

Cape Verde: Poverty Reduction Strategy Paper Preparation Status Report

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**International Monetary Fund
Washington, D.C.**



MINISTÉRIO DAS FINANÇAS, PLANEAMENTO E DESENVOLVIMENTO REGIONAL
Gabinete do Ministro

Progress Report of Preparation of Full PRSP

30 de Abril de 2003

Preparation of Full PRSP -- PROGRESS STATUS REPORT

I. Introduction

1. The Government of Cape Verde has outlined as its core objectives the promotion of economic growth and poverty alleviation.
2. As a consequence, the Interim-Poverty Reduction Strategy Paper was drafted in January 2002. The formulation of PRSP is an ongoing process. The PRSP process stems from years of planning and builds on several general plans and sectoral strategies that have been formulated for the recent years. The PRSP is a growth and poverty alleviation strategy. It is a holistic and comprehensive strategy.

II. Progress to date

a. The planning process

1. The National Development Plans (NDPS) are, shortly after Independence Day, the key medium term development tool. The most recent such plan (2002-2005) has been finalized and adopted.
2. The formulation of this NDP stems from the (Grandes Opções) Grand Options, an over arching strategy document, drafted and approved in 2001 following a broad participative process conducted by the Directorate General for Planning (DGP). In essence, the Grand Options focuses on poverty alleviation and growth strategies. This groundwork was essential for drafting the I-PRSP, which was published in 2002. The donor community welcomed it. The work program defined in the I-PRSP was further developed in late 2002.
3. The ongoing PRSP process is coordinated by the Ministry of Finance, Planning and Regional Development with DGP as the leading department in charge of executive coordination.
4. Like the Grand Options and the NDP, the PRSP is a tool that allows linking growth to poverty reduction. PRSP shall cover all public expenditures, legislation, regulation, judicial reform, etc. related policies in so far as they contribute to poverty reduction. More precisely, the PRSP (i) links programs more explicitly to poverty targets; and ii) strengthens the progress and institutional arrangements to prepare, implement, and update the strategy.
5. Meanwhile the Government goes on with the execution of its National Poverty Alleviation Program (PNLP). Said program adopts a multi-dimensional approach and focuses on measures of poverty alleviation addressed to the disadvantaged social strata and their respective communities. The goal is to improve the productive capacity of the poor and access by the poor to basic services and empower the poor.

b. The Overarching Goal: Growth and poverty reduction

1. A broad process of participation of civil society on a sustained basis is being developed to reach a consensus on the key strategies for development. The goal is to center development on new grounds, to seek quality-oriented growth rates in order to put an end to structural unemployment dilemma, poverty and balance of payments, in the medium to long run.
2. The recently (April 2003) held Forum on the Transformation of Cape Verde is an example of the comprehensive approach to development of the PRSP process. Said forum adopted a growth oriented strategy that seeks to insert Cape Verde in the emerging global economy and take advantages of the opportunities globalization offers, namely in sectors such as tourism, transports and communications, financial services, export-oriented light industries, fisheries, etc.
3. Quality-oriented growth is also to ensue from a stable macroeconomic environment built on a coherent series of general and sectoral reforms, sound investments and a strong bid on the development of human capital.

4. Furthermore, such growth must be based on the private sector's lead role in economic development and on making the allocation of public resources subject, in particular, to the criteria of economic rationality, discipline, and transparency.
5. Productivity and competitiveness of the economy is a key issue. Economic growth should lead to the expansion and diversification of the system of production, based on full utilization of the factors of production and investments in the most dynamic sectors of the economy. Thus, a growth rate that generates employment, strengthens social cohesion and solidarity, and promotes effective and equitable distribution of its benefits. A program has recently been negotiated with the World Bank, and should be in place by end-2003.

c. Poverty Analyses

1. Work has progressed with regards to the Diagnosis of Living Conditions and Poverty. As part of this process, the Household Expenditures Survey (HES) has been finalized. The aim is to update statistics on poverty (degrees, location and profile) in Cape Verde. Preliminary assessment of the data is underway.
2. In addition, the analysis of the 2000 Census has been accomplished. Its results shall help fine-tune the poverty analysis.
3. Existing plans call for final analysis and edition of results in the second quarter of current year. Since experienced expertise regarding such issues is not available locally, international technical assistance is highly desirable. Thus, recruitment of a consultant financed by the PRSP Trust Fund is underway.

