

1. Project Data:		Date Posted : 10/08/2008	
PROJ ID : P090875		Appraisal	Actual
Project Name : Poverty Reduction Support Credit II	Project Costs (US\$M):	10	10
Country: Cape Verde	Loan/Credit (US\$M):	10	10
Sector Board : PO	Cofinancing (US\$M):		
Sector(s): Central government administration (25%) Health (20%) Primary education (20%) Compulsory pension and unemployment insurance (20%) Law and justice (15%)			
Theme(s): Public expenditure financial management and procurement (33% - P) Administrative and civil service reform (17% - S) Education for all (17% - S) Health system performance (17% - S) Social risk mitigation (16% - S)			
L/C Number: C4175			
	Board Approval Date :		06/01/2006
Partners involved :	Closing Date :	08/31/2006	08/31/2006
Evaluator :	Panel Reviewer :	Group Manager :	Group:
Michael R. Lav	Kris Hallberg	James Sackey	IEGCR

2. Project Objectives and Components:

a. Objectives:

This loan was part of a series of three PRSCs with the primary objective of supporting the implementation of parts of the Government's poverty reduction strategy as presented in its "Growth and Poverty Reduction Strategy Paper (GPRSP)". The three operations focused on three of the five pillars of the GPRSP : (a) promote good governance, reinforcing effectiveness and guaranteeing equity - centered on reforms in public expenditure management, civil service, the judiciary and decentralization; (b) develop and enhance human capital, with a focus on health and education; and (c) strengthen the effectiveness and sustainability of the social protection system .

The PRSCs also had additional objectives beyond supporting implementation of the these three pillars of the GPRSP, namely: (1) reduce distortions and transactions costs associated with external assistance; (2) harmonize donor support around the GPRSP; (3) provide predictable support to the budget to consolidate and smooth resource

transfers, and (4) improve access to and quality of key social services

The focus of PRSC II was broadened to include a separate initiative on monitoring and evaluation (M&E). While M&E had always been part of the PRSC program, it had received inadequate attention from the government during PRSC I.

By the end of the PRSC period (3 years), the Government expected to have achieved the following outcomes :

- (1) improved good governance, reinforced effectiveness and guaranteed equity (corresponding to pillar 1 of the GPRSP),
- (2) developed and upgraded human capital (corresponding to pillar 3 of the GPRSP), and
- (3) improved the effectiveness and sustainability of the social protection system (corresponding to pillar 5 of the GPRSP).

While poverty reduction was the overall objective, the PRSC series did not set a specific poverty reduction target .

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

The prior actions required for approval of PRSC II were that the Borrower has :

1. revised the 2005 budget taking into account adequate funding of DECRP priorities .
2. completed a plan, dated November 2, 2005, for the settlement of all the Borrower's debts and contingent liabilities .
3. prepared the "QDMP" (medium term expenditure framework) including both general expenditure policy and sector expenditure policy for 2005-2007.
4. through the Council of Ministers, submitted to the parliament the budget framework law and the planning law .
5. has submitted to the parliament for approval the finalized State General Accounts for the years 2000-2002.
6. promulgated and published the local finance law in the official gazette to regulate the financing fund for the Borrower's municipalities and the Borrower's common municipal fund .
7. confirmed that the Civil Servant's Database is operational to enable regular updating of data and diagnostics on human resources matters, and civil service reform activities .
8. allocated C.V. Esc.6,000,000 to pay for legal services for underprivileged citizens .
9. implemented a first year action plan for teacher training for public school primary education teachers .
10. published a report on health statistics for 2004.
11. Under the following (a) prepared database with information on PSM's (social pension fund) and PSS' (social solidarity fund) beneficiaries showing names, gender, age, residence, (b) validated current beneficiary list of PSM and PSS services; and (c) issued new identification cards to said PSM and PSS beneficiaries .

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Total financing for PRSC II was projected at US\$ 7.5 million. However, with performance and IDA availability, the amount for PRSC 2 was increased to US\$ 10 million. The project was appraised in October, 2005, approved by the Board on June 1, 2006, made effective July 19, 2006, and closed on schedule on August 31, 2007.

3. Relevance of Objectives & Design:

The objectives of the PRSC II were fully relevant to the development issues faced by Cape Verde . The PRSC series were developed on the basis of core diagnostic work contained in the Public Expenditure Review, the CFAA, and the CPAR. The CAS addressed all five pillars of the GPRSP, while specifying an assistance program for pillars 1, 3, and 5 which were appropriately packaged into PRSC II as detailed in Section 2 above, while other components of the country assistance program provided assistance for pillars 2 and 4.

Given the constraints facing Cape Verde, the focus on improving budget and administration, human capital, and social services was appropriate and these objectives were fully relevant .

