



# TECHNICAL ASSISTANCE REPORT

## CABO VERDE

### Climate Public Investment Management Assessment (C-PIMA)

**April 2023**

**Prepared By**

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## Acronyms and Abbreviations

AAC	Civil Aviation Agency	MOF	Ministry of Finance and Business Development
ANMCV	National Association of Municipalities in Cabo Verde	MW	Megawatts
Capex	Capital Expenditure	NAP	National Adaptation Plan
Cat-DDO	Catastrophic Deferred Drawdown Option	NAPA	National Action Program for Adaptation to Climate Change
CNPC	National Council for Civil Protection	NDC	Nationally Determined Contribution
C-PIMA	Climate Change Public Investment Management Assessment	ND-GAIN	Notre Dame Country Index
CTE	Technical Building Code	Opex	Operational Expenditure
CVE	Cape Verdean Escudo	PCs	Public Corporations
DGPCT	Generale Directorate of Public Assets	PD	Detailed Plans
DGT	General Directorate of Treasury	PDM	Municipal Master Plans
DNA	National Environment Directorate	PEDS	National Sustainable Development Plan
DNOCP	National Directorate of Budget and Public Accounts	PEMDS	Strategic Plans for Sustainable Development
DNP	National Directorate of Planning	PEs	Public Enterprises
ECV	Roads of Cabo Verde	PIM	Public Investment Management
EFS	Sovereign Emergency Fund	PIMA	Public Investment Management Assessment
EIA	Environmental Impact Assessment	PIP	Capital Investment Plan
ELECTRA	Electricity and Water Company	PNOTU	National Policy on Land Use Planning and Urbanism
ENAPOR	Cabo Verde Port Authority	PNOTU	National Policy of Land Management and Urban Planning
ENRRD	National Disaster Risk Reduction Strategy	POOC	Coastal Ordination Plan
FAD	Fiscal Affairs Department	POT	Tourism Operational Plan
FEED	Special Fund for Stabilization and Development	PPP	Public-Private Partnership
FMIS	Financial Management Information System	SANRAL	South African National Roads Agency
FNE	National Emergency Fund	SGR	Risk Management Service
FY	Fiscal Year	SIDS	Small Island Developing States
FSE	Sovereign Emergency Fund	SIGOF	Financial Management Information System
GCF	Green Climate Fund	SNG	Subnational Governments
GDP	Gross Domestic Product	SOE	State Owned Enterprise
GHG	Greenhouse Gas	TC	Supreme Audit Institution
GPSS	Global Safer Schools Program	TOR	Terms of Reference
ICV	Cabo Verde Infrastructure	UASE	Unit Supporting Public Enterprises
IMF	International Monetary Fund	UNFCCC	United Nations Framework Convention on Climate Change
INGT	National Institute of Territorial Management	UTIC	Technologies, Innovation and Communication Unit
INMG	National Institute of Meteorology and Geophysics	WB	World Bank
INTOSAI	International Organization of Supreme Audit Institutions	WDI	World Development Indicators
LBOTPU	Law of Land Management and Urban Planning		
LuxDev	Luxembourg Agency for development Cooperation		
MAA	Ministry of Agriculture and Environment		

## Preface

At the request of the Ministry of Finance and Business Development (MOF) of Cabo Verde, a team from the IMF's Fiscal Affairs Department (FAD) undertook a Climate Public Investment Management Assessment (C-PIMA) from 21-31 March 2023. The mission team was led by Nicoletta Feruglio (FAD) and comprised Mr. Rui Monteiro and Ms. Juana Aristizabal (experts, FAD). The mission was supported by Ms. Letitia Li (Research Assistant, FAD).

At the end of the mission, the team was received by H.E. Mr. Olavo Avelino Garcia Correia, Vice Prime Minister and Minister of MOF and presented him its preliminary conclusions and sent him a copy of the draft mission report. The team met with the World Bank (WB) at the beginning of the mission to discuss the assessment and identify future avenues for cooperation.

During the mission, the team met with staff at key departments of the MOF: the National Directorate of Planning (DNP), the General Directorate of Public Assets (DGPCP), the National Directorate of Budget and Public Accounts (DNOCP), the General Directorate of Treasury (DGT) and its Risk Management Service (SGR), the Unit supporting Public Enterprises (PEs) (UASE) and the Technologies, Innovation and Communication Unit (UTIC).

The mission team also met with senior staff from the Supreme Audit Institution (TC), the National Civil Protection Service, the Ministries of Agriculture and Environment (MAA), Infrastructure, Spatial Planning and Housing, Commerce, Industry and Energy, Tourism and Transport, the Sea, the National Institute of Territorial Management (INGT), the National Association of Municipalities in Cabo Verde (ANMCV), the National Institute of Meteorology and Geophysics (INMG), the Electricity and Water Company (ELECTRA), the Cabo Verde Port Authority (ENAPOR), Roads of Cabo Verde (ECV), Infrastructure of Cabo Verde (ICV),

The mission team would like to thank the Cabo Verde authorities for their hospitality and cooperation and for their constructive discussions during the mission. Special thanks go to the staff at the MOF in particular Messrs. Gilson Pina and Felix Delgado and Mesdames Andrea Lucy Martins, and Keila Patricia Monteiro Lopes for their excellent support of the mission.

## Executive Summary

**Climate change and natural hazards are already impacting Cabo Verde’s public infrastructure and are expected to pose greater risks in the future.** According to the 2021 World Risk Report, Cabo Verde is the second in terms of risk to natural disasters compared to 10 other Small Island Developing States. Over the coming decades, Cabo Verde is expected to experience more heatwaves, more irregular rainfalls that bring heightened hazards of flooding and droughts and raising sea levels. Intensified climate hazards interact with socioeconomic vulnerability in Cabo Verde—since infrastructure, population and tourism activities are concentrated in the coastal areas— amplifying climate related costs to the country’s economy, physical assets, and population.

**The country has suffered economic losses caused by repeated disasters over the past decades, and plausible future climate events will likely lower potential growth in critical economic sectors.** According to the 2021 National Adaptation Plan, 315 natural disasters were recorded only in 2018 which, compared to 350 disasters between 2008 and 2017 is a significant increase due to climate change. Recent climate change events have caused important damages and the average economic damage from natural disasters is estimated to cost 1 percent of GDP per year<sup>1</sup>. The country has a narrow economic base and is strongly reliant upon tourism. The tourism sector is highly sensitive to the effects of climate change and equivalent to some 25 percent of GDP and generates about 45 percent of formal jobs (mainly women). Climate change and natural disasters has also impacted other sectors of the economy, especially agriculture, which already is coping with higher temperatures, rising sea levels, and droughts. Finally, ocean warming will further aggravate coral bleaching, which in return could undermine the blue economy prospects through declining marine biodiversity and reduced fish capture potential.

**Cabo Verde’s dependence on fossil fuels imports for energy generation calls for a transition to renewables even though Cabo Verde’s contribution to the world-wide greenhouse gases (GHG) emissions is insignificant.** In 2020, Cabo Verde contributed only 0.0018 percent of total GHG emissions<sup>2</sup>, but country has set an unconditional climate mitigation target of 24 percent of its domestic total greenhouse gas (GHG) emissions by 2030 and aims to achieve a net-zero economy by 2050. The country is highly dependent on imported petroleum products to meet its energy and water needs<sup>3</sup>. Over 80 percent of Cabo Verde’s electricity production is generated from fossil fuel—mostly heavy fuel oil— which exposes the country to volatility in international commodity prices and can exacerbate balance of payment shocks and compromise fiscal sustainability. Increasing the share of renewable electricity generation and improve energy efficiency would therefore allow the country to meet its emission cuts commitments and bring wider economic benefits, as well.

**Climate-sensitive public investment management is at a nascent stage in Cabo Verde.**

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<sup>1</sup> World Bank (WB)’s estimates.

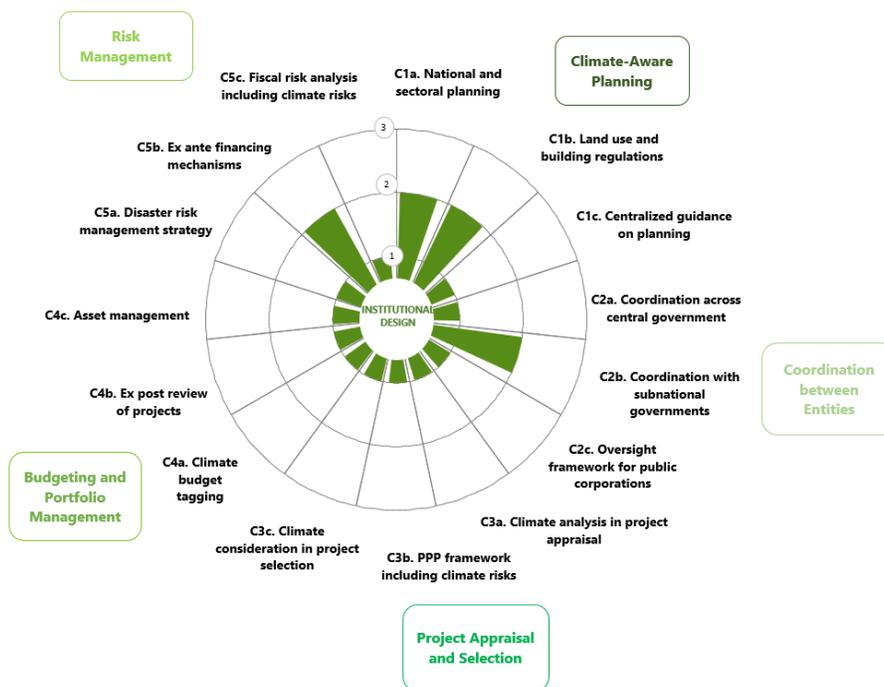
<sup>2</sup> MF staff using UNFCCC, FAO & EDGAR.

<sup>3</sup> Water is mainly desalinated water and desalination is very energy intensive.

There are clear signs of increasing awareness across government institutions, and many initiatives are underway. However, these initiatives are generally at early stages and there are few concrete results so far. This Climate PIMA (C-PIMA) assessment is therefore primarily a baseline to measure future progress against. Performance in climate smart public investment management (PIM) is also hindered by limited capacity, basic PIM process and procedures and high dependency on external financing.

**The assessment indicates that significant work remains to be done to enhance climate-awareness and climate resilience in public investment management (Figure 0.A., Table 0.A. and Annex 2. for C-PIMA scores).** Progress has been made in the development of a comprehensive climate change policy framework, spatial planning, coordination with municipalities and in planning for disaster risk financing. But coordination across the central government is weak with no institution positioned strategically to lead either adaptation or mitigation related investments. The regulatory and oversight framework for public enterprise (PEs) does not promote consistency between their climate-related investments and national climate policies while PEs are the main driver of public investment in Cabo Verde. The Public-Private Partnership (PPP) framework does not define how climate risks are allocated between the government and PPP partners, while the use of PPP is increasing. Investment project appraisal and selection practices do not exist. Climate-responsive spending in infrastructure is at a concept development stage but gender budgeting is a well-recognised practice. Ex post reviews or external audits of projects on climate outcomes are not conducted and climate impact is not integrated into public asset management. Disaster risk management practices could be strengthened. Economic impact of disasters to infrastructure needs to be better understood and fiscal climate change risks to public assets should be identified. While some ex-ante financing mechanisms to face natural disaster risk to infrastructure have been put in place, it will be important to ensure that the current disaster financing instruments are adequate.

**Figure 0.A. Institutional Strength of C-PIMA Institutions in Cabo Verde**



Source: IMF staff calculations.

