

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**CAPE VERDE**

**PORTFOLIO PERFORMANCE REVIEW REPORT**

**WEST REGIONAL DEPARTMENT  
SEPTEMBER 2009**

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## **CURRENCY EQUIVALENTS**

(July 2009)

Currency: CVE

UA 1 = USD 1.55223  
UA 1 = EUR 1.09822  
UA 1 = CVE 121.083

Fiscal Year

1 January - 31 December

## **ABBREVIATIONS AND ACRONYMS**

ADB	African Development Bank
ADF	African Development Fund
APPR	Bank Annual Portfolio Performance Review Report
BADEA	Arab Bank for Economic Development in Africa
BSAG	Budget Support Advisory Group
CVE	Cape Verde Escudo
DGP	General Directorate of Planning
EBID	ECOWAS Bank for Investment and Development
INE	National Institute of Statistics
JICA	Japanese International Cooperation Agency
MDG	Millennium Development Goals
MIC	Middle Income Country
NTF	Nigeria Trust Fund
PAISE	Education Sector Institutional Support Project
PIU	Project Implementation Unit
PP	Problem Project
PPP	Potentially Problematic Project
PRGSP	Poverty Reduction and Growth Strategy Paper
PRSSP	Poverty Reduction Strategy Budget Support Programme
RBCSP	Results-Based Country Strategy Paper
RP	Risk-Project
SNFO	ADB Regional Office in Senegal
UA	Unit of Account
WB	World Bank

## **I. Introduction**

1.1 The purpose of this report is to inform the Boards of Directors about the status of implementation of current Bank Group operations in Cape Verde and the portfolio performance trend since the previous review conducted in 1999 (ADF/BD/WP/99/88). The 1999 review led to an assessment of the unsatisfactory portfolio performance, characterized in particular by considerable implementation delays, difficulties in mobilizing counterpart contributions and inadequate capacity and management. The current review was conducted following a mission to Cape Verde in July 2009, during which meetings were held with each executing agency. It is also based on the outcomes of Bank supervision missions carried out during the first half of 2009. It makes recommendations to the Government and the Bank, with a view to improving the performance of the active portfolio.

1.2 Since the inception of cooperation with Cape Verde in August 1977, the Bank Group has financed 36 operations (21 projects, 7 studies, 5 budget support and 3 institutional support) for a total net commitment of UA 127.5 million (approximately USD 198 million), broken down into loans (94.2%) and grants (5.8%). Total net commitments by source of financing stands as follows: UA 108.9 million for the ADF, UA 12.1 million for the ADB, and UA 6.6 million for the NTF. As at 1 July 2009, total disbursements for the entire portfolio stood at UA 117.5 million (approximately USD 182 million), i.e. 92.2 % of net commitments. The primary sector of Bank intervention in Cape Verde is infrastructure which accounts for about one-third of the financing granted. In addition, the Bank has intervened in the social sector (21.9%), the rural sector (17.8%), multi-sector (16.7%), and the water and sanitation sector (11.5%). It should be noted that the Bank's private sector window has so far not financed any operation in the country.

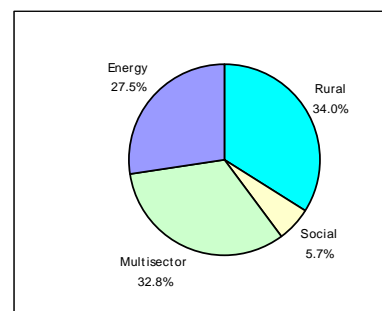
## **II. Overview of the Active Portfolio**

### **A. *Key Characteristics of the Portfolio***

2.1 **A streamlined and targeted portfolio.** In July 2009, Cape Verde's active portfolio comprised only 5 ongoing operations (compared to 10 in 1999), including one in its closing phase, representing a net total amount of UA 17.53 million and a disbursed amount of UA 7.54 million. These 5 operations concern 4 sectors and are broken down into 2 projects, 1 institutional support and 2 budget support operations (including the PRSSP-I which only comprises a residual institutional support project). The rural sector takes the lion's share of financing (34.0%), followed by multi-sector (32.8%) and infrastructure (27.5%). Although operations financed are medium-sized, they target specific sectors of intervention.

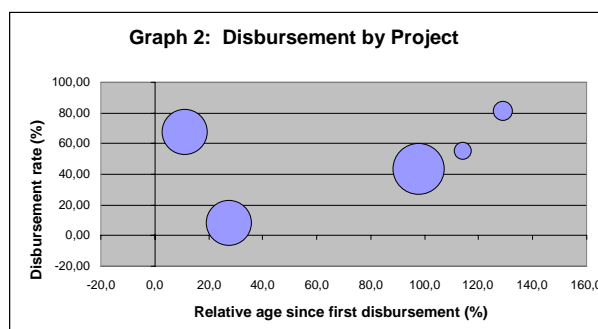
**Table and Graph 1**  
**Breakdown of ADB Bank Group Active Operations in Cape Verde (July 2009)**

Sector	Number of Projects	Source of Financing (UA M.)		Total Amount (UA M.)	% Sector
		ADF Loan	ADF Grant		
Rural	1	5.96	-	5.96	34.0
Multi-sector	2	5.00	0.75	5.75	32.8
Infrastructure	1	4.82	-	4.82	27.5
Social	1	-	1.00	1.00	5.7
Total	5	15.78	1.75	17.53	100



2.2 **Implementation Delays.** Annex 1 presents, by activity sector, a table showing the key characteristics of the 5 operations of the active portfolio. The mean age of the portfolio is 3.2 years, calculated since approval, and includes the average effectiveness timeframe (333 days). The disbursement rate for the entire portfolio is 43%, which is relatively low given the age of the portfolio and the projected average implementation timeframe (2.9 years). This rate corresponds to an annual average disbursement rate of 18.4%. This is below the expected rate (34%) and is attributable to various factors particularly related to delays during operations launch and conduct of the procurement process.

