



1. Project Data:		Date Posted : 04/04/2001	
PROJ ID: P000437		Appraisal	Actual
Project Name: Pub. Sector Reform And Capacity Building Credit	Project Costs (US\$M)	8.91	12.75
Country: Cape Verde	Loan/Credit (US\$M)	8.1	8.03
Sector(s): Institutional Development	Cofinancing (US\$M)	0	0
L/C Number: C2566			
	Board Approval (FY)		94
Partners involved : European Union, FNUAP	Closing Date	12/31/1998	06/30/2000

Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives

The major objective of the project was to assist the Government in implementing its long -term public sector institutional development strategy . The project supported improvements in the legal, judicial, and administrative environment for investment and for business operations, and economic policy analysis and management, through a program of institutional development and capacity building in public administration, at the central and at the municipal levels.

b. Components

(a) Modernization of the civil service, including improving the organization and manpower planning of the public service, technical and computer training, the first phase of an early retirement program, and a pilot for voluntary departure of civil servants . During project implementation, the Government increased its contribution to this component by \$2.9 million to cover early retirement payments (US\$3.49 million actual);

(b) Decentralization and strengthening of municipalities by building local capacity to participate and to manage, including developing guidelines for decentralization of functions, preparation and implementation of action plans for establishing inter-municipal technical support offices, assistance to design and implement budgeting and inventory systems, assistance to identify necessary staff for each municipality and preparation of a training needs assessment, and development of recommendations for the internal organization of each municipality (US\$2.25 million);

(c) Strengthening economic management capacity, including design and implementation of an electronic communications system for 200 users, design of a shared information database, preparation of a multi -year public investment program, establishment of a pre-investment studies fund, strengthening of the collection and management of economic and social data, organization and processing of the backlog of national accounts, and training for staff of the General Directorate of Statistics (US\$2.4 million);

(d) Modernization of the judicial system and legal and judicial reform, including revision of four key pieces of legislation to improve commercial and business activities in the country, revision of staff recruitment rules for the Ministry of Justice, creation of separate commercial and industrial courts at the regional level, modernization of the notary and registry systems, the establishment of a law library for the Ministry of Justice, and training for lawyers and magistrates (\$1.41 million);

(e) Public procurement reform, including revision of key sections of the public procurement legislation governing goods acquisition and financing of staff training (US\$0.17 million); and

(f) Project management, including training and equipment and supplies . The Government contribution to this component increased substantially. The increase was due to training provided for civil servants in the central and local governments which was above and beyond that financed under the project, but which had the same objectives as project-financed training (US\$3.03 million actual)

c. Comments on Project Cost, Financing and Dates

Project cost increased substantially, particularly for the local financing . Local cost increased from an estimated US\$1.96 million at appraisal to US\$4.67 million at project completion. The increased cost of the project was accommodated in part by reallocating credit amounts for various project categories, but the greater part of the cost change was absorbed by the Government . Project completion was extended twice, initially for one year and subsequently for an additional six months .

3. Achievement of Relevant Objectives:

Despite the complexity of the project, project implementation appears satisfactory overall . Government commitment to the project has remained high throughout project implementation, with the exception of the civil service retrenchment program. The midterm review recommended changes in the overall management of the project at the level of the high-level advisory board, which were subsequently implemented .

(a) The training subcomponent of the civil service modernization component appears to have been satisfactorily implemented; two thirds of civil servants completed training courses . The early retirement and voluntary departure programs for civil servants were less successful . The second phase of the early retirement program was never completed because the Government did not undertake it . The voluntary departure program was not successful because donor funding for severance payments could not be secured . The subcomponent for improving personnel systems and services was not successful because the project did not focus on improving personnel systems and services which were described in the SAR as the most critical areas to be addressed .

(b) Decentralization and municipal strengthening objectives were partially completed . New local public finance and budget framework laws were passed in 1998 to regulate fiscal decentralization and accountability . Delegation of revenue generation and financing authority to the municipalities was implemented, as well as transfer of key civil servants from central to municipal governments . Inter-municipal technical assistance offices were established for 12 municipalities . However other important activities were not completed due to the launch of the state administrative and financial reform. While that reform is important, it competed with planned project actions . Activities to introduce new municipal accounting and registry, budgeting and planning systems were interrupted after the planning phase, pending the introduction of the larger reform .

