

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 10/08/2008	
PROJ ID : P078860		Appraisal	Actual
Project Name :	First Poverty Reduction Support Credit	Project Costs (US\$M):	15
Country:	Cape Verde	Loan/Credit (US\$M):	15
Sector Board :	PO	Cofinancing (US\$M):	
Sector(s):	Health (20%) Other social services (20%) General education sector (20%) General public administration sector (20%) Sub-national government administration (20%)		
Theme(s):	Public expenditure financial management and procurement (33% - P) Decentralization (17% - S) Education for all (17% - S) Other social protection and risk management (17% - S) Health system performance (16% - S)		
L/C Number:	C4037		
		Board Approval Date :	02/22/2005
Partners involved :		Closing Date :	03/31/2006
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 these three of the pillars of the GPDSP, 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

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 triggers for PRSC I as presented in the Development Credit, called for the Borrower to :

1. Fiscal Policy and budget planning and preparation :

(a) approve the 2005 budget law, taking into account, inter alia (i) DECRP priorities; (ii) cross-cutting reforms for public administration; and (iii) public expenditure management.

(b) complete a study, dated January 6, 2005, compiling all debts and contingent liabilities of municipalities, autonomous institutes and state owned enterprises .

2. Budget controls and public procurement systems :

(a) prepare an action plan, dated December 8, 2004, to process the State General Accounts for 1998-2003, and

(b) submit this to Parliament

(c) adopt an action plan for the implementation of the CPAR

3. Public Administration and Judicial Reform

(a) confirm that the Civil Servants' Database includes validated information on at least 50 percent of the Borrower's civil servants.

(b) there was no judicial reform component in PRSC I (although there was in PRSC II).

4. Public education and health :

(a) prepare a three-year action plan to establish training priorities for public teachers working on basic education .

(b) prepare a formal study on the status of professional development

(c) complete a first draft of a human resources strategy for the Borrower's health sector

(d) approve decree-law number 5/2004 to regulate employees' and employers' social security contributions to INPS .

5. Social Protection, integration, and insertion

prepare a database on social services concerning geographical locations of social service infrastructure, estimates of numbers and types of beneficiaries, and staffing and equipment needs .

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

Total financing for the program was projected at the start of the program at US\$ 30 million (US\$15 million for PRSC 1, US\$7.5 million for PRSC 2, and US\$7.5 million for PRSC 3) . Subsequent to PRSC I, this total financing was increased to US\$35 million, as PRSC II and PRSC III were increased to US\$ 10 million each. PRSC I was appraised in February, 2005, approved by the Board on February 22, 2005, made effective on April 15, 2005, and closed on schedule on March 31, 2006.

3. Relevance of Objectives & Design:

The objectives of the PRSC I 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 the PRSC I as detailed in Section 2 above, while other components of the country assistance program provided assistance for pillars 2 and 4.

The substance of this program is relevant to the development challenges facing Cape Verde - improved governance in terms of budget and public administration performance, improved human capital, and improve social protection .

The design of PRSC I was relevant in assisting Cape Verde to more efficiently interact with donors, and to reduce the time spent by government officials in dealing with donor issues . Thus, PRSC I 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, in PRSC III, the Spanish, and Austrian partners focused on environmental issues which provided an entree for the Bank into this sector . The design of PRSC I, however, did not fully address issues in monitoring and evaluation (see section 10 below).

The project's results framework was adequate with clear objectives that were tied to reforms supported by PRSC I .

The triggers (see above) were fully relevant to the objectives of PRSC I. However, given the shortfalls in Monitoring and Evaluation, an additional trigger regarding hiring additional staff and other steps to improve M&E capacity would have been appropriate.

4. Achievement of Objectives (Efficacy):

The objectives for PRSC I are set out in the PRSC I Program Document, Attachment A which also contains benchmarks for 2005. Achievement of objectives is given in the ICR, and supplementary information received from the Region. Approximately 61 indicators are specified in the PAD, but during implementation 20 were selected for monitoring, a more reasonable number. However, it would have been desirable to have more indicators for final outcomes rather than intermediate outcome or process indicators .

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. However, there is no information on the achievement of poverty reduction.

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 for priority sectors and cross-cutting functions

(a) Education as percent of budget increased from 20% in 2004 to 25% in 2005, which was the target - Achieved

(b) Health as percent of budget increased from 6.3% in 2004 to 8 % 2005, exceeding the target of 6.5 % in 2005. Achieved.