2.3 Graph 2 shows the disbursement rates for each of the 5 operations, depending on their relative age (ratio of duration since fulfilment of conditions precedent to first disbursement to the initially projected duration) and taking into account the amounts allocated (size of bubbles). With the exception of PRSSP-II (budget support), the two-tranche disbursement system of which ensures a high disbursement rate at the start of the operation, disbursements have generally been behind schedule. In addition, three (3) operations have practically exceeded their initially projected implementation period, thereby necessitating the extension of their closure dates.



## **B. Portfolio Performance Evaluation**

2.4 **Generally Satisfactory Portfolio Performance.** The overall portfolio evaluation score stands at 2.2 on a 0 to 3 scale (see Table 2), i.e. a generally satisfactory performance and a net improvement compared to the previous portfolio review in 1999 (1.6 score). This performance bears out the progress recorded in recent years in managing and implementing Bank operations in Cape Verde, thanks to stronger involvement of all stakeholders.

**Table 2**  
**Portfolio Performance Rating** (score on 3)

Sector/Operation	Fulfilment of Conditions	Procurement	Financial Performance	Activities and Achievements	IP <sup>1</sup> Index (implementation)	DO <sup>2</sup> Index (impact)	Overall Evaluation	Risk Level
<b>1999 Review Scores</b>	<b>1.7</b>	<b>1.4</b>	<b>1.7</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>1.6</b>	<b>3/10</b>
<b>2009 Review Scores</b>	<b>2.1</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>	<b>2.4</b>	<b>2.4</b>	<b>2.2</b>	<b>0/5</b>
<b>Rural Sector</b>								<b>0/1</b>
Picos Engenhos Catchment Basins	2.0	2.0	2.4	1.5	2.0	2.0	2.0	NO
<b>Multi-sector</b>								<b>0/2</b>
PRSSP-I (inst. support)	1.3	2.0	1.7	2.3	3.0	3.0	2.1	NO
PRSSP-II	3.0	-	2.0	2.0	2.0	2.0	2.3	NO
<b>Infrastructure Sector</b>								<b>0/1</b>
Santiago Electricity	2.0	2.0	1.6	1.7	1.8	2.2	1.9	NO
<b>Social Sector</b>								<b>0/1</b>
PAISE	2.0	3.0	2.7	3.0	3.0	3.0	2.8	NO

2.5 The evaluation of the status of the portfolio in Cape Verde indicates satisfactory performance overall, characterized particularly by the absence of problem projects (PP<sup>3</sup>) or potentially problematic projects (PPP<sup>4</sup>), as defined under the Bank's categorization. Although such absence of risky projects (RP<sup>5</sup>) is a very positive trend compared to previous years, and especially with respect to the evaluation conducted during the previous review in 1999 (30% risky projects), it should not conceal certain operational difficulties and persisting delays. Paragraphs 2.6 and 2.7 below provide a summary overview of the implementation status of 5 ongoing operations.

2.6 *The Education Sector Institutional Support Project (PAISE)* which will close end 2009 has exceeded its initial objectives and obtained very positive results in improving the quality of the distance education system. In particular, it helped set up infrastructure for educational radio broadcasts, the dissemination of teaching aids and the training of more than 1,500 teachers. A project completion report will be prepared during the last quarter of 2009. After experiencing delays at the beginning, the *PRSSP-I Institutional Support Project*, is running smoothly and has contributed to modernizing the working tools of services concerned. It should be extended for 6 months until June 2010, to enable the last procurements related to field surveys and the establishment of an information system for monitoring MDG and PRGSP indicators. *The PRSSP-II Budget Support Project*, the last operation approved till date (December 2008), allowed for the disbursement of an initial tranche of UA 3.37 million in March 2009. The disbursement of the second tranche of UA 1.63 million is expected in early 2010.

<sup>1</sup> **IP:** Overall project implementation is rated in the SAP system by the IP (Implementation Progress) index, which is the mean score of 14 criteria on a scale of 0 to 3, reflecting the fulfilment of conditions, procurements, financial performance and activities.

<sup>2</sup> **DO:** Project impact is scored in the SAP system by the DO (Development Objectives) index, which is the mean score of 4 criteria assessed on a scale of 0 to 3, reflecting sustainability and impact.

<sup>3</sup> **PP:** A project is classified as problematic (PP) if the IP index or OP index is below or equal to 1.5.

<sup>4</sup> **PPP:** A project is classified as potentially problematic (PPP) if the IP and DO indices are both strictly above 1.5, but the project presents at least two critical factors. The critical factors taken into account for a project to be categorized as PPP concern in particular delays in effectiveness, procurement, operational management, availability of counterpart resources and the disbursement level compared to age.

<sup>5</sup> **RP:** A project is considered risky (RP), if it is classified as PP or PPP.

2.7 ***The Picos and Engenhos Catchment Basin Development and Enhancement Project***, the oldest project of the portfolio co-financed by BADEA, experienced significant delays at the launching and implementation phases, due especially to studies that had to be repeated and difficulties encountered by the contractor in carrying out soil conservation and water mobilization works, with the attendant slippage in the development activities related to those works. In addition, frequent change of project officers by the Bank has also been detrimental to the attentive processing of project dossiers. These delays have warranted a 2-year extension of the closing date to 31 December 2010. The project, whose overall outcomes are encouraging, recently underwent a mid-term review which will provide the basis for necessary changes and improvement of the current disbursement rate (43%). ***The Santiago Island Electricity Production, Transportation and Distribution Capacity Building Project***, approved in November 2007 and co-financed with JICA and EBID resources, has been marred by communication problems and poor mastery of procedures, leading to procurement and disbursement delays (7.8% rate). Measures taken from the second quarter of 2009 to improve work and communication circuits between stakeholders have opened avenues towards solving the problems encountered. The recent Bank supervision conducted in June 2009 drew up a precise schedule for various outstanding procurements, the rigorous monitoring of which should enable the launching of major works latest at the start of the 4th quarter of this year.

