

Annual Supplement to the Quarterly Progress Report 2007



MCA-CV

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(draft, October 30, 2007)**

Progress in Overall Compact Implementation Up-to-Date

At the end of 2007, the Millennium Challenge Account program for Cape Verde achieved its second year of implementation (EIF on October 17, 2007).

Important progress have been made in order to achieve Compact objectives during this year, although the pace of implementation endured some constraints due to the fact of having a Compact entered into force without all elements in place for a quick start up (management unit not established, basic designs not ready, high mobility of MCC staff working with Cape Verde and consequent loss of institutional memory,...).

The first contracts were signed for water capture infrastructure under the Watershed Management and Agriculture Support Project, technical assistances were provided to set up an inspection and certification system to ensure the quality of products, all the elements were elaborated in order to enhance the capacity of local delegations of the Ministry of Agriculture, for an improved support to farmers,... A major set back was the decision from MCC not to fund wells, a key potential source for water availability. The decision was based on environmental reasons. Major procurements were launched (for example, for Agribusiness Development Services management) and will be implemented during next year.

The start of the rehabilitation of five roads in the island of Santiago was one of the major progresses during this year for the Infrastructure Project (roads and bridges). However, only after the start of the construction of one road (Assomada-Rincão), social and environment questions were raised and caused delays not only to that road but to the entire project. Thus, the need for drafting and approve compensation and resettlement plans and environment mitigation plans did not allow starting a second road before the end of the year. It is also to note that the major problem for initial delays is related to poor preliminary designs (drafted and approved under a World Bank project).

During this year, relevant progress was made on studies related to the Port of Praia project. The selected consultant started its work in February 2007 and delivered on time and with quality the deliverables agreed in the contract. Based on these studies, the procurement for works (major component of the Compact) will be launched in the second quarter of the year and contract signed/works started before the end of 2008.

All the activities related to the Financial Reform started during this year: support to micro-finance institutions (phase 1) and development of the market for government securities. Important policy mark was made with the approval, by the Parliament, of a new Micro-finance Law, which is the basis for phase 2 support to MFIs (direct and personalized support for capacity building – to start early next year).

Also related to the Private Sector Development Project is the Partnership to Mobilize Investments activity. The Phase 2 of this activity (design specific activities for the priority sectors such as tourism, transports, financial services, entrepreneurship and fisheries) was implemented throughout the year, by the International Finance Corporation (World Bank group). The final action plans were submitted at the end of the year, and implementation would start in 2008, after required approval from MCC of proposed activities. Delays occurred during this phase 2 are largely due to the consultative process with all identified stakeholders, which should facilitate the implementation phase and ownership by said stakeholders.

The support to the Government financial system and transparency activities also endured progresses. Indeed, a new Procurement Law has been approved by the Parliament and would be effective in January 2008. The upgrade of the government financial system (also used as the MCA-CV financial system) continued with some improvements. All the procurements for the comprehensive enhancement of the system started this year and implementation should be effective during 2008 (M&E, geographical and e-procurement modules, electronic payments for and by the Treasury).

In summary, the disbursement rate is still slow, although more than 25% of the funds have been committed and major procurements are underway or will start early next year (port project works and managing consultant, agribusiness development services, water infrastructures, financial sector related activities,...). Concerns still exist regarding the timeframe to implement all the activities and achieve the objectives, but this should be feasible with a result-oriented approach from both MCA-CV and MCC.

On-going Consultative Process

- ***Consultation to Inform***

Outreach activities are important for MCA-CV, as they inform about the implementation, besides being an element to obtain consensus and allow managing expectations.

Direct contacts with stakeholders/beneficiaries were promoted this year, especially under the Infrastructure Project (public presentation in Rincão, before the start of road construction, which included an awareness session on HIV-AIDS) and Agriculture Project (several missions in the three islands of intervention to discuss directly with farmers, municipality officials and local implementation teams). Reference should also be made on workshops organized to share with stakeholders the result of consultants' works (micro-finance diagnosis – phase 1, port preliminary studies,...).

