS)	88%	98% in 2018		
		3. Increased rate of access to electricity in rural areas (ICS)	54%	98% in 2018		
OUTCOMES	Improvement in power utility reliability, efficiency and quality	1. Quantity of energy sold	193 GWh	448 GWh in 2018	Report: - Ministry of Energy - ELECTRA - Monitoring/evaluation report	<u>Risks:</u> - Project feasibility is jeopardized by Electra's financial standing - Lack of expertise on the SCADA system within Electra <u>Mitigative measures</u> - Implementation of an ELECTRA recovery plan in November 2011 by the World Bank and the Government of Cape Verde - Training of ELECTRA staff in the SCADA system
		2. The duration of power outages in a year is reduced	1 337 hours	540 hours		
		3. The rate of technical and non-technical losses is reduced	26%	20%		
		4. Quantity of greenhouse gas (GHG) avoided	0	3 396 tCo2/year		
OUTPUTS	Output 1: developed transmission and distribution system	1.1 Length of 33 kV networks	859 km	1 212 km	Report: - Consulting engineer - Status of implementation by the Project Implementation Unit - Bank supervision - Project completion - Progress report by ELECTRA	<u>Risk:</u> - Low capacity of the PIU to manage 4 projects in the long term <u>Mitigative measures</u> - The PIU benefits from experience on donor procedures and will be strengthened
		1.2 Number of 33/04 kV substations	586	763		
		1.3 Length of 0.4 kV networks	1408 km	1 789 km		
		1.4 Number of SCADA systems	0	3		
		1.5 Number of staff trained on the SCADA system	0	50		
	Output 2: new consumers are connected to the grid	1.6 Number of new rural localities electrified	0	50		
		1.7 Number of new public lighting units installed	0	5 163		
		1.8 Number of faulty meters replaced	0	26 592		
		1.9 Number of new urban households	0	3 000, 60% of them women		
		1.10 Number of new rural households	0	1 729, 60% of them women		

	Output 3: the population of the project area is sensitized	2.1 Number of people sensitized on HIV/AIDS 2.2 Number of reports on the status of implementation of the ESMP	0 0	3 500 in 2016 4/year	- IEC report - Monitoring/Evaluation and ESMP reports - Progress report by ELECTRA	
KEY ACTIVITIES	COMPONENTS				RESOURCES	
	<p>Component 1: Electrical Infrastructure: (i) construction of networks; (ii) installation of the SCADA system and staff training; (iii) replacement of faulty meters; (iv) rural electrification; (V) connection of new households; and (vi) installation of public lighting units.</p> <p>Component 2: Environmental and Social Mitigative Measures: (i) acquisition of land and compensation</p> <p>Component 3: Project Administration and Management: (i) works control and supervision; (ii) monitoring of ESMP and evaluation of project impact; (iii) auditing of accounts; and (iv) operation of the PIU.</p>				<p>ADF loan: UA 8.42 million JICA loan: UA 47.244 million Government contribution: UA 0.985 million Component 1: UA 54.383 million Component 2: UA 0.222 million Component 3: UA 2.044 million</p>	

REPORT AND RECOMMENDATION OF MANAGEMENT TO THE BOARD OF DIRECTORS CONCERNING A PROPOSAL TO GRANT A LOAN TO CAPE VERDE TO FINANCE THE ELECTRICITY TRANSMISSION AND DISTRIBUTION NETWORK DEVELOPMENT PROJECT

Management hereby submits this report and recommendation concerning a proposal to grant a loan of UA 8.42 million loan to the Republic of Cape Verde to finance the Electricity Transmission and Distribution Network Development Project on six islands in Cape Verde.

I. STRATEGIC THRUST AND RATIONALE

1.1 Project Linkages with Country Strategy and Objectives

1.1.1 This operation, which seeks to help improve the competitiveness of the national economy and the people's standard of living by satisfying their energy needs, is squarely in line with the country's strategy and objectives. Cape Verde's Growth and Poverty Reduction Strategy Paper (GPRSP) for the 2008-2011 period focuses on five pillars, the third and fourth of which concern the competitiveness of the national economy and infrastructure, respectively. These two pillars will be included in the new GPRSP that is being prepared. In addition, Cape Verde designed the Economic Transformation Strategy (ETS) for the 2008-2014 period to advance the country to middle-income country status. The specific objectives of the ETS are to: (i) promote strong and sustained growth; (ii) reduce poverty; and (iii) create a broad base for the production of goods and services. According to IMF projections, the country's GDP per capita will increase from USD 3 156 in 2010 to USD 4 740 in 2016. The project is in line with Cape Verde's development and growth strategy and objectives through its impact on power utility reliability and quality.

1.1.2 Lastly, the project plugs into Cape Verde's electricity sector development strategy (2009-2015), whose main objectives are to secure and control electricity generation, improve power utility performance, and achieve financial self-sufficiency in the electricity sector in the medium term. To attain these objectives, reforms will be carried out in the sector, namely: (i) opening up the power generation segment to the private sector; (ii) establishing a provisional regulation system and eventually transferring the regulated public utility to a private operator; and (iii) establishing a General Directorate of Energy in the Ministry of Tourism, Industry and Energy, and an Electricity Sector Steering Committee.

1.2 Rationale for Bank's Involvement

1.2.1 Cape Verde's Country Strategy Paper (CSP) for the 2009-2012 period comprises two pillars: (a) Consolidating the Gains of Good Economic and Financial Governance; and (b) Contributing to Infrastructure Development. This project builds on the second pillar by strengthening electricity transmission and distribution infrastructure on six islands.

1.2.2 One of the priorities under the Bank's medium-term strategy (2008-2012) is to develop infrastructure in Regional Member Countries (RMCs). In particular, infrastructure investments are expected to contribute to enhancing growth, productivity, employment and access to markets and basic services. This operation is in full harmony with the ADB Group's new Energy Sector Policy, which replaces the 1994 Energy Sector Policy, one of whose objectives is to support RMCs in providing reliable and affordable modern infrastructure and energy services to their population and productive sectors. Lastly, this operation is a response to Cape Verde's request for financing infrastructure needed for its development.

