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STATE OWNED ENTERPRISES RELATED FISCAL MANAGEMENT PROJECT (P160796)

AFRICA | Cabo Verde | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 3 | ARCHIVED on 13-Dec-2019 | ISR39742 |

Implementing Agencies: Ministry of Finance, Republic of Cabo Verde

Key Dates

Key Project Dates

Bank Approval Date: 04-Jun-2018
Effectiveness Date: 22-Oct-2018
Planned Mid Term Review Date: 01-Dec-2020
Actual Mid-Term Review Date:
Original Closing Date: 31-Jul-2023
Revised Closing Date: 31-Jul-2023

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective is to strengthen SOE related fiscal management.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name
Component 1: Results-Based Financing:(Cost $16.00 M)
Component 2: Technical Assistance:(Cost $3.50 M)
Component 3: Project Management:(Cost $0.50 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	Satisfactory	Satisfactory
Overall Implementation Progress (IP)	Satisfactory	Satisfactory
Overall Risk Rating	Substantial	Substantial

Implementation Status and Key Decisions

After the project effectiveness on 22 October 2018, the overall progress toward the achievement of targets set for the PDO indicators and intermediate results remains Satisfactory. one PDO indicator has been achieved, one has exceeded the end year target and is on track of achieving the end of project. Transfers from the Government budget to SOEs for their operations, including lending subsidies, capital injections and guarantees for target loans represented 7 percent of the GDP in 2019 which is the expected target for 2020 compared to 9,57 percent of GDP in 2018 and the baseline of 10,90 percent of GDP. The 2019 public revenues from SOEs in tax payments, dividends, concession payments and divestment proceeds have gone from US$ 348,772 to US$ 22,5 million. However, the operating margin of TACV has not yet improved. The operational costs represented 175 percent of operating revenues as reported in the 2017 TACV audited annual financial statements. The operating margin was estimated to 219 percent in the 2018 unaudited financial statements.

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Some intermediate results related to the component 2 on technical assistance have also been achieved. The government has disclosed the pipeline of companies to be restructured and/or divested and reinforced the SOE oversight and monitoring. As a result, a comprehensive report on the SOE portfolio including analysis of financial and operational performance was published on the Ministry of Finance's website for 2017. The 2019 SOE report covering the year of 2018 has also been shared with the World Bank for advice before disclosure on the Ministry of Finance website. **The first year Disbursement Linked Indicators (DLIs 1 to 4) have been achieved leading to a sharp increase of the disbursement ratio from 0,2 percent to 56 percent and the second year DLIs are on track**. The Recipient submitted on March 19, 2019, the evidence of the achievement of the DLIs 1, 2, 3 and 4. The evidence has been verified by the Independent Verification Agent. The World Bank, based on the information available and after getting a reasonable assurance on the achievement of the DLIs, reimbursed a total amount of $9,898,834 million in May 2019. The mission agreed with the Government mainly to complete and adopt the SOEs policy, submit the second year DLIs achievement evidence for disbursement and complete remaining technical assistance activities under the component 2 of the project.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	High	Substantial	Substantial
Macroeconomic	Substantial	Substantial	Substantial
Sector Strategies and Policies	Moderate	Moderate	Moderate
Technical Design of Project or Program	Moderate	Moderate	Moderate
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial	Substantial
Fiduciary	Moderate	Moderate	Moderate
Environment and Social	Substantial	Substantial	Substantial
Stakeholders	Substantial	Substantial	Substantial
Other	Substantial	--	--
Overall	Substantial	Substantial	Substantial

Results

PDO Indicators by Objectives / Outcomes

Strengthen SOE related fiscal management

▸Reduced public financing to SOEs - including transfers from the budget and capitalization (% of GDP) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.90	9.57	7.00	6.00
Date	29-Dec-2017	29-Mar-2019	30-Nov-2019	31-Mar-2022

