Cabo Verde:
Executive Summary

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Introduction

This report summarizes the findings of the independent evaluation of the African Development Bank’s (AfDB or the Bank) Country Strategy and Program in Cabo Verde from 2008–2017. The evaluation aims to inform the forthcoming Country Strategy Paper (CSP) by providing an assessment of development results and identification of key lessons. This summary report is derived from a technical report, which includes a detailed assessment of individual operations, a portfolio review and a comprehensive evaluation of the Cabo Verde country strategy and program. The evaluation applies the standard evaluation criteria of relevance, effectiveness, efficiency and sustainability. It draws on this assessment to derive findings about the performance of the Bank’s support to Cabo Verde. It analyzes several dimensions: alignment, selectivity, robustness of design, implementation progress, achievement of outputs, contribution to outcomes, aid coordination, and the durability of program benefits. Special attention is also paid to Gender Equality and Social Inclusion (GE and SI) in the assessment. Drawing on the performance evidence and lessons learned, the evaluation provides a set of forward-oriented, operational recommendations to help the Bank improve its future performance in Cabo Verde.

Overview of Findings

The Bank’s performance in Cabo Verde during 2008–2017 is rated satisfactory with respect to relevance, effectiveness and sustainability of the strategy and program. The program’s efficiency, however, merits improvement and was rated unsatisfactory. This evaluation raises concerns about efficiency, in particular the timeliness of the implementation of the infrastructure portfolio and the Trust Fund grants that should complement the governance budget support operations Program Based Operations (PBOs). The Bank has been a reliable partner for the Government of Cabo Verde (GOCV), providing a substantial and continuous source of financial and technical support for governance reforms and infrastructure development, specifically in the electricity sector. Bank strategies had several broad objectives for its assistance, not all of which were met. While solid progress was registered in helping the country foster inclusive growth through infrastructure development and good governance reforms, the strategic aim of helping the country transition towards “green growth” or climate resilient development was ill matched to available resources and instruments. Water management issues and environmental vulnerability continue to be one of the most important and pressing challenges in this drought-prone archipelago. Recently approved climate change grants are steps in the right direction towards helping the country address these challenges, but their contribution will be marginal if they are not scaled-up through larger interventions.


Relevance

Overall, the program was well aligned with national development priorities and AfDB corporate priorities, with the exception of regional integration. Regional integration informed one strategic outcome of the first pillar of the CSP; however, neither the associated pipeline nor the ESW related to regional integration were finally approved. Most of the Bank’s portfolio with potential implications to reduce gender gaps in Cabo Verde was aligned to the third pillar of the Bank’s Gender Strategy (2014–2018): Knowledge management and capacity building. This includes the funding of sex-disaggregated national statistics and the elaboration of a Country Gender Profile, with UNWomen. The Bank did not, however, focus sufficiently on issues related to either women’s empowerment or women’s legal status and property rights, the first two pillars of the Bank’s Gender Strategy. Therefore, the Bank’s contribution to GE is relevant but falls short in relation to the most pressing factor explaining the gender poverty gap in Cabo Verde: women’s economic empowerment (See Box 2 in the Economic and social context section of the summary report).
The country strategies proved to be overly ambitious in terms of their strategic intent for infrastructure development due to effects of the international financial crises. The actual selectivity of the portfolio as implemented was appropriate, with a strong focus on improving governance and infrastructure development, concentrated in this case on the power sector. The GOCV had to scale back its infrastructure public investment program due to difficulties in leveraging additional resources and the high and rising sovereign debt burden. As a result, none of the sea port projects, and their associated Economic and Sector Work (ESW), that were included in the CSPs were approved. Some of the infrastructure interventions that did go ahead had unrealistic assumptions. For instance, it was assumed in their results frameworks that augmenting physical capacity would be sufficient to reduce power costs or increase the number of passengers and air freight. The necessary complementary policy and institutional reforms in those sectors were supported by other donors within the Budget Support Group (BSG). However, this agreement was not mentioned neither in the Bank’s CSP, nor the Bank’s energy and air transport project appraisal reports (PAR). The Cabeolica wind farm project, the only project funded through the private sector window, was a very relevant choice which is expected to provide valuable lessons for encouraging Private Public Partnerships (PPPs) in Cabo Verde (see Box 3 in the summary report).

