**TRAC 2 SUBMISSION FORM**

PLEASE REFER TO THE GUIDE FOR SUBMISSION INSTRUCTIONS.

COUNTRY OFFICE: Cabo Verde

*Purpose and Objectives*

## Purpose:

*Specify how the CO intends to use the TRAC2 funds*

*Integrated Sustainable and Inclusive Financing for SDG Acceleration and Cabo Verde Ambition 2030 in the context of COVID-19 recovery.*

*Overview*

As the COVID-19 pandemic continues well into 2021, its effects and impacts continue to reverberate throughout Cabo Verde’s socioeconomic systems. The government, in close coordination with the UNCT, continues its efforts to mitigate the socioeconomic impact. Meanwhile, the vaccination campaign, associated with high monetary and transaction costs, will begin in parallel. This is taking place in a context where the burden on public resources has been extravagant. Debt levels have exceeded 145% of GDP and the IMF has declared the country’s debt distress to be a “high risk”.

The mainstays of the Cabo Verdean economy – tourism, transport, and ancillary services, including an informal sector that offered many women and youth a routine, albeit precarious, lifeline – are particularly hard hit. Unemployment is rising rapidly, and so is poverty, inequality, and crime. Cabo Verde was already vulnerable to exposure to exogenous macroeconomic shocks, fluctuations in external financing flows, and public debt distress prior to COVID-19. *A fortiori*, these concerns, challenges, and risks have become even more acute and pressing in the context of the pandemic.

To not only recover rapidly but to do so in a sustainable, integrated, and structural manner, Cabo Verde needs to diversify its economy and sources of financing. A UN MAPS mission at the end of 2019 offered an SDG Roadmap that identified several accelerators designed to help the country accomplish this challenging task. A key mechanism in this context was the establishment of an Integrated National Financing Framework, for which Cabo Verde was selected as a pioneer country.

The upheavals of 2020 impeded these efforts due to urgent demands and needs to address short-term effects of the crisis, notably by ensuring survival of the most vulnerable. For this reason, 2021 is the year when the UNDP-UNICEF-UNFPA Joint Office (JO) in Cabo Verde seeks to reset, refocus, and relaunch its mid-to-long term strategic efforts with a view towards helping Cabo Verde get back on track to achieve the ambitious targets and objectives of Ambition 2030 that the government has set for itself, enshrining not only a strong commitment to its people but also to the global goals across all 5 Ps. This will require setting a robust foundation through initial large-scale investment in 2021 that will pay dividends and engender a demonstrable return-on-invest for SDG impact.

The JO is in a unique position to impact directly on the SDG accelerators and Ambition 2030. The JO’s central role in the INFF/DFA provides an opportunity to widen the scope of our interventions through the use of TRAC II funds that will target – in an integrated manner – not only three of the six RBA Strategic Impact Areas, but also the UN MAPS recommendations through the implementation of interventions focusing on three specific **programmatic areas**:

1. **South-South Cooperation** for Upscaling through Regional Integration & Trade
	1. Study on Regional Integration in AfCTA & ECOWAS
	2. Joint Programming with UNDP CO Guinea-Bissau
	3. Reinforcing bilateral and multilateral South-South and Triangular cooperation and assessing its impact from a development effectiveness perspective
2. **Innovative Sustainable Financing** for COVID-19 Recovery and SDG Acceleration
	1. Sustainable Finance Platform for the Blue Economy
	2. Debt-for-Nature Swaps for Marine Protected Areas
	3. Scaling-up Inclusive Finance Initiative
	4. Legal and Institutional Reform for Sustainable Finance
3. **Innovation** with a downstream emphasis on Women and Youth inclusion and empowerment
	1. Accessible FinTech (digital user interface) for sustainable finance platform
	2. Regional Hackathon to build pipeline of Blue Economy Projects
	3. Promoting Women & Youth through Business Platform (Innovation and Entrepreneurship), Human Capital and SME development via YouthConnekt & Accelerator Lab collaboration
	4. Promoting youth and women empowerment through citizen engagement and advocacy

These three programmatic results, in turn, are expected to produce **resource mobilization** results:

1. Leverage additional public financing through international partnerships within the INFF, especially engaging IFIs and establishing cooperative forms of exchange with SSC partners for mutual benefit (i.e. win-win)
2. Channelling private financing and implementation of sustainable finance, as outlined within Cabo Verde’s Ambition 2030 and based on the recommendations derived from the Development Finance Assessment

Taken together, these initiatives will induce a step-change in terms of the MAPS-based SDG accelerators (Blue Economy, Circular Economy, Innovation & Digitalization, Tourism and Human Capital) and the achievement of Cabo Verde’s Ambition 2030.



Each of the three programmatic areas of intervention are supported by specific activities to be implemented via an integrated Joint Office approach aligning with the RBA strategic offer (detailed below). These activities will target interventions at building national capacities in the outcome areas, particularly dealing with downstream socio-economic impact measures, especially via the governance, environment, and inclusive growth portfolio. The Accelerator Lab will complement this approach by testing innovative solutions particularly with regards to FinTech to enhance innovative financing initiatives, identifying blue economy projects via Hackathons organized at regional, national, and decentralized level and Digital and Financial Literacy targeting women’s and youth empowerment through inclusion and capacity building. In addition to offering strategic guidance, particularly with a view towards integration at JO and UNCT level, the Strategy and Policy Unit will intensify and upscale its efforts in further developing upstream blue economy, regional integration, and south-south trade initiatives with quick wins in 2021.

Given the Cabo Verde Joint Office’s excellent delivery rate in 2020 even in the face of the COVID-19 crisis (10,5 million USD delivered in 2020, representing 60% growth compared to 2019), it has demonstrated its ability to be a trusted and reliable partner for delivering substantive and critical support to Cabo Verde in times of crisis. By virtue of being a joint office, the JO already has a sound structural basis for pursuing integrated approaches, including not only cross-cutting, multisectoral partnerships between portfolios and units at the JO level but also between UN agencies and IFIs at the UNCT level. The integrated “ONE TEAM” logic informing this TRAC-II application seeks to provide further incentives and encouragement in this regard. Collectively, the TRAC-II allocation would therefore create a cross-cutting, multisectoral, regional, and integrated solution for sustainable and inclusive financing in the context of COVID-19 recovery, SDG Acceleration and Ambition 2030.

**Detailed Background and justification:[[1]](#footnote-2)**

*Macro-economic situation and SDG financing landscape in the COVID-19 context*

Prior to COVID-19, the country benefited from a period of solid growth, price stability, and modest declines in public debt, which decreased from 127.8% of GDP in 2016 to 124.2% in 2019. Public investment consistent with the SDGs improved with the adoption and implementation of the National Sustainable Development Plan (PEDS 2017-2021), which helped the Ministry of Finance and line ministries organize the national budget around 35 programs focused on the countries’ sustainable development priorities.

However, due to COVID-19, public revenues are expected to decrease 25%, mostly because of a dramatic decrease in fiscal revenues, in particular in tourism and transportation sectors. Domestic private investment was already low before the crisis due to the small size of the domestic economy, the fragmentation of the economic fabric (97% Micro, Small and Medium Enterprises, MSMEs), the low quality of financial assets, and risk aversion of the banking sector.