1.3 Aid Coordination

1.3.1 The electricity sector accounts for 8% of Cape Verde's GDP. Many donors are involved in this sector in Cape Verde. The share of cumulative investments for the 2005-2010 period is as follows:

Sector	Contribution		
	<i>GDP</i>	<i>Exports</i>	<i>Workforce</i>
Electricity	8%	Not applicable	3%
Stakeholders – Public Expenditure (2005-2010)			
Government		Donors	
UA 14 million	9%	UA 151 million	JICA
			21%
		Portuguese Cooperation	18%
		EIB	14%
		ADB	10%
		AFD	7%
		Dutch Cooperation	7%
		World Bank	14%
		<i>Sub-total</i>	91%
Aid Coordination			
Existence of thematic working groups		No	
Existence of an overall sector programme		Yes	
ADB's role in aid coordination		Member	

1.3.2 At the national level, the Ministry of the Economy and Finance coordinates foreign aid. GPRSP implementation will help to ensure consultation between Cape Verde's development partners within the framework of the "Specific Budget Support Arrangement" and "Specific Sector Arrangements". Seven donors (Austria, ADB, World Bank, European Union, Netherlands, Spain and Portugal) provide and coordinate their budget support through a common matrix of measures and indicators which will be monitored. These donors regularly organize joint budget support supervision missions. There is no thematic group for the energy sector. The mission has proposed that Cape Verde take the lead in setting up an energy sector thematic group. The Bank will be responsible for administering the project under consideration in terms of procurement, disbursement and implementation monitoring, as is the case for the on-going Project to Build Generation, Transmission and Distribution Capacity jointly financed with JICA.

II – PROJECT DESCRIPTION

2.1 Project Components

2.1.1 The project seeks to upgrade distribution networks to enhance access to electricity and service efficiency and quality. It will contribute to raising power utility quality in Cape Verde to international standards by improving the technical, commercial and financial performance of the National Electricity Company (ELECTRA).

2.1.2 The project will extend the MV/LV networks, strengthen and rehabilitate transmission lines and sub-stations, install the SCADA system comprising control, defect identification and management equipment (power cut and remote restoration) for distribution networks in three islands, and replacement of faulty meters. These activities will help to: (i) harmonize the voltage level at 20 kV for power distribution on all the islands covered by the project; (ii) reduce losses; (iii) increase the rate of access by the population to electricity services; (iv) reduce the duration of power outages caused by network defects; and (v) improve ELECTRA's commercial performance. The project components are as follows:

*Table 2.1
Project Components*

#	Component Name	Estimated Cost (UA Thousand)	Component Description
1.	Electric Infrastructure	50 777	<ul style="list-style-type: none"> ▪ Construction of 349 km of 20 kV underground and overhead transmission lines; ▪ Construction of 177 MV/LV sub-stations; ▪ Construction of 381 km of LV network; ▪ Installation of 5 163 public lighting units; ▪ Replacement of 26 592 faulty meters and connection of 5 000 new subscribers, of whom 1 729 in rural areas; ▪ Installation of 3 SCADA systems; ▪ Supply of 30 service vehicles, operation tools and equipment;
2.	Environmental and Social Mitigative Measures	208	<ul style="list-style-type: none"> ▪ Acquisition of land and compensation for damage; ▪ Information, education and communication (IEC) campaigns;
3.	Project Administration and Management	1 958	<ul style="list-style-type: none"> ▪ Works control and supervision; ▪ Monitoring of the ESMP and evaluation of project impact; ▪ Auditing of accounts; ▪ Operation of the PIU.
	TOTAL BASE COST	52 943	<ul style="list-style-type: none"> ▪ Total base cost, net of provision for physical contingencies and price escalation.

2.2 Technical Solutions Adopted and Alternatives Explored

2.2.1 The solution adopted is to interconnect independent networks by harmonizing the MV voltage level, strengthen and extend distribution networks so as to improve service quality and access to electricity.

2.2.2 The alternative explored is to strengthen the isolated networks on each island and extend them to the existing MV voltage level. This solution will not guarantee flexibility in network operation in terms of supply security. It will entail maintaining a large stock of spare parts adapted to different voltage levels and will not help to install a defect control and management (SCADA) system. In addition, all existing generation units will be maintained. This will generate a negative impact due to greenhouse gas (GHG) emissions.

*Table 2.2
Alternative Explored and Reasons for its Rejection*

Alternative	Brief description	Reason for Rejection
Strengthening of existing networks in each island	The existing MV distribution networks in the islands are independent, supplied by different sources of generation with different voltage levels (6 kV, 10 kV, 15 kV and 20 kV).	<ul style="list-style-type: none"> ▪ For voltage levels of 6, 10 and 15 kV, the strengthening of networks will not allow greater transit of power. ▪ Lack of a backup power supply in the event of breakdown to safeguard supply as the networks have different voltage levels; maintenance of a stock of different spare parts with negative consequences on resources and operation outputs. ▪ All polluting units will be maintained, with a negative impact on the environment due to greenhouse gas emissions.

2.3 Project Type

2.3.1 This operation will be implemented as a stand-alone project financed by the ADF, JICA and the Government of Cape Verde. In the absence of a new framework for the Accelerated Co-financing Facility for Africa (ACFA) between the Bank and JICA, the project will be jointly financed under normal conditions. However, JICA will pay administrative charges to the Bank for its responsibilities in project management.

2.4. Project Cost and Financing Arrangements

2.4.1 The total project cost, net of taxes and customs duties, is UA 56.649 million, of which UA 37.156 million in foreign exchange and UA 19.493 million in local currency. It includes a 5% provision for physical contingencies and an annual provision of 2% for price escalation for both costs in foreign exchange as well as local currency. The project costs by component and by expenditure category are shown in Tables 2.3 and 2.4 below.

2.4.2 The Bank will finance the project through an ADF loan. This financing arrangement will be used because Cape Verde is a country in transition to MIC status. The project will be financed by the ADF, JICA and the Government for UA 8.42 million, UA 47.244 million and UA 0.985 million, respectively, representing 15%, 83% and 2% of the project cost, in that order. The amount of Government contribution is justified by the fact that: (i) the ADF will finance less than 90% of the project cost; and (ii) the project is jointly financed with JICA. The detailed cost of components by source of financing and procurement method is presented in Technical Annexes B2 and B5. The confirmation by the Borrower of project financing by JICA will be one of the conditions precedent to first disbursement.