**On these grounds, the C-PIMA proposes seven strategic reform areas which could further improve climate-related public investment management (PIM) processes in Cabo Verde and support the government effort for a green and sustainable economic growth.** Table 0.B presents the actions for each reform area, their priority and includes the following 6 high priority actions:

- Introduce climate change's capital investment related aspects in public sector planning coordination.
- Define what is a major project and different appraisal procedures according to the size and complexity of the project.
- Develop standardized methodology for project screening and project appraisal (including climate change analysis).
- Develop a PPP manual integrating climate requirements into PPP arrangements from project identification to contract management stage.
- Revise the overarching regulatory framework for PEs to ensure alignment of PEs capital projects with national climate objectives.
- Develop a standardized methodology for estimating current and capital maintenance needs including climate related risks.

In this action plan, three measures are highlighted as urgent because of their critical nature for the whole PIM system:

- Define the concept of "capital project".
- Develop a PIM legal framework regulating the whole capital project cycle (planning, appraisal, selection, capital portfolio management, etc.) including climate considerations.
- Develop a comprehensive capital investment plan to inform the implementation of the National Sustainable Development Plan II (PEDS II) (including climate relevant capital projects).

The plan also proposes medium priority actions and identifies other important actions that will contribute to better climate smart public investment management (PIM) in the medium term (Table 0.B).

**Table 0.A. Summary Assessment**

Phase/Institution		Institutional Strength	Reform priority	
<b>PIMA Climate Change</b>	<b>C1</b>	<b>Climate-aware planning</b>	<b>Medium.</b> PEDS II and some sectoral investment plans are consistent with NDC. Planning regulations from central governments and municipalities address climate related risks. No centralized guidance from MAA or MOF for government agencies on the preparation of climate-aware strategies.	<b>High</b>
	<b>C2</b>	<b>Coordination between entities</b>	<b>Low.</b> No mechanism for coordinating climate-sensitive public investment planning at central level or with PEs. Municipalities have received guidance to prepare strategic plans and investments aligned with PEDS and coordinate climate investments through the Environment Fund.	<b>High</b>
	<b>C3</b>	<b>Project appraisal and selection</b>	<b>Low.</b> Capital projects are not appraised from a climate perspective nor selected using climate-related criteria. In the PPP legal framework, climate aspects are not considered for risk allocation or contract management.	<b>High</b>
	<b>C4</b>	<b>Budgeting and portfolio management</b>	<b>Low.</b> Climate-related capital spending cannot be identified in the budget. No legal requirement for ex-post review of capital projects' impact on climate outcomes. Maintenance policies do not consider climate risks.	<b>Medium</b>
	<b>C5</b>	<b>Risk management</b>	<b>Low.</b> The national disaster risk reduction strategy does not identify climate threats to public infrastructure assets. Risk retention financing mechanism to drawn on to respond to natural disasters are in place. Fiscal risk analysis does not incorporate assessment of climate change risks over the medium term.	<b>Medium</b>

**Table 0.B. Action Plan**

Reform Areas	Institution	Recommendation/Action	2023	2024	2025	2026	Resp.	Priority
<b>1. Develop a climate informed medium-term fiscal and budget framework to guide budget preparation.</b>	C5	Gradually integrate disaster risks and other climate-related risks in fiscal risk analysis.	X	X	X	X	MOF	Medium
		Develop a climate financing strategy to inform - among others - the selection of the most cost-effective disaster ex-ante financing mechanisms.		X			MOF	Medium
<b>2. Improve the planning of capital projects.</b>	C1 C5	Define the concept of "capital project".	X				MOF	Urgent
		Introduce climate change's capital investment related aspects in public sector planning coordination.	X				MOF, MAA, line ministries	High
		Integrate climate objectives and climate-related major capital projects in sectoral strategies as they are updated.	X	X			MOF, line ministries	Medium
		Develop a comprehensive capital investment plan to inform the implementation of the PEDS II (including climate relevant capital projects).	X				MOF	Urgent
		Develop guidelines and a manual on how to integrate climate change perspectives into sector and municipal public investment plans.		X			MOF, MAA	Medium
		Include elements addressing climate-induced disaster risk and mitigations aspects in the revision of the building code.	X				INGT, MAA	Medium
		Finalize the risks and vulnerability maps for the 22 municipalities.	X	X	X		MAA, INGT, SNPC	Medium
<b>3. Strengthen the capital project cycle.</b>	C1 C2 C3 C4	Define what is a major project and different appraisal procedures according to the size and complexity of the project.	X				MOF	High
		Develop standardized methodology for project screening and project appraisal (including climate change analysis).	X	X			MOF, MAA, line ministries	High
		Establish a transparent process, with clearly defined and published selection criteria, including climate change criteria, for selection of projects for implementation.		X			MOF, MAA, line ministries	Medium
		Develop a methodology and requirements for ex post reviews of infrastructure projects including for climate adaptation and mitigation elements.		X	X		MOF, MAA	Medium
		Develop a methodology to conduct climate change audit of green and resilient infrastructure.		X	X		MOF, MAA, TC	Medium
		Include in the Supreme Audit Institution ( <i>Tribunal de Contas</i> ) 's work plan at least one climate change audits of a major capital project each year.				X		TC

Reform Areas	Institution	Reform Areas	2023	2024	2025	2026	Resp.	Priority
4. Revise the framework for private and public enterprises participation in climate smart infrastructure.	C2 C3	Develop a Public-Private Partnership (PPP) manual integrating climate requirements into PPP arrangements from project identification to contract management stage.	X	X			MOF	High
		Revise the PPP legal framework to reflect these requirements.			X		MOF	Medium
		Revise the overarching regulatory framework for public enterprises (PEs) to ensure alignment of PEs capital projects with national climate objectives.	X				MOF	High
5. Enhance transparency on green and resilient investment projects in budget documentation.	C4 Cross cutting	Gradually Introduce green budgeting identifying and tracking climate-related expenditures with the MOF quality review.		X	X	X	MOF, MAA	Medium
		Include the climate tags in the coding structure of the financial management information system ( <i>Sistema Integrado de Gestão Orçamental e Financeira (SIGOF)</i> ).			X	X	MOF	Medium
6. Develop an assets register and ensure adequate funding for maintenance of assets.	C4	Gradually develop a centralized register of infrastructure assets - indicating the value and condition of the assets including climate related information - and ensure that it is updated on a regular basis to support determination of appropriate maintenance levels.	X	X	X	X	MOF, MAA, INGT, ICV	Medium
		Develop a standardized methodology for estimating current and capital maintenance needs including climate related risks.		X			MOF, MAA, line ministries	High
7. Ensure that the legal framework and staff capacity are supportive of climate change PIM reforms.	Cross cutting	Develop a Public Investment Management (PIM) legal framework regulating the whole capital project cycle (planning, appraisal, selection, capital portfolio management, etc.) including climate considerations.	X				MOF, MAA, line ministries	Urgent
		Enhance capacities of DNP in MOF to provide guidance on climate aware planning and preparation of public investments plans and projects (also from a climate change perspective).	X	X	X	X	MOF	Long-term
		Enhance the supervision capacities of the PEs Supervisory Unit ( <i>Unidade de Acompanhamento do Setor Empresarial do Estado (UASE)</i> ) on climate smart PPP arrangements and PEs.	X	X	X	X	MOF	Long-term
		Strengthen staff capacity on mainstreaming climate change into public investment management across the central government and municipalities.	X	X	X	X	MOF, MAA, line ministries	Long-term
		Develop a PIM IT system integrating climate considerations at each project cycle step.			X	X	MOF	Long-term

	Urgent
	High
	Medium
	Long-term

# I. CLIMATE CHANGE IN CABO VERDE: CONTEXT

## A. CLIMATE CHANGE AND PUBLIC INFRASTRUCTURE

1. **Cabo Verde's public investments are particularly vulnerable to the impacts of climate change due to the country's socio-economic and geographical specificities.** According to the 2021 World Risk Report, Cabo Verde is the second in terms of risk to natural disasters compared to 10 other Small Island Developing States (SIDS) (Figure 1.A.). Cabo Verde is an archipelago of ten small and dispersed volcanic islands with no permanent water courses, only two islands with underwater reserves, no natural forests, limited mineral resources and with only 12 percent of arable land in its territory. Climate projections indicate that temperature in Cabo Verde could gradually increase by 1.2°C to 3.7°C by the end of the century. Sea surface temperature is also expected to increase by 0.7°C to 2.5°C by the 2060s, fueling more intense storms which could lead to landslides and floods. Although rainfall in Cabo Verde is very irregular. Temporarily and geographically, projections show more frequent episodes of intense precipitation but overall decrease of rainfall during extreme precipitation events. The decrease and irregularity in rainfall resulting from climate change led to droughts and contributes to the desertification phenomenon through a reduction of plant cover and the degradation of the ecosystem, negatively impacting the livelihoods of those engaged in agricultural activities<sup>4</sup>. Climate change is expected to affect Cabo Verde's population and assets which are mainly located in coastal cities through a projected sea level rise, which would increase coastal submergence, erosion, flooded lands and salinity of small estuaries, streams, and coastal waters<sup>5</sup>. There is also increased exposure of assets and people to adverse natural events due to urban development into risk-prone areas. According to 2020 Notre Dame Country Index (ND-GAIN), climate change and natural disasters in Cabo Verde affect in particular infrastructure and habitats (including coastal, energy, transport and urban infrastructure) which are vulnerable to flooding, heat and sea level rise (Figure 1.B.)<sup>6</sup>.

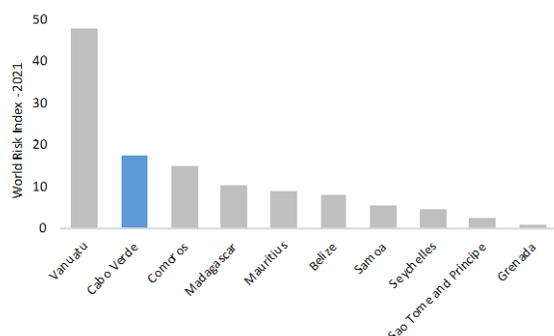
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<sup>4</sup> According to the 2021 NAP, the average precipitation values for the arid areas of the coast is less than 100 mm, (islands of Sal, Boa Vista and Maio), for the mountainous islands the average can be around 600 mm (islands of Santiago, Fogo and Santo Antão). Recent observations show a large reduction in average rainfall due to the worsening of the prolonged drought periods that the country has been facing, mainly in the last four years.

<sup>5</sup> Sea level rise projection are of 0.26m to 0.98m for 2081-2100.

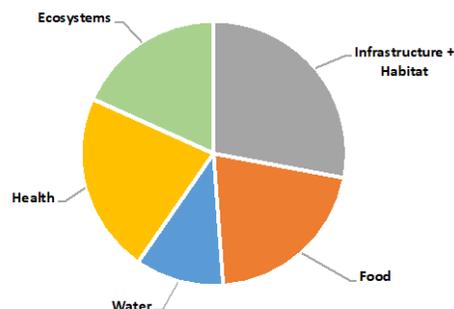
<sup>6</sup> The ND-GAIN Country Index is a measurement tool that helps examine risks exacerbated by climate change. The Country Index uses data across 45 indicators to rank over 180 countries annually based on their level of vulnerability, and their readiness to successfully implement adaptation solutions. <https://gain-new.crc.nd.edu/country/cape-verde>

**Figure 1.A. Disaster Risk and Peer Countries**



Source : 2021 World Risk Report.

**Figure 1.B. Composition of Vulnerability by Sector**



Source : 2020 ND-GAIN Vulnerability Index.

