

## **Cape Verde: Joint Staff Assessment of the Poverty Reduction Strategy Paper Preparation Status Report**

The attached Joint Staff Assessment (JSA) of the Poverty Reduction Strategy Paper Preparation Status Report for **Cape Verde**, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) Preparation Status Report to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to [publicationpolicy@imf.org](mailto:publicationpolicy@imf.org).

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INTERNATIONAL MONETARY FUND  
AND  
THE INTERNATIONAL DEVELOPMENT ASSOCIATION  
REPUBLIC OF CAPE VERDE

**JOINT STAFF ASSESSMENT OF THE PRSP PREPARATION STATUS REPORT**

Prepared by the Staff of the International Monetary Fund and  
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1. The Executive Boards of the IMF and IDA concluded in April 2002 that the government's interim poverty reduction strategy paper (interim PRSP) provided a sound basis for developing a fully participatory PRSP and for Fund and World Bank concessional financial assistance. At that time, the authorities expected to complete the full PRSP by May 2003. The government has decided to delay the completion of the PRSP until November 2003, to provide more time for the completion of work on the poverty profile, policy prioritization, the poverty indicators, program costing, and the incorporation of feedback from the final round of consultations.
2. As the PRSP was not finished within one year of their initial interim PRSP, the authorities have prepared a PRSP preparation status report (PRSP PSR) for presentation to the Boards of the IMF and IDA. The report details the main activities that have been completed to date, identifies the remaining actions for completion, and notes that progress has been made regarding the planning process, data collection, poverty analysis, expansion of the participatory process, and strengthening of the institutional framework.
3. The PRSP PSR emphasizes that the PRSP will draw on the 1997-2000 National Poverty Alleviation Plan (NPAP), the Grand Options Plan (GOP—approved in 2001), and the National Development Plan (NDP—approved in April 2003). The GOP is a strategic medium-term framework for economic and social development and poverty reduction. The government's strategic priorities for reducing poverty, derived from the GOP are (i) the promotion of good governance; (ii) support for private sector-led economic growth and broadening of the productive base; (iii) the enhancement of human capital; (iv) the implementation of a comprehensive policy to reduce poverty; and (v) the balanced

development of infrastructure across the Cape Verde archipelago. Based on the principles outlined in the GOP, a new NDP covering the period 2002-05 was approved by the government in April 2003. Now that the interim PRSP has been issued and the NDP has been updated and approved, the stage has been set to finalize Cape Verde's PRSP, which will complement the NPAP as the government's poverty reduction strategy document.

4. During the development of these strategic documents, the government has steadily implemented policies consistent with its goals. Specifically, it has successfully implemented a macroeconomic stabilization program, formulated a plan to support private sector development (with IDA support), and sustained its good performance in the education sector with the support of multiple donors. Moreover, it is improving its administrative capabilities with the completion of three sectoral Public Expenditure Reviews (PER) in education, health, and agriculture, a PER for the Government as a whole, a Country Financial Accountability Assessment (CFAA), and the launch of a Country Procurement Assessment Report.

5. Progress has been realized in most of the key areas highlighted in the joint staff assessment of the interim PRSP. In the area of data collection, the staffs are encouraged by the completion of the household income and expenditure survey, which, together with the 2000 census, will form the basis of the poverty analysis in the PRSP. The completion of three sectoral and one general public expenditure reviews will enable the authorities to make informed decisions regarding the prioritization of public expenditures. Implementation of the recommendations contained in the recently completed CFAA will strengthen budgetary control, accountability, and transparency.

6. The preparation status report provides a good description of the participatory process since the interim PRSP was published. In particular, committees were established at the municipal level on every island to provide local input to the PRSP. Progress has also been realized in prioritizing and costing government programs in the context of the updated NDP. The authorities have worked closely with donors to improve their capacity to develop and implement sound programs, most recently in the context of the National Forum for the Transformation of Cape Verde and the consultation meeting with development partners, both held in April 2003. They have been successful in ensuring that the programs and policies emerging from their dialogue with development partners support Cape Verde's priorities for social and economic development. The government has also had notable success in maintaining macroeconomic stability and in implementing structural reforms to foster productivity and competitiveness. The authorities are receiving technical assistance in the use of macroeconomic modeling that will improve their analysis of the linkages between economic growth strategies and poverty reduction. The user-friendly interface of the model will help the authorities integrate the growth strategy outlined at the National Forum for the Transformation of Cape Verde into the PRSP and will inform the final round of national consultations.

7. The report does not provide a clear explanation for the delay of the PRSP, although it could have mentioned slippages in the timetable for the household survey and staff shortages in the planning unit of the Ministry of Finance. Some issues raised in the joint staff

assessment of the interim PRSP could have been usefully addressed in the report. Specifically, while the report notes that the poverty observatory will be incorporated into the Technical Secretariat for Development Assistance, it does not adequately describe the reasons for this nor the difficulties the authorities have had in reinforcing the operation of the poverty observatory since the interim PRSP was published. No mention is made of the lack of progress in finalizing the national accounts for 1998-2000 nor the impact this has had on the analysis of the linkages between growth and poverty.

8. The staffs concur that the key areas identified in the report for further work on the PRSP are the appropriate ones. The establishment of the technical secretariat will provide stronger coordination for inputs into the PRSP, and a basis from which to monitor its implementation in seeking to achieve the Millennium Development Goals. The authorities will undertake qualitative poverty surveys that will enrich the poverty analysis of the PRSP and help guide the selection of poverty indicators. The timing of these surveys will enable the authorities to integrate their results with those of the household income and expenditure surveys and the 2000 census, thus providing a rich information base for the PRSP. The macroeconomic modeling currently under way should help the authorities prioritize and estimate the costs of alternative government programs and policies. Its flexibility should be put to good use by considering alternative growth scenarios and the consequent adjustments in the policy mix.

9. The staffs of the World Bank and IMF encourage the authorities to participate in the General Data Dissemination System (GDDS). The GDDS provides a comprehensive framework for evaluating data improvement needs and measuring progress in poverty reduction, consistent with the Millennium Development Goals. Also, it guides participants in the dissemination of comprehensive, timely, accessible, and reliable economic, financial, and sociodemographic statistics.

10. The schedule for completing the PRSP is ambitious but achievable, if coordination of the priority actions is strengthened and the poverty diagnostic work is initiated soon. The staffs of the World Bank and IMF consider that progress on the development of the full PRSP, as evidenced by the PRSP PRS, is satisfactory and provides a sound basis for continued access to Fund concessional assistance and IDA adjustment lending. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.