The Management Unit had also the opportunity to provide information on its activities and progresses to a certain number of national and international institutions: the Prime-Minister of Cape Verde, some government officials and political parties,

presentation of our experience at the US House of Representatives, at MCC in Washington during the visit of the Prime-Minister of Cape Verde,...

In addition to specific intervention on television, radio and newspapers, the MCA-CV invited, for the second anniversary of Cape Verde Compact signing, all national and international press represented in the country for a presentation of the Compact and its activities, and this initiative allowed a better understanding of the program from and closer relationship with the press.

One of the tools for external communication is the MCA-CV website (www.mca.cv) which is progressively used by the press to prepare their own articles. During this year, an English version of the website has been introduced, in addition to the Portuguese version.

- ***Consultation to Gather Information***

Sometimes, activities to inform are also activities to receive feedback from beneficiaries/stakeholders. In this regard, both road public presentation and agriculture field missions were also an opportunity to get valuable information on peoples expectations on the results and the best ways to implement activities.

The Management Unit of MCA-CV carried out the development of compensation and resettlement plan for one road and such process required over twenty meetings with local officials and affected people, which allowed for better knowledge of local conditions and people expectations.

The way of MCA-CV is structured, it is unavoidable for the Management Unit to have interaction with the implementing entities. Thus, during this year, many meetings and joint field missions were made in order to improve implementation.

The need for dialogue with other partners or interested parties in one activity required also some consultation, for example with various services of the municipality of Praia, oil companies, environment department, customs,... for the preparation of the port project. To facilitate such complex coordination, a steering committee for port related issues was created and represented by the main stakeholders (including a representative of port users).

Government Counterpart Contributions

Most of Government contributions to MCA-CV are in-kind, as staffs from the implementing entities are appointed and are actively participating in the program implementation. A major contribution is also provided for the use the Government information network.

During this year, in addition to the Government contribution associated to phase 2 of the Partnership to Mobilize investments activity (US\$ 541,500), a significant financial

contribution was made by ENAPOR (public institution for port management) to secure the land for the cargo village, a component of the modernization of the port of Praia. The amount already paid for the land is equivalent to almost US\$ 1,150,800 (63% of total cost).

In addition to these amounts, Government in-kind contribution for 2007 is estimated about US\$ 1,172,552 (if we take all amounts since Compact EIF, Government contribution is estimated to be about US\$ 3,202,582 or 42% of the Government's total contributions as foreseen in the Compact).

Donor Coordination

MCA-CV is based on a program submitted by and negotiated with the Government of Cape Verde and it requires therefore a coordination effort with other partners in several of its activities.

The road project (rehabilitation of 5 roads in Santiago Island and construction of 4 bridges in Santo Antão Island) is part of a broader Government program, implementation of which is supported by other agencies. Thus, the preliminary designs (studies) were funded by the World Bank-funded Road Sector Support Project, and the execution of works is being financed by this WB project, the OPEP Fund and MCA-CV.

The port project also requires donor coordination. While MCA-CV is supporting the studies and some physical improvements, the World Bank-funded Growth and Competitiveness Project is supporting important institutional and operational transformation, including the privatization process of port operations. As part of donor policy dialog with the Government of Cape Verde, the privatization of port operations is a condition precedent for MCA-CV program.

Another activity funded by the Growth and Competitiveness Project is the phase 2 (proposal of action plans) of the "Partnership to Mobilize Investment" (Private Sector Development project). This activity is carried out by the International Finance Corporation (IFC) from the WB group (which also financed phase 1 – diagnosis of priority sectors) and required extensive coordination at all levels, considering that MCA-CV will fund implementation of selected IFC's action plans.