**2. As a Small Island Developing State, climate change poses high risks to Cabo Verde’s macroeconomic and social development.** According to the 2021 National Adaptation Plan, 315 disasters were recorded only in 2018 which, compared to 350 disasters between 2008 and 2017 is a significant increase due to climate change<sup>7</sup>. Recent climate change events have caused important damages: US\$3 million from the most recent floods of 2020, US\$ 2.5 million from the 2015 hurricane and, the low levels of precipitation since 2017, have led to a decrease by 80 percent of cereal production of maize in 2022 compared to the last 5 years and 140,000 people could be in a situation of acute nutritional vulnerability<sup>8</sup>. The average economic damage from natural disasters is estimated to cost US\$18 million (1 percent of GDP) per year by the World Bank and higher levels of damages are likely in the future. These losses are mainly driven by flood-related risks, which account for almost 70 percent of the aggregated annual average losses. The country has a narrow economic base and is strongly reliant upon tourism. The tourism sector represents 25 percent of GDP, generates about 45 percent of formal jobs (particularly for women) and brought 56 percent of receipts by foreign visitors out of total exports revenue in 2019 (Figure 1.C.). Floods from tropical storms and coastal erosion can damage touristic facilities and attractions, reducing tourist inflow and limiting tourism’s growth<sup>9</sup>. In addition, drought can also cause substantial losses to agricultural production and affects the food security systems in the country, as it is the main source of livelihood for 18 percent of households increasing to 30 percent in rural areas. According to the WB, successive rainfall deficits of 49 percent in 2019 and 34 percent in 2021 have caused significant decreases in agricultural production. In 2021, 93 percent of cereal and 34.5 percent of tuber production were lost<sup>10</sup>. Finally, ocean warming will further aggravate coral bleaching, a decline in marine biodiversity and reduce fish capture potential which in return could undermine the blue economy prospects. Cabo Verde’s high vulnerability to the effects of climate change is amplified by its low adaptive capacities in terms of its physical, economic and institutional capacities<sup>11</sup>. Cabo Verde’s rankings in these areas are lower than those of aspirational peers such as Seychelles and Mauritius (Figure 1.D.).

<sup>7</sup> Including floods, droughts, forest fires and volcanic eruptions.

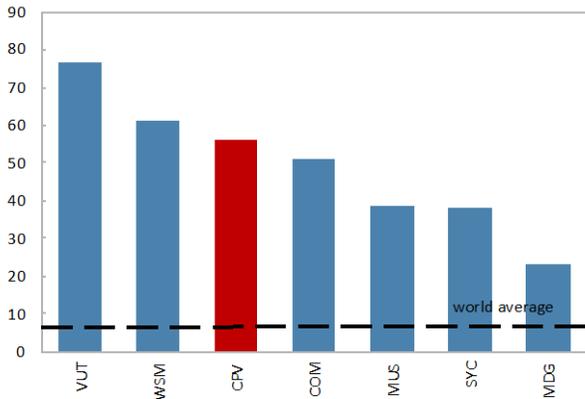
<sup>8</sup> IFRC network country plan, 2023.

<sup>9</sup> Floods across the country in São Nicolau (2009), Boavista (2012) and São Miguel (2013) had damages estimated at US\$2.6 million and Santo Antão in 2016 damages were estimated at US\$7 million according to the World Bank (2022) Country programming support and sustainable tourism planning for Cabo Verde.

<sup>10</sup> World Bank, Program Document for the Second Resilient and Equitable Recovery Development Policy Financing and a Catastrophe-Deferred Drawdown Option, 2022.

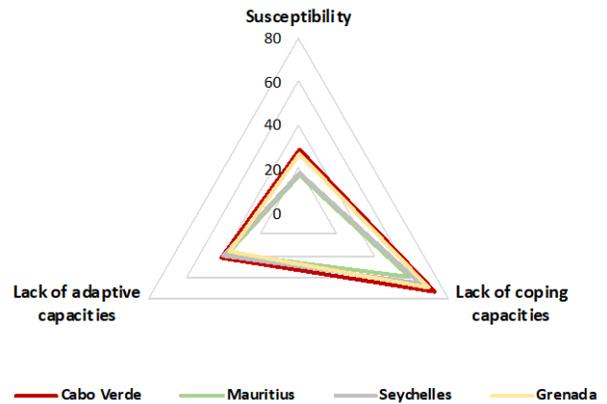
<sup>11</sup> According to the World Risk Report, coping capacities depend on governance, health care, social and material security Adaptive capacities relate to upcoming natural events, climate change and other challenges. Susceptibility depends on infrastructure, food supply and economic framework conditions.

**Figure 1.C. Tourism Receipts and Peer Countries  
(Percent of total export receipts)**



Source: WDI and IMF staff calculations.  
Note: Tourism receipts is from 2019.

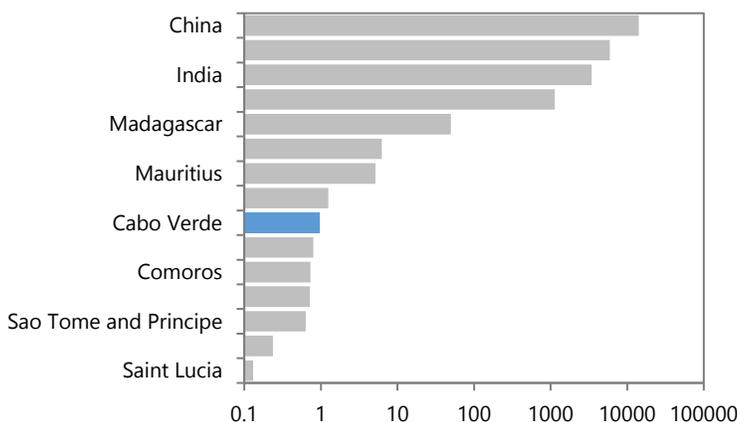
**Figure 1.D. Disaster Risk Vulnerability and Peer Countries**



Source : 2021 World Risk Report.

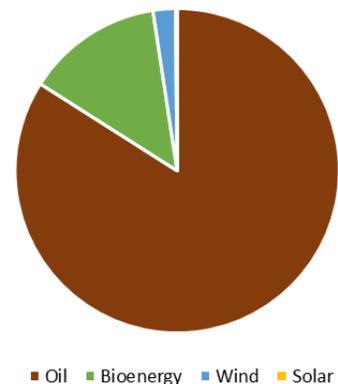
**3. Cabo Verde’s contribution to the world-wide greenhouse gases (GHG) emissions is insignificant but its dependence on fossil fuels imports for energy generation calls for a transition to renewables.** In 2020, Cabo Verde contributed negligible amounts to total GHG emissions (Figure 1.E.). However, Cabo Verde’s dependence on fossil fuel imports exposes it to volatility in international commodity prices. This vulnerability can exacerbate balance of payment shocks and compromise fiscal sustainability. In FY 2022, fuel commodity imports represented 7.9 percent of GDP and were three times the level of Cabo Verde’s goods exports<sup>12</sup>. Over 80 percent of Cabo Verde’s electricity production is derived from fossil fuel mostly heavy fuel oil (Figure 1.F.). The high fuel import bill and the related inflationary pressures following the war in Ukraine give an impetus to promote energy diversification and energy efficiency.

**Figure 1.E. Country GHG Emissions  
(mt.CO2e)**



Source: IMF-CPAT.

**Figure 1.F. Energy Supply by Source  
(2019, Percent of total)**



Source: IRENA

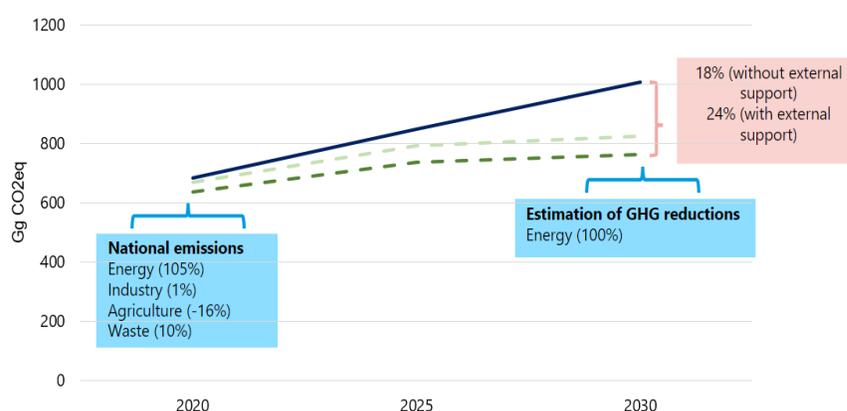
<sup>12</sup> 2022 data from INE, BCV and MoF.

## B. CLIMATE CHANGE OBJECTIVES AND STRATEGIES

**4. Cabo Verde strategies and policies recognize the importance of building climate resilience.** The 2021 Nationally Determined Contribution (NDC) identifies measures to adapt infrastructures to the challenges of climate change. It features adaptation measures more prominently than the previous 2015 NDC. The NDC identifies specific contributions for adaptation until 2030 in the following six sectors, namely i) water, ii) agriculture, iii) oceans and coastal zones, iv) spatial planning, v) disaster risk reduction and vi) health. Specific infrastructure-related measures include the following: increase water storage capacity, create an organic waste recycling center on Santiago Island and improve agricultural water through efficient irrigation systems. An NDC Implementation Roadmap is planned to define delivery targets for the specific contributions and a Strategy and Work Plan will specify project and investment pipeline needed to implement the NDC and eligible for climate financing. The 2021 National Adaptation Plan (NAP) identifies strategic actions for the period 2021-2026 around three pillars, namely institutional framework, knowledge technology and financing and resilience of the most vulnerable. This third pillar includes the elaboration of a portfolio of climate change adaptation priority actions for the key sectors in five pilot municipalities<sup>13</sup>. Previously, Cabo Verde had also prepared and submitted its National Action Program for Adaptation to Climate Change 2008-2012 (NAPA), which included three main objectives, as follows: i) integrated water resources management, ii) improvement and security of agro-silvo-pastoral production and iii) the protection of coastal zones/impact related to tourism.

**5. Cabo Verde is advancing with the mitigation as well.** The NDC targets emissions reductions of between 18 percent and 24 percent (with external assistance) relative to business-as-usual by 2030. (Figure 1.G.). 100 percent of the reductions are expected to come from the energy sector through a large-scale ramp up of renewables in the power sector, as well as improved energy efficiency across all major energy.

**Figure 1.G. Emission Trends (2020-2030)**



Source : 2020 NDC.

The authorities recognize that improving energy security, as well as addressing climate mitigation challenge, requires a transformation of its infrastructure, ranging from scaling up renewable electricity generation (particularly solar and wind power) investing in energy efficiency measures, promoting electric and hybrid

<sup>13</sup> At least EUR 5 million per year for adaptation measures should be allocated in the pilot municipalities of Ribeira Brava (S. Nicolau), Mosteiros (Fogo), Praia (Santiago), Brava (Brava) and Boa Vista (Boa Vista). The first four because they already have detailed climate-risk maps, the latter because it has an approved Coastal Ordination Plan (POOC) and is critical for tourism development.

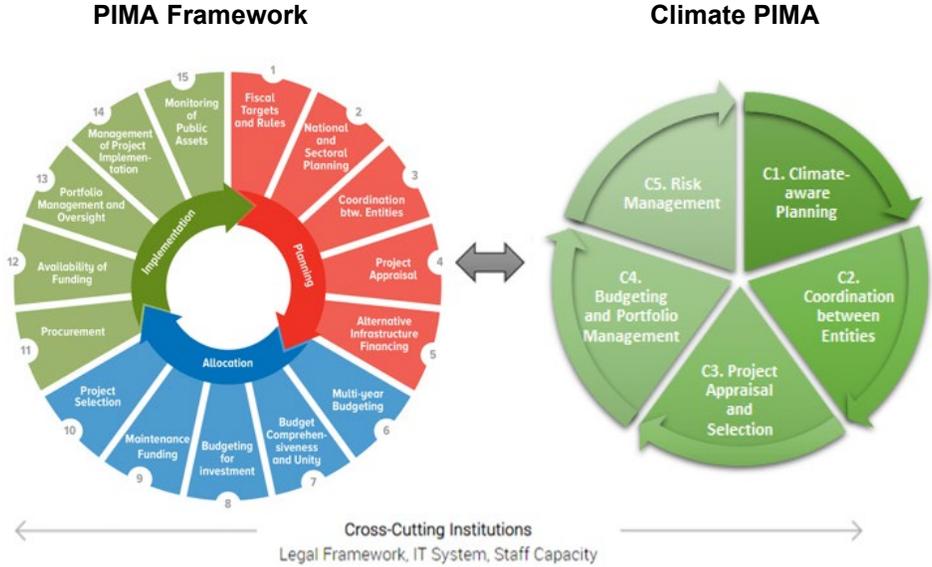
vehicles, and supporting infrastructure such as charging stations<sup>14</sup>. To this end, in 2018, the policy for electric mobility was approved with the objective of gradually replacing vehicles equipped with combustion engines (gasoline or diesel) by clean electric vehicles<sup>15</sup>. 175 charging points will be installed and by the end of 2024, 5 percent of vehicles sold should be electric.