*Table 2.3
Estimated Project Cost by Component (in UA Thousand)*

Table 2.3 Estimated Project Cost by Component (in UA Thousand)				
Components	Foreign Exchange	Local Currency	Total	% Foreign Exchange
(A) Electrical Infrastructure	33 920	16 857	50 777	60%
(B) Environmental and Social Mitigative Measures	0	208	208	0%
(C) Project Administration and Management	780	1 178	1 958	1%
Total base cost	34 700	18 243	52 943	61%
Provision for physical contingencies	1 728	868	2 596	3%
Provision for price escalation	728	382	1 110	1%
Total project cost	37 156	19 493	56 649	100%

*Table 2.4
Sources of Financing (in UA Thousand)*

Table 2.4 Project Financing Plan by Source of Financing (in UA Thousand)				
Sources of Financing	Foreign Exchange	Local Currency	Total	% Total
ADF	5 129	3 291	8 420	15%
JICA	32 027	15 217	47 244	83%
GOVERNMENT	0	985	985	2%
TOTAL	37 156	19 493	56 649	100%
Percentage (%)	66%	34%	100%	

2.4.3 The project will consume the entire country indicative allocation under ADF-XII (country allocation: UA 8.42 million). The ADF-XII “frontloading” rule makes it possible to use all the resources when the country allocation is below UA 20 million for the three years of the ADF cycle.

2.4.4 Electrical infrastructure, excluding the SCADA system and measuring, network operation and maintenance tools and equipment, will be financed jointly by JICA and the ADF. Consultancy services for works control and supervision will be financed by JICA. The auditing of project accounts, monitoring of the ESMP, evaluation of project impact and Information Education and Communication (IEC) campaigns will be financed by the ADF. Government’s contribution will finance land acquisition, compensation for damage caused by the project and operation of the PIU.

*Table 2.5
Project Cost by Expenditure Category (in UA Thousand)*

Table 2.5 Project Cost by Expenditure Category (in UA Thousand)				
Expenditure Category	Foreign Exchange	Local Currency	Total	% Foreign Exchange
1. Goods (operation and maintenance equipment)	1 608	0.0	1 608	3%
2. Works (supply and installation)	32 312	16 857	49 169	57%
2.1 MV/LV network	25 260	16 534	41 795	45%
2.2 SCADA system	7 052	323	7 374	12%
3. Services	780	431	1 210	1%
4. Others (operation and compensation)	0.0	955,0	955	0%
Total base cost	34 700	18 243	52 943	61%
Provision for physical contingencies	1 728	868	2 596	3%
Provision for price escalation	728	382	1 110	1%
Total project cost	37 156	19 493	56 649	66%
Percentage (%)	66%	34%	100%	

Table 2.6
Expenditure Schedule by Component (in UA Thousand)

Table 2.6 Expenditure Schedule by Component (in UA Thousand)						
Components	2 012	2 013	2 014	2 015	2 016	Total
(A) Electrical Infrastructure	0	13 596	16 315	16 315	8 157	54 383
(B) Environmental and Social Mitigative Measures	222	0	0	0	0	222
(C) Project Administration and Management	140	425	496	497	486	2 044
Total project cost	363	14 021	16 811	16 812	8643	56 649

Table 2.7
Financing Plan by Expenditure Category and Source of Financing

Table 2.7 Financing Plan by Expenditure Category and Source of Financing (in UA Thousand)				
Expenditure Categories/ Sources of Financing	ADF	JICA	GOVT. OF C.V.	Total
Goods	0	1723	0	1723
Works (supply and installation)	8135	44525	0	52 660
Services	285	996	0	1 281
Others (operation and compensation)	0	0	985	985
Total project cost	8 420	47 244	985	56 649
Percentage (%)	15%	83%	2%	100%

2.5 Project Target Area and Beneficiaries

2.5.1 The project will cover six (Santo Antao, Sao Vicente, Sal, Santiago, Fogo and Maio) out of the ten islands that make up Cape Verde. It will concern 492 000 inhabitants, representing 94% of the country's total population (2010). The average rate of access to electricity in these islands is about 88%. The poverty rate in Santiago, Santo Antao and Sao Vicente Islands, which account for more than 80% of Cape Verde's population, is between 30% and 45%. Socio-economic activities carried out in these islands include salt production, pozzolan (volcanic rock used in cement production) exploitation, fishing, and maize, potato, banana and sugarcane cultivation.

2.5.2 Project beneficiaries will be households, government services and SMEs/SMIs of the aforementioned six islands. Enterprises and other economic operators, particularly in the tourism sector, will have reliable energy services enabling them to develop businesses and thus promote employment. The installation of SCADA will enable ELECTRA to provide the Economic Regulation Agency in charge of regulating the energy sector with more accurate indicators (network performance, duration of outages, etc.) to fix new tariff schedules.

2.6 Participatory Approach for Project Identification, Design and Implementation

2.6.1 As part of the socio-economic component of the feasibility study, stakeholders (ELECTRA, households, local governments, economic operators and NGOs) were consulted to identify their needs on the basis of which the project was designed. Surveys carried out showed that the people are willing and are able to pay for electricity consumption. The project identification and preparation missions visited three of the six islands and held meetings with the local governments and NGOs. Meetings with some donors present in Cape Verde helped to ascertain the existence of synergy in operations. Communities in the project area were consulted and their concerns taken into account in the design of the ESMP. During the appraisal mission, various stakeholders, notably State institutions and NGOs, were consulted. The participatory approach will be pursued during project supervision and mid-term review missions.

2.6.2 The ESIA, including the ESMP, has been prepared. The preparation of the ESMP helped to take into account the expectations of the population with regard to land acquisition and compensation for damage caused to property. The PIU will implement the ESMP with the support of a consulting firm recruited for this purpose. The surveys to be carried out by the consulting firm as part of monitoring and evaluation will enable the population to participate in building up data on project impact. During project implementation, IEC campaigns will be conducted to sensitize the population on the risks of electrocution, energy conservation and HIV/AIDS prevention. The HIV-prevalence rate in Cape Verde, which is one of the lowest in Africa, is about 0.8%. The conduct of HIV/AIDS sensitization campaigns can be explained by the influx of non-natives into the project area in search of work.

2.7 Consideration of Bank Group Experience and Lessons Reflected in Project Design

2.7.1 Since it started operating in Cape Verde in 1977, the Bank has approved the funding of 40 operations, including private sector projects, for a total UA 175.79 million. A third of the Bank's operations were in the infrastructure sector, with the rest in the social sector (16%), the rural sector (13%), multi-sector (31%) and the utility sector (11%). In June 2011, the Bank's active portfolio in Cape Verde comprised two projects: (i) the Project to Build Capacity in Electricity Generation, Transmission and Distribution on Santiago Island implemented with ADF/JICA financing; and (ii) the Cabéolica Wind Energy Project financed from the Bank's Private Sector Window. The portfolio performance was rated 2.3 on a scale of 0 to 3 by the recent 2011 portfolio review mission, whose report is being examined.