In this context, Cabo Verde is struggling to finance its upward development trajectory through public expenditures, especially as concessional finance available under its erstwhile LDC status is being phased out. The IMF has signalled a “high risk” of debt distress (expected 145% of GNI at the end of 2020[[2]](#footnote-3)), necessitating urgent debt relief measures to avoid default. Although loans initially tripled following designation as a MIC, the debt distress warning is now limiting the country’s access to credit due to increasing interest rates in international bond markets, which further undermines sustainability.

The question of how to achieve debt sustainability while financing sustainable development needs through large-scale investments is particularly important to operationalise the national strategy. This has led to a call for diversification of financing streams and renewal of partnerships. [[3]](#footnote-4)

*Mobilizing resources for integrated and innovative SDG financing*

In this overarching context, the Addis Ababa Action Agenda (AAAA), adopted by UN Member States in 2015, provides a framework that convenes a wide range of partners and aligns financing flows (domestic, international, private and public) with economic, social and environmental policies, as a means for the implementation of the SDGs in each country. The AAAA highlights the importance of integrated national financing frameworks (INFFs) to spell out how national sustainable development strategies will be financed and implemented. Cabo Verde stepped forward as one of the INFF ‘pioneer’ countries

For several years now, the Government of Cabo Verde has been galvanizing public and private actors in efforts to establish an enabling context for the INFF. In December 2018, with UNDP and World Bank support, the government hosted an international conference “Building New Partnerships for the Sustainable Development of **Cabo Verde**” in **Paris**, France. Cabo Verde also demonstrated its leadership by organizing two international forums seeking to attract private capital investments towards its PEDS priorities. The first one, the Cabo Verde Investment Forum, organized on Sal Island in June 2019, was aimed at supporting catalytic projects that lead to sustainable economic growth and job creation, while the second Cabo Verde Investment Forum, organized in September 2019 in Boston, targeted the Cabo Verde diaspora in the United States.[[4]](#footnote-5) Since gradually opening up its economy to foreign investment in the early 1990s, FDI has had a transformational impact on the economy. However, foreign investment remains heavily concentrated in one activity, all-inclusive tourism, representing 75% of FDI inflows[[5]](#footnote-6), and in two locations, the islands of Sal and Boa Vista. Given this sectorial and territorial concentration, Cabo Verde remains dependent on ODA (representing about 40% of external financing [[6]](#footnote-7)), especially in terms of budget support from the EU, World Bank, ADB, Luxembourg and Portugal. While foreign direct investment (FDI) and remittances make up a significant share of external finance, their links to sustainable development can be strengthened. A more detailed mapping of financial flows is needed.[[7]](#footnote-8)

For this reason, jointly with the Cabo Verde Ministry of Finance, UNDP has launched a Development Finance Assessment (DFA) in 2021 under the INFF. The figure below shows the country finance flows in 2018, distributed by % of GDP[[8]](#footnote-9).



The 2018 figures suggest that prior to COVID-19, Cabo Verde’s finance flows were driven predominantly by public resources (approximately 51%) of domestic and international origin. Following the outbreak of the COVID-19 pandemic, ODA was almost entirely reallocated to address the short-term crisis response. Meanwhile, expected reductions in global ODA flows associated with lower GNI rates in donor countries, suggest that a decline or, at best, a standstill in ODA flows for Cabo Verde should be expected in 2021. The convergence of diminished ODA and high public debt entails that Cabo Verde is not only vulnerable to fluctuations in external flows but must diversify its financing flows, particularly through greater domestic and foreign private investment, in order to compensate for diminished public expenditures and ODA. The DFA will therefore holistically and comprehensively consider all financing sources available to achieve Cabo Verde’s Ambition 2030 and the SDGs, including but not limited to the following[[9]](#footnote-10):



The Cabo Verde MAPS/INFF scoping mission identified financing alternatives for the SDG accelerators from the MAPS exercise, both existing sources which can be (when needed and possible) aligned with the accelerators and additional actionable financing sources. The table below illustrates the results:[[10]](#footnote-11)

|  |  |
| --- | --- |
| **Accelerators** | **Sources /Instruments** |
| **Human Capital** | **Sources potential for alignment**- National Budget- World Bank (education & skills 10 m $)**Potential additional sources of finance**-> Dev. Partners: EU, LUX, JP, CN, SAR-> Impact investors |
| **Affordable renewable energy** | **Potential sources of finance**- GCF/new Climate Investment Platform for (i) policy de-risking & institutional building (DREI); (ii) a blended finance, MDBs/DPs and de-risk and crowd-in private investment - EIB loans / EU guarantees/blending (EU grants ongoing) |
| **Blue economy & marine biodiversity** | **Sources available and/or potential for alignment**- GEF/FAO (Coastal Fisheries Initiative in West Africa – CV: appr. 17 m EUR)- AfdB/FAO (107 m EUR conc. loan upcoming)- Blue Finance Marine Protection Areas initiative (appr. 3 m USD, blended finance & impact investors) - GEF – Project Managing multiple sector threats on marine ecosystems to achieve sustainable blue growth (USD 3.787.864)**Potential additional sources of finance**-> Debt2Nature Swap (Seychelles Nature Conservancy) -> Resilience: coral reef insurance |
| **Digital economy** | **Sources available and/or potential for alignment**- EIB (Connectivity loan 22 m EUR)- Banco BA – Makeba**Potential additional sources of finance**-> Private sector (banks and other financial entities, telecom operators, money transfer operators) |
| **Value chains integrations with tourism** | **Sources available and/or potential for alignment**- IFAD: (overall 30m $, 15 m EUR left)- World Bank (5 m $ tourism competitiveness 5 m $)**Potential additional sources of finance**-> Dev Partners-> Guarantees / Impact Investment |

In the context of COVID-19 recovery, a particular focus has emerged on financing sources and instruments for the accelerators such as the issuance of Blue Bonds and further exploring the opportunities of diaspora investments and remittances through digital finance (FinTech) and inclusive finance. These have been explicitly identified within Ambition 2030 and will be a central feature of the sustainable finance platform.

As outlined above and further detailed below, the Cabo Verde TRAC II proposal seeks to provide the Cabo Verde JO with the means necessary to immediately implement the recommendations emanating from the DFA that are not foreseen within the SDG Fund Joint Programme Component 1, entitled Sustainable, Integrated and Inclusive Finance Framework for Cabo Verde (SIIFF-CV), thus ensuring complementarity and synergy with existing programming and initiatives.

*SSC, Regional Integration and Pivoting*

Cabo Verde is a member of a number of cooperative groupings in the Global South based on regional and/or economic integration (e.g. African Union, AfCTFA, ECOWAS), linguistic and cultural affinity (e.g. African Portuguese Speaking Countries – PALOP, the Community of Portuguese Speaking Countries - CPLP), and common climatic and geographic conditions (e.g. SIDS, Sahel region). Cabo Verde is also part of the Forum for Economic and Trade Co-operation between China and Portuguese-speaking Countries (Macao), also known as Forum Macao, launched in October 2003 to promote economic and trade exchanges between China and selected Portuguese-speaking countries in Africa.