## II. Climate change PUBLIC INVESTMENT management assessment

### A. THE CLIMATE CHANGE PIMA FRAMEWORK

6. The Climate Change Public Investment Management Assessment (C-PIMA) identifies and evaluates five key public investment institutions from a climate change perspective in the context of the existing PIMA framework. There is a close correspondence between the C-PIMA institutions (C1-C5) and PIMA institutions (1-15) illustrated by Figure 2.A. The C-PIMA’s institutions C1-C4 combine elements from separate PIMA institutions and the institution C5 (risk management) in C-PIMA has no counterpart in PIMA. The detailed questionnaire and methodology of C-PIMA is in Annex 1.

Figure 2.A. PIMA and C-PIMA Institutions



Source : IMF staff

<sup>14</sup> Plano director do sector electrico 2018-2040; Decreto lei nº 35/2021 de 14 de abril - Programa Nacional para a Sustentabilidade Energética; 2020 Código de eficiência energética em edifícios; Plano de Desenvolvimento Sustentável 2019-2021.  
<sup>15</sup> Carta Política para Mobilidade Elétrica e primeiros carros elétricos em Cabo Verde de 2018.

## B. DETAILED ASSESSMENT AND RECOMMENDATIONS

### C1. Climate-aware planning (Institutional Strength: *Medium*; Reform Priority: *High*)

**7. The first institution of the C-PIMA assesses whether public investment is planned from a climate change perspective.** The purpose of this institution is to assess the extent to which public investment planning considers the need for climate change adaptation and mitigation. The first dimension of this institution asks whether public investment strategies and plans are consistent with the government's climate objectives and expected outcomes. The second dimension asks whether central government and/or sub-national government regulations require that spatial and urban planning and building codes address climate risks. The third dimension assesses the existence of centralized guidance on climate aware public investment planning.

**8. There are climate-relevant investment projects in PEDS II and in some sectoral strategies that support the adaptation and mitigation targets of the 2021 NDC.** The national strategy, PEDS II 2022-2026, has been recently prepared integrating the national climate objectives from the NDC. It includes some NDC targets such as GHG emissions reductions and increase in renewable energy share from the energy sector where quantifiable climate targets have already been defined. PEDS II does not include a comprehensive list of capital projects since priorities are presented as broader programs. However, it includes some investment projects such as the renewable Brava project in the energy sector, the construction of Phase III Expansion of the Port of Palmeira contributing to the decarbonization of the port sector. At the sectoral level, Energy is the sector with a developed public investment strategy. The Electricity Master Plan (2018-2040) includes the investment needs for each of the energy sources and specific investment projects<sup>16</sup>. Projects mentioned in the strategy include thermal generation in the island of Sal of 15 MW and the pure pumping project on Santiago Island. In the agriculture sector, the Mitigation and Drought Resilience Program includes some concrete climate investment projects such as the equipment and installation of solar panels for existing wells and desalination plants<sup>17</sup>. In some other sector plans such as the tourism strategy<sup>18</sup> that also include climate-related measures, there are no investment plans. It was indicated to the mission that the 2022 fisheries strategy also includes a climate component. In some sectors, such as water and sanitation which is key sector requiring both adaptation and mitigation investments, strategies are being updated and will therefore have higher alignment to NDC's mitigation and adaptation targets<sup>19</sup>.

**9. Recent central government and sub-national regulations on spatial and urban planning address climate-related risks and impacts on public investment but this is not the case for the main Building Code.** The 2020 National Policy on Land Use Planning and Urbanism (PNOTU)<sup>20</sup> introduces resilience and climate change as one of the guiding principles for land use planning and urbanization. The Decree-Law no. 61/2018 on National Regulations for Territory Management and Urban Planning requires specifically the mapping of disaster risks and the consideration of disaster risk in all

<sup>16</sup> Resolução 39/2019, Plano Director do Sector Eléctrico 2018-2040.

<sup>17</sup> MAA (2019) Programa de mitigação e de resiliência à seca em cabo verde.

<sup>18</sup> Tourism: 2018 Grandes opções do plano estratégico de desenvolvimento sustentável do turismo em cabo verde (major options of the strategic plan for the sustainable development of tourism in cape verde), Programa Operacional do Turismo (POT) 2022-2026.

<sup>19</sup> National Strategic Plan for Water and Sanitation (*Plano Estratégico Nacional de Água e Saneamento (PLENAS)*) was approved by Resolução 10/2015 and is to be updated every 5 years. Its decrease of water losses target of 20 percent is lower than the NDC target of 10 percent by 2030.

<sup>20</sup> Resolução 24/2020, Política Nacional de Ordenamento do Território e Urbanismo (PNOTU)

territorial planning instruments<sup>21</sup>. At the municipal level, work is ongoing to introduce disaster risk management and climate change adaptation. Risk maps have been prepared in 4 municipalities<sup>22</sup>. They will be further detailed, and vulnerability analysis will be added, and the work will be extended to the 22 municipalities by 2025. The risks and vulnerability maps will then be used to update Municipal Master Plans (PDM) and Detailed Plans (PD). Tourism Management Plans (POT) Management Plans for the Coastal Border and the Adjacent Sea are also being developed since recently. The first plan of this nature was published in 2020 for the island of Boavista and more will follow for the islands of Maio, Santiago, Sal and São Vicente. Regarding construction regulations, they only address energy efficiency since the adoption of the Code for Energy Efficiency of Buildings in 2020<sup>23</sup>. The 2012 Building Code does not include elements addressing climate-induced disaster risks<sup>24</sup>. It is being updated to integrate energy efficiency for non-residential buildings and to introduce resilience. Disaster risks have been introduced in the education sector through a project on school resilience with WB support<sup>25</sup>. The project recommended, amongst others, adopting specific national regulations especially addressing natural hazards, for building safe and resilient schools<sup>26</sup>.

**10. There is no centralized guidance or support for government agencies on climate-responsive planning.** Neither the National Environment Directorate (DNA) of the Ministry of Agriculture and Environment (MAA)<sup>27</sup> nor the National Directorate of Planning (DNP) of MOF have issued centralized guidance or support for government agencies on planning public investment with a climate angle. No training has been organized for the same purpose. There is no central government mechanism or institution that provides technical guidance or capacity support to line ministries and government agencies specifically on how climate-related risks should be incorporated into planning public investments.

**11. Developing comprehensive and costed public investment plans that will support the achievement of the country's climate change targets is a high-priority reform.** Planning guidelines and a manual should be developed on how to integrate climate change concerns into investment plans. This should be accompanied by capacity development actions. A comprehensive capital investment plan should be prepared to inform the implementation of the PEDS II. The revision of the Building Code is an opportunity to include elements addressing climate-induced disaster risks (e.g. floods and landslides) such as selection of site, resistant construction materials and architectural design requirements.

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<sup>21</sup> Decree-Law no. 61/2018 revised the Decree-Law 43/2010 on National Regulations for Territory Management and Urban Planning. It regulates the Lei 4/2018, Ordenamento de Território e Planeamento Urbanístico (LBOTPU). Other main planning instruments include: Lei 42/IX-2018 establishing the regime for urban operations (subdivision, urbanization, construction and the use and conservation of buildings).

<sup>22</sup> Ribeira Brava (S. Nicolau), Mosteiros (Fogo), Praia (Santiago) and Brava municipality (Brava).

<sup>23</sup> Portaria Conjunta 24/2020 Código de Eficiência Energética de Edifícios.

<sup>24</sup> 2012 Código Técnico da Edificação (CTE), Portaria conjunta 4/2012. Other related regulations include: Decreto-Lei no 18/2011 de 28 de fevereiro de 2011 (regime jurídico da edificação) and the Decreto-Lei Dec.no2.2007 - Princípio e Normas de Utilização dos Solos.

<sup>25</sup> The program “*Programa Global para Escolas Mais Seguras (GPSS)*” implemented by the World Bank as part of the Global Fund for Disaster Reduction and Recovery.

<sup>26</sup> National safety standards were recommended against fire, wind action, earthquake action, and flooding, and also standards for structural safety, health and comfort.

<sup>27</sup> According to Decreto-Lei 57/2021 Normas de Funcionamento do Ministério da Agricultura e Ambiente (MAA), the Directorate of Service for Climate Action and Sanitation (Direção de Serviço de Ação climática e Saneamento Ambiental – DSACSA) could be providing this guidance as part of its role to “Monitor and encourage sectoral policies with impact on climate change, promote the development of sectoral initiatives and low carbon sectoral plans”.

## **C2. Coordination between entities** (*Institutional Strength: Low; Reform Priority: High*)

**12. This institution focuses on the coordination of decision making on climate related public investment across the public sector.** The emphasis is on the need to adopt a whole-of-government approach to climate change. In addition to the central government, municipalities and public enterprises play key roles in realizing climate-related public investment. The three dimensions ask, in turn, whether decisions on climate-related public investment are coordinated across (i) the central government, (ii) the general government (central government plus all sub-national government jurisdictions), and (iii) the public sector (the central government and public entities).

**13. There is no coordination mechanism for public investments across central government let alone from a climate-change perspective.** According to the 2014 law on the National Planning System, a National Planning Council has a role on strategic planning and to provide guidance on program monitoring and management. However, it has no specific role related to the preparation and costing of climate-aware public investment strategies<sup>28</sup>. There are different government entities and committees with responsibilities on climate but none of them is coordinating public investments from a climate angle (Table 2.A). There are three inter-ministerial committees. The Inter-ministerial Committee for Climate Change (Res. 16/2009) created in 2009 for coordination of government action on climate, was never operationalized. The Inter-ministerial Coordination Committee for Climate Funds (Res. 73/2019) set up in 2019 has a mandate limited to coordination of Climate Funds and to define climate programs. The Environment and Climate Action Council was just created in March 2023. Chaired by MAA, its mandate is limited to a climate pre-screening of project ideas. It is only since 2020 that the MAA has the mandate on climate, a competence not attributed to any entity previously. As part of the implementation of the NAP, the MAA is receiving support, in the framework of the ‘Strengthening of the Governance and the Climate Action in Cabo Verde’ Luxemburg supported Project, to establish a consolidated climate governance which includes the creation of the Environment Climate Action mentioned above. The National Committee for Civil Protection (Lei 100/V/1999) coordinates but only in the area of civil protection and disaster management. Within the MOF there are three other departments with a certain role but limited to a specific area. They manage post-disaster financing mechanisms and manage fiscal risks. Finally, there is also the High level Risks Coordination Committee (Resoluçao n. 75/2022) created in 2022 for coordination of fiscal risks but with a limited participation (ref. C5).

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<sup>28</sup> Lei 72/VIII/2014 Sistema Nacional de Planeamento.