The design of PRSC II was relevant in assisting Cape Verde to more efficiently interact with donors, and to reduce the time spent in dealing with donor issues . Thus, PRSC II focused in part on donor harmonization based on a Budget Support Group (BSG) which fielded joint missions and, in part, shared objectives with some specialization . For example, the Netherlands, Spanish, and Austrian partners focused on environmental issues which provided an entree for the Bank into this sector . The design of PRSC II was enhanced to include a special module on monitoring and evaluation. This was in response to the experience a lack of government focus on monitoring and evaluation under PRSC I.

The project's results framework was, in general, adequate with clear objectives that were tied to reforms supported

by PRSC II. However, the monitoring and evaluation program set out in the PAD was unduly cumbersome (see section below) given capacity and other constraints, but modified during implementation which was helpful .

The triggers (see above) were fully relevant to the objectives of PRSC II, except that a trigger should have been added to address some of the concerns about government's implementation of M&E .

4. Achievement of Objectives (Efficacy):

4. Achievement of Objectives (Efficacy):

The objectives for PRSC II are set out in the PRSC II Program Document, Attachment A which also contains benchmarks for 2006. Achievement of objectives is given in the ICR, and supplementary information received from the Region. 52 indicators are specified in the PAD, but during implementation 20 were selected for monitoring, a reasonable choice. However, many of these were intermediate/process indicators, and there is something of a lack of indicators of final outcomes. In addition, it is difficult to attribute outcomes to the PRSC II because of other donors and other Bank projects, although this is always a difficult issue .

Cape Verde's general economic performance was good . GDP growth reached 6.5 percent in 2005 and 10.8 percent in 2006. Inflation was 5.4 percent in 2006, slightly higher than in 2005. Unemployment, while decreasing from 24.4 percent in 2005 to 18.3 percent in 2006, was high. The fiscal deficit including grants was equivalent to 6.3 percent of GDP in 2005 but decreased to 5.0 percent in 2006.

Pillar 1 -promote good governance, reinforcing effectiveness and guaranteeing equity - centered on reforms in public expenditure management, civil service, the judiciary and decentralization - Substantial Achievement

A. Fiscal Policy - High achievement

(1) positive Joint (IMF/IBRD) Staff Assessment of DECRP progress report. Achieved

(2) support priority sectors and cross-cutting functions

(a) Education as percent of budget increased from 20% in 2004 to 25% in 2006, which exceeded the target of 22.5%. Achieved

(b) Health as percent of budget increased from 6.3% in 2004 to 8 % 2006, exceeding the target of 7.0 percent in 2006. Achieved.

(3) extraordinary expenditures increased from 0.8% of GDP in 2003 to 1.5 % of GDP in 2005. While in principle this should have been reduced, it was thought that settlement of contingent liabilities would temporarily increase extraordinary expenditures. However, the actual was 0.0% in 2006. Achieved

B. Budget Planning and Preparation - Substantial Achievement

(1) Number of Ministries working with at least partial MTEF - 2 (Ministry of Education and Agriculture) which was the target. Achieved

(2) Percentage of institutes with own budgets presented in the annual budget - The target was more than 67%, actual was 90 percent. Achieved.

(3) Reduce number of days before presentation to parliament of previous year's budget - target was to reduce this to less than 6 months by PRSC III with gradual improvements during PRSC I and II . Supplemental information provided by Region indicates that the framework has not yet been approved, but that quarterly accounts on submitted to the Parliament (but no mention is made of any delays). Not achieved.

(3) CPAR action plan adopted, but no ministries are yet publishing procurement opportunities (target was 3). Not achieved

(4) Percentage of state resources transferred to the municipalities through the FEF - target for 2006 was more than 10 percent, and actual was more than 10 percent. Achieved.

(5) civil servants' data base contains information on grade and salary history for at least half of civil servants in the database - in 2004, 10 percent of civil servants were so covered, in 2005, 50 percent were covered, and, in 2006, 100 percent were covered which met the target.

Pillar 3 - develop and enhance human capital, with a focus on health and education; - High Achievement

A. Education - High Achievement

(1) Percentage of basic education teachers without formal pedagogic training to decrease from 23 percent (corrected to 28 percent in supplemental information from Region) benchmark for 2004 to 20 percent in 2006. Actual was 17 percent. Achieved.

B. Health- High Achievement

(1) Publication of health statistics report every year . Report of 2004 was published and action plan was completed

and implementation initiated for 2005. Achieved

Pillar 5 - Improve the Effectiveness and Sustainability of the Social Protection System - High Achievement - Although a number of other indicators in addition to these core indicators were not achieved, the rating is guided by performance concerning the core indicators.

(A) Annual debt of the National Institute for Social Protection (INPS) to be reduced from 151 million Escudos (ECV) in 2003 to less than 64 million ECVs in 2005. Actual positive balance was 27 million ECVs in 2006. Achieved

(B) Number of Beneficiaries of social services to increase from the benchmark of 14,446 in 2004. No quantitative target was set. Number of beneficiaries rose to 22,479 in 2006. Achieved.

Monitoring and Evaluation - Modest Achievement

The core welfare indicators survey (QUIBB) was completed, but with a delay because of a delay in AfDB support .