(3) extraordinary expenditures changed from 0.8% of total in 2003 to 1.5 % of GDP in 2005. While in principle this should be reduced, it was thought that settlement of contingent liabilities would temporarily increase extraordinary expenditures. However, there were no extraordinary expenditures in 2005. While this postponed the settlement of contingent liabilities, it did meet the target in terms of budget management per se . Achieved

B. Budget Planning and Preparation - Modest achievement

(1) Number of Ministries working with at least partial MTEF . Not Available. Not Achieved (following IEG guidelines that require this rating if there is no information available) .

(2) 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) 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 which met the target (increased to 100 percent for PRSC II) . Achieved

Note: An additional objective, to increase the percentage of state resources transferred to the municipalities through the FEF, was set for the program but there was no target set for PRSC I .

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

A. Education - Modest Achievement

(1) Pupil-Teacher Ratio - Baseline was 27 in 2003/2004, actual in 2006/7 was 25. Achieved.

(2) 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 19 percent in 2005. Actual was 22 percent. Not achieved.

(3) Number of professional training providers accredited - zero in 2004, target was 3 in 2005. Not Available. Not achieved.

B. Health- Modest Achievement

(1) Number of nurses per inhabitant 1:1205. Target was to increase to 1:1967. Perhaps this was a typo, but in any event, there is no information on this in the ICR or supplementary submission. Not Achieved.

(2) Number of doctors per inhabitant was 1:2682 in 2002 to decrease to 1:1920 in 2005, outcome was 1:2226 (in 2006). Not Achieved

(3) Publication of health statistics report every year. Not Available. Not achieved

(4) 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 was a surplus of 36 million ECVs in 2005. Achieved

Pillar 5 - Improve the Effectiveness and Sustainability of the Social Protection System - Modest Achievement

(A) Number of Beneficiaries of social services to increase from the benchmark of 23, 838 in 2004. No quantitative target was set. Supplementary submission by the Region indicates an increase under PRSCII, but no data is provided for PRSC I. Not achieved.

(B) Percentage of capacity utilized (of functioning facilities) to be maintained at 85 percent for 2005(with increases in subsequent years under PRSC II and III). Achieved

(C) Number of revised agreements signed to redefine the regulatory framework for decentralized delivery. Target was 17. None was signed as this was conditional on the framework decentralization law that was not approved. Not achieved.

(D) The supplemental submission by the Region lists an additional indicator :
Percentage of facilities functioning to increase from 86% in 2004 to 90 % in 2005. Achieved.

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. The ICR presents evidence that the PRSC helped to harmonize donor support around the GPRSP, and that it did provide predictable support to the budget cycle. However, 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 caveat must be mentioned. 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 I. This is an important factor in determining the outcome rating.

5. Efficiency (not applicable to DPLs):

IEG does not evaluate the 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 I were fully relevant (see Section 3 above). The first pillar, to promote good governance, with a focus public expenditure management and civil service reforms, was rated as having substantial achievement. The remaining two pillars (develop and enhance human capital, and improve the effectiveness and sustainability of the social protection system) are rated as having only modest achievement. Were all pillars weighted equally, this would indicate an outcome rating of moderately unsatisfactory. However, the first pillar is seen as more important in terms of laying the basis for further achievements in PRSC II and PRSC III. In addition, PRSC I achieved its objective of improving donor harmonization with the functioning of the BSG and improved flows of resources to the government. Against this, there is some lack of information on final outcomes and a lack of evidence that outcomes were attributable to PRSC I. However, on balance, an outcome rating of moderately satisfactory is appropriate.

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

While the outcome rating is moderately satisfactory, there were several areas where it was apparently difficult to implement reforms. This suggests either a lack of full commitment on the part of government to stand behind the reform program, or, at least, difficulties on the part of government to convince the parliament to support the program. To mitigate this risk, some potentially sensitive reforms were pushed back from PRSC I to PRSC II, taking account of the election cycle in Cape Verde. Nevertheless, according to the monitoring indicators provided, progress was uneven. Indeed, the ICR cites difficulties in passing into law a number of important reforms (including those related to the MTEF and the PFM reform process). A further risk to the development outcome rating was generated when the government failed to implement the "automatic" petroleum price adjustment mechanism as this could have generated larger deficits and place at risk allocations for priority sectors, especially health and education. This suggests at least a moderate risk for sustaining the program in the future.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