**Table 2.A. Key Institutions and Responsibilities in Climate Change Mitigation and Adaptation**

Institution	Climate Change relevant responsibilities
<b>National Environment Directorate</b> ( <i>Direcção Nacional do Ambiente</i> ) (DNA/MAA)	<ul style="list-style-type: none"> <li>Designated national authority for the United Nations Framework Convention on Climate Change (UNFCCC) and leader of the Committee Climate Change created in 2009. It is the coordinating institution of climate change policy at the national level.</li> </ul>
<b>National Directorate of Planning</b> ( <i>Direcção Nacional do Planeamento</i> ) (DNP/MOF)	<ul style="list-style-type: none"> <li>Designated national authority for the Green Climate Fund (GCF).</li> </ul>
<b>Budget Department</b>	<ul style="list-style-type: none"> <li>Manages the ex-ante financing mechanism for post-disasters.</li> </ul>
<b>Treasury Department and its Risk Management Service</b> ( <i>Departamento do Tesouro</i> )	<ul style="list-style-type: none"> <li>Manages the ex-ante financing mechanism for post-disasters.</li> <li>Manages operational fiscal risks—including those associated with disaster and climate-related shocks.</li> </ul>
<b>High level Risks Coordination Committee</b> ( <i>Comissão de Coordenação em materia de gestão dos riscos orçamentais</i> )	<ul style="list-style-type: none"> <li>Manages fiscal risks associated with climate and disaster risk.</li> </ul>
<b>Environment and Climate Action Council</b> ( <i>Conselho - Nacional do Ambiente e Ação Climática</i> ) (2023)	<ul style="list-style-type: none"> <li>Recently created to coordinate climate pre-screening of climate project ideas. Chaired by MAA.</li> </ul>
<b>Interministerial Coordination Committee for Climate Funds</b> ( <i>Comité de Articulação Interministerial para Fondos Climáticos</i> )	<ul style="list-style-type: none"> <li>Articulates between the different departments and the private sector in terms of climate funds.</li> <li>Coordinates the process of preparing the country's climate program and define priority projects.</li> </ul>
<b>Interministerial Committee for Climate Change</b> ( <i>Comité Interministerial para as Mudanças Climáticas</i> )	<ul style="list-style-type: none"> <li>Articulates the government actions resulting from the Framework Convention on United Nations on Climate Change Protocol of Kyoto and its subsidiary instruments.</li> </ul>
<b>National Council for Civil Protection</b> ( <i>Conselho Nacional de Protecção Civil</i> ) (CNPC)	<ul style="list-style-type: none"> <li>Multisectoral consultation and coordination in civil protection matters including Government members responsible for sectors with relevant interest for civil protection, military and security authorities and representatives of municipalities and the Red Cross of Cape Verde, as well as the President of the National Civil Protection.</li> <li>Proposes institutional collaboration mechanisms between organizations and services with responsibilities in the field of civil protection, as well as forms of coordination of the activity assigned to them in the event of a serious accident, catastrophe or calamity.</li> </ul>

Source: IMF Staff.

#### **14. Municipalities have received guidance to prepare strategic plans including investments aligned with PEDS and coordinate climate investments through the Environment Fund.**

Municipalities are responsible for the infrastructure in numerous sectors, namely water and sanitation, rural development, basic health, social housing, administrative public buildings, municipal roads, pre-primary and basic education, social, cultural, local markets, and municipal civil protection<sup>29</sup>. They receive specific capital transfers from the central government planned at CVE 393 million for 2021 (and 2022)<sup>30</sup>. However, they also fund their investments from other specific funds such as the Environment Fund and the Tourism Fund<sup>31</sup>. There is also the Development Fund created under the Local Development Platforms Program which is externally funded<sup>32</sup>. The process of preparing and coordinating the Municipalities' Strategic Plans for Sustainable Development (*Planos Estratégicos para o Desenvolvimento Sustentável*) (PEMDS) with national planning was promoted within the framework of this Platforms Program<sup>33</sup>. The program started in 2017 with 9 pilot municipalities with the support of the Luxemburg cooperation under the new Governance Climate Action Project and will be extended to all 22 municipalities by the end of 2025<sup>34</sup>. Specific integration of climate change into PEMDs is the key objective of this Platforms Program. But, the process of coordinating capital spending between central government and municipalities has not yet been institutionalized. According to the 2005 Local Finances Law (*Lei das finanças locais*) municipalities have to transmit their budget including capital projects to MOF for information and consolidation purposes. Municipal budgets have to be published<sup>35</sup>. Municipalities are coordinating their climate investments through the Environment Fund<sup>36</sup>. By law they receive 60 percent of the total resources of the Fund. The central government has prioritized water and sanitation sectors for funding allocation for the period 2021-2025<sup>37</sup>. According to the Investment Directives for the Environment (Resolutions 97/2022 and previous ones), climate municipal investment areas include: integrated management of urban solid waste, environmental rehabilitation, in particular wastewater drainage and urban rehabilitation with improvement of the environmental and health quality of cities and localities<sup>38</sup>.

**15. The regulatory and oversight framework for public corporations (PCs) (Lei 58-IX-2019) does not promote consistency between their climate-related investments and national climate policies and guidelines<sup>39</sup>.** Public corporations indicated that they have not received climate related guidance when preparing their multi-annual business plans and investment plans. However, companies such as ELECTRA are already implementing investment projects that are contributing to the achievement

<sup>29</sup> Lei 134/IV/95 Estatuto dos Municípios.

<sup>30</sup> Only CVE 8 million were executed according to the 2021 General Accounts (Conta Geral do Estado 2021) representing only 0.42 percent of total capital transfers. [https://online.dgo.gov.pt/DadosCidadao/Orcamento\\_CG.Entrada.aspx](https://online.dgo.gov.pt/DadosCidadao/Orcamento_CG.Entrada.aspx)

<sup>31</sup> Fundo do Turismo (Resolução Conselho de Ministros 14 Feb 2022) allocated CVE 2204 million for municipal rehabilitation works for the period 2022-2026.

<sup>32</sup> Created in 2020 with funding from Luxemburg Cooperation and implemented by UNDP in collaboration with the MOF/DNP, it provided 2.3 million euros for development and capital projects in 22 municipalities until mid-2022 in different sectors some including a climate aspect. <https://www.mf.gov.cv/web/mf/-/munic%C3%ADpios-e-associa%C3%A7%C3%B5es-locais-passam-contar-fundo-de-descentraliza%C3%A7%C3%A3o-para-refor%C3%A7o-no-combate-%C3%A0-pobreza>

<sup>33</sup> This is the overarching program under which the Local Development Fund was created and financed: <https://luxdev.lu/en/activities/project/CVE/401>

<sup>34</sup> The 9 pilot municipalities are : Mosteiros, Ribeira Grande de Santiago, Ribeira Grande de Santo Antão, Paúl, Porto Novo, Santa Catarina do Fogo, São Felipe, São Salvador do Mundo and Ilha da Brava.

<sup>35</sup> Lei das Finanças Locais, Lei nº79/VI/2005.

<sup>36</sup> Created in 1997 (article 99 of Legislative Decree nº 14/97), it was only in 2012 that its regulation was adopted (Decree N°3/2012). Later regulations include the Decree-Law No. 40/2013, Decree-Law 62/2016 and Decree-Law No. 59/2020. <https://famb.cv/index.php/sobre-nos/historia>

<sup>37</sup> See MAA website : <https://famb.cv/index.php/blog/29-fundo-do-ambiente-prepara-financiamento-dos-projetos-para-o-horizonte-2021-2025>

<sup>38</sup> Resoluções nº 97/2022, 88/2021, 103/2020, 108/2017. Directivas de Investimentos para o Ambiente para projetos municipais.

<sup>39</sup> Lei 58 IX 2020, 29 Julho, primeira alteração à Lei 104/VIII/2016, de 6 de janeiro, que estabelece os princípios e regras aplicáveis ao Setor Público Empresarial.

of climate change targets. This includes renewable energy projects such as the hydraulic energy storage system on the island of Santiago<sup>40</sup>. ENAPOR's 2022-2025 business plan<sup>41</sup> has a strong emphasis on its role in emission reduction and in contributing to the achievement of PEDS' objectives. Concretely, ENAPOR is planning to supply electricity to docked ships (OPS) in Porto Grande's cruiser terminal under construction as this is one of the strategies recommended by the World Port Climate Initiative to reduce the environmental impact of maritime vessels in ports. ENAPOR aligns also to MARPOL Convention to reduce environmental impact of maritime vessels in ports by reducing gas emissions, waste and pollution<sup>42</sup>. ENAPOR is also part of the Green port initiative that supports the installation of low consumption bulbs and photovoltaic energy in ports. Regarding the airports sector, the Civil Aviation Agency (*Agencia de Aviação Civil (AAC)*) also indicated their commitment towards emissions reduction, aligned to the country's emissions' commitments. The current airports concession with Vinci Airport includes a proposal to increase by 8 percent the renewable assets capacities of Cabo Verde by 2030 through investments in wind turbines and solar panels<sup>43</sup>.

**16. The coordination of decision making on climate related public investment across the public sector is a high priority.** Given the limited staff availability it is key to avoid multiplying and overlapping Committees. It would rather be useful to operationalize an inter-ministerial coordination mechanism of national and sectoral public investment strategies and plans addressing climate change adaptation and mitigation policies and targets. It should ensure both domestically and externally financed investments contribute to achieving climate change strategic objectives. At the level of municipalities, guidance on the planning and implementation of capital spending from a climate-change perspective that has been piloted should be formalized in a regulatory framework. In addition, considering PEs are critical drivers of capital investment in Cabo Verde, the regulatory framework for PEs needs to be upgraded to include a requirement for their investments to be aligned with the government's mitigation and adaptation targets. It would be useful to learn from the advanced practices already in place by some public corporations.

### **C3. Project appraisal and selection** (*Institutional Strength: Low; Reform Priority: High*)

**17. This institution assesses whether project appraisal and selection include climate-related analysis and criteria.** It is necessary to ensure that the most effective and efficient investments are prioritized, while considering climate change considerations. The first dimension assesses whether the appraisal of major infrastructure projects demands that climate-related analysis to be conducted according to a standard methodology. The second dimension asks whether the PPP framework includes climate-related elements. The third dimension assesses whether climate-related elements are included in the criteria for selecting public investment projects.

**18. The appraisal of major infrastructure projects does not demand that climate-related analysis to be conducted according to a standard methodology, and no such methodology exists.** The distinction between a capital and a development project is not clearly mainstreamed in the country

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<sup>40</sup> Electra (2020), Relatório do contas.

<sup>41</sup> Enapor (2022), Business Plan 2022-2025.

<sup>42</sup> Cabo Verde is signatory to the 1973 International Convention for the Prevention of Pollution from Ships (MARPOL).

<sup>43</sup> Vinci Airports (February 2019), Cabo Verde utilities CAPEX.

PIM system, and the greater share of capital projects is externally funded<sup>44</sup> <sup>45</sup>. The legal framework does not define major projects and does not require an appraisal of capital projects according to a standardized methodology that includes technical details on climate change adaptation and mitigation. According to the Ministry of Finance Organic Law (Decreto-Lei n. 28/2018, dated May 24, Article 28.2.f), the DNP is responsible to develop a methodology for preparing and assessing capital projects, but such methodology does not exist. The Decree-Law n. 27/2020, dated March 19, on Environmental Impact Assessment (EIA) introduced a pre-screening of submitted projects, allowing for a more robust assessment of larger and climate riskier projects<sup>46</sup> (Box 2.A.). However, the Decree does not explicitly require any climate-related assessment and does not provide for an assessment methodology. Also, the Ministry of Agriculture and Environment estimates that in the past two years, only four or five PEs' s projects were subject to the EIA. Capital projects funded by development partners (such as for instance the World Bank) undergo climate vulnerability assessment at appraisal stage.