Cabo Verde is also a signatory of the SIDS Accelerated Modalities of Action (S.A.M.O.A) Pathway, an international framework that played a significant role in identifying SIDS priorities that were taken into account for the formulation of the 2030 Agenda. Facing similar challenges in terms of limited natural resource bases, remote locations, high transportation and energy costs, and vulnerability to climate change and natural disasters, SIDS leaders acknowledged that changing unsustainable patterns of consumption and production, while protecting and managing the natural resources, are essential for sustainable development and poverty reduction.

Via links to the Integrated National Financing Framework (INFF), this TRAC-2 initiative seeks to assist Cabo Verde in becoming a driver for enhanced South-South and triangular cooperation. Via knowledge sharing networks and mobilizing experiences and expertise to build institutional and human capacities, UNDP seeks to enable Cabo Verde to become a pivotal player in expanding the BAPA+40 institutional framework for SSC and promoting Cabo Verde as an emerging south-south partners connecting Latin America with Africa, including in relation with the AfFTCA. In this regard, complementary links are also being established to the Global Partnership for Development Effectiveness through an initiative focusing on SSC Development Effectiveness led by Colombia. Herein, Cabo Verde has been invited to join these COUNTRY-LED PILOTS TO ASSESS THE EFFECTIVENESS OF SOUTH-SOUTH COOPERATION, which would be an opportunity to assess and share its SSC and regional integration experiences, successes, and challenges within a peer support framework.

*Focus on Youth and Women*

The population of Cape Verde is quite young, with 43.6% under the age of 25, while 26.3% are under the age of 15. Robbed of their future prospects by a lack of resources and opportunities, it is youth that suffer most within society. Official data indicate that the profile of poverty remains skewed towards the young (60% of the poor are under 25 years old) and female (53%). 33% of the population living in extreme poverty are aged between 15 and 34 years. While most of these are young people without qualifications, extreme poverty also afflicts those with highly qualified graduates with secondary or even higher education. In 2018, 3 out of 10 young Cape Verdeans aged 15-34 were not working and were not in education or training, the majority being women (54.1%).Meanwhile, the decrease in unemployment between 2018 to 2019 has been driven by youth, especially the younger cohort (-1.1% for total population, -3.7% for 15-24, -1.3% for 25-34, +0.7% for 35-64). However, youth unemployment is still higher than the total population (16.6% vs 11.3%). Unemployment is expected to increase by 10% in 2020 due to COVID-19, with most of the 20,000 jobs expected to be lost among youth populations. Delinquency /crime rates suggest that 55% of all crimes are committed by youth ages 16-30. With this fragile situation further squeezed economically by COVID-19, crime rates are on the rise.

The Government of Cape Verde is seeking to establish an enabling context that better meets the needs of Cape Verdean youth, especially via innovation and entrepreneurship. The Government has put youth at the center of the policy agenda, stipulating that all policies and strategies in the youth sector must necessarily result from the dialogue with young people, aiming at innovative initiatives that can meet their expectations in terms of employment, training, leisure and sport, activism and volunteering. Indeed, to achieve the demographic dividend, Cape Verde needs strong economic and social policies to facilitate demographic transition and create productive jobs to have a new generation of healthy young people and raise its human capital.

Ambition 2030 – developed in 2020 via an impressive participatory, countrywide, and Government-led “virtual” consultation process in the midst of a COVID-19-induced five-month state of emergency or “lockdown” – lists women and youth among its top priority target groups within the SDG Accelerators. In this context, the integrated approach to the SDG agenda and the commitment to "leave no one behind" offers opportunities to address the challenge of youth with concrete actions that respond to youth aspirations with a view to promoting inclusive growth.

Accordingly, this TRAC-2 proposal seeks to make the gains derived from innovative financing and SSC sustainable over the long-term through inclusion-oriented programmes that place youth and women empowerment at the forefront. Taking advantage of the youth asset, these initiatives will contribute to the 2030 agenda targets and the 'National Sustainable Development Plan' (PEDS) via integrated opportunities and programmes enabling participation and engagement of young people at all levels. Through joint programming between the Accelerator Lab and YouthConnekt CV, it seeks to scale-up and consolidate the national strategic initiatives for youth and women, particularly through further activities in areas of promise based on the results achieved:

* YouthConnekt Forum CV Initiative to promote interactions and dialogue between young people and between young people and Government and private sector.
* Capacity building for the recently established Youth Advisory Council (Resolution nº 95/2017).
* National campaign COVID ZERO, "One for all, all for Zero", an initiative of the Government of Cape Verde as part of YouthConnekt-CV.
* Start-up Weekends: 54 hours online immersion in the ideal environment for developing innovative solutions and to support networking efforts of various national partners to provide joint responses to the demands imposed by the COVID 19 pandemic.
* Follow-up on expectation generated in National Strategic Debate "Youth and the Future of Cape Verde" to take advantage of the window of opportunity of the demographic dividend
* Promoting innovative programs/projects with government and NGOs to ensure Youthconnekt's national ownership and leadership as well as youth empowerment

## *Alignment with facility objectives:*

The Joint Office Cabo Verde TRAC II proposal directly targets three of the six **strategic impact areas** of UNDP’s renewed strategic offer in Africa, though the activities are also expected to tangentially contribute to the remaining impact areas, notably climate change and sustainable energy.

These areas were chosen because they are perfectly aligned with CPD 2018-2022 and in line with the outcomes, outputs and indicators set out in the document, related to the areas of democratic governance, the environment and management of natural resources ,and inclusive economic growth. This proposal also addresses areas of the CPD that lack sufficient funding or where notable financing asymmetries and/or distribution imbalances have been detected.

Given the proposal’s inherently integrated approach, there is significant overlap and convergence between activities spanning the three targeted impact areas. The interlinkages and mutual interdependence between impact areas, implementation, outcome, and results, including their respective alignment with facility objectives, is as follows:

1. Structural transformation

Given the structural and institutional constraints that it has been facing since elevation to LMIC status, Cabo Verde will only be able to achieve its ambitions through transcendental structural change, rather than piecemeal or patchwork interventions. Building on the INFF as an integrator platform, therefore, the TRAC-II proposal expands the *scope* of the INFF through complementary initiatives in the areas of innovative sustainable finance, South-South Cooperation and regional integration, as well as supporting innovation with a focus on youth and women, digitalization, SMEs/private sector, and human capital. Through the JO Strategy and Policy Unit, in close collaboration with the Governance portfolio, it will support Cape Verde in preparing implementation strategies (national and regional) through technical assistance to key institutional partners, particularly in the blue economy sector, and related advisory services to utilize market opportunities presented in the AfCFTA, ECOWAS and SIDS. This is to be achieved through the implementation of a flagship platform seeking to leverage innovative sustainable finance for the blue economy as a key SDG accelerator. Furthermore, it also expands the *scale* of existing initiatives within the SDG Fund Joint Programme, especially through links to the SDG Accelerators and the implementation of DFA recommendations, including but not limited to promoting women’s and youth empowerment via a private sector facility (business platform) promoting entrepreneurship and innovation.

1. Natural resource governance

As an archipelago in the mid-Atlantic, the ocean impacts every part of Cabo Verde’s economy and society. Comprising 99% of its ‘territory’ (when including the vast Exclusive Economic Zone), the ocean is deemed to be Cabo Verde’s greatest, albeit underutilized, natural asset with significant potential for sustainable and inclusive growth that could benefit SDG acceleration at both national and regional levels. The blue economy has been identified as a key SDG “Accelerator” and the Government’s new blue economy strategy – a key component of its Ambition 2030 and Strategic Plan for Sustainable Development (PEDS) – maps out its catalytic potential across multiple Sustainable Development Goals (SDGs).