2.8 **Significant Improvements since 1999.** The review helped to highlight a very significant improvement in portfolio performance since 1999, characterized by several positive factors, including the proper targeting of operations in their respective sectors and interesting results in terms of impact, despite the modest financing allocated. Furthermore, the national counterpart is actively committed to operations implementation and monitoring, with technical ministries involved and commitments honoured. Local teams responsible for operations implementation have mobilized motivated personnel; the Government ensures rigorous and regular progress monitoring. For its part, the Bank has maintained a more sustained involvement in monitoring through regular supervision missions as reflected by a 1.7 supervision rate in 2008 and 1.0 already attained in the first quarter of 2009 (i.e. each operation has received one supervision). In addition, the Senegal Regional Office has increased its participation in various missions. Prospects for even greater involvement are bright in light of the projected SNFO staff increases in 2009.

2.9 **Generic Problems as Factors of Delay.** Notwithstanding the concrete developments underscored above, the review highlighted a number of shortcomings which, in the long run, could hamper the overall portfolio performance, especially if the size of the portfolio were to increase. One of the major problems concerns ***procurement delays***, coupled, on the part of the government, with planning inadequacies, average mastery of Bank rules and procedures, and at times difficulties in document preparation. With respect to the Bank, shortcomings were observed in some cases in terms of assistance and advice given to project implementation units, often linked to workload and expert mobility and, in some cases, protracted delay in processing dossiers and issuing notices of non-objection. The strengthening of the SNFO Office through the secondment of an international procurement expert and the recruitment of a procurement officer and assistant, will contribute to providing closer support in that regard. ***Weaknesses regarding quality at entry*** may also create difficulties during the implementation phase, warranting time-consuming changes. Such weaknesses often stem from an incomplete preparation process (unavailable feasibility studies, past lessons not sufficiently absorbed, unavailable baselines), designs not adequately cognizant of Cape Verde's specific realities and its insular nature (narrow markets, specificities of each island, inter-island travel

cost, development of local know-how, translation of documents, etc.), or co-financing spread over time, thereby not allowing for the optimal harmonization of procedures and schedules among partners. Part of the difficulties encountered at a launching phase also stems from **monitoring and communication weaknesses**, attributable to inadequate support at the start of operations, despite the systematization of launching missions. Communication is also marred by linguistic problems, due especially to the fact that standard Bank documents are not available in Portuguese. Concerning the Bank, it has been noted that the high rotation of project officers for some projects is detrimental to the continuity of strategic reflection and careful dossier processing. A rational composition of launching missions, enhanced monitoring by SNFO and translation of technical documents are measures to be taken to mitigate information and communication difficulties.

**2.10 Weaknesses related to monitoring/evaluation and financial management.** Regarding financial management and disbursement, the failure to systematize the use of accounting systems at the launching phase, frequent delays in forwarding audit reports, at times poorly documented payment requests, and in some cases protracted processing delays by the Bank especially for revolving funds, have been observed. Despite huge efforts at the central level to establish adequate monitoring/evaluation mechanisms, ongoing operations continue to face persisting weaknesses in terms of establishing baselines and the absence of appropriate monitoring/evaluation mechanisms (staff and resources not provided for at appraisal). The implementation of results-based management and the need to monitor the PRGSP indicators warrant that both parties pay closer attention to strengthening the monitoring/evaluation mechanisms of operations.

### **C. Portfolio Performance Comparison**

2.11 Many of the difficulties highlighted during the 1999 review had been largely overcome and much progress recorded, as reflected by the comparative indicators on the Table below. However, halving the portfolio size between both reviews and the high proportion of institutional support projects (3 of 5 operations), limit the outcomes of the comparison. Compared to the Bank's overall portfolio, Cape Verde scores a good average, except for the size of operations where the gap is wide (1 to 4 ratio), in line with the modest allocations to the country. The improvement in portfolio parameters and performance reflects the country's overall progress in economic and social development, as well as good governance, all of which combined raised Cape Verde to Middle Income Country (MIC) status in 2008.

**Tableau 3**  
**Comparison of Cape Verde's Portfolio Performance**

Performance Indicators		External Comparison		
		1999 Review	2009 Review	Bank APPR 2007
Implement- ation and Impact	Implementation Timeframe (months)	11.9	11.1	10.6
	Annual Average Disbursement Rate (%)	6.8	18.4	18
	Disbursement Rate (%)	33	43	37
	Average Project Size (UA million)	5.9	4.2	16.9
	Overall Project Appraisal (Scale 0-3)	1.6	2.2	-
	Proportion of Risk-Projects (%)	30	0	45
	Average Portfolio Age (Years)	5.5	3.2	4.2

### **III. Evaluation of Portfolio Management and Aid Coordination Capacity**

3.1 **Government's Performance.** Bank operations in Cape Verde are coordinated by the Ministry of Finance through the General Directorate of Planning (DGP). Overall, their implementation benefits from proper ownership and good governance. Operations are implemented by the technical ministries through their respective project units. It is worth noting that two units (PAISE and Santiago Electricity) also manage the projects of other partners, thus allowing for better aid coordination. In addition, the units demonstrate commendable capacity and skills, even though the absence of monitoring/evaluation specialists hampers the deployment of real results-based management. At times, communication and language problems hinder exchange with the Bank. The institution by the DGP of periodic meetings bringing together various units responsible for operations financed by the Bank could foster experience sharing and enable the resolution of common constraints.