In the governance area, a key strength of the Bank’s strategy in Cabo Verde was the careful combination of lending and non-lending interventions (namely PBOs, grants and policy dialogue). Moreover, PBOs were rightly designed as a continuum of interventions, especially in the later evaluation period. These were initially focused on Public Financial Management (PFM) and thereafter accorded more emphasis to Private Sector Development (PSD).

The program to tackle water management and climate change was too small to make a meaningful contribution to results in this area. The response of the Bank to an emergency caused by a volcanic eruption in 2015 was highly appropriate, but delays and changes in the activities and to its original beneficiary targeting strategy, undermined its relevance as an instrument of emergency relief.

Bank strategies to make the growth process more inclusive had mixed results. The design of the second CSP integrated GE and SI issues quite well, including a good analysis of geographical inequalities and key challenges for inclusiveness and gender disparities. Unfortunately, the actual mainstreaming of GE and SI objectives into project designs was both limited and problematic. In most project designs, the expected benefits to women and youth are assumed but are not clearly defined, justified or linked to specific project activities. Moreover, some projects proposed a quota of women or youth as project beneficiaries, but without sex- or age-disaggregated results reporting.

**Effectiveness**

The main strategic outputs of the Bank’s support were achieved, but several of the targeted development outcomes proved to be more difficult to attain than originally expected. Through its electricity investment projects, the Bank made a solid contribution to increasing the level of population with access to electricity but more could have been done to ensure its sustainability. As part of the division of labor among partners within the BSG, power sector reforms were led by the World Bank and other partners, while the Bank focused on reforms to improve the private sector enabling environment. Results were modest in relation to tackling other sector bottlenecks such as the high commercial losses and weak overall management of Electra, the main power utility.

The three funded electricity projects contributed to increasing the proportion of renewable electricity in the energy mix; however, the effective substitution of thermal energy by clean energy did not happen. This is essentially due to technical restrictions of the off-taker, demand not increasing as expected and the comparatively low price of oil vis-à-vis renewable power sources. Despite this, in the medium or long-run, a greater reliance on wind and other sources of renewable energy could contribute to greater energy independence and security of the archipelago, which is one of the long-term objectives of the GOCV. More efforts could have been made to improve power access to all and to decrease the cost of electricity. Some interesting practices to target vulnerable people were identified with additional rural electrification components of two public electricity projects. However, these were funded with remaining resources as per the proposal of the executing agency, instead of being part of the original project design. In the infrastructure area, it is difficult to assess the extent to which investments were inclusive since beneficiary monitoring was highly aggregated. This jeopardizes the possibility to capture
the contribution of the Bank’s portfolio to reduce gender gaps and development disparities among islands.

The Bank did not achieve its goal of increasing the availability of arable land and water supply to help the country transition towards climate resilient development. Only the watershed management project on Santiago Island had substantial results, although this project should be linked to a broader agricultural value chain intervention if its rural development objectives are to be realized (see Box 4 in the summary report). The other water-related grant helped the country to develop a policy framework for water resources management, but the extent to which this framework is actually being used remains unclear. The agriculture grant in Fogo will probably deliver most of its outputs but is unlikely to play much of an actual emergency relief role. The ambitious outcome of identifying climate finance sources has not yet materialized, despite the ongoing efforts of a grant funded through the Africa Climate Change Fund (ACCF).