Inextricably linked to the area of structural transformation then, enhanced sustainable use and governance of natural resources is also to be achieved through the implementation of a flagship platform seeking to leverage sustainable finance for the blue economy, including but not limited to upscaling of sustainable maritime shipping that reduces GHG emissions and pollution, an improved mid-Atlantic logistics hub acting as a crossroads between Africa, Europe and the Americas, greening ports and other maritime infrastructures, sustainable fisheries and responsible aquaculture, marine protected environments for tourism, etc. The first step in this process, to be implemented this year, is the establishment of the sustainable finance platform, identifying relevant strategic partnerships, and establishing a pipeline of investment-grade projects eligible for sustainable finance at national and regional level. Within the scope of the overarching governance and institutional framework of the INFF, the platform will be encapsulated within a broader reform of the legal and institutional framework for sustainable finance inspired by the European Union’s regulation for sustainable investment,[[11]](#footnote-12) for which an initial technical assessment will be conducted based on the recommendations of the DFA.

Cabo Verde is uniquely positioned to host a platform for sustainable finance due to its high governance standards, strong institutions, and stable political environment, offering a potential leadership opportunity with respect to sustainable finance among African countries. Over recent years, demand for ‘sustainable’ or ‘impact’ investments has surged, while massive growth in the ocean economy is expected over the next 15 years, especially in sustainable shipping, ports, offshore wind, marine aquaculture, fish processing, waste management, and the renewable energy transition.

As such, this TRAC-II allocation could provide Cabo Verde with an opportunity to be a global and regional pioneer in blue economy-focused sustainable finance, while orienting private capital in ways that serve both people and planet.

1. Youth and women’s employment and empowerment

This TRAC-II proposal also recognizes that generating innovative finance is, by itself, neither sufficient, nor sustainable. It must also be inclusive, especially by ensuring that the gains of new financing opportunities permeate the entire socioeconomic fabric to form a consolidated, harmonious, and cohesive systemic whole. For this reason, joint initiatives between the JO Inclusive Growth portfolio, especially via its YouthConnekt Programme, and the Accelerator Lab will seek to enhance human capital, especially building the capacities of Youth and Women, with an emphasis on innovation, entrepreneurship and digitalization. These downstream initiatives, building from the bottom-up, will seek to connect youth and women with better opportunities within a revamped structural economic landscape shaped via sustainable finance.

The component aims to strengthen youth and women capacities through techniques and tools which promote their participation in governance and accountability, empower them to become agents of change through projects impacting their communities, and develop innovative tools and strategies for promoting youth and women employment through entrepreneurship and SME capacity development.

From an inclusive finance perspective, it also aims to promote socio-economic transformation through the development/promotion of financial services and products destined to aid low income populations, in particular Youth and women using, among others, Financial Education/Literacy as a transforming agent of economies. Adapted to local realities and specificities, it engages in awareness-raising and capacity-building aimed to provide targeted demographics with essential knowledge and tools in the area of financial management. By enhancing youth and women’s capacity to make responsible and sustainable decisions pertaining to their finances, expenditure, investments and debt, and promote mechanisms to help them to finance their activities, the inclusive finance dimension promotes decentralization, autonomy and social inclusion to accelerate the 2030 agenda, including the eradication of poverty, economic growth and the reduction of inequalities.

The proposed intervention is duly integrated in the YouthConnekt Cape Verde Programme: an innovative, holistic and integrated programme which enables young women and men aged between 15 and 35 to connect with leaders, peer groups, skills and resources to promote employment opportunities and entrepreneurship. It coordinates and fosters collaboration between existing youth empowerment initiatives, hubs and a continental network of youth empowerment experts across Africa.

The funds from TRAC 2 will enable the programme to be scaled up through a sequential and organic growth approach: first identifying a few important components to integrate, demonstrate ‘proof of concept’ (i.e. show that the partnership model works and produces results), and then continue to expand. The initiative will enhance innovative coordination mechanisms through increased collaboration between stakeholders:

(1) ensure the inclusion of young people in the country's sustainable development process, post-COVID, through fostering employability, employment, and the inclusive and meaningful participation of young people;

(2) contribute to cohesive and impactful national policies for youth and youth leadership;

(3) identify initiatives that are working well with a view to building stronger partnerships and mobilizing further resources to expand those initiatives; and

4) enhance youth and women participation in political and decision-making processes.

In close synergy with the accelerator lab, this approach will serve as a vehicle for innovation, opportunities, ideas, initiatives, creativity, and social justice that will allow Cape Verde to become a highly attractive information hub for development knowledge and practice for young Africans, the diaspora, and beyond. In this logic, it is essential to invest in human capital in order to take better advantage of the demographic dividend to achieve the goals of the SDGs, Agenda 2063 and PEDS, with the commitment to "leave no one behind".

Furthermore, the Cabo Verde proposal implements at least four of the six **foundational enablers**:

**Sustainable/Innovative Financing**

Cabo Verde, like many other LMICs, has recourse to neither the scale of surplus revenues necessary for large-scale public investment, nor to sufficient domestic savings that would enable efficient credit markets, domestically or regionally, to finance innovation and entrepreneurship in this sector. Given Cabo Verde’s COVID-19 induced financial situation, vast additional resources must be deployed to grow blue economy activities and ensure their long-term sustainability, including their impact in terms of environment and climate change.

Significant opportunities have already been envisaged within the Blue Economy, which is also the main sectoral focus of this TRAC II proposal. A recent World Bank report, for example, signals opportunities for launching sovereign blue bonds that can generate sufficient investment for large-scale projects across the blue economy:

The report concludes that the issuance of a blue bond would be a viable and interesting option for Cabo Verde—with its own merits and limitations. With the right amount (US$10 to US$15 million) and the right rate (close to the 3–4 percent range), a blue bond would be an adequate instrument to support the strategy of Cabo Verde to diversify borrowing sources, in anticipation of the transition away from concessional lending. The blue bond would be a developmental exercise for Cabo Verde, and it would introduce the country to sustainable investors.[[12]](#footnote-13)

Financing will also be channeled towards the ecological conservation of marine protected areas that, via links to tourism, can also offer incentives for local communities to become more responsible stewards of their respective ecosystems. For example, Cabo Verde could build from Seychelles’ experience in issuing a debt for nature swap resulting into the creation of new marine protected areas (MPAs). However, given the country’s debt situation, innovative financial mechanisms emanating from the private sector, such as blue (corporate) bonds, funds, and equities, with demonstrable potential for impact investing, should be explored with a purview towards regional trade and integration, especially within the AfCFTA, ECOWAS, and SIDS frameworks. This can be achieved via a dedicated UNDP-supported platform.

Housed at the Cabo Verde Stock Exchange, the platform will facilitate investment in innovative and sustainable maritime economy projects, unlocking private finance for high-impact ventures. If successful, it will be the world’s first platform that will exclusively display financial instruments dedicated to a sustainable blue economy. It will provide a central (inter-)regional marketplace for innovative financial products, including bonds, equities, and funds, providing investors with opportunities to deploy their capital with sustainability and inclusivity in mind. The platform also seeks to capitalize on Cabo Verde’s natural position as a strategic pivot between various regions with vast maritime economies spanning Africa, the Americas and Europe as well as its leadership role among the world’s Small-Island Developing States (SIDS). A user-friendly digital platform will connect the platform to regional and world markets.