2.7.2 The completion report of the Education Sector Institutional Support Project was prepared in 2010. Project implementation was deemed satisfactory and rated 3 on a scale of 1 to 4 for overall project, Bank and Borrower performance. The on-going Project to Build Capacity in Electricity Generation, Transmission and Distribution has achieved a 50% implementation rate and a 61.43% disbursement rate. The project experienced start-up delays due to: (i) protracted negotiations and finalization of works contracts; (ii) long delays in issuing letters of credit; and (iii) the realignment of the 20 kV transmission line.

2.7.3 The main lessons learned from Bank project implementation and specific to the electricity sector project, after the June 2011 portfolio review, especially concern the need to: (i) reduce the time taken to process procurement files; (ii) improve quality at entry of

operations; and (iii) improve financial management and disbursements. These lessons were taken into account when designing this project. Thus: (i) the time taken to process procurement files will be reduced by recruiting a procurement specialist with the requisite skills, before fielding the appraisal mission; (ii) quality at entry assessment will be improved by designing the project based on feasibility studies and defining impact and output indicators that will be monitored and evaluated; (iii) appropriate recommendations have been made concerning, in particular, capacity building and internal control, to improve financial management and disbursements (Technical Annex B4); and (iv) in accordance with the Paris Declaration, the project will be implemented by an existing PIU that is responsible for the electricity project being implemented with JICA/ADF financing.

2.8 Key Performance Indicators

2.8.1 A consulting firm will be recruited to draw up the project impact monitoring/evaluation framework. Performance indicators will be compared with: (i) those of the baseline case to fine-tune project activities; and (ii) final indicators to measure the project's environmental and socio-economic impact. The indicators that will be monitored during project implementation are classified under the following categories: short-term outputs: (i) length of MV/LV network lines and sub-stations constructed/rehabilitated; (ii) number of defective meters replaced and new households connected; (iii) number of new rural localities electrified; and (iv) number of new public lighting units installed. Outcomes: (i) reduction in the duration of power outages per year; (ii) decline in the rate of network losses; (iii) reduction in the quantity of GHGs emitted; and (iv) trends in the amount of electricity sold. Impact: increase in the rate of access to electricity and the economic growth rate.

III. PROJECT FEASIBILITY

3.1 The National Electricity Company (ELECTRA)

3.1.1 The National Electricity Company (ELECTRA) is a limited liability company (LLC) that holds monopoly over electricity transmission and distribution in Cape Verde. It is also responsible for the production and distribution of drinking water in some municipalities. The State owns 77.74% of ELECTRA's share capital, the National Social Insurance Fund 16.59% and municipalities the remaining 5.67%. A quarter of the electricity in Cape Verde is generated from diesel/thermal power sources. This type of generation has a negative impact on ELECTRA's operating accounts. Added to this are its obsolete distribution installations and poor commercial and financial performance. Furthermore, its economic environment is characterized by: (i) the market size; (ii) the cost of generating electricity which is strongly impacted by fuel price volatility; and (iii) the definition of the billing structure by the Sector Regulatory Agency; the structure includes a ceiling tariff (indexed to fuel, inflation, etc.) and a social tariff, to protect vulnerable segments of the population (Technical Annex A2).

3.1.2 ELECTRA's recovery plan is being implemented. It is based on an investment programme, measures to improve governance, the opening up of the generation segment to the private sector and the improvement of technical and commercial performance. The renewal of networks and transformer sub-stations will help to reduce technical losses. To fight against fraud (non-technical losses), ELECTRA will, under the recovery plan: (i) install and replace meters; (ii) introduce prepayment meters for big consumers; (iii) set up new agencies in various municipalities; and (iv) regularly control customers' metering equipment.

Investments under this project will contribute to achieving the objectives of the recovery plan, which is based on a diagnostic study carried out in 2011. Government's commitment to implement the action plan defined in this study will be one of the conditions for financing the project.

3.2 Economic and Financial Performance

Baseline Scenario	FIRR: 17%	FNPV: EUR 360 million
	EIRR: 18%	ENPV: EUR 380 million

3.2.1 Financial Performance: the project's financial internal rate of return (FIRR) and financial net present value (FNPV) were computed based on costs and revenue related to project implementation in six islands in Cape Verde. Project revenue will be derived from the additional sale of energy to new subscribers valued at the 2011 average tariff and throughout the estimated 20-year project operation period. Project costs comprise: (i) total investment costs spread over the construction period according to the project implementation schedule; (ii) annual operating and maintenance costs estimated at an average 3% of the investment cost; and (iii) the cost price of energy sold.

3.2.2 Economic Performance: the economic benefits used in calculating the economic internal rate of return (EIRR) and the economic net present value (ENPV) are related to the gross economic benefits derived from the enhanced value of the additional energy sold on each island (including improvements related to the reduction in technical losses). The economic costs adopted are investment costs, plus working capital needs during the construction period, plus the cost price of energy sold as well as maintenance and labour costs estimated at 3% of the initial investment cost.

3.2.3 Calculation of Sensitivity: the sensitivity of the project's financial and economic performance was analysed in relation to: (i) variation in investment costs; (ii) variation in the selling price of electricity; and (iii) the rate of technical losses. The analysis shows that although the project's rate of return and (economic and financial) net present values are sensitive to changes in these factors, they remain at acceptable levels, thus confirming the operation's financial and economic viability. The economic and financial internal rates of return remain above the weighted average cost of capital used (12%) in most cases. The situation deteriorates slightly only on the assumption that electricity prices drop by more than 15%, which is very unlikely in the context of increasing fuel prices on the global market.

3.3 *Environmental and Social Impact*

3.3.1 Environment: the project is classified under Environmental Category 2. The project's positive impact will stem from: (1) the completion of the network and establishment of the SCADA system, with effects from the shutdown of generation units (noise and pollution); and (2) the modernization of the distribution network, necessitating the strengthening of security and minimizing of incidents due to frequent maintenance. The project's negative impact will mainly concern containable damage to: (i) the physical, natural and visual environment: poles, pulling of cable and digging of trenches along the road; (ii) the human environment during transportation of materials and preparation of construction and work sites. These identified potential negative effects have been minimized by: (i) changing the line route to avoid areas considered sensitive; (ii) selecting wooden poles that can be installed manually and that do not damage the environment; (iii) burying cables in areas with landscape of interest; (iv) making provision for compensation for work-related damage; and (v) carrying out an information and education campaign on safety and energy conservation. The Ministry of Tourism, Industry and Energy (MTIE) prepared an ESMP in July 2011. The summary of the ESMP is in Technical Annex B8.