3.2 **Bank's Performance.** Efforts by the Bank in recent years to systematize launching, supervision and completion missions are effective in Cape Verde and gradually involve the SNFO. These assistance and monitoring mechanisms should be maintained and further strengthened by fielding broader multi-disciplinary teams and working in close collaboration with SNFO personnel. At the preparatory phase, proper consideration should be given to the county's specificities and the financing of feasibility studies. Generally, the organization of communication and work circuits is at times not optimal, thus entailing delays in the processing of procurement and disbursement dossiers, further compounded by workload and the rotation of project officers. Such problems are amplified in the case of jointly financed projects. Organizational efforts will be made in these areas and the implementation of new procurement rules and procedures will also require the organization, in the short term, of a special training workshop for project executing agencies, taking into consideration language-specific issues. The recruitment of a Portuguese-speaking Country Programme Officer at SNFO in the second quarter of 2009, will contribute to facilitating contacts with projects.

3.3 **Aid Coordination.** The implementation of the PRGSP and the joint nature of its review process have fostered a shared understanding of the country's development objectives and priority needs, creating positive dynamics for the coordination of partners in the spirit of the Paris Declaration on Harmonization, Alignment and Results-based Management. The interventions of development partners in the form of budget support to Cape Verde are conducted as part of the "Special Budget Support Arrangement" and "Sector-Specific Arrangements". In that regard, the seven donors (Austria, World Bank, ADB, European Union, The Netherlands, Spain and Portugal), under the umbrella of the Budget Support Advisory Group (BSAG), coordinate their budget support operations by formulating a joint matrix of measures to be implemented and regularly organize joint budget support supervision missions. It should be noted that only the EU, Austria, Spain and Portugal have a representation in Cape Verde. The establishment of the Dakar Field Office has enabled the Bank to regularly participate in BSAG supervision activities and intensify contacts with the authorities and partners. Concerning the two co-financed projects (Santiago Electricity and Catchment Basin Development), joint supervision missions have also been fielded, thus facilitating the implementation of operations and the resolution of problems encountered.

#### **IV. Potential Problems and Lessons for Portfolio Management and the CSP**

4.1 The major obstacles to improving Cape Verde's portfolio management have been described in the preceding sections. The Bank and the Government should pursue efforts to improve project efficiency and their impact on development. In particular, the Government should further consolidate the macroeconomic framework, improve governance and dismantle structural constraints to growth and the private sector, with a view to maintaining the effectiveness and development of budget support loans. Specifically, effective monitoring/evaluation mechanisms should be established in project units and more attention paid to the submission of audits within the required timeframes.

4.2 The design of Bank strategies and programmes consistent with those of Government, especially PRGSPs, has helped to sustain the relevance of interventions and the selective targeting of operations. The Bank should pursue its capacity building operations and budget support programmes. In addition, the Bank should undertake more economic/sector work and conduct feasibility studies, with a view to strengthening its strategic thinking and improving the quality of projects and programmes at entry. The work circuits between the country, the headquarters and SNFO must be optimized, and delays in dossier processing reduced. The formulation of the subsequent CSP will take into account new opportunities for Cape Verde to access additional resources. It will also pursue the selective targeting of interventions, especially in the infrastructure sector.

#### **V. Conclusions and Recommendations**

5.1 **Conclusions.** At the end of the portfolio review, the overall results are highly satisfactory in spite of a reduced but targeted portfolio. The overall performance of active operations has significantly improved since the previous review in 1999. Considerable progress and impact have been recorded in many areas, thanks especially to a firm commitment of the State party, proper ownership by the population and enhanced follow-up of operations by the Bank.

5.2 Such portfolio performance improvement must be maintained and corrective measures taken to resolve persisting and delay-causing implementation difficulties. All stakeholders must take measures to overcome these weaknesses by laying much emphasis on the procurement timeframes, better communication, training activities, strengthening internal monitoring/evaluation mechanisms and establishing optimised work and processing circuits, in close collaboration with the country, headquarters and the Senegal Regional Office.

5.3 Prospects for the development of cooperation with Cape Verde and access to additional non-concessional resources warrant that both parties take full advantage of lessons learned and pursue the progress recorded with the same determination.

5.4 **Recommendations.** To maintain and further improve the performance of a growing portfolio, against the backdrop of Cape Verde's status upgrade to a blend country and its imminent access to relatively substantial ADB-window resources and the maintenance of ADF allocations, the following key recommendations are directed at the Government and the Bank:

The Government:

- (1) At the operations management team level, systematize the establishment of appropriate monitoring/evaluation systems that will help sustain existing mechanisms at the central level, in tandem with the PRGSP.
- (2) Provide projects with special financial resources to facilitate the holding of bid evaluation committees and avoid delays in conducting the procurement process.
- (3) At the central level, ensure project audit planning and implementation follow-up, with a view to guaranteeing the production of audit reports within stipulated timeframes.
- (4) Promote exchange between Bank-financed projects and facilitate the monitoring of portfolio operations by organizing quarterly meetings bringing together the project units concerned, under the aegis of the DGP.
- (5) For co-financed projects and in close collaboration with the Bank, endeavour to clarify as much as possible the modus operandi and respective responsibilities of various donors, in a manner as to guarantee the smooth implementation of activities programmed.