▸Improved operating margin of TACV (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	144.00	137.00	219.00	80.00
Date	29-Dec-2017	29-Mar-2019	30-Nov-2019	31-Mar-2022

▸Annual public revenues from SOEs (Millions USD - in tax payments, dividends, concession payments, divestment proceeds) (Amount(USD), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	5.14	22.00	10.00
Date	31-Dec-2017	29-Mar-2019	30-Nov-2019	20-Jul-2022

Intermediate Results Indicators by Components

Component 2: Technical Assistance

▸IRI1: Comprehensive SOE policy adopted (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Current (2016) SOE framework law outlines general rules for corporate governance of SOEs and government oversight and reporting	No policy adopted	No policy adopted	The government adopts a policy on SOEs including clear performance targets and transparency obligations of SOEs
Date	29-Dec-2017	31-Dec-2018	31-Dec-2018	31-Mar-2022

▸IRI2: Implementation and utilization of the SOE financial database (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	UASE operates general excel sheet with basic aggregated information on six (6) largest SOEs	Database up and running	Database up and running	Database with complete financial and operational performance information on the entire SOE portfolio
Date	29-Dec-2017	29-Mar-2019	29-Mar-2019	31-Mar-2022

▸IRI3: Strengthened legal framework for debt management with a greater emphasis on contingent liabilities (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Fragmented debt management legislative framework	new law for debt maangement including contingent liabilities approved by the Parliament in December 2018	new law for debt maangement including contingent liabilities approved by the Parliament in December 2018	A clear legal framework that is respected by SOEs and Government
Date	29-Dec-2017	29-Mar-2019	29-Mar-2019	31-Mar-2022

▸IRI4: Review of SOE Portfolio and structuring oversight/holding of SOEs (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Some individual performance reviews carried out as part of performance agreement preparations	No SOE review	The government has disclosed the pipeline of 23 companies to be restructured and/or divested	Greater clarity on SOEs that need to be restructured, sold or partially privatized
Date	29-Dec-2017	01-Nov-2018	01-Nov-2018	31-Mar-2022

▸IRI5: Fiscal risk monitoring reports on SOE portfolio published (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Annual report on contingent liabilities from 6 lar	Yes - 2017 Fiscal Risk Report issued in June 2018	Yes - 2017 Fiscal Risk Report issued in June 2018	Comprehensive reports on all SOEs published on MoF's web site including analysis of financial and operational performance (including, benchmarking) and all financial transfers with the state (including all transfers, arrears, implicit subsidies, etc.)
Date	31-Dec-2017	01-Nov-2018	01-Nov-2018	31-Dec-2022

▸IRI6: Citizen Feedback on SOE Reform Process (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No information on citizen opinion	Surveys to be carried out two years into the reforms	Surveys to be carried out two years into the reforms	Information available on citizens' opinion on how well government has planned for, communicated and implemented SOE sector reforms.
Date	31-Dec-2017	01-Nov-2018	01-Nov-2018	15-Sep-2023

Disbursement Linked Indicators

▸DLI 1 TACV has adopted and announced a Retrenchment Plan acceptable to the Bank (Yes/No, Output, 3,000,000.00, 100.00%)

	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	No	Yes	Yes	--
Date	--	18-Apr-2018	18-Apr-2018	--

▸DLI 2 TACV has established Grievance mechanism acceptable to the Bank (Yes/No, Process, 3,000,000.00, 100.00%)

	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	No	Yes	Yes	--
Date	--	28-Jun-2018	28-Jun-2018	--

▸DLI 3 Staff targeted by the Retrenchment Plan has been retrenched (Number, Intermediate Outcome, 8,000,000.00, 48.73%)

	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	0.00	123.00	123.00	--
Date	--	29-Mar-2019	29-Mar-2019	--
Comments:	38 staff received packages and a further 74 received early retirement packages.			