d. Participation

1. All the planning process, particularly that concerning the formulation of the Grand Options, was made participatory and included debates with key social sector organizations, business people and people in various arms of government. In this regards, focused group meetings and facilitated dialogues will be continued.
2. The Forum on the Transformation of Cape Verde gathered a broad range of people of different political backgrounds, businesses and industries, and civil society at large. The goal was to reach broad consensus on a commonly shared strategy for building the future of the country.
3. Likewise, the process of formulation of the PNLN was widely participative and it encouraged the use of the bottom-up type of approach. At the local level, every municipality of the country drafted and validated its poverty alleviation program. Participation was a keynote of said processes. Furthermore, each and every municipality established and maintains a Board of Partners (*Comité de Parceiros*) whose elements are representatives of local authorities, civil society organizations and local communities. Said board is responsible for conducting the execution of said municipal plans and of establishing priorities. PNLN summarizes and brings consistency and coherence to the activities executed at the local level.
4. The process of formulation of the PRSP is also participatory and shall build on the institutions created within the framework of formulation of PNLN. The Board of Partners shall encourage and guarantee participation at grassroots level; the Steering Committee, entrusted with conducting the PRSP process, shall encourage the participation of representatives of the leading institutions of the state. Participation here is expected to be strong and that of its expanded membership, comprising parliamentarians, NGO and other representatives of civil society and leading donors, shall be encouraged.

e. Goals

1. Poverty alleviation policy is based primarily on sustained, long-term socio-economic development.
2. The groundwork (*Grandes Opções, 2001*) identifies the main strategic axis to reduce poverty:

- a. Promote strong economic growth as an insurmountable factor and as a means of generating income opportunities to rise above poverty threshold;
 - b. Improve the living conditions of the population, and guarantee social welfare;
 - c. Strengthen training for the poor specifically build their capacity in order to promote positive changes and attitudes toward poverty reduction.
3. The policy underlying the *Grandes Opções* of the NDP also seeks to safeguard a sense of equity and solidarity reflected in improved living conditions and welfare of the population and draws the attention to a progressive reduction of poverty.

f. Programs

1. On the road map to full PPRSP significant progress has been made in the context of preparation of the PRSP. The government following the approval of GOPS has approved the National Development Plan (NDP).
2. A program methodology was adopted to draft NDP. Same approach is being used for the Budget. The NDP consists of 36 Programs and 154 sub-programs within cross-cut-issues. Its various programs will help achieve the goals set out in the Grand Options.

g. Costing

1. The programs and sub-programs incorporated in the national development plan (NDP) are quadrennial (2002-2005). Financing gap will be reassessed in light of the review of the macroeconomic framework supported by a PRGF. Nevertheless, there are some works to be done in order to linkage the investments programs to the policies in a comprehensive manner and to promote growth and poverty reduction.
2. In addition, other important works in progress or have been fulfilled to help identify main weaknesses and forces of Budget formulation as well its administration and monitoring. Example of such works is the Public Expenditure Review (PER) process.
3. The PRSP will determine public sector costs accruing from the execution of policies. Specific actions, which are relevant to the reduction of poverty, shall be taken and their financing needs assessed.

h. Macroeconomic framework

1. The macro economic framework has been part of the process of formulation of NDP. The RMSM-X model was used to help draft such framework. Current macro programming is done on the basis of PRGF-related documentation. The Millennium Institute, a privileged partner of the World Bank, has been hired to support a more comprehensive approach to macroeconomic modeling, which includes social, environmental and economic parameters. The model is expected to link long-term growth prospects and policies to the short-term constraints on public finances.

i. Institutional framework

1. The road map to accomplish the process of full PRSP is being implemented. Constraints linked to institutional weaknesses have been identified an appropriate measures taken. These refer to the strengthening of DGP through recruitment of new staff (4). Since mobility of staff at DGP is a variable to consider, such recruitment may reveal insufficient.
2. Furthermore, DGP is not the sole institution whose staff is in need of poverty reduction-related training courses. The line Ministry, and civil society (NGOS) all claim such needs. Broadly, and with respect to Statistics (INE), the strengthening of statistical data systems is a must.