### Box 2.A. Using climate criteria for EIA pre-screening

The current Environmental Impact Assessment Law, Decreto-Lei n. 27/2020, dated March 19, replaced Decreto-Lei n. 29/2006, dated March 6, introducing more transparency and the categorization of projects following a pre-screening process, based on size and climate risk profile. This way projects are labeled as Class A, B, or C, with full environmental study required for Class A projects, simplified study required for Class B, and swift review for Class C projects. Pre-screening is based on a multicriteria matrix (pondered by the impact and probability of occurrence of each risk) presented in Annex II of the decree-law, including among its criteria:

- significant emissions of greenhouse gases (>20,000 t CO<sub>2</sub> eq. per year);
- sensitivity or vulnerability of the project to climate change; and
- direct or indirect increase of environmental or social vulnerability to climate change.

This way, climate impact was explicitly recognized as a risk factor in EIA pre-screening, although not in the scope of EIA, which focuses on the impact of the project on the local environment.

Source : Decreto-Lei n. 27/2020.

**19. Climate related aspects are not considered explicitly in the PPP legal framework, neither for risk allocation nor for contract management.** Decree-Law n. 63/2015 regulates PPPs and stresses the criticality of pre-feasibility and feasibility studies (to be considered, approved, or rejected, at the highest level, by the Council of Ministers) for PPP assessment<sup>47</sup>. Terms of reference for those studies are to be approved by the PPP Unit in the MOF (currently under UASE, but not fully operational). Though, considering the high relevance of climate considerations for long-term contracts such as PPPs, the

<sup>44</sup> Capital projects are projects related to the construction or renewal of infrastructure and buildings, or the acquisition of equipment. Infrastructure assets are nonfinancial fixed assets, including economic and social infrastructure. Social infrastructure supports the provision of public services such as schools, hospitals, and public housing, while economic infrastructure supports economic activity with telecommunication networks, transportation assets (for example, roads, railways, canals, ports, and airports), water and wastewater pipes and treatment plants, and electricity production and transmission. See Gerd Schwartz et al. (editors, 2020) *Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment*, Washington DC: International Monetary Fund, available at <https://www.imf.org/en/Publications/Books/Issues/2020/09/03/Well-Spent-How-Strong-Infrastructure-Governance-Can-End-Waste-in-Public-Investment-48603>

<sup>45</sup> The mission was only able to identify externally funded capital projects in the project lists obtained, and contacted entities declared that their internally funded activities were restricted to maintenance (e.g., road maintenance, painting walls).

<sup>46</sup> This decree-law, which replaced the previous EIA Law (Decreto-Lei n. 29/2006, dated March 6).

<sup>47</sup> Decreto-Lei 63/2015, dated November 13, defined the legal framework for privatizations and PPPs in Cabo Verde and created in the finance ministry a PPP Unit, UPPPP, whose primary goal (according to the preamble of the decree) was “the creation of a favorable climate for the promotion of PPPs”. UPPPP’s functions are currently assumed by UASE, the entity in charge of SOE oversight.

private partner for the airport contract, recently procured, raised climate-related issues during the final negotiation of the contract, including in it a set of climate-related commitments<sup>48</sup>.

**20. No explicit climate-related criteria are applied to the selection of capital projects.** Most capital projects included in the capital investment plan (*Programa de Investimento Público, (PIP)*) are externally funded and its inclusion in PIP results from negotiations with development partners. No projects are included in PIP based on the explicit identification and assessment of criteria such as consistency with government's policy priorities or expected net benefits. Good project selection should require the identification of capital projects previously appraised, to be selected according to criteria such as consistency with government policy and objectives, including climate change mitigation and resilience objectives. The IMF Regional Technical Assistance Center in West Africa 2 (AFW2) has been providing training on good project selection practices.

**21. The integration of climate assessment, both in terms of adaptation and mitigation, on the project appraisal and selection processes, is a high reform priority but the reform should be incremental.** The capital-project preparation and appraisal methodology, required by law, should be developed on the basis of a clear definition of capital project, and it should include, for all major projects (including PPPs), explicit guidance for technical, legal, financial, economic appraisal and climate change appraisal. Climate considerations, in terms of climate risk assessment, should be an integral part of the appraisal studies. Guidelines for PPP climate change appraisal and provisions related to contractual risk allocation regarding climate challenges, namely climate-related disasters, and to the management of PPP contracts can be included in the PPP manual that MOF is required, by the PPP Law, to prepare. The appraisal studies presented by ministries and agencies, for all major capital projects including PPPs, should be reviewed by an entity independent from those ministries and agencies<sup>49</sup>. Good practices suggest that DNP should be in charge of that careful review. A government entity with adequate technical expertise (for instance, within DNA or a public university) could be associated to the review of the climate appraisal documents.

#### **C4. Budgeting and portfolio management** (*Institutional Strength: Low; Reform Priority: Medium*)

**22. The purpose of this institution is to assess how the government's portfolio of climate-related public investment projects is managed, from budgeting for to asset management of completed projects.** Exposure to climate risks as well as climate mitigation targets create a need for specific practices in budgeting, review, and asset maintenance to reduce risks and monitor asset and service performance. The three dimensions under this institution cover: whether planned climate-related projects are presented in budget and related documents and at what level of detail; whether ex post

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<sup>48</sup> The airport concessionaire, in order to satisfy its own environmental standards, the lenders climate requirements, and Cabo Verde international climate commitments, included in the contract a set of climate mitigation and adaptation investments, ranging from solar and wind power production, water recovery and consumption reduction, and waste management. These investment commitments increase the capital expenditure (Capex) of the PPP (and so the contingent liabilities faced by government) but, as a whole, will expectedly reduce its operational expenditure (Opex).

<sup>49</sup> Independence, in terms of non-involvement in the genesis or development of the project, creates adequate conditions for the reviewer to question aspects of the project that are not clear or dubious, therefore helping to make projects more robust. Such review does not presuppose a wide range of expertise in DNP, but simply its ability to reach, when needed, specialized knowhow in government or elsewhere. In what relates to climate challenges, basic training of the whole DNP should be considered, but recourse to expertise in the Ministry of Agriculture and Environment should be considered standard practice.

reviews of public investment projects consider climate change adaptation and mitigation outcomes; and whether the government's asset management policies and practices address climate-related risks.

**23. Climate-related capital spending are not identified in the budget and related documents.**

The 2023 Budget Report identifies two climate-related programs: the Energy Transition (*Transição Energética*) and the Climate Action and Resilience (*Acção Climática e Resiliência*)<sup>50</sup>. However, such programs include capital expenditure but also current expenditure. For instance, the Resilience and Climate Action program includes capital funds for municipal climate adaptation investments (the “*Programa Governança e Acção Climática*”, not individualized in the State Budget) as well as funding for the operation of the INMG and the Nacional Emergency Fund. Therefore, those two programs cannot be classified as climate capital expenditure. Also, several other projects — for instance, in the water, agriculture, and sea sectors — address climate challenges but are not included in those programs. To help address the poor visibility of climate investments in the State Budget (and in government information systems in general) the Project supported by Luxembourg has initiated the procurement of services for defining climate markers<sup>51</sup>.

**24. There is no legal requirement or specific methodologies to undertake ex-post reviews or external audits of capital projects’ impact on climate adaptation or mitigation outcomes.**

According to the ministry of finance organic law (Art. 28.2.f) the DNP is responsible for undertaking the ex-post evaluation of capital projects. The DNP has not yet assumed such responsibility nor developed a methodology for the purpose. The existing DNP organigram and capacity also limit the undertaking of this additional task. Regarding audits, the legislation regulating the function of external auditing does not require the auditing of capital projects, let alone the auditing of climate-change-smart projects<sup>52</sup>. Through peer-to-peer collaboration with other supreme audit institutions (within the framework of the International Organization of Supreme Audit Institutions (INTOSAI) -, or by bilateral agreement), the Supreme Audit Institution (*Tribunal de Contas*) is currently gaining experience with performance auditing and may later use it for capital project auditing. The absence of an ex-post review or audit function, also prevents the identification of climate related challenges occurring during project implementation, and knowledge sharing regarding the adopted solutions.

**25. Asset registers are incipient, and there are no policies in place for estimating standard or climate risks related maintenance of assets.** There are currently no standardized methodologies for estimating normal maintenance needs, let alone for climate change-exposed infrastructure assets. A central assets registry does not exist, and accrual accounting has not been introduced in Cabo Verde. These factors create the ideal conditions for the development of build–neglect–rebuild cycles, where public assets owners either neglect or cannot obtain funding for maintenance, leading to poor service delivery to users, accelerated deterioration of the asset, and then to a critical need for rebuilding the asset (Box 2.B.). Assets facing climate challenges are, obviously, at higher risk of deterioration. Although climate risks are not considered in the methodologies for road maintenance, Roads of Cabo Verde (*Estradas de Cabo Verde (ECV)*) has recently procured a study (still in production) on road resilience,

<sup>50</sup> Relatório de Enquadramento do Orçamento do Estado 2023.

<sup>51</sup> In March 2023 the Luxembourg Agency for development Cooperation (LuxDev) launched a call for expressions of interest for the acquisition of services for defining climate markers on behalf of Climate Action Programme (CVE/401) receiving financial support from Cabo Verde (under the above cited Climate Action and Resilience program) and Luxembourg. Terms of reference for the project were already developed. The upcoming methodology will be piloted in four ministries.

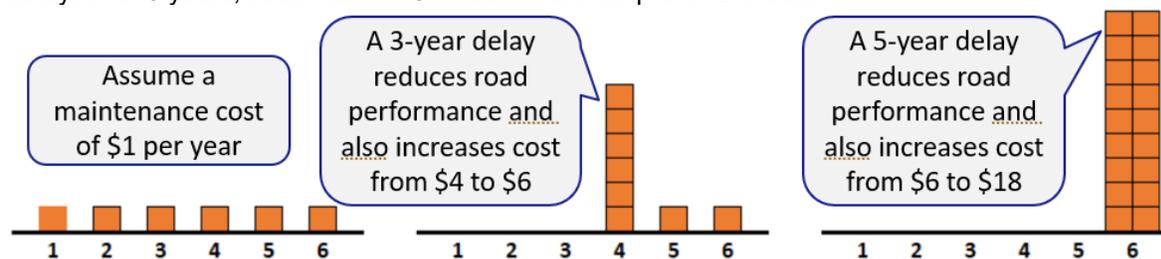
<sup>52</sup> Lei 24/IX/2018, dated February 2, and Resolução 3/2018 (of the Tribunal itself), dated December 7.

identifying the vulnerabilities of the network. Cabo Verde Infrastructure (*Infraestructuras the Cabo Verde (ICV)*) is also undertaking a survey of the public assets including information on their climate vulnerability. The expectation is that the public assets surveyed will then be georeferenced with the support of the National Institute of Territorial Management (*Instituto Nacional de Gestão do Território (INGT)*).

### Box 2.B. The relevance of asset maintenance

Potholes in roads, poor lighting in schools, and leaks in water pipes, are usual results from inadequate maintenance; but it may also lead to life-threatening results, such as the failure of critical equipment in a hospital, electrocution when using a failing switch, or aquaplaning on a road. Climate events, including extreme events such as flashfloods and hurricanes, are a major source of capital asset deterioration—and changing climate patterns require adaptation of maintenance standards to climate change.

Adequate maintenance is also critical for optimizing the life-cycle cost of infrastructure. The South African National Roads Agency indicates that delaying road maintenance for 3 years leads to increased costs of 6 times the original annual cost of preventive maintenance; if maintenance is delayed for 5 years, costs rise to 18 times the annual preventive cost.



Source: C-PIMA mission team, with data from SANRAL, the South African National Roads Agency.