The Bank:

- (1) Conduct further economic and feasibility studies, through diversified instruments, to better target and prepare projects and programmes, and maintain a reserve of substantial and high quality projects.
- (2) Increase the effectiveness of portfolio management by pursuing efforts to improve project quality at entry, taking into further consideration the country's specificities when designing operations, organizing more efficient work circuits between the parties concerned and shortening the dossier processing timeframes.
- (3) Take into account language-related issues by encouraging the dissemination of key Bank technical documents in Portuguese, developing the organization of training on Bank procedures in Portuguese and setting aside special budgets for the translation of certain documents during project preparation.
- (4) Assist the Government in setting up an appropriate monitoring/evaluation system for operations, accompanied with results indicators common to those of the PRGSP.
- (5) Further empower the Senegal Regional Office on project monitoring, by rendering the local experts more accountable for monitoring and supervising portfolio operations in Cape Verde.

- (6) Pursue involvement in the budget support approach within the BSAG framework, with a view to intensifying and completing institutional and structural reforms geared towards strengthening good governance.
- (7) Target the Bank's areas of focus on infrastructure (transport, energy and water), while boosting private sector development and further incorporating the environmental dimension related to problems specific to small island nations battling the impact of climate change.

5.5 The Boards are invited to consider the conclusions of the General Review of the Portfolio in Cape Verde and adopt the above recommendations.

**ACTIVE PORTFOLIO IN CAPE VERDE: Key Operational Characteristics of 5 Ongoing Operations (1 July 2009)**

Sector Operation	Source	Approval Date	Signature Date	Date of Effectiveness	Date Fulfilling 1st disbursement	Closing Date	Approved Amount (UA M)	Disbursed Amount (UA M)	Disbursement Rate (%)	Timeframe Fulfilling 1 <sup>st</sup> Disbursement (months)	Age since Approval (years)	Annual Average Disbursement Rate (%)	Extended Period (years)	Risk*
<b>Infrastructure - Energy</b>														
Santiago Island Electricity Intensification Project	ADF loan 10	19/12/2007	22/04/2008	12/12/2008	12/12/2008	31/12/2011	4.82	0.38	7.85	12.0	1.53	14.3	0	NON
<b>1 operation</b>							<b>4.82</b>	<b>0.38</b>	<b>7.85</b>					
<b>Rural - Agriculture</b>														
Picos and Engenhos Catchment Basin Development Project	ADF loan 9	18/09/2002	20/12/2002	27/04/2004	09/08/2004	31/12/2010	5.96	2.57	43.05	23.0	6.79	8.3	2	NON
<b>1 operation</b>							<b>5.96</b>	<b>2.57</b>	<b>43.05</b>					
<b>Social - Education</b>														
Education Sector Institutional Support Project (PAISE)	ADF grant 9	29/09/2004	11/10/2004	17/08/2005	17/08/2005	31/12/2009	1.00	0.81	81.17	10.7	4.76	21.0	1	NON
<b>1 operation</b>							<b>1.00</b>	<b>0.81</b>	<b>81.17</b>					
<b>Multi-sector – Budget Support Project</b>														
Institutional Support Project PRSSP I (grant)	ADF loan 10	21/11/2006	15/12/2006	15/10/2007	15/10/2007	31/12/2009	0.75	0.41	54.76	10.9	2.61	32.0	0.5 (ongoing)	NON
Budget Support Project PRSSP-II	ADF loan 11	22/12/2008	06/01/2009	27/02/2009	27/02/2009	31/12/2010	5.00	3.37	67.40	2.2	0,52	NA**	0	NON
<b>2 operations</b>							<b>5.75</b>	<b>3.78</b>	<b>65.75</b>					
<b>TOTAL/AVERAGE operations</b>	5	90.0% loans 10.0% grants					<b>17.53</b>	<b>7.54</b>	<b>42.99</b>	<b>11.8</b>	<b>3.24</b>	<b>18.4</b>		<b>0PR/5</b>

\* Risk: None = non PP and non PPP project; PPP = potentially problematic project; PP = problematic project; RP = risk-project (PP or PPP)

\*\* NA = not applicable: projected disbursement in 2 tranches (budget support)