**South-South Cooperation**

Cabo Verde's South-South Cooperation ecosystem is structured around three main pillars: the first on planning, coordination and articulation (comprising a coordination unit and a monitoring committee), a second of actors linked to information and knowledge and the third of agents directly involved in the field in the implementation of programs and projects (government entities, civil society, the private sector and academia).

Comprehensive United Nations System SIDS support review was carried out in 2016 providing recommendations for United Nations agencies work with SIDS including, among others, mainstreaming the SAMOA Pathway in their strategic plans, planning SIDS activities in line with national and regional priorities, and allocation of multi-year funding to facilitate the effective implementation of programmatic activities in support of SIDS.

In addition, due to common membership in AfCTA, ECOWAS, PALOP and CPLP, the Cabo Verde and Guinea Bissau UNDP Country Offices have been exploring possible joint initiatives across their respective strategy and policy units as well as Accelerator Labs, notably in the areas of sustainable finance, SSC, innovation, and digital transformation, all of which fall within the scope of the UNDP strategic offer for Africa.

**Innovation and Digital Transformation**

The Government’s digital transformation strategy also informs the approach. Cabo Verde’s digital transformation plan aims to transform Cabo Verde into a “Cyber Island”, connecting it to regional and global markets. The sustainable finance platform will offer an efficient, trusted, and cost-effective digital interface to facilitate transactions at-scale that have sustainability at their core. The approach capitalizes on a rapidly expanding global market for sustainable investment products and increasing interest in the oceans, driven by increasing concern over climate change and the environment among investor communities and leading financial centers. It will also support smaller blue economy businesses to improve their sustainability performance by providing them with incentives and a trusted certification framework, thus increasing access to capital and investment. Through the development of a user-friendly digital interface, the sustainable finance platform will enable small-scale citizen investment, with a particular emphasis on attracting diaspora investments. To this end, the Accelerator Lab has already been engaged with Cabo Verdean SME *Makeba*, which specializes in inclusive digital finance solutions for the diaspora to facilitate remittances. Through a partnership, this approach could be broadened to other sustainable finance investment products.

**Strategic partnerships and communications**

The intervention will be focused around the priorities in support of the 2030 Agenda, notably deployment of innovative financing instruments to increase resource flows at-scale for integrated solutions and systematic scaling-up of innovative solutions to provide substantial added value to country level SDG efforts. To this end, innovative partnerships will be a crucial component for driving this initiative forward and catalyzing youth empowerment efforts. A significant focus will be placed on the need for a collaborative effort where all key players have a voice and are actively engaged towards solving the common challenge through a sound coordination mechanism provided via the INFF that will facilitate the coming together of multiple partners to address thematic issues. The approach will be based on multi-sectoral intervention (cross-sectorial/cross ministerial initiative) supported by a wide range of partners.

Due to the nature of being a Joint Office (UNDP, UNICEF and UNFPA), the Cabo Verde JO, as the lead INFF agency, is ideally placed to play an *integrator function* in this area, bringing multiple partners together to ensure challenges are addressed through cooperative and coordinated means, ensuring the creation of platforms that will connect partners and different entities to knowledge, exchange programmes, initiatives and promoting alliances. The UNDP integrator role will be critical in connecting the dots and make things happen.

In terms of strategic communication, the Cabo Verde Government has also made significant efforts to host the 2022 Ocean Race, which they seek to use as an international platform to promote and diversify its economic structure through the blue economy and tourism. The Office of the Prime Minister has reached out to UNDP CO with a request to identify synergies between this event and its relevant programmes.

## *Alignment with regional priorities:*

As evidenced by the previous sections, this TRAC-II proposal is fully aligned and integrated with the regional priorities set out in UNDP’s strategic offer for Africa. Indeed, one of the main objectives is to reinforce Cabo Verde’s position as an (inter-)regional, or arguably even global, pivot point in Africa. In addition to the points already outlined above, the following aspects further underscore and corroborate the regional dimension that is at the core of this approach:

The sustainable finance platform not only seeks to serve Cabo Verde’s domestic market capitalization needs but also serve the wider African and Atlantic regions. Through Cabo Verde’s membership in AfCTA, ECOWAS, and PALOP, as well as privileged access to US and EU markets, the platform seeks to attract new market participants ranging from impact investors to brokers, fund managers, SMEs and entrepreneurs. The operationalization of AfCFTA and its leadership role among SIDS, especially in the Atlantic and Indian oceans, will provide further access to growing markets and upscaling opportunities. Given that Cabo Verde’s securities-based market capitalization remains relatively small at approximately 80 billion CVE (approximately 708 million EUR) in 2020, the regional dimension could allow Cabo Verde to position itself as a hub for investments from Africa, the Americas, and Europe that could allow the country to attract foreign direct investment, particularly from entities interested in transatlantic trade and investment opportunities .The approach is consistent with the Addis Ababa Action Agenda by seeking to “encourage impact investing, which combines a return on investment with non-financial impacts…. such as development-oriented venture capital funds, potentially with public partners, blended finance, risk mitigation instruments, and innovative debt funding structures with appropriate risk management and regulatory frameworks. … We underline that regional markets are an effective way to achieve scale and depth not attainable when individual markets are small.”

At regional level, the endorsement of the African Union Blue Economy Strategy in October 2019 and the launch of the African Continental Free Trade Area in July 2019 offer a unique opportunity for African SIDS such as Cabo Verde to deeply transform their blue economy sectors, including maritime shipping, logistics, fisheries, aquaculture, and marine conversation initiatives linked to tourism. This is also consistent with the notion that “Africa’s natural resource wealth can be a critical accelerator of poverty eradication and fighting inequality, if sustainably harnessed and more equitably distributed… [including] the maritime ecosystem….”. The sustainable finance platform could help strengthen accountability frameworks by supporting “Safeguarding the Commons” by offering an accessible, open, and user-friendly platform to citizens via its digital interface. Through synergies with the AfDB’s work in the area of capital markets, it will also seek to develop a joint strategy with AfDB to deliver harmonized and streamlined technical support to Cabo Verde (e.g. whole value chain development cycle, including negotiations, commercial litigation, arbitration and beneficiation).

In addition to the socioeconomic transformation, within the framework of sustainable finance, the proposal emphasizes climate change mitigation and adaptation, which Cabo Verde is particularly sensitive to as a SIDS, by reducing the impact of the maritime economy in terms of GHG emissions through financing labels and standards that report on Environmental, Social, and Governance criteria.