In terms of support for good governance, participation of the Bank in the multi-donor BSG yielded excellent results, especially in terms of support for PFM reforms, although the Bank could have played a larger role in setting the group’s agenda since it was the largest budget support contributor. Some PBOs were well-planned and achieved good results, such as those in the public procurement area and fiscal consolidation. However, further progress is required to improve internal and external control functions and the functioning of the Court of Auditors as well as national systems for managing the public investment. Moreover, due to delays in implementing the government’s e-governance program, the CSP target to help digitalize and modernize public administration, was not met. Progress was registered in strengthening the government’s capacity to regulate and govern State Owned Enterprises (SOE), with the signing of several performance contracts and the passage of improved SOE oversight legislation. The Bank made a distinctive contribution to improving the business environment and the state support to Micro, Small and Medium Enterprises (MSME), mainly through support in the reduction of the tax burden for small businesses and the adoption of a special regulatory regime for MSME. However, some measures did not materialize as expected (i.e. improved MSME finance access with Cabo Verde Guarantee). In addition, direct support was too small to expand non-financial services to small enterprises (i.e. the MSME incubators grant). With few exceptions, neither the PBOs nor the governance-related Trust Fund grants designs were gender-responsive nor was the reporting of the results sex-disaggregated or differentiated across different population groups.

The Bank has also made a substantive contribution to strengthening the national statistical and M&E systems. This support has positively contributed to capacity building at the National Statistics Institute and should inform future policy-making, especially considering GE and SI aspects, since all the surveys funded are sex-, age- and island-disaggregated.

Efficiency

Severe delays negatively affected the implementation of infrastructure operations. Likewise, the Trust Fund projects supporting governance and interventions addressing climate change mitigation, agriculture and water management were hampered by delays and implementation bottlenecks. For public infrastructure projects, the delays were a result of flaws in project designs, including insufficient risk assessments and associated mitigation measures, and poor project assumptions. In particular, the time required to import and transport construction materials to different islands was not taken into proper consideration in project designs. In some cases, cost estimations were unrealistic; insufficient feasibility work meant that designs had to be substantially altered during implementation; procurement procedures of various financers were difficult to manage; and the needed coordination among partners was not achieved as planned. Slow project disbursement even extended to the special emergency fund. The emergency grant provided for the housing of people affected by the eruption of the volcano in Fogo was finally cancelled due to delays in processing between the government, the implementing agency and the Bank.

By contrast, the governance budget support operations were implemented in a timely and efficient manner. Working through the BSG was a good practice. It kept the agenda focused and realistic and meant that results could be delivered on time and in an incremental manner. It also helped lower aid transaction costs to a thinly staffed Cabo Verdean government. The BSG also helped provide greater transparency in the reform process, as joint statements were made to the press. On the negative side, civil society organizations have not been invited to participate in the reviews; and the decision to stop bilateral meetings between the BSG with key...
government institutions since late 2016 has reduced the depth of dialogue. It is also worth noting that the budget support disbursements were made in the last month of every financial year compromising the extent to which these funds could serve as a reliable budget financing source.

Start-up and implementation for Trust Fund projects designed to complement the budget support operations are an issue in Cabo Verde. In some cases, they required twice as long to be implemented as expected at project design. Delays in the creation of the project management units or in the designation of key staff to work on these grants were the main reasons for their delays. The elections and change of government in 2016 also caused some delays in the latter part of the evaluation period. Some stakeholders also reported that the Bank’s rules and procedures for small interventions funded by Trust Funds were too complex and impeded grant implementation. In general, the lack of an in-country presence and language challenges made it difficult to use Bank resources efficiently. Some improvement, however, was noted by stakeholders once supervision responsibilities were delegated to the Regional Office in Dakar.

**Sustainability**

The country strategies incorporated a good analysis of factors that would likely affect program sustainability but failed to implement sufficient mitigation measures. The notion that private sector and other sources of financing would compensate for a hardening of aid terms did not materialize as planned. The Bank set itself the objective to help the government ensure that its public debt was sustainable. Through its participation in the BSG, the Bank contributed to the policy dialogue on fiscal sustainability, but other partners took the lead in designing and implementing reforms and capacity building in this area. The efforts of the Bank to help build national institutional capacities were quite modest although weak institutions were regularly acknowledged as a serious impediment to sustained program and economic performance. Finally, climate change and its effects on water availability and an increase in the frequency of extreme climate events were identified as a major threat to program sustainability. Bank support in this area has only materialized in recent years through small grants which will require substantial scaling-up if these are to help mitigate the serious climate change risks.