**ACTION PLAN TO IMPROVE PORTFOLIO PERFORMANCE IN CAPE VERDE**

**ANNEX 2A: GENERIC PROBLEMS**

<i>Identified Problems</i>	<i>Actions to take</i>	<i>Deadline</i>	<i>Responsibility</i>	<i>Implementation Status/Remarks (July 2009)</i>
<b>Difficulties and Delays Regarding Procurement</b>				
<p>Inadequate mastery of Bank rules of procedures on procurement and delays in the processing chain.</p>	<ul style="list-style-type: none"> <li>- Systematize the formulation of procurement plans and have them approved by the ADB.</li> <li>- Pursue efforts to improve procurement documents by enforcing compliance with Bank procedures and the use of standard procurement documents.</li> <li>- Systematize launching missions and schedule training courses on procurement for executing agencies.</li> <li>- Schedule a special workshop on the new rules of procedures, while taking language problems into account.</li> <li>- Provide for a procurement expert within PIUs, depending on the nature and complexity of the problem.</li> <li>- Specifically resort to specialists for the preparation of certain procurement documents.</li> <li>- Provide for financial resources for the holding of bid evaluation committees.</li> <li>- Provide technical assistance to PIUs and organize support missions.</li> <li>- Promote exchange among ADB projects, especially by organizing 2 meetings per year.</li> </ul>	<ul style="list-style-type: none"> <li>- Permanently</li> <li>- Permanently</li> <li>- Permanently</li> <li>- 2010</li> <li>- Preparation</li> <li>- Permanently, as needed</li> <li>- Preparation</li> <li>- Permanently/As needed</li> <li>- Permanently</li> </ul>	<ul style="list-style-type: none"> <li>PIU/ADB</li> <li>PIU/SNFO</li> <li>ADB/SNFO</li> <li>ADB</li> <li>GVT/ADB</li> <li>PIU</li> <li>GVT</li> <li>ADB/SNFO/TM</li> <li>GVT/DGP</li> </ul>	<ul style="list-style-type: none"> <li>- The new procedures warrant the formulation of procurement plans.</li> <li>- New standard documents will be disseminated during the second half of 2009.</li> <li>- A training course on procurement was organized by the Bank in Dakar from 2 to 7 March 2009 (2 persons from CV).</li> <li>- Possibility of bringing together PIUs from Portuguese-speaking countries under the aegis of EADI.</li> <li>- No PIU currently has a procurement specialist.</li> <li>- Possibility of specific recruitment of individual consultants to draw up specific TORs.</li> <li>- Persistent difficulties in convening commissions due to members' work load.</li> <li>- Close cooperation required between PIU/TM/SNFO.</li> <li>- Encourage networking and experience-sharing.</li> </ul>
<p>Long deadlines in processing dossiers by the ADB</p>	<ul style="list-style-type: none"> <li>- Give priority to informal exchanges by e-mail prior to official transmission and develop the electronic notification of notices of non-objection.</li> <li>- Finalize the implementation of new rules and encourage the accreditation of project officers.</li> <li>- Gradually designate SNFO experts as project officers.</li> <li>- Develop the ex-post review system in the long run.</li> </ul>	<ul style="list-style-type: none"> <li>- Permanently</li> <li>- Permanently</li> <li>- In the course of 2009</li> <li>- End of 2009</li> <li>- Design</li> </ul>	<ul style="list-style-type: none"> <li>PIU/TM ADB/SNFO</li> <li>ADB</li> <li>ADB/ORPF</li> <li>ADB/SNFO</li> <li>ADB</li> </ul>	<ul style="list-style-type: none"> <li>- Several official documents are henceforth transmitted by e-mail.</li> <li>- Aim at timeframes not exceeding 25 days.</li> <li>- Ongoing process.</li> <li>- Current increase in SNFO staff; 3 procurement experts will be seconded to SNFO in 2009.</li> <li>- Set thresholds based on experience.</li> </ul>

<b>Weaknesses in Quality at Entry of Operations</b>				
Timeframe and quality of preparation at times inadequate	<ul style="list-style-type: none"> <li>- Facilitate access to funds meant for the preparation of projects and prerequisite feasibility studies.</li> <li>- Take into account the country's specificities and insularity-related constraints during design.</li> <li>- Provide for the establishment of the baseline during preparatory studies or at operations start-up</li> <li>- During preparation, designate a focal point of the technical ministry and, if possible, the project officers.</li> <li>- Systematize broad-based negotiations involving all relevant services.</li> </ul>	<ul style="list-style-type: none"> <li>- Permanently</li> <li>- Preparation</li> <li>- Preparation/ Start-up</li> <li>- Preparation</li> <li>- Negotiations</li> </ul>	<p>ADB/SNFO</p> <p>ADB/GVT</p> <p>ADB/GVT/PIU</p> <p>GVT/TM</p> <p>GVT/ADB/SNFO</p>	<ul style="list-style-type: none"> <li>- Increased recourse to bilateral funds, AWF, FPPI, AFAP, UN agencies, PPF, etc.</li> <li>- Importance of the quality of preparatory studies.</li> <li>- Reference data available for the monitoring/evaluation system.</li> <li>- Concern for ownership of operations and expectation in implementation.</li> <li>- Possibility of organizing negotiations from Dakar by video-conference.</li> </ul>
Delay in fulfilling conditions precedent to first disbursement	<ul style="list-style-type: none"> <li>- During set up, ensure that prerequisite conditions are realistic and limited in number.</li> <li>- Monitor the implementation status of other conditions in progress reports and during supervision missions.</li> </ul>	<ul style="list-style-type: none"> <li>- Project preparation</li> <li>- Each quarter</li> </ul>	<p>ADB/GVT</p> <p>PIU/GVT/ADB</p>	<ul style="list-style-type: none"> <li>- ADB has reduced the number of conditions to be fulfilled and shortened fulfilment timeframes.</li> <li>- PIUs should periodically provide information on the other conditions.</li> </ul>
Increased difficulties and constraints for co-financed projects	<ul style="list-style-type: none"> <li>- Ensure proper coordination of financial partners and clarification of procedures used.</li> <li>- Encourage joint launching and supervision missions.</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation/ start-up</li> <li>- Start-up/ permanently</li> </ul>	<p>GVT/ADB</p> <p>GVT/ADB/ partners</p>	<ul style="list-style-type: none"> <li>- 2 portfolio projects have been co-financed.</li> <li>- Joint missions were organized for the 2 portfolio projects concerned.</li> </ul>
<b>Weaknesses in Operational Mechanisms and Communication</b>				
Weaknesses in the internal monitoring/evaluation mechanisms	<ul style="list-style-type: none"> <li>- Within projects, establish an adequate M&amp;E system and resort to an M&amp;E specialist, if need be.</li> <li>- Provide information on progress achieved with respect to key indicators in progress reports.</li> <li>- Reflect on current M&amp;E systems and provide common tools for results follow-up.</li> <li>- Systematically prepare project completion reports within stipulated timeframes.</li> </ul>	<ul style="list-style-type: none"> <li>- Start of project</li> <li>- Each quarter</li> <li>- In the course of 2009</li> <li>- Closure</li> </ul>	<p>DGP/PIU</p> <p>PIU</p> <p>ADB/SNFO</p> <p>ADB/SNFO</p>	<ul style="list-style-type: none"> <li>- Ongoing projects do not have human and financial resources for M&amp;E.</li> <li>- Progress has to be made on information contained in progress reports.</li> <li>- Reflection carried on at the headquarters through a new department (ORQR).</li> <li>- 1 PCR should be produced in 2009: PAISE.</li> </ul>
Weaknesses in the communication and work circuits	<ul style="list-style-type: none"> <li>- Organize efficient work circuits between the country/headquarters/SNFO, and ensure the sustainability of service whenever TMs are changed.</li> <li>- Disseminate working documents and tools in Portuguese.</li> <li>- Pursue launching and supervision efforts, and intensify SNFO involvement.</li> <li>- Tap more systematically from quarterly reports.</li> </ul>	<ul style="list-style-type: none"> <li>- End of 2009</li> <li>- 2010</li> <li>- Permanently</li> <li>- Permanently</li> </ul>	<p>GVT/ADB/ SNFO/PIU</p> <p>ADB</p> <p>ADB</p> <p>ADB/TM</p>	<ul style="list-style-type: none"> <li>- Progress underway, via Internet, telephone, support missions, trips to headquarter and SNFO.</li> <li>- Provide for tools specific to Portuguese-speaking countries; one Portuguese-speaking expert will be recruited at SNFO in 2009.</li> <li>- Widen the range of skills within multi-disciplinary missions.</li> <li>- Produce quarterly reports on monitoring tools.</li> </ul>