The PRSC had a co-leadership structure of three TTLs, each of whom oversaw a main policy area of the PRSC (macroeconomics and public finance, public sector management, and human development). One of these TTLs continued to work on PRSC 2 and PRSC 3). The monitoring system presented in the PAD was quite complex and well beyond the scope of the government and the Bank. A quality at entry issue was the question of how realistic was the program, which seems to have been somewhat ambitious, and the likely efficacy of the government's strategy to move the program through Parliament. Supervision appears to have been intensive. The Bank implemented two full reviews per year of PRSC 1 with other members of the BSG. This appears to have addressed, at least in some part, the quality at entry issue.

a. Ensuring Quality -at-Entry:Satisfactory

b. Quality of Supervision :Satisfactory

c. Overall Bank Performance :Satisfactory

9. Assessment of Borrower Performance:

While the Government had strong ownership of the GPRSP, available information suggests that this was not supported by an effective strategy to gain parliamentary approval given the PRSC's ambitious nature. There also shortfalls in monitoring and evaluation, and the sophisticated M&E system for following GPRSP implementation and impact could not be put into place. No information is available concerning five of the twenty performance indicators in the PRSC I. While lack of funding by donors was a contributory cause to the lack of capacity (as was, to some extent, the inability of Government to fully utilize some assistance), it also appears from the ICR that M&E was not a high priority for the Government. This shortfall was offset, to some extent, by significant progress in parts of the program, especially fiscal, education, and civil service reform.

a. Government Performance :Moderately Satisfactory

b. Implementing Agency Performance :Moderately Satisfactory

c. Overall Borrower Performance :Moderately Satisfactory

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

The M&E design for tracking the GPRSP program was overly complex and well beyond the capacity of the Government. It also appeared to be a lower priority to the Government than most other aspects of the program. Implementation, and, therefore, M&E utilization, under PRSC I was substantially inadequate.

Beyond this, the monitoring and evaluation system presented in the PAD for Bank monitoring of implementation was much too complex to manage, involving 61 indicators. It is not clear whether it was ever implemented. A more streamlined system based on 20 indicators replaced the original system at some point. However, it is not clear whether this system became fully functional, because most of the indicators were not included in the ICR and a number had to be supplied, with substantial delay, by the Region, after consultations with the Government. Even so, five of these indicators could not be made available.

a. M&E Quality Rating : Modest

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

There are no issues concerning safeguards or fiduciary matters .

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	Moderately Satisfactory	There were shortfalls in a number of areas as shown by the performance indicators detailed in section 4 above. In addition, the outcome rating suffered because a number of indicators could not be made available.
Risk to Development Outcome :	Negligible to Low	Moderate	Lack of progress in some areas suggests a lack full commitment by the Borrower, raising the issue of sustainability. Government failure to implement "automatic" petroleum price adjustments puts at risk budget allocations to priority sectors .
Bank Performance :	Highly Satisfactory	Satisfactory	The outcome shortfalls noted above in the context of difficulties in monitoring and evaluation suggest a quality at entry issue. However, overall performance was strong enough for a rating of "Satisfactory".
Borrower Performance :	Satisfactory	Moderately Satisfactory	The Borrower did not implement a number of reforms as shown by the performance indicators. Even though many of the reforms were stalled by problems between the government and parliament, this raises the question of realism of the agreed program and/or government strategy to move the program through the parliament.
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. The use of several task team leaders sharing a leadership role can work well and should be considered where operations have broad content and where many staff are involved in project preparation and implementation .
2. 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 .
3. Budget Support Groups can play an effective role in harmonizing aid flows and donor support for reform programs .
4. 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, government was prohibited from re-introducing in less than a year any

proposed legislation which was defeated in the Parliament .

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

There was some confusion in the Region as to the guidelines for providing information on individual operations in a series of DPLs. Therefore, the ICR did not contain monitoring indicators for PRSC I, although many of these were obtained from the Region subsequent to the ICR. The ICR's description of progress under the PRSC I could have been more clearly presented had it utilized these monitoring indicators .

Nevertheless, the ICR does present a good deal of information about PRSC I and this is presented with adequate descriptions and with some attention to the guidelines . Therefore, on balance, ICR quality is rated satisfactory .

a.Quality of ICR Rating : Satisfactory