MCA-CV will support the implementation of the new institutional, legal and regulatory framework of the national procurement system. During this year, MCA-CV participated in all preparatory works (for instance, MCA-CV is part of a steering committee for the procurement reform) of the consultant who drafted the new Procurement Law for Cape Verde (with funds from World Bank-funded Growth and Competitiveness Project). This law was approved by the Parliament in July 2007.

Improvement of the Government financial system (SIGOF) is also an activity which requires coordination, considering that the overall reform encompasses several other partners.

Additionally, MCA-CV was invited by the Minister of Finance to be part of the national team to implement an M&E system at national level, having for basis the M&E system for MCA-CV. This activity has also participation of a World Bank fund.

Finally, since MCA-CV includes important policy reform activities, it has been regularly consulted by the “budget support group” (World Bank, African Development Bank, European Union, the Netherlands, Spain,...) to take stock of progresses made and coordinate actions on different fields of MCA-CV intervention.

Lessons learned

Major lessons learned relate to the fact that Cape Verde Compact is among the first compacts to be signed with MCC, when not all current mechanisms were in place for a quick start-up (CIF funds for example) and that it has to adapt its day-to-day operations to the changes (improvements) introduced by MCC (procurement procedures, reporting requirements,...).

The partnership between MCC and MCA-CV is crucial for the success of the Program:

- this partnership is effective (daily exchanges with MCC Resident Mission, conference calls at sector level, MCC technical missions, high level MCC officials visits to Cape Verde)...
- ... but sometimes inefficient (continuous exchange of information but lack of understanding on both sides).

MCC / MCA-CV is a partnership for capacity building

- rely on and support of CV state financial system;
- Procurement Review Commission with members from Public Administration and basis for overall National Procurement Reform;
- support the reform of the Public Procurement sector (institutional and training);
- capacity building for the Management Unit (ESA, M&E, procurement, finance, MCC Colleges) and for implementing entities (water, agriculture,...)

→ these are important elements to ensure effective implementation and sustainability

There is a need to effectively implement the concept of “ownership” by:

- adapting the activities to the reality of the country
- relying on local experience

→ there is a “missing link” between MCC consultants and MCC management, meaning that a consultant with other level of reference makes recommendations based on a one week field mission and these recommendations are not “mitigated” in light of local capacity by MCC technical staff (who should best know the field reality) and this consultant’s recommendations become MCC management decision

→ the risk of discouragement/resignation from implementers who hardly accept decisions “imposed”, even though a different understanding was reached when

discussing with MCC staff/consultants (sometimes there is a feeling that implementers are only a “postal box” to execute decisions coming from outside)
→ decision making process at MCC level is not clear for MCA-CV, since some agreements reached at technical level are rejected by management without clear justification and discussion with MCA-CV.

Procurement burden is also an experience to be referred as a lesson learned:

- several changes in procedures
- timing for MCC clearances longer than stipulated in the Procurement Agreement (5 days)

During the first two years of its implementation, MCA-CV concluded that MCC was essentially focused on procedures and compliance. Considering that OIG and MCC fiscal accountability missions recognized that MCA-CV has a financial system that allows tracking the dollars spent (confirmed by external audits), it is high time to give priority to physical implementation (as complement of capacity building initiatives). It has been fortunate that, near the end of the year, MCC decided to restructure itself, focusing on implementation, which should also be translated by appropriate attitude from MCC staff. The results of this change will be assessed next year.

Best Practices

MCA-CV identified and shared with MCC a need to establish and follow some best practices, such as missions report, back up system, improved communication. In reality, these practices have been implemented and have helped improving the execution of the program:

- Debriefing of missions, including writing common understandings of issues covered during the mission,
- Frequent conference calls at sector level,

Another important element is that, along with a need for some stability in MCC’s CV transaction team, there is a real need for the members of this transaction team (working with Cape Verde Compact implementation) to know in the field the country and their MCA-CV counterpart.

Anecdotal Accounts, Success and/or Human Interest Stories

To be prepared

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