<b>Weaknesses in Financial Management and Disbursements</b>				
Late establishment or absence of accounting systems	- Ensure that accounting software and procedures manuals are put in place at project start-up	- Project start-up	GVT/PIU	- Some projects are currently working on Excel file.
Delay in conducting audits	- Ensure proper audit programming. - Organize, twice a year, a meeting of ADB projects and establish the status of audits on that occasion. - Keep a scoreboard to monitor the audit conduct process.	- Permanently - 2nd half of 2009 - 2nd half of 2009	DGP/PIU DGP/PIU DGP/SNFO	- Audits for 2008 were not transmitted as at 30/06/09. - The principle of holding periodic half-yearly meetings was accepted by DGP. - A financial expert from ORPF2/SNFO will be seconded in 2009 for follow-up.
Delay in payments, especially the revolving funds	- Properly document payment requests and ensure their compliance. - Reduce deadlines for the processing of payment requests as much as possible, in particular for revolving funds - Transmit, on a monthly basis, the inventory of disbursements to PIUs.	- Permanently  - Permanently  - End of 2009	PIU  ADB  SNFO/ADB	- An information brief on errors to avoid will be transmitted by SNFO to PIUs in August 2009. - A maximum deadline of 3 weeks should be sought.  - In the long run, on-line connection preferred.

**ANNEX 2B: SPECIFIC PROBLEMS**

<i>Problems identified by Operation</i>	<i>Actions to Take</i>	<i>Deadline</i>	<i>Responsibility</i>	<i>Implementation Status/Remarks (July 2009)</i>
<b>1/ Picos and Engenhos Catchment Basins Development and Enhancement Project</b>				
<ul style="list-style-type: none"> <li>- Numerous changes of Task Managers (4)</li> <li>- Long deadlines for dossier processing and notices of non-objection</li> <li>- Difficulties encountered by the contractor responsible for building the mobilization works (component A)</li> <li>- Difficulties encountered in the implementation of the credit sub-component</li> <li>- Difficulties encountered in the livestock sub-component (animal import)</li> <li>- Absence of an adequate monitoring/evaluation system</li> <li>- Enhancement of developments not guaranteed at project closure</li> <li>- Delayed project performance appraised by a mid-term review</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure sustainability during changes of TMs and provide for increased involvement of SNFO</li> <li>- Expedite the processing of procurement documents; involve SNFO in the processing of documents; optimize processing circuits</li> <li>- Enforce compliance with the recent schedule agreed upon during the May 2009 supervision mission, with a view to completing the works latest April 2010</li> <li>- Be more selective in the choice of projects; prioritize irrigation activities; redirect if need be</li> <li>- Make changes and take measures necessary to curb risks; redirect methods of operation if need be</li> <li>- Provide for minimal resources to ensure more efficient M&amp;E of developed sites</li> <li>- Provide for post-closure attendant measures for farmers</li> <li>- Benefit from the outcomes of the mid-term review, and readjust certain activities and revise the LBS if need be</li> </ul>	<ul style="list-style-type: none"> <li>- Permanently</li> <li>- Permanently</li> <li>- 2nd half of 2009, and 1st quarter of 2010</li> <li>- 2nd half of 2009, and 2010</li> <li>- 2nd half of 2009, and 2010</li> <li>- 2nd half of 2009 and 2011</li> <li>- 2nd half of 2009</li> </ul>	<ul style="list-style-type: none"> <li>ADB/SNFO</li> <li>ADB/SNFO/TM</li> <li>PIU</li> <li>GVT/PIU</li> <li>GVT/PIU</li> <li>GVT/ADB</li> <li>GVT/MADRRM</li> <li>GVT/PIU/ADB</li> </ul>	<ul style="list-style-type: none"> <li>- An SNFO environmental expert recruited in September 2009, will ensure project monitoring</li> <li>- Improvements are underway</li> <li>- Difficult work site conditions: dispersal of sites, rains for 3 months running, movement of tractors hampered by on-farm crops</li> <li>- 111 micro-projects financed till date, low reimbursement rate</li> <li>- High mortality rate for imported animals</li> <li>- Baseline not well established</li> <li>- Delays in the execution of works entail a slippage in enhancement activities</li> <li>- Final restitution workshop scheduled for the end of July 2009</li> </ul>
<b>2/ Education Sector Institutional Support Project</b>				
<ul style="list-style-type: none"> <li>- No major problems, initial objectives exceeded</li> <li>- Some delays observed in disbursements, including the last revolving fund (RF6)</li> <li>- Completion report to be produced at project closure</li> </ul>	<ul style="list-style-type: none"> <li>- Further enhance and capitalize on the positive results obtained</li> <li>- Properly document the rationale for the revolving funds</li> <li>- Expedite the processing of the last revolving fund</li> <li>- Schedule a completion mission for the last quarter of 2009</li> </ul>	<ul style="list-style-type: none"> <li>- End of 2009</li> <li>- Permanently</li> <li>- July 2009</li> <li>- 4th quarter of 2009</li> </ul>	<ul style="list-style-type: none"> <li>GVT/PIU</li> <li>PIU</li> <li>ADB/FFCO3</li> <li>- ADB/GVT/PIU</li> </ul>	<ul style="list-style-type: none"> <li>- Significant impact on improvement of the distance learning system</li> <li>- Delay in processing revolving fund 6 will likely be detrimental to the implementation of additional training courses envisaged</li> <li>- Mission already programmed</li> </ul>