3.3.2 Climate Change: Mitigation: the improvement of the network's technical performance (reduced losses) and output (less energy produced for the same purposes) by the infrastructure and system to be installed should help to reduce losses and hence GHG emissions estimated at 3 396 tCO₂/year. In addition to reducing greenhouse gas emissions caused by improved system efficiency, the amount of GHG avoided will be increased by reducing the number of independent-producers and use of biomass in some areas. Adaptation: in flood-prone areas (Riberia Grande) or areas located very close to the coast, the level of transformer stations will be raised by a few tenths of a centimetre to minimize risks. To mitigate the impact of storms on electrical installations, particularly the destruction of overhead transmission lines (or breakage of cables), the technical solution adopted is to bury cables (Ponta do Sol, North coast of Santo Antao).

3.3.3 Gender Issues: the project will target all communities. Nevertheless, specific benefits will be provided for women, notably: (i) small business opportunities and food processing and preservation using electrical equipment; and (ii) lessening the burden of household chores through the use of household appliances. These benefits are particularly important in rural areas where many women are household heads (about 60% of households). Furthermore, the time devoted by youths to studies in the evening will be increased and they will also have the opportunity to indulge in extra-curricular activities.

3.3.4 Social Issues: social inequalities related to access to electricity will be reduced. The overall access rate will be about 98% by project-end. From the social standpoint, the main expected outputs include: (i) improved quality of life of households through the use of household electrical appliances and lighting; (ii) improved security through the installation of more than 5 100 public lighting units; (iii) development of local economies by creating favourable conditions for cottage-based and commercial activities; and (iv) improved access to information and communication technologies. Sensitization to HIV/AIDS carried out through IEC campaigns will target various social groups to give them relevant information. The project will enable ELECTRA to continue: (i) seawater desalination; and (ii) distribution of drinking water to the population.

3.3.5 Forced Resettlement: the installation of electrical distribution network equipment under the project requires little space. Consequently, homes and other buildings will be avoided and there will be no involuntary resettlement. A total EUR 200 000 has been earmarked for land acquisition and compensation for damage caused to property. Social development indicators and aspects of land acquisition will be monitored by a specialized firm throughout project implementation.

IV. IMPLEMENTATION

4.1 Implementation Arrangements

(A) Project Executing Agency

4.1.1 Statutorily, MTIE's General Directorate of Energy (DGE) is responsible for implementing energy projects in Cape Verde. Project activities will be coordinated by an existing Project Implementation Unit (PIU) within the DGE in charge of the Project to Build Electricity Generation, Transmission and Distribution Capacity on Santiago Island (being implemented with JICA/ADF financing). The PIU comprises a coordinator, an electrical engineer, a procurement specialist, a financial manager, a financial assistant, a secretary and a driver. The CVs of the Unit's staff have been approved by the ADF. The PIU will eventually manage four projects. It has the technical capacity to manage the project. However, because of the scope of activities involved in managing several projects, it is proposed that it be strengthened with three national senior officers, i.e. two electrical engineers and one accountant. Each engineer will be responsible for monitoring activities on the ground on three islands. The accountant will handle project-related accounting activities. Bank approval of the CVs of this additional staff will be one condition precedent to first disbursement of the loan.

4.1.2 Under this operation, the PIU will benefit from the technical support of ELECTRA on all the six islands. The PIU will also benefit from the support of: (i) a consulting engineering firm for works control and supervision; and (ii) a consulting firm for ESMP monitoring and project impact assessment. An operational organization chart involving the PIU, ELECTRA and the consulting engineering firm has been prepared for this purpose (Technical Annex B3). The services of the consulting engineering firm will concern support for the preparation of bidding documents, control of the quality of works carried out by contractors, training within the firm on works monitoring and supervision, and support to the PIU during the works-related warranty period. The consulting engineering firm will place staff at the disposal of the Borrower, comprising one project manager, one resident electrical engineer, one network engineer, one electrical protection and control specialist, one SCADA expert and one telecommunications expert. The executing agency will submit quarterly project progress reports to the Bank.

(B) Procurement Arrangements

4.1.3 The Bank and JICA agreed that procurements relating to jointly financed expenditure categories, particularly the MV/LV electrification network on the six islands covered by the project, will be undertaken according to the Bank's Procurement Rules and Procedures. This is because Cape Verde's public procurement regulations (Law No. 17/VII/2007 of 10 September 2007) are not yet complete, although their main principles comply with international standards as well as the Bank's Rules of Procedure regarding,

among other things: (i) equal access to and participation in procurements; (ii) transparency and publicity; (iii) economy and efficiency; (iv) procurement planning; and (v) existence of a system regulation, review and conflict resolution body. However, this law does not refer to the specific case of selection of consultants. Furthermore, public procurement management entities lack adequate competent staff or have not yet been established, particularly a central *ex-ante* procurement procedure screening body in charge of major contracts.

4.1.4 Procedures for the award of various contracts are detailed in Technical Annex B5. A procurement plan was prepared, discussed during negotiations and accepted by the Bank. The Project Implementation Unit (PIU) will be responsible for procurements. The evaluation of the PIU's capacity regarding procurement shows that it is competent and has the necessary experience to implement procurement activities. It has a procurement specialist with the skills and experience needed to apply the procurement rules of procedure of multilateral donors, particularly the ADB. All procurements financed by the Bank, except the procurement of IEC services which will be the subject of *a posteriori* review, will be subject to *ex-post* screening under the conditions described in Annex B5.

(C) Financial Management and Disbursement Arrangements

4.1.5 The PIU will be responsible for project administrative, financial and accounting management. It has an administrative and financial officer (AFO) and a financial assistant. This staff was evaluated during the appraisal mission and considered to have the required experience and skills to ensure project administrative, financial and accounting management. The project will keep separate financial accounts, in accordance with international accounting practices, to help identify and monitor expenditure by component, expenditure category and source of financing. A bank account will be opened to ensure the traceability of counterpart funds. Evidence of opening this account will be a condition precedent to first disbursement. The PIU will ensure that all project accounts are audited annually by an independent external auditor deemed acceptable to the ADF and recruited according to Bank procedures. The corresponding audit reports will be submitted to the Bank within six months following the end of each financial year, in accordance with general provisions applicable to loan agreements. This audit will be financed with ADF loan resources.