Concerning the objectives additional to GPRSP support, there are varying amounts of firm evidence on which to base an evaluation of outcomes . It appears that the PRSC process did reduce distortions and transactions costs that were associated with project-based aid, but the ICR provides no firm evidence . There is some evidence presented in the ICR that the PRSC II helped to harmonize donor support around the GPRSP, and that it did provide predictable support to the budget cycle. There is virtually no evidence concerning improving access to and quality of key social services beyond that presented in the discussion of pillars 3 and 5 above.

A final two caveat must be mentioned. First , the above indicators of outcomes are by and large intermediate and process indicators rather than final outcome indicators, so that there is only a partial view of the possible impact the PRSC II. This is an important factor in determining the outcome rating . Second, it is difficult to attribute even these indicators to the PRSC I because of the involvement of other donors and other Bank projects .

5. Efficiency (not applicable to DPLs):

IEG does not rate efficiency of DPLs .

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The objectives of PRSC II were fully relevant with the focus on improving governance and public expenditure management, human capital, the social safety net, and, lastly, monitoring and evaluation . The three main pillars of PRSC II (pillars 1, 3, and 5) achieved most or all of their targets, although many of these were intermediate or process targets. While there is adequate information on the achievement of desired outcomes, further information on outcomes would have allowed for a more robust assessment . The new monitoring and evaluation pillar, however, suffered some delays in implementation, but eventually met its target . Despite these concerns, performance is adequate to warrant an overall outcome rating of "Satisfactory".

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

With a stronger implementation record, it appears that the reforms supported by PRSC II enjoyed stronger government support and so faced less likelihood of reversal in the future . However, the "automatic" tariff mechanism for petroleum pricing has not been applied systematically, raising both the question of whether it is an automatic tariff mechanism in fact, and the possibility of deficits in the future which could bring pressure to reverse some of the reforms related to the medium term framework and budget and expenditure management . However, government appears to be managing this risk in a "second best" framework.

a. Risk to Development Outcome Rating : Negligible to Low

8. Assessment of Bank Performance:

The Bank took the lessons of PRSC I to heart and improved the quality at entry of PRSC II by formulating a more manageable agenda which focussed most appropriately on strategic relevance, poverty and social development, and implementation arrangements. The Bank also continued to devote substantial resources to supervision (twice yearly reviews and close monitoring of M&E), and to close coordination with the BSG partners.

a. Ensuring Quality -at-Entry:Satisfactory

b. Quality of Supervision :Satisfactory

c. Overall Bank Performance :Satisfactory

9. Assessment of Borrower Performance:

Borrower ownership and commitment were strong as reflected in the implementation of many reforms and achievement of many targets. The enabling environment was fully supportive of PRSC II reform implementation, and government implementation and capacity were fully adequate. However, there were some problems with implementation of the monitoring and evaluation component of the project, but these resulting more in delays rather than failures.

a. Government Performance :Satisfactory

b. Implementing Agency Performance :Satisfactory

c. Overall Borrower Performance :Satisfactory

10. M&E Design, Implementation, & Utilization:

The design of Monitoring and Evaluation was improved in PRSC II over PRSC I. With the QUIBB, the government has good opportunity to utilize information about core welfare indicators to better shape its programs and policies. Concerning Bank M&E of PRSC II, the process was streamlined compared to PRSC I, with fewer performance indicators, although there was still a large number. The M&E process for PRSC II was better implemented than for PRSC I, and tracking of key results enables a clearer assessment of progress under PRSC II. However, M&E was not fully satisfactory because many of the monitoring indicators were intermediate or process indicators.

a. M&E Quality Rating : Modest

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

There were no safeguards or fiduciary issues.

Note that in section 14 below, this ICR Review does not recommend a performance assessment. While it would normally be appropriate to recommend a performance assessment for a series of operations of this sort, IEG is conducting an assessment of PRSCs which will cover Cape Verde. This, in addition to the coverage of issues in the ICR, would significantly reduce the value added of a performance assessment.

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Negligible to Low	Negligible to Low	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Performance :	Satisfactory	Satisfactory	

Quality of ICR :	Satisfactory
-------------------------	--------------

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

1. Monitoring and Evaluation needs to be front and center as DPLs are prepared and operationalized, with government fully on board in terms of commitment and capacity . 2. Budget Support Groups can play an effective role in harmonizing aid flows and donor support for reform programs . 3. It is important for the government to carefully assess political support for reforms and to take into account relevant aspects of the country's political system in so doing. Equally, the Bank should be fully aware of these constraints as it prepares its assistance program. In the case of Cape Verde, a particular aspect of the political system, which prohibited government from re-introducing in less than a year proposed legislation which was defeated in the Parliament .

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

The ICR presents a complete and frank discussion of most aspects of PRSC II . Because of some confusion over the guidelines, the ICR did not present a comprehensive list of performance indicators . However, the Region supplied additional information on performance indicators .

a. Quality of ICR Rating : Satisfactory