It is likely that the benefits of the individual electricity interventions and governance reforms will be sustained, showing good levels of financial and technical sustainability. However, the Technology Park and the Praia airport projects may encounter future problems if further measures are not taken to improve their commercial viability. The Technology Park Project, the biggest public investment in the portfolio (USD 27 million) may be difficult to sustain unless more aggressive efforts are made to market its services. The proliferation of other Technology Parks in the region should be taken into consideration to find a niche for this park and to better identify its comparative advantage. Moreover, the government should prioritize the use of the existing facilities in the Data Center (DC) of this Park before promoting a new DC for national agencies and other projects. The portfolio related to governance reforms (PBOs and ISPs) shows a good level of institutional sustainability. Despite a change in government in 2016, ownership of governance reforms is strong and relations with the development partner community are very good. As relates to environmental and social sustainability, only two projects in the portfolio exhibited potential problems of compliance. The two public electricity projects did not address in a timely manner the Bank’s social safeguards in terms of identification and compensation of adversely affected persons (land acquisition). The reporting on the implementation of agreed environmental mitigation measures of infrastructure projects was likewise insufficient.

**The Bank’s Performance**

Forging effective partnerships has been critical to the Bank’s support to Cabo Verde, partly because of resource constraints and partly because of the importance of focusing policy dialogue on the success of the program. Support for governance operations, which accounts for nearly half of the Bank’s portfolio, have taken place within a well-focused multi-partner dialogue process coordinated by the BSG. Practically all of the major infrastructure and water resource investments have leveraged Bank resources with those of other donors to meet investment financing requirements. In the power sector, Bank support for generation, transmission and
distribution has directly complemented interventions in electricity generation supported by several other development partners.

Nevertheless, the Bank could have been better prepared to contribute more to the budget reform process through policy analysis and dialogue, given that it was the largest contributor of the BSG. Similarly, there was insufficient collaboration with external partners in the energy sector to capitalize on the catalytic investments in the power sector, especially in the public sector. Moreover, additional efforts are needed to ensure a solid articulation between the public and private windows of the Bank, as well as complementarity between the different pillars of the strategy to attain higher-level outcomes. Economic and Sector Work has been too limited to inform the Bank’s intervention in the country, and management for development results has been more solid for governance than for infrastructure.

The Bank’s quality at entry of project design has been mixed. Project delays have resulted in several cases because of the absence of detailed project designs and other readiness measures. The program that was delivered was highly focused, although the program as designed in successive CSPs was not. Project supervision has been challenging, both because of Cabo Verde island geography and the lack of Bank staff with local language capabilities. This has been mitigated by the Bank’s Regional Senegal Office’s growing role in the monitoring of the Cabo Verde portfolio, thus reinforcing project supervision and encouraging more regular consultations with stakeholders. A number of factors arising from the way the AfDB is staffed and managed affect its performance, including: (i) its reluctance to play a leadership role in the BSG prior to 2017; (ii) high staff turnover and rotation; (iii) insufficient analytical work/ESW; (iv) limited Portuguese speaking capacities since this is not an official Bank language; and (v) lack of an in-country presence and insufficient resources for supervising grant operations.

Lessons and Recommendations

Some of the lessons emerging from the evaluation in Cabo Verde include: (i) physical electricity infrastructure was delivered but the extent to which this will contribute to more affordable power or greater reliance on renewable energy depends on sector policies and institutional reforms that weren’t sufficiently addressed in Bank support; (ii) the implementation schedules and outcomes of infrastructure projects at appraisal need to be more realistic, bearing in mind contextual factors such as the need for most of the construction materials need to be imported; (iii) the suitability of using PBOs and participating in a multi-donor BSG to help the government efficiently implement reforms was relevant to an evolving governance agenda; (iv) emergency assistance should be better prepared to ensure that these operations fulfil the Emergency Relief Fund’s requirements; (v) the Bank needs to ensure timely compliance by the executing agencies of its Environmental and Social Safeguards requirements, especially the compensation of persons affected by projects; and (vi) strategic mitigation measures need to be implemented, not only identified, to ensure program sustainability.