From an upstream perspective (notably finance and SSC), the proposal seeks to offer a forum for multi-stakeholder engagement on issues/obstacles in cross border trade (especially within the frameworks of AfCTA, ECOWAS, PALOPS and SIDS) and acting as a bridge with policymakers – locally and at regional level to promote responsiveness. Within the SSC and blue economy approach particularly, the programme will seek to champion regional value chains in AfCFTA, especially through an ongoing partnership between the Guinea-Bissau and Cabo Verde UNDP country offices that seeks to establish a pipeline of large-scale investment-grade projects that could benefit from sustainable finance, particularly linked to blue and circular economies of scale. This approach could be implemented in conjunction with an in-country digital platform for sustainable finance that could be linked to an AfCTA-based platform (utilizing the Nairobi-based Borderlands Program to identify opportunities and markets) to identify new opportunities through trade data. Herein, links between local startup Makeba and MSF Africa could also be explored in terms of links between diaspora remittances and sustainable finance for development.

The proposal is aligned with the Youth and women’s employment and empowerment strategic impact area of UNDP’s renewed strategic offer in Africa as well as priority 2 of the Regional Programme for Africa, which demands that “Regional growth is inclusive, transformational and sustainable with reduced economic inequalities, and characterized by structural transformation”. Herein it seeks to support youth-driven SMEs financing (possible link to the establishment of the Africa Youth Enterprise Trust), scaling-up of YouthConnekt (YC), scaling-up the Accelerator Labs, linking every YC to Accelerator Labs (ALs), and supporting Cabo Verde’s contribution to expanding the African Young Women Leadership initiative. Recalling that Joint Office in Cabo Verde introduced a YouthConnekt Programme in Cabo Verde in 2019 through strong support from UNDP Regional Office based on positive experiences from UNDP Rwanda, the JO Cabo Verde is now in a position to ‘give back’ by sharing its experiences with other regional and SSC partners.

*Total amount received: 700,000 USD*

## Expected Results

*The submitting CO should list the expected benefits and indicators for success.*

*Resource Mobilization*

Result 1 – International Partners, especially IFIs and SCC Partners are integrated within INFF to boost SDG Accelerators and achieve Ambition 2030

Result 2 – Private Sector-based Sustainable Finance is integrated within INFF to boost SDG Accelerators and achieve Ambition 2030

*Programme Results*

Result 1 – South-South Cooperation: SSC and development effectiveness principles are strengthened through new bilateral partnerships and multilateral regional integration (AfCTFA, ECOWAS, PALOP & SIDS)

Result 2 – Finance: Innovative sustainable finance, especially private sector-based is channeled towards the blue and circular economy, consistent with principles of natural resource governance

Result 3 – Innovation: Digitalization and Human Capital Development empower youth and women’s commitment to action towards the 2030 Sustainable Development Agenda

​Other Benefits:

The TRAC-II proposal also conforms to the ‘new approach’. At CO level, it integrates three portfolios, the Accelerator Lab and the Strategy and Policy Unit into one coherent approach focusing on common objectives at results level, while also jointly implementing some of the activities. Accordingly, the ONE TEAM approach implemented by the JO Cabo Verde would place particular emphasis on the following:

· Focused, skilled, empowered SMART TEAMS

· Integrating strategic communications and new partnerships

· Integrating innovation and entrepreneurship

· Evidence-driven and practical empirical analysis

· Transition from funding to financing

Furthermore, this proposal is aligned with the priorities the new CCA to guide the United Nations Country Team (UNCT) and the Government in strategic planning for sustainable and inclusive development and the achievement of the SDGs in the country, now severely threatened by the situation of COVID-19. Furthermore, the Cabo Verde JO will draw on close support from several corporate enablers, notably the accelerator labs and the finance sector hub, particularly with regards to the regional components of the proposal and within the framework of south-south cooperation, in addition to other ‘upstream’ activities, such as development effectiveness (via the global partnership at HQ level). Collectively, the programme will seek to aggregate the relevant and necessary resources within UNDP, the UNCT, and through key partnerships with IFIs and other relevant actors to implement the proposed course of action.

## Indicators of Success

The submitting CO should identify specific indicators for each result area, being as specific as possible. Each indicator should include a baseline (if available), target, source of data, and timeline.

Indicator: RM-R1 (CPD Indicator 5.1.2) Number of formal, signed partnership agreements (South-South, triangular)

Baseline: 3

Target: 6

Source of data: Ministry of Foreign and Communities Affairs (MFAC) and Ministry of Finance (MFF)

Timeline for target: 31/12/2021

Indicator: RM-R2 (CPD Indicator 4.3.1) Extent to which the sustainable development financing strategy with related coordination tools is elaborated

(Rating scale from 0-3: 0. The sustainable development financing strategy with related coordination tools not elaborated; 1. The sustainable development financing strategy with related coordination tools at the initial stage of elaboration; 2. The sustainable development financing strategy with related coordination tools partially elaborated; 3. The sustainable development financing strategy with related coordination tool fully elaborated)

Baseline: 2

Target: 3

Source of data: Ministry of Finance

Timeline for target: 31/12/2021

Indicator: PR-R1 Establishment of an SSC Action Plan, including pipeline of largescale investment-grade projects, encompassing Cabo Verde and at least 1 SSC partner, with clear entry points and corresponding added value for UNDP support

Baseline: 0

Target: 1

Source of data: SSC / Development Effectiveness Report

Timeline for target: 31/12/2021

Indicator: PR-R2 Number of innovative and sustainable financial instruments for the blue economy (bond, fund, security, etc.) formally agreed and listed on the Sustainable Finance Platform pipeline

Baseline: 0

Target: 1

Source of data: Bolsa de Valores de Cabo Verde Annual Report

Timeline for target: 31/12/2021

Indicator: PR-R3 (CPD Indicator 4.1.1) Extent to which women's and youth groups have strengthened capacity to engage in critical development issues through digital/innovative solutions

(Rating Scale from 1-3: 1. Not adequately - capacities do not show improvement, even if some actions have been undertaken to strengthen them; 2. Partially - capacities show some of the improvements required to engage in critical development issues; 3. Largely - capacities required to engage in critical development issues are largely of fully in place)

Baseline: 2

Target: 3

Source of data: Youth and women organizations reports

Timeline for target: 31/12/2021

## Implementation

*Key Activities, Costs, and Timeline:*

The submitting CO should identify the implementation plan during 2018-19. The plan should include activities, costings, timeline.

**Activity 1: R1 SSC - Reinforcing bilateral and multilateral South-South and Triangular cooperation and assessing its impact from a development effectiveness perspective**

Activity Description

Capacity building of institutions to enhance the partnership fostering the bilateral, multilateral, South-South and Triangular cooperation, including the development of a digital platform for SSC partnerships, allowing Cabo Verde to position itself more dynamically in the world from one side and to mobilize resources and foster the exchange of experiences with local and international policy thinktanks organizations, with research institutions and academia, for innovative policies toward pro-poor economic growth that takes into account the demographic dividend, the gender equilibrium, the human rights, child poverty and child protection, the principle of education and health for all, with the main purposes to promote development, focused on the increase of employment, particularly for youth.

This activity also establishes links with the Integrated National Financing Framework (INFF), which seeks to be a driver for enhanced South-South and triangular Cooperation for Cabo Verde. Herein, the country plays an active role in knowledge sharing networks and to be able to mobilize experiences and expertise to build institutional and human capacities. In this regard, links are being established to the Global Partnership for Development Effectiveness through an initiative focusing on SSC Development Effectiveness led by Colombia. Cabo Verde has been invited to join these COUNTRY-LED PILOTS TO ASSESS THE EFFECTIVENESS OF SOUTH-SOUTH COOPERATION, which would be an opportunity to assess and share its SSC and regional integration experiences, successes, and challenges within a peer support framework.