3. The process of formulation of the Country Financial Accountability Assessment (CFAA) document, a review process of budget preparation, execution and monitoring, is undergoing formulation and discussion of its plan of action, to be finalized this current month (April). Its central aim is to reinforce the capacity of the directorate generals and line Ministries in respect of budget preparation, execution and monitoring. At a later stage, focus will be directed at capacity building of all those engaged in the process.

j. Arrangements to complete the PRSP

1. The PRSP process will be conducted by a Steering Committee (SC). Its core structure comprises representatives of leading institutions of the state (the directors for planning for the ministries of health, education, agriculture, poverty and employment, and finance; the director of cooperation at Ministry of foreign Affairs; and a member of the National Statistics Council), and an expanded membership comprising leading donors, parliamentarians, Platform of NGO and other representatives of civil society. These members have an observer status.
2. The SC should meet regularly, at the behest of the Director General for Planning at the Ministry of Finance and Planning, and Regional Development (MoFPDR), and on the advice of the STAD (ex-Poverty Observatory). DGP will act as a secretariat to the SC, and will transmit the minutes of the SC'S meetings to the MoFP and the Ministry of Labor and Solidarity, who will report to the Cabinet, thus minimizing the number of reporting levels and facilitating ownership within the context of current administrative procedures.
3. The Poverty Observatory shall be restructured and strengthened and incorporated into STAD (a Secretariat-like structure with technical expertise). The STAD will be a administrative unit headed by a senior Cape Verdean official, answering to the DGP (under the existing organic law of the MoFP). Its role will be (i) to coordinate and integrate the contributions of all stakeholders (e.g. line ministries, the National Statistics Institute, development partners and NGO's as observers); and (ii) to initiate the monitoring and review of the PRSP's implementation. The senior official is being identified at this time.

k. Monitoring and evaluation

1. DGP will, in a collaborative venture with INE, design and implement a solid indicator dashboard for monitoring and evaluating the impacts of policies.
2. No less than one meeting every three months will be held, with a view to take stock of progress made, and to give guidance to the PRSP process.
3. Furthermore, the SC is entrusted with the key of monitoring the process of formulation of the PRSP and its subsequent execution.
4. STAD shall monitor poverty programs and impacts of all development programs on poverty; and through the inventory of actions planned and in progress and budgeting, it shall help improve efficiency and effectiveness of budget allocations.

III. Additional Action

1. Overall little additional action beyond those identified before has been taken. The main concern is an institutional stability of the PRSP process and its integration in Cape Verde's traditional planning tools. The first part of the exercise will therefore involve the review of the various strategy documents, including the national development plan, the Grand Options and the long term strategy derived at the Forum specified earlier in addition to sector plans.
2. An additional action should be the comprehensive analysis of legislation, and the favoring of growth friendly economic environment.
3. Establish and solidify links among projects in the sectors of Education, Health and Infrastructures that target poverty alleviation.

4. Identify the needs and means to reinforce participation at the highest hierarchical levels.

IV. Review of actions to be taken to finalize the PRSP

1. Institutional capacity building should be addressed in PRSP preparation process. It should target the DGP as well as the Ministries of Health, Education, Infrastructure and Labor. Their respective needs should be analyzed and a plan of action formulated. Domains covered should include monitoring of execution of PRSP.
2. Since the nature of the issues is complex and cross-sectoral, the need for arbitration is likely to arise. Thus, a new coordination element should be considered for incorporation in the institutional framework of the PRSP to guarantee the execution of activities beyond the reach of line Ministries. A particular council of ministers shall be specified as such arbitration entity.

ANNEX I.

Schedule for Preparation of the PRSP		
December 2001–April 2002	Approval of the Major Options 2020 (*) Preparation of the PND	Done
	Diagnosis	Done
	Identification of programs (Dec. 01 – Jan. 02)	
April 2003	Finalization of the PND (April 02)	
		Done
February - March 2002	Creation of technical unit (STAD)	In process
	RDP sectoral education and health	Done
April 2002	RDP environment	
		Done
April – August 2002	General Public Expenditure Review (RDP)	Done
	Diagnosis of living conditions and poverty	Partially done
	Launch of the IDF	
	· Simple qualitative survey	
	· Topical/sectoral studies	
April 2003	· First update	
May 2003	Building up Macroeconomic modeling	
		In process
	First edition of the preliminary results of the IDF	
June 2003	Definition of strategic orientations	Not done
May 2003	· Technical definition	
June-July 2003	· First consultative session	
	2nd Discussion of specific objectives, priority actions and expected results	
	· Second edition of preliminary results of the IDF	
August-September 2003	· Second update of the diagnosis and definition of the poverty profile	
	· Inventory of actions planned and in progress and budgeting	
	· Second consultative session	
October 2003	Final results of the IDF	
November 2003	Finalization of the PRSP	
	Internal validation	
	· Validation forum	
November 2003	· Approval by the government	
	External presentation	
	· Presentation to development partners	