The evaluation addressed four standard evaluation criteria (relevance, effectiveness, efficiency and sustainability), along with the Bank’s performance at
the strategy level. They were rated on the basis of the evidence and assessment provided in this report (see Figure 1).

On the basis of the findings, conclusions and lessons, the evaluation proposes to Management to consider the following recommendations in the design of the next CSP:

1. **The Bank should continue to support government-led reforms aimed at boosting inclusive growth and fiscal sustainability, but this should be underpinned by a better understanding of binding constraints.** A decade of reform programs has been supported by the Bank and other partners. While much has been accomplished, Cabo Verde’s economic growth and employment generation remain tepid. A robust ESW program and thorough stakeholder consultation should inform the new CSP and future policy reform support.

2. **The new CSP should identify ways to maximize synergies across the Bank’s strategy pillars.** The new CSP should provide reinforcing support between the infrastructure sector and its governance operations. Likewise, opportunities for synergies between Bank public and private sector operations should be exploited. The new CSP should specifically ensure that investments in the energy sector can be sustained by supporting partner efforts to put Electra on a sound commercial footing.

3. **Strategic results should be agreed upon with the national authorities and be regularly tracked.** The results reporting framework, including impediments and enablers of higher-level objectives, should be used to assess whether reforms and strategic investments have achieved their intended outcomes. This would contribute to improved policy dialogue and would help the Bank play more of a knowledge broker role. It would also help to prioritize and sequence the reform agenda.

4. **The new strategy should put more emphasis on project quality and sustainability.** There is a need to ensure that infrastructure project designs are realistic, that detailed design work and land acquisition is conducted early-on, and that proper attention is paid to implementing environmental and social safeguards. Consideration should be accorded to providing Technical Assistance support to the Information and communication technology (ICT) Center and the Airport to put in place strategies to ensure that they can effectively market their services.

5. **Scale-up MSME interventions and reforms to boost employment and to make the growth process more inclusive.** Future MSME support should continue to include a combination of lending and non-lending instruments. It should build on the results attained in ongoing interventions, while providing a more holistic approach to improve access to financial and non-financial services to MSMEs, linking these with national employment and ICT programs, and making these more inclusive by targeting women and youth.

6. **Make watershed management programs more sustainable by integrating agricultural value-chain development and mainstreaming climate change adaptation/mitigation.** The Bank could build on previous work in watershed management on the Santiago Island by promoting agricultural value chains to serve the tourist market. This would help farm communities make the transition to a more commercial farming system and raise the returns of watershed management investments. In addition, the Bank should help the GOCV to mobilize resources to scale-up climate change grants recently approved.

7. **Strengthening the Bank’s in-country presence for policy dialogue is encouraged, at least with a Portuguese-speaking focal point based in Praia.** The experience of working with a long-term consultant to support the role of chair of the BSG since 2017 could be expanded. This should improve the interaction with the government, while also helping to accelerate the implementation of governance-related grants which currently suffer from implementation delays.
About this Evaluation


During the period 2008–2017, the Bank’s portfolio in Cabo Verde amounted to UA 210 Million (USD 297 Million). It supported interventions that strengthened economic governance and infrastructure development. Interventions to address the high drought vulnerability of the country were also part of the Bank’s portfolio.

This summary report is derived from a technical report that includes a detailed assessment of individual interventions and a portfolio review. It presents evidence of the achievements and challenges of the Bank’s experience in Cabo Verde ahead of the development of the next Country Strategy Paper. The Cabo Verde experience also provides valuable lessons to the Bank for future engagement with other Middle-Income Countries and Small Island Developing States.