Following a series of discussions at RR level and further technical level meetings, the Guinea-Bissau and Cabo Verde UNDP country offices have put in place a strategy to promote bilateral engagement within the framework of South-South Cooperation. The partnership particularly draws on the respective countries’ shared history, linguistic commonalities, and shared membership in a number of regional organizations or frameworks, including AU, AfCFTA, ECOWAS, CPLP, PALOP, among others. Jointly, this SSC bilateral partnership seeks to establish mutual gains via cooperation and exchange, with a particular focus on the following cross-cutting dimensions:

Blue Economy Strategy: Develop the Blue Economy strategy and commission a study to identify cross-border and (sub-)regional-level projects that qualify for the sustainable finance platform seeking to leverage finance for the blue economy. Thereby, support facilitating investment in innovative and sustainable maritime economy projects and unlocking private finance for high-impact ventures across borders. It was agreed that the study’s ToR could be similar to the one proposed in the RFF proposal for the Blue Economy Strategy. It was agreed that both COs identify projects which can fit within this area of collaboration and support the commission of a study

The Cost of not going Green: Guinea-Bissau is partnering with the University of Denver to develop an analysis on the cost of not going green. The University will support the development of a methodology /toolkit/provide capacity building and develop a study. In this regard, UNDP Cabo Verde has offered assistance in creating institutional links with, or even housing the study at, the ECOWAS Regional Center for Renewable Energy based in Praia, Cabo Verde as an alternative for hosting this platform and serving both countries.

Innovation/Hackathon: Existing synergies between the two countries related to the Accelerator Lab and the PALOP Innovation Journey will be upscaled. Herein, the crowdsourcing exercise with a focus on the response of COVID -19 in terms of innovation should be carried out across the AccLabs of the PALOPs. Meanwhile, GNB provided an overview of the PALOP innovation journey and how it has also been included in Guinea-Bissau’s RFF proposal. Both countries could look into solutions to further develop these engagements jointly. Djassi Africa is the common partner that both COs have engaged with in relation to innovation/startup ecosystems.

The accelerator lab will organize a regional-level Hackathon aimed at building a pipeline of projects, ranging from small-scale SMEs to largescale investment-grade projects, including bundled funds comprised of diversified portfolios of domestic and international SME projects, oriented towards the blue economy and related areas (e.g. renewable energy transition, maritime trade, tourism, etc.);

Business platform: Cape Verde is launching a business platform to showcase information/knowledge exchange on business ecosystems in the country (Included in both COs RFF proposals). It was agreed that both Cabo Verde and Guinea-Bissau would share among each other their respective RFF proposals to help identify further synergies, including possible regionalization of the business platform by making use of its user-friendly digital interface accessible in both countries.

Activity Cost 100,000

Time Line Q2-Q4

Entities: Gov, SPU & Lab

**Activity 2: R2 Finance – Sustainable Finance Platform for the Blue Economy**

Activity Description

UNDP will support development of a dedicated platform with the Cabo Verde Stock Exchange and IFIs for listing and trading certified ‘blue’ securities and other ‘sustainable’ investments, both domestically and internationally, to leverage financing for the blue economy. The platform will operate across five interlinked areas:

1. Create a platform at the Cabo Verde Stock Exchange that will list and promote a range of sustainable finance instruments certified via finance labelling mechanisms to catalyze a step-change in private finance for the blue economy;

2. Develop criteria for labeling of ‘blue’ bonds, funds, and equities to list on the platform and support enterprises to fulfil the platform’s labelling requirements;

3. Build a pipeline of investment-grade projects, including bundled funds comprised of diversified portfolios of domestic and international SME projects in the blue economy and related areas (e.g. renewable energy transition, maritime trade, tourism, etc.);

4. Support seamless global transactions on the sustainable finance platform through a focus on fintech and digital infrastructure, connecting the exchange to regional and world markets; and

5. Enable strategic partnerships and communications via the platform, including a global marketing and outreach strategy, to supply (prospective) investors with requisite knowledge, data and information that will enhance recognition, transparency, trust, reliability and integrity.

The platform will list securities from private and public entities as well as support public-private partnerships, including debt-for-nature swaps. In partnership with credible and established actors in global sustainable finance, possibly with the ADB and the World Bank, ‘blue’ instruments specifically oriented to SMEs will also be developed, including bundled fund listings that will reduce risk through diversification and facilitate access to new market entrants. However, SMEs will not only benefit from bundled funds but also from new market opportunities, or ‘spillover effects’, derived from demand for complementary goods and services stimulated by a consolidated domestic market with greater direct or indirect access to regional economic systems. Access will be restricted to bonds, funds or equities that correspond to transparent sustainability norms, certified via labels and standards, that fulfil the exchange’s disclosure and reporting requirements.

Activity Cost 350,000

Time Line Q2-Q3

Entities: SPU, Gov & Lab

**Activity 3: R2 Finance – Scaling-up Inclusive Finance Initiative**

Activity Description:

This activity aims promote socio-economic transformation through the development/promotion of financial services and products destined to aid low income populations, in particular youth and women using, among others, Financial Education to transform economies and realities through awareness and capacity building aiming to provide them with essential knowledge and tools in the area of financial management and enhance their capacity to make responsible and sustainable decisions on their finances, expenditure, investments and debt, and promote mechanisms to help them to finance their activities, promoting their autonomy and social inclusion in order to accelerating the implementation of the 2030 agenda including the eradication of poverty, economic growth and the reduction of inequalities ;

This activity will be developed through : **1 - Capacity building** (capacity building in financial education; Capacity building in identifying business ideas; Business/company creation and development; Small business management; Capacity building for monitoring, mentoring and coaching entrepreneurs; Training for the development of incubators and business acceleration programmes); **2 - Creation/implementation of financing mechanisms** (small Grants to youths and women’s projects through public competition or selected in the start-up challenges)

Activity Cost : 150,000 USD

Time Line : Q2-Q3

Entities: Inclusive Growth, Lab & SPU

**Activity 4: R3 Innovation: Promoting Women & Youth through Business Platform (Innovation and Entrepreneurship), Human Capital and SME development via YouthConnekt & Accelerator Lab collaboration**

Activity Description:

Through a partnership between YouthConnekt and the Accelerator Lab, this activity will develop innovative tools and strategies for the implementation of projects as well as promoting youth and women employment and entrepreneurship through SME capacity development:

* support youth and women in the implementation of their business / or formalization of their business; facilitating access to finance
* facilitating / coaching in contact with public and private institutions with potential funds
* Information and training on accounting and fiscal matters
* Facilitating / accessing the creation of Alternative Mechanisms to enhance funding opportunities for youth
* Take advantage of the existing platform created for the National Youth Forum to implement the mechanism to connect youth in Cabo Verde, into Africa, between residents and the diaspora, youth with authorities and private sector
* Promoting startups and showcasing youth entrepreneurs
* Provide technical assistance to scale up women-owned SMEs

Activity Cost : 100,000 USD

Time Line: Q2-Q4

Entities: Inclusive Growth, Lab & SPU

## Key Partners:

The submitting CO should identify the key government partners and/or other development partners, along with a description on the role of the partner in the activities and if/how they will contribute to the project.