**26. While the climate budget tagging reform is in process, the introduction of climate-related risks in the asset management policy and practices is also an important reform, of medium priority.** Climate budget tagging can build on the previous experience with gender-tagging. Current plans for revamping the government asset register will be an opportunity for introducing periodic monitoring of the asset condition, incorporating climate-related information (for instance, more frequent monitoring for assets more vulnerable to climate challenges). The methodologies for estimating maintenance requirements and maintenance costs also need revision to incorporate the impact of climate change. International evidence shows that timely and adequate maintenance does reduce the long-term (“whole-life”) costs of infrastructure assets while increasing the lifetime of the project. A geo-referenced inventory of public assets at risk and their attributes (e.g., exact location, construction type, number of stories) and inspected asset condition, could inform maintenance efforts, and help prioritize the reconstruction of public works damaged by natural disasters. A geo-referenced inventory of public assets is also a key component in building an exposure database, which is integrated with hazard and vulnerability models to establish a fiscal disaster risk profile (addressed below in Institution C5). Generally, the more accurate the inventory is, the more accurate the fiscal risk assessment.

#### C5. Risk management (*Institutional Strength: Low; Reform Priority: Medium*)

**27. This institution assesses how the government identifies and manages its exposures to fiscal risks associated with public investment that could be impacted by climate change and**

**natural disasters.** Climate and disaster risks are increasing in significance and are expected to be chronic sources of fiscal risk from a macro-fiscal perspective, thus warranting explicit attention. Fiscal risks arise both from climate mitigation and adaptation<sup>53</sup>. The first dimension asks whether the government publishes a national disaster risk management strategy that incorporates the exposure of public infrastructure to climate-related disasters. The second dimension assesses whether the government has financing mechanisms in place to meet the costs of climate-related damages to public infrastructure. The third dimension asks whether the government conducts fiscal risk analysis that considers climate-related risks to public infrastructure assets.

**28. The National Disaster Risk Reduction Strategy (*Estratégia Nacional de Redução de Riscos de Desastres (ENRRD)*) does not identify climate threats to public infrastructure assets.** The 2018 ENRRD broadly describes the country vulnerability to natural disasters and defines measures to improve the understanding of disaster risk as well as priority actions for risk prevention and mitigation, disaster preparedness and management, including financing<sup>54</sup>. An accompanying implementation plan was to be developed, but the COVID-19 pandemic, delayed the preparation of the plan. The broader legal and institutional framework for disaster risk reduction has been put in place and recent modifications as the revision of the National Civil Protection Service Organic Statute and the proposed alteration to the composition and functioning of the National Committee for Civil Protection will further improve it<sup>55</sup>.

**29. Cabo Verde has a range of retention financing mechanisms to draw on to meet the costs of climate-related damages to public infrastructure.** In 2019 the government put in place the Sovereign Emergency Fund (*Fundo Soberano de Emergência (FSE)*) to finance —among others— post-disaster rehabilitation and reconstruction of public infrastructure<sup>56</sup>. The FSE is an off-shore fund created with an initial capital of €10 million and managed by the Bank of Portugal. Since its creation the fund has not been operationalised to finance capital post-disaster expenditures. In the framework of the 2019 World Bank (WB) Disaster Risk Management Development Policy Financing, the government accessed the Catastrophic Deferred Drawdown Option (Cat-DDO) of US\$10 million. The annual budget has a provisional allocation for “unforeseen and unavoidable” expenditures (*dotação provisional*), set at a maximum of 2 percent of ordinary fiscal revenues<sup>57</sup>. However, this instrument in 2021-2022 has been only used to cover recurrent expenses not related to disasters and climate risks. The government also created the National Emergency Fund (*Fundo Nacional de Emergência (FNE)*)<sup>58</sup>. The FNE aims to cover recurrent emergency and recovery expenditures. It is funded through a defined annual budget allocation (set at 0.5 percent of non-earmarked revenues collected the second year prior to the year for which the budget is being prepared). Accordingly, from 2019 onwards, the FNE has received an annual budgetary allocation of around CVE 180 million (US\$1.8 million). The country does not dispose of risk transfer

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<sup>53</sup> Mitigation risks could arise from higher capital costs of low GHG-emitting public infrastructure, such as a higher capital cost of renewable energy integration. Mitigation risks also include ‘transition risks’, which are risks to the value of public infrastructure assets arising from changes in technology, markets and government policy in the context of the global and national climate commitments. Climate and disaster risks on public infrastructure must be systematically assessed and monitored, to facilitate adequate and effective risk mitigation.

<sup>54</sup> Resolução n. 114/2018 que aprova a *Estratégia Nacional de Redução de Riscos de Desastres*.

<sup>55</sup> Lei n. 100/V/99 Lei de Bases de Protecção Civil e a Resolução n. 115/2018 que aprova o Quadro de Recuperação Pós-Desastre.

<sup>56</sup> Lei n. 61/IX/2019 sobre o Fundo Soberano de Emergência e extingue o Fundo Especial de Estabilização e Desenvolvimento (FEED), criado pela Lei n.º 71/V/98, de 17 de agosto.

<sup>57</sup> Art. 20.5 of Lei n. 55/IX/2019 Lei estabelece as bases do Orçamento do Estado, definindo os princípios e regras que regulam a sua formulação, programação, aprovação, execução, avaliação, controlo e responsabilização.

<sup>58</sup> Decreto-Lei n. 59/2018 que cria o Fundo Nacional de Emergência.

financing mechanisms. The key challenge for an insurance coverage for government assets is the lack of an inventory of public infrastructure assets and values.

**30. The government does not conduct fiscal risk analysis that incorporates climate-related risks to public infrastructure assets.** An institutional framework for fiscal risks assessment and analysis has been put in place. In July 2018, a Risk Management Service was created within the Treasury Department of the MOF to manage operational fiscal risks—including those associated with disaster and climate-related shocks—in an ex-ante and comprehensive manner<sup>59</sup>. In 2022, the government created a high-level fiscal risk coordination committee, explicitly tasked with managing fiscal risks associated with climate and disaster risk<sup>60</sup>. The committee however does not include all critical national counterparts to assess, analyze, and quantify climate related risks, as for instance, the MAA and the INMG. The 2023 Fiscal Risks Statement (*Declaração dos Riscos Orçamentais*) identifies disaster risks such as rainfall, flooding and drought and estimates the economic impact of those events<sup>61</sup>. With the support of the WB, the MOF is in the process of conducting a long-term quantitative modeling of fiscal risk from natural disasters. The outcomes of this exercise are expected to be included in the 2024 Fiscal Risk Statement.

**31. Integrating resilience building in the macroeconomic and fiscal planning is of medium priority.** The government would benefit from continuing to build technical capacity for fiscal risk analysis with climate change and include disasters and climate-related shocks in the fiscal risk statement. The ENRRD should be updated to include climate and disaster risks to critical public infrastructure, supported by the ongoing risk and vulnerability mapping at municipal level (ref. Institution 2). The financial coverage tools available in Cabo Verde in case of disasters appears to be based more on opportunities than on a robust assessment of explicit and implicit contingent liabilities. Though, a Climate Financing Strategy should be developed to inform—among others—the selection of the most cost-effective ex-ante financing mechanisms.

## C. CROSS-CUTTING ISSUES

### Legal framework (Reform Priority: High)

**32. There have been some developments in the legal and strategic framework underpinning climate-related public investments (Table 2.B.).** The NDC was updated recently and provides an updated framework of climate measures, particularly for adaptation to climate change risks. The energy and, in particular, the electricity sector have adopted a climate-compliant policy and legal framework with very specific targets and projects included in the Electricity Master Plan since 2018. There are also specific legal requirements in terms of energy efficiency for intensive energy consumers since the adoption of the related decree in 2021 (35/2021). In the area of disaster risk reduction, there is a strategy since 2018 and disaster risk and adaptation considerations have been included in the regulations for spatial and urban planning since 2018 with the adoption of the law and regulations for National Territorial Planning and Urban Planning and of the National Policy for Territorial Planning and Urbanism in 2020. More work is needed but is ongoing in order to take into account those considerations at the municipal level. In the public financial management area, more specifically of climate-related fiscal risks, the

<sup>59</sup> The Risk Management Service was created with the support of the 2019 World Bank (WB) Disaster Risk Management Development Policy Financing with the Cat-DDO.

<sup>60</sup> Resolução n. 75/2022 que cria a Comissão de Coordenação em matéria de gestão dos riscos orçamentais.

<sup>61</sup> The economic impact is based on the 2019 WB Cabo Verde Disaster Risk Profile.

creation of the Committee for Coordination of fiscal Risks and the related work is an important first step but that needs to be further enhanced (ref. Institution C5).

**Table 2.B. Legal and Strategic Framework underlying Climate Change and PIM in Cabo Verde**

Main Climate Change strategies	
2022 Plano Nacional de Adaptação (NAP)	
2021 Contribuição Nacional Determinada (NDC) - atualização do primeiro NDC de 2015	
Plano de Desenvolvimento Sustentável setor de energia 2019-2021	
Decreto lei 35/2021 Programa Nacional para a Sustentabilidade Energética	
2019 Programa de mitigação e de resiliência à seca em cabo verde	
Resolução 114/2018 que aprova a Estratégia Nacional de Redução de Riscos de Desastres	
Resolução 39/2019 Plano director do sector eléctrico 2018-2040	
2018 Carta Política para Mobilidade Elétrica e primeiros carros elétricos em Cabo Verde	
2017 Terceira Comunicação Nacional	
2010 Segunda Comunicação Nacional	
2007 Programas de Ação de Adaptação Nacional (NAPAs)	
1999 Primeira Comunicação Nacional	
Main legal documents	
<p><b>With specific references to Climate Change:</b></p> <p>Resolução 75/2022 que cria a Comissão de Coordenação em materia de gestão dos riscos orçamentais</p> <p>Decreto-lei 35/2021 - Regime dos Consumidores Intensivos de Energia (RCIE)</p> <p>Decreto Lei 59/2020 Estatutos do Fundo do Ambiente</p> <p>Portaria Conjunta 24/2020 Código de eficiência energética de edifícios</p> <p>Resolução 24/2020, Política Nacional de Ordenamento do Território e Urbanismo (PNOTU)</p> <p>Lei 61/IX/2019 sobre o Fundo Soberano de Emergência, adiante designado Fundo de Emergência e, ainda, extingue o Fundo Especial de Estabilização e Desenvolvimento (FEED), criado pela Lei 71/V/98, de 17 de agosto</p> <p>Decreto-lei 61/2018 (alteração da Decreto-Lei 43/2010) aprova dos Regulamentos Nacionais do Ordenamento do Território e Planeamento Urbano</p> <p>Lei 4/2018 Bases do Ordenamento do Território e Planeamento Urbano (LBOTPU)</p> <p>Decreto-lei 42/IX/2018 primera alteração da Lei 60/VIII/2014 que estabelece o regime das operações urbanísticas, designadamente, o loteamento, a urbanização a edificação e a utilização e conservação de edifícios</p> <p>Resolução 115/2018 Quadro Operativo Pos- Desastre</p> <p>Lei 59/2018 Fundo Nacional de Emergencia</p> <p>Resolução 108/2017, de 09/25 Diretivas de Investimentos para o Ambiente relativo ao período 2017-2021</p> <p>Portaria conjunta 4/2012 - Código Técnico da Edificação (CTE)</p> <p>Lei 100/V/99 Lei de Bases de Protecção Civil</p>	<p><b>Public Investment Management related:</b></p> <p>Lei 5/X/2021 Bases do Orçamento (alteração da lei 55/IX/2019)</p> <p>Decreto-Lei 27/2020, março 19, Avaliação de impacte ambiental (AIA) (alteração da Decreto-Lei 29/2006)</p> <p>Lei 24/IX/2018 Organização, Composição e Competência do Tribunal de Contas</p> <p>Resolução 3/2018 do Tribunal de Contas (establishes its regulations)</p> <p>Decreto-Lei 28/2018 Aprova a estrutura, a organização e as normas de funcionamento do Ministério das Finanças</p> <p>Decreto-Lei 63/2015 Parcerias Público Privadas</p> <p>Lei 72/VIII/2014 Sistema Nacional de Planeamento</p> <p>Lei 79/VI/2005 das Finanças Locais</p>

Source: IMF Staff.