4.1.6 The PIU has an accounting procedures manual and software that will serve as a basis for project administrative, accounting and financial management. The procedures manual had been prepared under the Water and Sanitation Project funded by the World Bank. It was updated to enable the PIU to manage several projects. The updated manual has been submitted to the Ministry of Tourism, Industry and Energy for approval. It will be submitted to the Bank for review. The software is functional and is being used by the AFO and his assistant to produce the accounting statements of the on-going project. The software will simply be configured to include management of the new project. The configuration will be carried out at project start-up.

4.1.7 Disbursements will be made in accordance with relevant Bank procedures. The direct payment method will be used for disbursements concerning supplies and the construction of MV/LV networks, the auditing of project accounts, the services of the consultant in charge of monitoring the ESMP and monitoring/evaluation, and IEC services. The project may also use any other Bank disbursement method, as appropriate, to pay the various contractors.

4.2 Project Monitoring

4.2.1 The key project milestones are presented in Table 4.1 below.

Duration	Milestones	Monitoring Activities/Feedback Loop
November 2011 to April 2012	Approval and effectiveness	Loan approval
		General Procurement Notice
		Signature of loan agreement
		ADB launching mission
		Effectiveness of loan agreement
December 2011 to March 2014	Procurement procedures	Lifting of conditions precedent to first disbursement
		Recruitment of Consultant
		Recruitment of consulting firms for jointly financed works
		Recruitment of consulting firms for SCADA works
		Recruitment of an auditing firm for the audit of project accounts
		Recruitment of a consulting firm for the supply of operation tools and equipment
		Bank supervision missions
Project environmental and social monitoring		
February 2012 to December 2016	Project physical and financial implementation	Bank Mid-Term Review
		Execution of various contracts
		Preparation of periodic project status reports
June 2016 to December 2016	Project completion	Bank supervision missions
		Borrower's Project Completion Report
		Bank's Project Completion Report

4.3 Governance

4.3.1 According to Transparency International's criteria, Cape Verde is one of the "best students" regarding good governance in Africa. The country is ranked 45th in the world with a score of 5.1. The risk of poor management of resources can be assessed as moderate. However, the risk of governance in the procurement process and project financial implementation will be mitigated by the Bank's strict monitoring of compliance with its rules of procedure. Furthermore, Bank supervision and technical and financial audit missions will help to ensure that services provided, works actually carried out and disbursements conform to specifications and comply with the loan agreement.

4.4 Project Sustainability

4.4.1 The renewal of equipment and construction of new networks will enable ELECTRA to avoid incurring huge project facility maintenance costs in the early years of operation. Overall, 3% of investments will be needed annually to maintain the facilities built. Project sustainability will depend, among other things, on: (i) the April 2011 tariffs increase and their revision mechanism; (ii) ELECTRA's recovery through performance improvement; (iii) increase in sales following a reduction in losses; and (iv) private sector involvement in the generation segment with the opening up of ELECTRA's share capital. The implementation of all these measures will help to strengthen ELECTRA's financial capacity to ensure the proper operation and maintenance of project facilities.

4.5 Risk Management

4.5.1 The main risks identified are: (i) technical risk: ELECTRA's lack of expertise to operate and maintain the SCADA system; (ii) sustainability risk: ELECTRA's financial standing could have difficulties ensuring the regular maintenance of project facilities; and (iii) implementation risk: low capacity of the PIU to eventually manage four infrastructure

projects. These risks will be respectively mitigated by: (i) training ELECTRA's staff to operate and maintain the SCADA system; (ii) implementing an ELECTRA recovery plan with Government support; and (iii) enhancing the experience of PIU staff who deal with donor procedures and strengthening the Unit.

4.6 Knowledge Building

4.6.1 In view of its scope due to its implementation on six islands, the project will enable the Bank to generate practical knowledge from the evaluation of the operational framework put in place for its implementation. The thematic studies carried out on the environmental and social framework on six islands will enable the Bank to obtain key information that can be used in implementing future projects. The establishment of a monitoring/evaluation framework will provide the Bank with reliable socio-economic statistics to facilitate the evaluation of project impact and indicators for future Bank operations.

V – LEGAL FRAMEWORK

5.1 *Legal Instrument:* an ADF loan will be granted to the Republic of Cape Verde to finance this project.

5.2 Conditions Associated with Bank's Involvement

(A) Conditions Precedent to Effectiveness

5.2.1 The Loan Agreement will become effective when the Borrower has fulfilled the pre-conditions set out in Section 12.01 of the General Conditions, to the Fund's satisfaction.

(B) Conditions Precedent to First Disbursement

5.2.2 In addition to effectiveness of the Loan Agreement, the first disbursement of loan resources shall be subject to fulfilment by the Borrower of the following conditions:

- (i) Provide evidence of confirmation of financing by JICA (paragraph 2.4.2);
- (ii) Submit the CVs of the two engineers and the accountant to be assigned to the PIU for the Fund's "no objection" opinion (paragraph 4.1.1);
- (iii) Provide the Fund with evidence of opening an account into which counterpart funds will be deposited (paragraph 4.15).

(C) Other Condition and commitment

5.2.3 Other Condition: the Borrower shall, no later than the start-up of work on the batch concerned: (i) provide the Fund with evidence of land acquisition or payment of compensation to persons affected by the project, in accordance with Fund's rules of procedure and the Environmental and Social Management Plan; or (ii) where, for reasons beyond the Borrower's control, all or part of such acquisition or compensation cannot be carried out, provide the Fund with evidence of the payment of resources into an escrow account in a bank acceptable to the Fund, for financing these operations.