(c) The project was most successful in improving economic management, notably by establishing a National Institute of Statistics which has produced revised national accounts, assisting in the drafting and passage of laws on the budget, public procurement, domestic debt reduction, emergency and economic development laws, and a protocol regulating currency convertibility with Portugal . A macroeconomics model for evaluating fiscal and financial policies and a management information system for pluri-annual public investment programs have been installed . A debt management system was established . Finally, a legal framework for integrating investment and recurrent budgets at the central and local levels is being prepared .

(d) Legal and judicial reform and modernization of the justice system has been promoted through the drafting of legislation and regulations to promote private sector development . They include the Commercial Code, the Notary and Registry Code, and the project of modification of the Civil Procedural Code . This legislation is in different stages of enactment. A pilot family and labor court was created . Staff of the Ministry of Justice and the courts were trained . Computers were supplied to the court system . The law library of the Ministry of Justice was remodeled, equipped, and book cataloguing completed . A bi-annual Law Review was established . Specialized commercial courts and industrial tribunals within each of the regional courts were not established as foreseen, due to an ongoing debate on the viability of such courts .

(e) All activities under the public procurement were successfully completed . They included the legislation on harmonization of institutional procedures to improve public procurement, selective revision of procurement legislation, and training for staff of the Public Procurement and Assets Management Department and departments of administrative services in ministries .

(f) Project management appears to have been substantially implemented at satisfactory levels .

4. Significant Outcomes/Impacts:

The most significant impacts appear to be in the areas of strengthened economic management due to improved baseline information in the national accounts, strengthening of the institutional framework for legal and judicial modernization and for public procurement.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The least satisfactory subcomponent of the project was the retrenchment of the civil service . The most significant shortcoming was the failure to achieve civil service roll reductions, particularly the second phase of the early retirement program and the voluntary departure program . Some difficulties were also brought about by cabinet reshuffles, the change in the project coordinator, lack of adequate recurrent funding, and the absence of a Government response to Bank implementation recommendations . The latter was particularly noteworthy in the case of Bank recommendations on the second phase of the civil servant early retirement program which was not implemented.

Another shortcoming was the absence of attention to budget formulation and execution under the economic

management improvement component and the absence of the introduction of municipal accounting and registry, budgeting, and planning systems after the pilot phase of the decentralization and municipal strengthening component.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	High	Substantial	The project did achieve important institution strengthening goals in the national economic management component, but fell short of achieving important institutional transformation and strengthening goals in the decentralization of municipalities component.
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- (a) Having strong Government commitment to reform increases the probability that a substantial portion of the project reform objectives will be met, if not always in the exact form anticipated at appraisal .
- (b) Explicitly taking into account project complexity in the design of implementation mechanisms helps mitigate execution difficulties.
- (c) Having continuity in the mission team between identification and appraisal through implementation has a positive impact on the Bank's supervisory capacity .
- (d) The project design was highly complex . Even with the mitigation measures designed into the project to assist in managing the complexity, accompanied by a sustained and high level of Government commitment, some difficulties in project management were experienced . The project implementation period was extended, indicating an overoptimistic estimate of the time required to carry out complex reforms . The Bank should be careful not to overestimate the capacity of a willing and highly committed Government to implement a complex project, especially when civil service retrenchment is a major project objective .
- (e) Despite Government and public commitment to broad reform of the public sector, the Government was unable to meet civil service retrenchment targets set by the project, for both political and financial reasons . This lack of goal accomplishment also suggests overoptimism on the ability of a government to successfully execute such a politically sensitive task, in the absence of a high and sustained growth rate of the economy .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is solid. However, it is somewhat optimistic on the rating of the civil service modernization and strengthening economic management components and it does not adequately explain the large increase in the local cost of the modernization of civil service reform, which was due to the need to provide severance payments to staff made redundant or taking early retirement, and the operations and project implementation component . While project design anticipated the need for severance payments, the financing for these payments was to be provided by bilateral donors. A donor conference was held to discuss these issues . The ICR does not adequately explain why the donors were unwilling to provide funds .

The ICR does not mention it, but the Government of Cape Verde did an unusually complete and thorough evaluation of the project.