**33. However, there are still important gaps that need to be addressed for stronger legal foundations for climate public investments.** The following legal reforms would improve the management of public investments and would ensure infrastructures in the country are resilient to climate disasters and are low carbon:

- *Give a stronger policy basis to climate change-related reforms.* There is no NDC roadmap defining more specifically and in a sequenced way the mitigation and adaptation actions. The accompanying climate investment plan is also missing (ref. Intro and C1).
- *Develop the PIM legal framework.* There is no legal framework regulating the whole project investment cycle and including climate considerations. The procedures for capital projects, including climate-related projects, during planning, appraisal, selection, monitoring of physical and financial implementation and ex post assessment need to be defined in a clear legal framework.
- *Include climate requirements in the PPPs regulatory framework.* The Decree-Law 63/2015 regulating PPPs has no provisions on climate-related risks and the allocation of this risk between parties that need to be taken into account during the preparation of the PPP contract. (ref. C3)
- *Include climate requirements in the PEs' s regulations.* PEs do not have requirements to take into account climate aspects into their publicly funded investments, both in terms of mitigation and adaptation to climate-change risks (ref. C2).
- *Review the Construction Code to introduce climate considerations.* Climate-induced disaster risks and mitigations aspects are not taken into account in the existing Construction Code (ref. C1).

#### **Staff Capacity** (Reform Priority: High)

**34. Cabo Verde is at initial phase of capacity development for implementing climate actions and climate-related PIM.** The DNP of the MOF, the leading department for PIM processes, does not have capacity on climate aspects. The Budget Department who is involved in budget execution will receive technical assistance, in the framework of the 'Strengthening of the Governance and the Climate Action in Cabo Verde' Luxemburg supported Project, to develop a climate budget tagging framework. The MOF's macroeconomic analysis & forecasting unit within the DNP, and the Risk Management Service withing Treasury are also receiving capacity development support from the WB on the quantitative assessment of natural disasters and climate change in fiscal risk analysis. The MAA has a small climate team that acts as the secretariat to the National Council of Environment and Climate Action (*Conselho Nacional do Ambiente e Acao Climatica*) and the national focal point for the UNFCCC processes. In the disaster risk management area, capacities with respect to climate-related risks have been developed in the National Civil Protection Service, the INGT, and the municipalities. Capacity development is hindered by civil servants' s high turnover and the fact that some critical PIM/climate change entities are depleted of staff. Although there is some knowledge in climate change within central government institutions, more expertise is found within the public enterprises.

**35. The planning of capacity building activities in PIM and climate change should be based on a careful identification of the ability of recipient entities to retain knowledge.** While climate training is relevant for all staff, capacity building on PIM and climate change implies adequate prior staffing of critical entities. Knowledge on climate issues related to public investments should be primarily enhanced in MOF, MAA and Infrastructure. Online training opportunities should be actively sought as it would allow to train more at once and limit the costs.

## Information Systems *(Reform Priority: Medium)*

**36. Climate-change budget tagging is at a concept development stage and should be supported by MOF IT systems.** Climate budget tagging allows for the identification, measurement, and monitoring of climate-relevant public investment expenditures. Identifying and monitoring climate-related expenditures in the national budget system would support monitoring the implementation of the NDC, the NAP and report on climate international commitments. Several countries have included the climate tags in the coding structure of their financial management information systems (FMIS)<sup>62</sup>.

**37. Work is still at the design phase with support from the Luxemburg’s Governance and Climate Action Project.** Terms of Reference (TOR) to develop a methodology for climate budget tagging have been recently published. The methodology will be piloted in MOF, MAA, Health, and Tourism. The climate budget initiative will capitalize on gender budget tagging, a practice already developed and applied in Cabo Verde.

**38. This stream of work should be closely related to the development of the Public Investment Management Information System.** The authorities informed the mission of their intention to develop a system supporting the different phases of the capital project cycle (electronic submission of project proposals, appraisal, selection, report generation, capital portfolio analysis, etc.). Before developing a system, it will be critical to clearly define what a capital project is and the process and procedure for the different stages of the project cycle. Such process and procedures—in excel format— should be disseminated, line ministries and agencies trained, and, at later stage, an IT system could be developed to support the PIM functions.

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<sup>62</sup> Examples of countries tagging climate in their FMIS systems are: Bangladesh, Ecuador, Ghana, Honduras, Indonesia, Kenya, Nicaragua, Pakistan, Philippines and Uganda.

### Annex 1. C-PIMA Questionnaire

QUESTION		Scoring Rubric		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
		NOT MET	PARTIALLY MET	FULLY MET
<b>C1. Climate-aware planning: Is public investment planned from a climate change perspective?</b>				
C.1.a	Are national and sectoral public investment strategies and plans consistent with Nationally Determined Contribution (NDC) or other overarching climate change strategy on mitigation and adaptation?	National and sectoral public investment strategies and plans are not consistent with NDC or other overarching climate change strategy.	National public investment strategies and plans are consistent with NDC or other overarching climate change strategy for some sectors.	National and sectoral public investment strategies and plans are consistent with NDC or other overarching climate change strategy for most sectors.
C.1.b	Do central government and/or sub-national government regulations on spatial and urban planning, and construction address climate-related risks and impacts on public investment?	Central government and/or sub-national government regulations on spatial and urban planning, and construction do not address climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, or construction (through building codes) addresses climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, and construction (through building codes) address climate-related risks and impacts on public investment.
C.1.c	Is there centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies?	There is no centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the preparation of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.
<b>C2. Coordination between entities: Is there effective coordination of decision making on climate change-related public investment across the public sector?</b>				
C.2.a	Is decision making on public investment coordinated across central government from a climate-change perspective?	Decision making on public investment is not coordinated across central government from a climate-change perspective.	Decision making on public investment is coordinated across budgetary central government from a climate-change perspective.	Decision making on public investment is coordinated across all central government, including externally financed projects, public-private partnerships (PPPs) and extra-budgetary entities, from a climate-change perspective.
C.2.b	Is the planning and implementation of capital spending of subnational governments (SNGs) coordinated with the central government from a climate-change perspective?	The planning and implementation of capital spending of SNGs is not coordinated with the central government from a climate-change perspective.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective and information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective, information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects, and there are formal discussions between central government and SNGs on the planning and implementation of climate-related investments.

C.2.c	Does the regulatory and oversight framework for public corporations ensure that their climate-related investments are consistent with national climate policies and guidelines?	The regulatory and oversight framework for public corporations does not promote consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations promotes consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations requires that their climate-related investments be consistent with national climate policies and guidelines.
<b>C3. Do project appraisal and selection include climate-related analysis and criteria?</b>				
C.3.a	Does the appraisal of major infrastructure projects require climate-related analysis to be conducted according to a standard methodology with central support?	The appraisal of major infrastructure projects does not require climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology, and a summary of appraisals is published or subject to independent external review.
C.3.b.	Does the framework for managing longer-term public investment contracts, such as Public-Private Partnerships (PPPs), explicitly address climate-related challenges?	The referred framework does not include explicit consideration of climate change for risk allocation or contract management.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts, and contract managers in government departments and agencies are mandated to address climate-related challenges.
C.3.c.	Are climate-related elements included among the criteria used by the government for the selection of infrastructure projects?	Either there are no explicit selection criteria or climate-related elements are not included among the criteria used by the government for the selection of projects for financing.	Climate-related elements are included among the criteria used by the government for the selection of all major budget-funded projects, and the criteria are published.	Climate-related elements are included among the criteria used by the government for the selection of all major projects, including externally financed projects, projects financed by extra-budgetary entities, and PPPs, and the criteria are published.
<b>C.4 Budgeting and portfolio management: Is climate-related investment spending subject to active management and oversight?</b>				
C.4.a.	Are planned climate-related public investment expenditures, sources of financing, outputs and outcomes identified in the budget and related documents, monitored, and reported?	Planned climate-related public investment expenditures are not identified in the budget and related documents.	Some planned climate-related public investment expenditures are identified in the budget and related documents, including investment expenditures funded externally, by extra-budgetary entities, and PPPs.	Most planned climate-related public investment expenditures, sources of financing, and outputs and outcomes are identified in the budget and related documents, including investment expenditures funded externally, by extra-budgetary entities, and PPPs, and expenditure on these projects is monitored and reported.
C4.b.	Are ex-post reviews or audits conducted of the climate change mitigation and adaptation outcomes of public investments?	No ex-post reviews or audits are conducted of the climate change mitigation and adaptation outcomes of public investments.	Ex-post reviews or audits are conducted for selected major public investments of either the climate change mitigation or adaptation outcomes.	Ex-post reviews or audits are conducted and published for selected major public investments of both the climate change mitigation and adaptation outcomes.
C4.c.	Do the government's asset management policies and practices, including the maintenance of assets, address climate-related risks?	Neither the government's asset management policies and practices nor methodologies for estimating the maintenance needs of climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs of some climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs and associated costs of most climate change-exposed infrastructure assets address climate-related risks, and government asset registers include climate-related information of these assets.

C5. Risk management: Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan?				
C5.a.	Does the government publish a national disaster risk management strategy that incorporates the potential impact of climate change on public infrastructure assets and networks?	Either there is no published national disaster risk management strategy, or the strategy does not identify the key climate-related risks to public infrastructure assets and networks.	The government publishes a national disaster risk management strategy that identifies the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure, and vulnerability.	The government publishes a national disaster risk management strategy that identifies and analyses the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure and vulnerability, and includes the government's plans to mitigate and respond to these risks.
C5.b.	Has the government put in place ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks?	The government has not put in place any ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks.	There is an annual contingency appropriation in the budget or other financing mechanisms that is available to meet the costs of climate-related damages to public infrastructure.	There is an annual contingency appropriation in the budget and other financing mechanisms that are available to meet the costs of climate-related damages to public infrastructure.
C5.c.	Does the government conduct and publish a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets?	The government does not conduct a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets.	The government conducts and publishes a fiscal risk analysis that incorporates a qualitative assessment of climate-related risks to public infrastructure assets over the medium term.	The government conducts and publishes a fiscal risk analysis that incorporates a quantitative assessment of climate-related risks to public infrastructure assets over the medium term and policies to mitigate these risks, and a qualitative assessment of the risks that may arise over the long-term.

## Annex 2. C-PIMA Detailed Scores for Cabo Verde

The following color coding is used in presenting the scores.

Score	Low	Medium	High
	1	2	3
Color			

<b>C1. Climate-aware planning</b>	
<b>C1.a.</b>	<b>National and sectoral planning</b>
<b>C1.b.</b>	<b>Land use and building regulations</b>
<b>C1.c.</b>	<b>Centralized guidance on planning</b>
<b>C2. Coordination between entities</b>	
<b>C2.a.</b>	<b>Coordination across central government</b>
<b>C2.b.</b>	<b>Coordination with provincial and local governments</b>
<b>C2.c.</b>	<b>Oversight framework for public corporations</b>
<b>C3. Projection appraisal and selection</b>	
<b>C3.a.</b>	<b>Climate analysis in project appraisal</b>
<b>C3.b.</b>	<b>PPP framework including climate risks</b>
<b>C3.c.</b>	<b>Climate consideration in project selection</b>
<b>C4. Budgeting and portfolio management</b>	
<b>C4.a.</b>	<b>Climate budget coding</b>
<b>C4.b.</b>	<b>Ex post review of projects on climate outcomes</b>
<b>C4.c.</b>	<b>Asset management</b>
<b>C5. Risk management</b>	
<b>C5.a.</b>	<b>Disaster risk management strategy</b>
<b>C5.b.</b>	<b>Ex ante financing mechanisms</b>
<b>C5.c.</b>	<b>Fiscal risk analysis including climate risks</b>