5.2.4 Commitment: the borrower commit to

1. Works should not started in an area before Project Affected People have been fully compensated
2. The Borrower shall undertake to implement the Environmental and Social Management Plan and, where applicable, any other compensation plan for persons affected by the project.
3. Provide the Fund with the Government's commitment to implement, over a period of three to seven years, the ELECTRA recovery action plan, in accordance with the report on the study carried out in June 2011 (paragraph 3.1 .2);

5.3 Compliance with Bank Policies

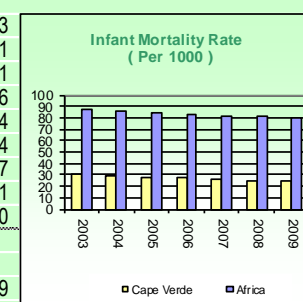
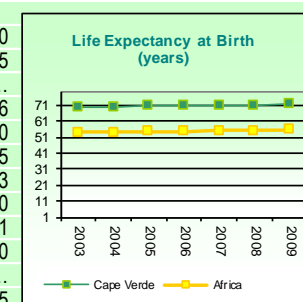
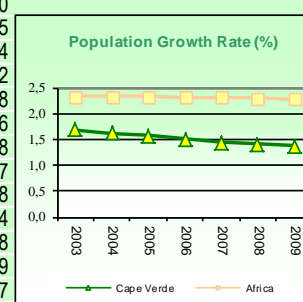
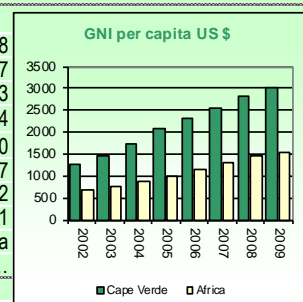
5.3.1 This project complies with all applicable Bank policies.

VI. RECOMMENDATION

6.1 Management hereby recommends that the Board of Directors approve the proposal to grant a UA 8.42 million ADF loan to the Republic of Cape Verde to finance the Electricity Transmission and Distribution Network Development Project, according to the conditions set forth in this report.

Cape Verde Comparative Socio-economic Indicators

	Year	Cape Verde	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		4	30 323	80 976	54 658
Total Population (millions)	2010	0,5	1 031,5	5 659	1 117
Urban Population (% of Total)	2010	61,1	39,9	45,1	77,3
Population Density (per Km ²)	2010	127,1	34,0	69,9	20,4
GNI per Capita (US \$)	2009	3 010	1 525	2 968	37 990
Labor Force Participation - Total (%)	2010	43,2	40,1	61,8	60,7
Labor Force Participation - Female (%)	2010	43,4	41,0	49,1	52,2
Gender -Related Development Index Value	2007	0,701	0,433	0,694	0,911
Human Develop. Index (Rank among 169 countries)	2010	118	n.a	n.a	n.a
Popul. Living Below \$ 1 a Day (% of Population)	2005-08	...	42,3	25,2	...
Demographic Indicators					
Population Growth Rate - Total (%)	2010	1,4	2,3	1,3	0,6
Population Growth Rate - Urban (%)	2010	2,5	3,4	2,4	1,0
Population < 15 years (%)	2010	35,5	40,3	29,0	17,5
Population >= 65 years (%)	2010	4,8	3,8	6,0	15,4
Dependency Ratio (%)	2010	65,5	77,6	55,4	49,2
Sex Ratio (per 100 female)	2010	91,7	99,5	93,5	94,8
Female Population 15-49 years (% of total populatic)	2010	27,4	24,4	49,4	50,6
Life Expectancy at Birth - Total (years)	2010	71,9	56,0	67,1	79,8
Life Expectancy at Birth - Female (years)	2010	74,3	57,1	69,1	82,7
Crude Birth Rate (per 1,000)	2010	23,4	34,2	21,4	11,8
Crude Death Rate (per 1,000)	2010	4,8	12,6	8,2	8,4
Infant Mortality Rate (per 1,000)	2010	23,4	78,6	46,9	5,8
Child Mortality Rate (per 1,000)	2010	27,6	127,2	66,5	6,9
Total Fertility Rate (per woman)	2010	2,6	4,4	2,7	1,7
Maternal Mortality Rate (per 100,000)	2008	94,0	530,2	290,0	15,2
Women Using Contraception (%)	2006	30,8	...	61,0	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2008	57,0	58,3	109,5	286,0
Nurses (per 100,000 people)*	2008	143,2	113,3	204,0	786,5
Births attended by Trained Health Personnel (%)	2005-07	77,5	50,2	64,1	...
Access to Safe Water (% of Population)	2008	84,0	64,5	84,3	99,6
Access to Health Services (% of Population)	2005-07	...	65,4	80,0	100,0
Access to Sanitation (% of Population)	2008	54,0	41,0	53,6	99,5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2006	0,9	4,9	0,9	0,3
Incidence of Tuberculosis (per 100,000)	2009	148,0	294,9	161,0	14,0
Child Immunization Against Tuberculosis (%)	2009	76,0	79,9	81,0	95,1
Child Immunization Against Measles (%)	2009	72,0	71,1	80,7	93,0
Underweight Children (% of children under 5 years)	2005-08	...	30,9	22,4	...
Daily Calorie Supply per Capita	2007	2 572	2 465	2 675	3 285
Public Expenditure on Health (as % of GDP)	2008	4,3	5,7	2,9	7,4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2009	98,1	102,7	107,2	101,3
Primary School - Female	2009	94,4	99,0	109,2	101,1
Secondary School - Total	2009	81,5	37,8	62,9	100,1
Secondary School - Female	2009	88,2	33,8	61,3	99,6
Primary School Female Teaching Staff (% of Total)	2009	67,1	47,0	60,5	81,4
Adult literacy Rate - Total (%)	2008	84,1	64,8	80,3	98,4
Adult literacy Rate - Male (%)	2008	89,6	74,0	86,0	98,7
Adult literacy Rate - Female (%)	2008	79,3	55,9	74,8	98,1
Percentage of GDP Spent on Education	2009	4,9	4,6	3,8	5,0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2008	16,1	7,8	10,6	10,9
Annual Rate of Deforestation (%)	2005-09	...	0,7	0,4	-0,2
Annual Rate of Reforestation (%)	2005-09	...	10,9
Per Capita CO2 Emissions (metric tons)	2009	0,7	1,1	2,9	12,5



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update :

May 2011

UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available.