Partner: Ministry of Finance / DNP

Role Description

National Directorate of Planning is the central government unit responsible for policy formulation and planning, which will connect with other departments inside the Ministry of Finance and with other, ministries, institutions, and non-governmental organizations. It will be the key cross-cutting partner for all activities, outcomes, and results outlined in this proposal.

​Partner: Ministry of Foreign Affairs and Diaspora Communities (MNEC)

Role Description

The MNEC will be a key partner in all external dimensions of the activities, notably for sustainable finance and SSC partnerships, via its new diplomatic paradigm established via Ambition 2030

Partner: Ministry of Environment

Role Description

Essential partner in terms of sustainable finance and natural resource governance activities, notably for establishing the platform and the blue investment instruments as well as debt for nature swaps for the Marine Protected Areas

Partner: Ministry of Maritime Economy

Role Description

Responsible for the blue economy strategy and key partner in identifying large-scale investment grade projects

Partner: Bolsa de Valores de Cabo Verde

Role Description

Host of the sustainable finance platform and expertise for listing and trading of financial instruments

Partner: NOSI

Role Description

The Operational Nucleus for the Information Society (NOSI) is a government institution responsible for the execution of the country’s digitalization strategy with key expertise in ICT, digital finance and FinTech.

Partner: World Bank

Role Description

Key international partner in the operationalization of the INFF and prospective partner in the establishment of the sustainable finance platform, including possible co-funding

Partner: AfDB

Role Description

Prospective partner in the establishment of the sustainable finance platform, including possible co-funding, due to its work on capital markets

Partner: Luxembourg

Luxembourg, a key development partner in Cabo Verde, hosts one of the world’s most successful sustainable finance platforms: the Luxembourg Green Exchange (LGX). LGX offers sustainable finance expertise and support through its LGX Academy. The LGX has also expressed the possibility of ‘mirroring’ bonds and funds listed on the CV sustainable finance platform as it already does with green financial instruments listed on the Shanghai exchange. The Luxembourg Financial Labelling Agency (LuxFLAG) is a global leader in labeling of sustainable securities (mostly bonds and funds).

Partner: Cape Verdean Institute for Gender Equality and Equity-ICIEG

Unit responsible for gender equality and women empowerment with focus on women’s political participation and engagement in decision-making processes for development

Secretary of State of Youth

Government unit responsible for youth policy – Lead on government side youth-focused activities

Secretary of State for innovation and employment

Government unit responsible for innovation and employment

Institute of Sports and Youth

The mission of IDJ the is to implement a global and decentralized policy in the fields of sports and youth, in articulation with public and private entities, especially with sports associations, youth, students and local authorities.

PRO EMPRESA

Pró Empresa is a state-owned institute whose mission is to promote, facilitate and accompany national private investment by micro, small and medium enterprises (MSMEs) in all sectors of Cape Verde's economy

## Risks:

The submitting CO should identify the risks associated with the project. This could include the risks associated with key partners, factors that may contribute to achievement of results, availability of data, and any other relevant factors.

|  |  |  |  |
| --- | --- | --- | --- |
| **Risks** | **Probability** | **Impact** | **Mitigation strategy** |
| The COVID-19 situation, especially in the case of lockdown, may compromise the implementation and achievement of the expected results | Medium | Medium | In the event of a further largescale lockdown, some reprogramming may be required to mitigate immediate effects and impacts (similar to 2020); however, since the proposal already targets COVID-19 recovery and the pandemic has been accounted for in the design, these changes should be minimal. |
| Reduced human resource capacities at the national level which might entail a slow uptake | Medium | Medium | The establishment of the core inter-ministerial team to lead and manage the process |
| Due to the geographic location/isolation of the country, there is a risk of non/poor connection internally and externally | Low | Medium | Design virtual platforms through IT means, for exchange programmes, and other initiatives aimed at connecting the country officials, business representatives, youth, etc. with their peers and with youth empowerment entities on the continent. |
| Elections (legislative and presidential in 2021) -- election year will affect the availability of government officials and timely execution of program | Medium | Medium | 1) Acceleration of measures right after the installation of new Government as consequence of legislative elections; 2) the appointment of a focal point in each implementing partner responsible for execution that is strongly engaged. |
| Difficulties in recruitment of suitable high-level experts for innovative interventions, particularly with regards to digital and/ or sustainable finance (link to R2) | Low | Medium | Use of UNDP rosters, close collaboration with UNDP’s regional and HQ services (Finance Sector Hub, Global Policy Network, Accelerator Labs, UNDP’s Digital Strategy), possible pooling of funds for a competitive international procurement process for a technical assistance facility. |
| Dispersion of information and data about youth and existing initiatives (linked to R3) | Low | Low | Collection of all available data and initiatives on youth with the support of the UN family given that the range of issues affecting youth cut across the mandates of the various agencies. The data collection will be done as a cross sectorial/cross ministerial initiative. |

1. Some of the following sections are adapted from the CCA, which was written jointly between the RCO and Joint Office, along with inputs from other Cabo Verde UNCT members [↑](#footnote-ref-2)
2. Pro-PALOP analise rápida Proposta Orçamento Retificativo (POGER), 2020 [↑](#footnote-ref-3)
3. Development cooperation working paper 46, “Cabo Verde transition finance country pilot”, OECD, 2018 [↑](#footnote-ref-4)
4. Idem [↑](#footnote-ref-5)
5. UNWTO 2020 [↑](#footnote-ref-6)
6. OECD, Transition Finance in Least Developed Countries and Small Island Developing States: Cabo Verde Country Pilot, November 2018 [↑](#footnote-ref-7)
7. World Bank’s Systematic Country Diagnostic Report (2018); OECD Transition Finance Report (2018) Idem [↑](#footnote-ref-8)
8. Lilyblad, Christopher; “Cabo Verde sustainable finance & the Blue Economy” presentation, UNDP 2020. Data informing this graphic derive from the IMF (domestic public expenditure – DPE), OECD (ODA figures for fiscal year 17-18), and the World Bank (FDI and remittances). Note: In 2018, ‘direct donations’ as a source of revenue to the state budget, including but not limited to ODA, accounted for 1,561 million CVE (<http://www.parlamento.cv/GDOrcamentoEstado.aspx?CodOEstado=30101>), or approximately 0.86% of GDP. Though precise figures are unavailable, this suggests overlap between ODA and DPE; however, the margin of error remains under 1% of GDP and is further mitigated by the fact that public expenditures exceeded revenues. [↑](#footnote-ref-9)
9. UNDP DFA Guidebook 3.0 [↑](#footnote-ref-10)
10. Cabo Verde: MAPS/INFF scoping mission report, 2019. Idem. [↑](#footnote-ref-11)
11. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 [EUR-Lex - 32020R0852 - EN - EUR-Lex (europa.eu)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32020R0852) [↑](#footnote-ref-12)
12. World Bank. 2020. Cabo Verde: Blue Bond Note. (p.31) [https://www.wacaprogram.org/sites/waca/files/knowdoc/ENG-Cabo Verde Blue Bond v9 FINAL.pdf](https://www.wacaprogram.org/sites/waca/files/knowdoc/ENG-Cabo%20Verde%20Blue%20Bond%20v9%20FINAL.pdf) [↑](#footnote-ref-13)