▸DLI 4 Detailed annual SOE reports prepared by UASE (Number, Output, 2,000,000.00, 20.00%)

	Baseline	Actual (Previous)	Actual (Current)	Fiscal Year 2022
Value	0.00	1.00	1.00	5.00
Date	--	31-Dec-2018	31-Dec-2018	--

Data on Financial Performance

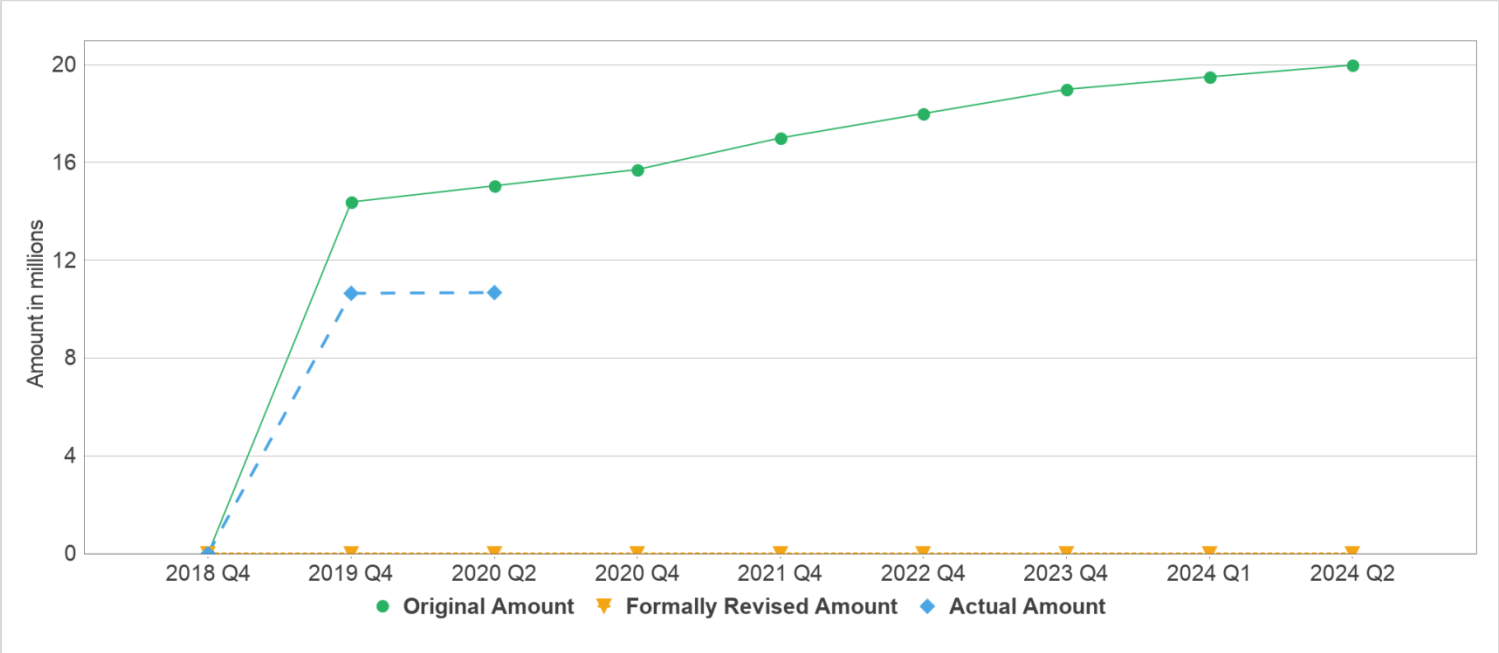
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P160796	IDA-62510	Effective	USD	20.00	20.00	0.00	10.68	8.35	56%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P160796	IDA-62510	Effective	04-Jun-2018	22-Jun-2018	22-Oct-2018	31-Jul-2023	31-Jul-2023

Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

P172528-Cabo Verde Electra Restructuring Project