



1. Project Data:		Date Posted : 08/04/2000	
PROJ ID: P050956		Appraisal	Actual
Project Name: Economic Reforms Support	Project Costs (US\$M)	74	74
Country: Cape Verde	Loan/Credit (US\$M)	30	30
Sector(s): Other Non-sector Specific	Cofinancing (US\$M)	44	44
L/C Number: C3027; CQ059			
	Board Approval (FY)		98
Partners involved : EU, AfDB, Portugal, Switzerland, Austria	Closing Date	12/31/1999	12/31/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
Objectives were to: (1) reduce the role of Government in productive sectors, including acceleration of privatization in telecomms, energy, and transport; (2) implement macroeconomic reform, including strengthening budgeting systems and reducing fiscal deficit; (3) facilitate reduction of payments on domestic debt while sterilizing the monetary impact of foreign assistance.			
b. Components			
(1) Public Enterprise Reform, including privatization of 28 PEs during the project and another 6 immediately following; (2) Macroeconomic and sectoral measures: improve fiscal balance; reduce domestic debt service payments by establishing a Trust Fund funded by foreign donors; (3) Public Sector Reform: improve budget and financial management, civil service reform, and financial decentralization; (4) Structural Reforms: strengthen legal framework for investment; further reduce trade restrictions and price controls.			
c. Comments on Project Cost, Financing and Dates			
IDA project cost was US\$30million, disbursed in 2 equal tranches of US\$15million, in addition to US\$44million of co-financing. The project closed on schedule in December, 1999.			
3. Achievement of Relevant Objectives:			
Although delays in TF contributions by both the Government and foreign donors delayed the buildup of funds in the TF, by project close around 76% of domestic debt was backed by foreign exchange (including donor commitments). GOCV significantly reduced fiscal deficit, and macroeconomic performance remained good. In the divestiture process, 20 firms were sold by project close (and a further three the following month); the ports and cold storage facilities were not privatized, and a waiver was issued in order to allow the GOCV to implement a more effective divestiture strategy for these facilities.			
4. Significant Outcomes/Impacts:			
Feasibility of using a Trust Fund, funded by foreign donors, to help reduce debt payments, was demonstrated. The TF succeeded in backing a significant portion of domestic debt with foreign exchange, while sterilizing impact of aid flows by utilizing foreign earnings of TF investments to service domestic debt payments. FDI increased substantially.			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
Port and cold storage facilities were not divested by project close; initial implementation of the TF was delayed by an inappropriate legal strategy and slow buildup of donor contributions; the envisioned timetable for privatization/divestiture was too optimistic.			

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	

Bank Performance :	Satisfactory	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:

- The concept of a Trust Fund which can back domestic debt with foreign exchange and utilize foreign earnings to service domestic debt payments is valid and could be useful in other contexts
- The proceeds of privatization cannot be closely coordinated with the envisioned budgetary or Trust Fund impact, because of differing procedures and imperatives

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

ICR is satisfactory, and presents sufficient information by which to make an assessment of the project . However, to provide a better perspective on project performance, it should have presented time series data on macroeconomic performance, growth of the Trust Fund vis-a-vis domestic debt, and net domestic debt as a % of GDP. The ICR should also have provided information on co-financier contributions, and baseline data as context for reductions in the civil service.