Appendix II

Table of ADB Portfolio in the Country

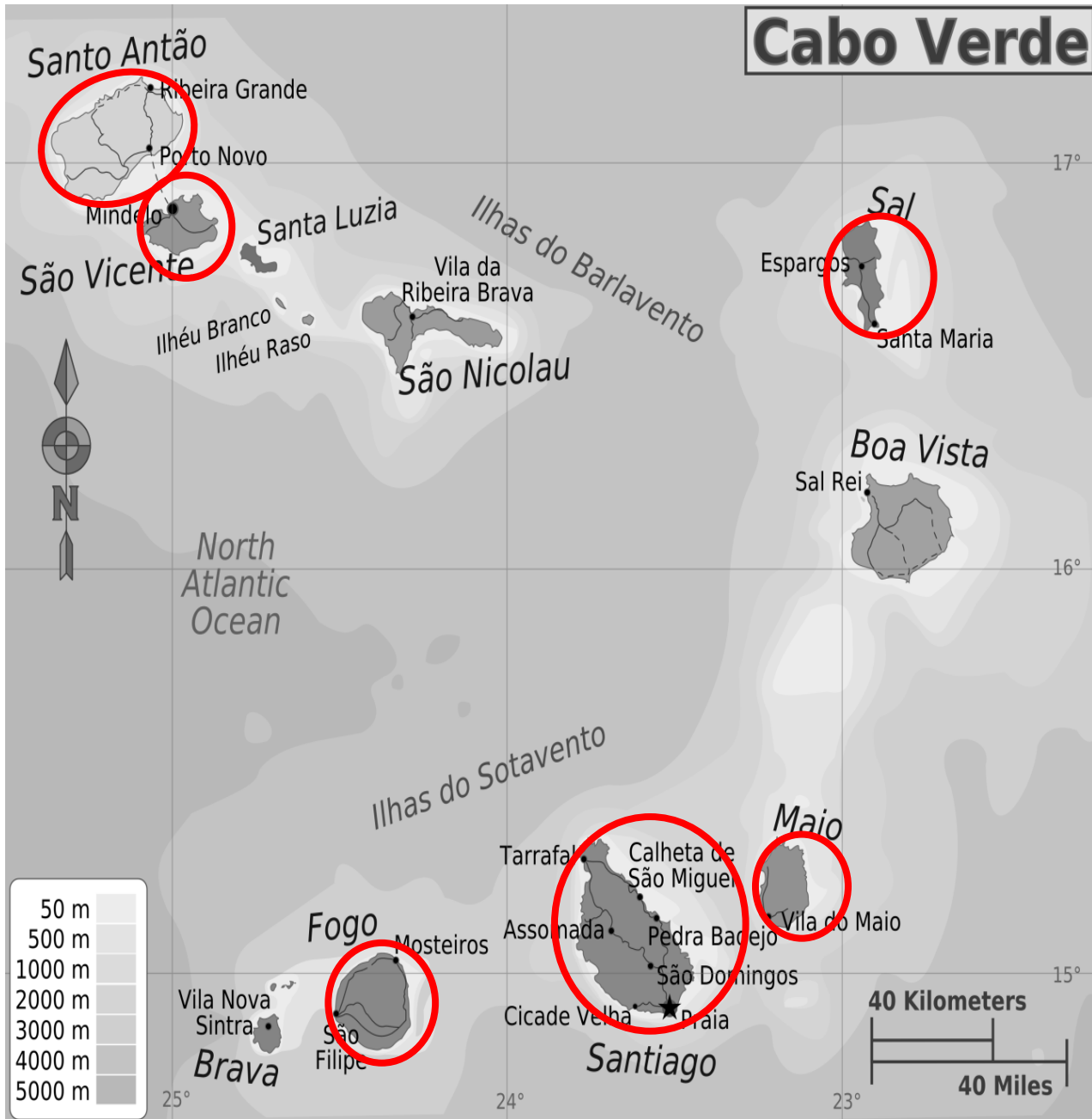
Project	Description	Sector	Amount Financed by the Bank	Approval Date	Effective-ness Date	Last Disbur. Date	Disbur. Rate	Working Score
Project to Build Electricity Generation, Transmission and Distribution Capacity on Santiago Island	The project seeks to improve the quality of electricity supply on Santiago Island by: (i) facilitating new connections; (ii) improving service quality in the main municipalities in Northern Santiago; and (iii) contributing to reducing the cost of electricity.	Electricity	UA 4.8 million	March 2008	December 2008	2011	61.43%	N/A
Cabéolica Wind Energy Project	The project consists in designing, constructing, operating and maintaining onshore wind farms on four islands (Santiago, Sao Vicente, Sal and Boavista). The project will increase the electricity generation capacity by more than 28 MW and enable the archipelago to achieve its ambitious target of producing 25% of electricity from local renewable energy sources by 2012.	Electricity	UA 12.9 million	May 2010	December 2010	2011	65%	4

Appendix III

Major Related Projects Financed by the Bank and other Development Partners of Cape Verde

Project Name	Project Objective	Donors	Amount (EUR Million) Invested	Implementation Period
Capacity Building for Energy Supply	Building the capacity for electricity generation, transmission and distribution on Santiago Island (extension of the Palmarejo power plant, construction of networks)	ADB/JICA/EIDB/Cape Verde	43.89	2008/2012
Construction of Solar Power Plants	Construction of two solar photovoltaic power plants in Santiago and Sal	Cape Verde (10%) and Portugal (90%)	34.2	achieved
Fogo Pilot Project	Construction of a pilot photovoltaic power plant for Cha Das Caldeiras locality	Cape Verde (10%) and Portugal (90%)	2.1	2012
Construction of Wind Farms	Construction of wind farms in Santiago, Sao Vicente, Sal and Bao Vista	EIB/ADB/FINFUND, Infra Co.	63.3	2008-2011
Electrical System Rehabilitation	Rehabilitation of the generation / distribution system on Santo Antao, Fogo, Boavista and Sao Nicaulo Islands	Cape Verde (50%) and the Netherlands (50%)	24.51	2011-2013
Supply of Electrical Equipment	Supplying MV / LV electricity network equipment to Praia	Cape Verde (10%) and Portugal (90%)	0.91	2011-2013
TOTAL (EUR Million)			168.91	

Map of Project Area



CAPE VERDE

ELECTRICITY TRANSMISSION AND DISTRIBUTION NETWORK DEVELOPMENT PROJECT

RESULTS OF THE NEGOTIATIONS

Negotiations for the provision of ADF loan to the Republic of Cape Verde for the proposed development of the transmission and distribution electricity project were held on 22 and 23 September 2011 at the Temporary Relocation Agency of the African Development Bank in Tunis, Tunisia. The negotiations were between Cape Verde delegation on one hand and the Group of African Development Bank (ADB / ADF) on the other hand.

Appraisal Report

The parties have agreed on key aspects of the project as presented in the appraisal report of the project.

Loan Agreement

The texts agreed in the Loan Agreement has been initialed and signed by both parties.