<b>3/ Institutional Support – Poverty Reduction Strategy Budget Support Programme (PRSSP-I)</b>				
<ul style="list-style-type: none"> <li>- Difficulties and delays in start-up, progress reports not submitted</li> <li>- Delays in the processing of payment requests, especially for the revolving funds</li> <li>- Implementation delays</li> <li>- State counterpart contribution not paid in 2009</li> </ul>	<ul style="list-style-type: none"> <li>- Continue to regularly forward progress reports</li> <li>- Expedite the processing of payment requests</li> <li>- Properly document payment requests</li> <li>- Extend closure date by 6 months and revise the LBS; extend the RAF contract</li> <li>- Establish an information system for the evaluation of MDG and PRGSP indicators, in conjunction with INE</li> <li>- Include the outstanding contribution balance in the 2009 budget</li> </ul>	<ul style="list-style-type: none"> <li>- Each quarter</li> <li>- Permanently</li> <li>- Permanently</li> <li>- 3rd quarter of 2009</li> <li>- 2nd half of 2009</li> <li>- 2nd half of 2009</li> </ul>	<ul style="list-style-type: none"> <li>PIU</li> <li>ADB/FFCO3 PIU</li> <li>GVT/DGP/ADB</li> <li>GVT/DGP/INE/PIU</li> <li>GVT</li> </ul>	<ul style="list-style-type: none"> <li>- Improvements recorded since 2008, with the recruitment of the RAF</li> <li>- Progress recorded</li> <li>- Mail forwarded to the Bank in July 2009</li> <li>- Coordination with INE will follow</li> <li>- The State disbursed 66% of its commitments</li> </ul>
<b>4/ Santiago Island Electricity Production, Transportation and Distribution Capacity Building Project</b>				
<ul style="list-style-type: none"> <li>- Communication difficulties at project start-up and in the procurement and disbursement processes</li> <li>- Inadequate knowledge of JICA disbursement procedures</li> <li>- Delays in the procurement process</li> <li>- Difficulties in implementing the compensation process</li> <li>- Absence of monitoring/evaluation mechanism</li> </ul>	<ul style="list-style-type: none"> <li>- Promote contacts and establish efficient work and communication circuits with a view to finding solutions to pending problems</li> <li>- Support the training of PIU workers</li> <li>- Properly document payment requests</li> <li>- Follow up the ongoing amendment to the JICA Loan Agreement, pertaining to documentary credit payment modalities</li> <li>- Support JICA disbursements</li> <li>- Rigorously implement the procurement plan as revised during the supervision of June 2009</li> <li>- Pursue measures taken to implement the compensation plan</li> <li>- Provide the PIU with resources that allow for the establishment of an M&amp;E system</li> </ul>	<ul style="list-style-type: none"> <li>- Start-up/ permanently</li> <li>- Start-up/ permanently</li> <li>- 3rd quarter of 2009</li> <li>- Permanently</li> <li>- 2nd half of 2009</li> <li>- 2nd half of 2009</li> <li>- End of 2009</li> </ul>	<ul style="list-style-type: none"> <li>PIU/TM</li> <li>ADB PIU GVT/ADB</li> <li>ADB PIU/TM</li> <li>GVT/PIU</li> <li>GVT/ADB</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing improvements: PIU mission in May 2009 in Tunis and supervision mission at the end of June 2009</li> <li>- 1 project worker attended the training workshop organized in Dakar in March 2009</li> <li>- Joint JICA/ADB mission in June 2009</li> <li>- Management of JICA loan ensured by ADB</li> <li>- 3 procurements out of 12 completed, others are ongoing; works start-up expected during the 4th quarter of 2009</li> <li>- Difficulties related to the absence of official documents, high cost of land titles and identification of heirs</li> <li>- PIU should be upgraded, given the work load and its involvement in the management of several projects</li> </ul>
<b>5/ Poverty Reduction Strategy Budget Support Programme (PRSSP-II)</b>				
<ul style="list-style-type: none"> <li>- No particular problem for such budget support</li> <li>- Second tranche of UA 1.63 million to be disbursed at the beginning of 2010</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure fulfilment of all conditions laid down for the disbursement of the second tranche</li> </ul>	<ul style="list-style-type: none"> <li>- 2nd half of 2009</li> </ul>	<ul style="list-style-type: none"> <li>GVT</li> </ul>	<ul style="list-style-type: none"> <li>- 1st tranche of UA 3.37 M. disbursed in March 2009</li> <li>- Only a single condition had to be fulfilled in July 2009</li> </ul>