



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs

Mid-term review of the Cape Verde Indicative Cooperation Programme (ICP)

Executive summary

The Ministry of Foreign Affairs Directorate for Development Cooperation has launched, in 2013, a Mid-term review (MTR) of the Cape Verde 2011-2015 Indicative Cooperation Programme (ICP) to appreciate the contribution of the ICP to the Cape Verde's socioeconomic development and poverty reduction.

The partnership between the two countries dates back to 1975 (Cape Verde's independence), while the development cooperation has accelerated since 1987. The Cape Verde 2011-2015 ICP is the third ICP between the two countries (the first ICP was launched in 2002)¹.

The ICP provides a budget of 60 million euros (over the 2011-2015 period) to provide support to Cape Verde's development through the implementation of over twenty projects and programmes in four main areas (Axis 1: Education, Vocational Training and Employment, Axis 2: Water and Sanitation coupled with Renewable Energy, Axis 3: Health and School Canteens, Axis 4: Food Security).

The main projects and programmes include: (i) bilateral projects implemented by Lux-Development Agency in all four areas, (ii) sectorial budgetary support for education, vocational training and employment, (iii) a microfinance project executed by a non-governmental organization ADA, (iv) Studies and Technical Assistance Fund and (v) two projects (national employment strategy and school nutrition) executed by the United Nations Joint Programme.

The ICP highlights the need for the projects to integrate the three horizontal themes, as well as the cooperation principles regarding the aid effectiveness agenda².

The MTR was mandated to the independent consulting company EY (Ernst & Young) in collaboration with PD Consult, based in Cape Verde.

The MTR took place between July and November 2013 and has followed three main phases:

- ▶ (i) Elaboration of the methodological framework,
- ▶ (ii) Field mission in Cape Verde between 3rd and 17th of September 2013 which facilitated the meeting between the representatives of the Luxembourg Development Cooperation (Ministry of Foreign Affairs, Lux-Development), the Cape Verdean authorities (ministries, partner institutions, local authorities), the civil society organisations and other development partners (bilateral and multilateral)
- ▶ (iii) Elaboration of preliminary conclusions and recommendations that were discussed during a meeting held on the 23rd of October 2013.

The MTR praises the positive contribution of the ICP interventions regarding Cape Verde development. The ICP's alignment with the Cape Verde's government development vision expressed in the transformation agenda, and the Growth and Poverty Reduction Strategy Paper (GPRSP) III (2012-2016), helps to ensure that the needs of the population are adequately covered by ICP interventions.

The Cape Verde's development policy, which aims at reducing poverty and transforming Cape Verde into an internationally competitive economy through the development of seven economic clusters³, is considered relevant, legitimate, and somewhat ambitious taking into account the institutional capacities and the deteriorated macroeconomic outlook (simultaneous drop in tax revenues and donor grants).

¹ The 1st ICP, with a budget of 33.5 € million, financed interventions in the field of education, health, water and food aid, mainly on the Santo Antao, Santiago and Sao Nicolau islands. The 2nd ICP, with a budget of 45 € million, continued the support in the four areas and covered all Cape Verde's territory.

² Ownership, alignment, harmonisation, result based management, mutual accountability, sectoral focus, lead donorship and delegated cooperation/partnership arrangements, use of local expertise and participation of civil society.

³ Maritime services, air transportation, information and communication technologies, finance, tourism, culture, agriculture.

Despite the Cape Verde's transition to an upper middle income country in 2008, the country faces several challenges, such as income disparity or unemployment, especially among the young population (that accounts for 50% of the total labour supply).

Those factors enhance the relevancy of the Luxembourg Development Cooperation's original positioning as a donor, providing grants to support human capital development through programmes targeted at institutional support, whilst the majority of the Cape Verde development partners tend to replace grants with loans or progressively withdraw their development cooperation.

The ICPs focus on three main areas is credible, coherent and positively contributes to the division of labour. It adequately addresses the need to concentrate financial resources on priority areas in order to obtain tangible results and the opportunity to enhance the particular comparative strengths of the Luxembourg Development Cooperation.

The following highlights have been identified in the main areas of cooperation:

- ▶ **Education, Vocational Training and Employment:** the ICP interventions provided a holistic and horizontal support to Cape Verde's human capital development strategy, mainly through the development of an integrated policy for education, vocational training and employment that should improve the access to employment, especially for young Cape Verdeans. In order to ensure the sustainability of the integrated policy, the MTR recommends to accompany the Cape Verde's government efforts to ensure adequate financial resources are available to implement the policy – both internal public resources (such as the new Fund for Vocational Training), as well as external resources, such as private sector funding.
- ▶ **Water and Sanitation:** the ICP interventions provided support to the ongoing water and sanitation reform efforts that will result in the creation of the Water Agency and the implementation of the Action Plan for an Integrated Water Resources Management. The ICP's intervention backed the creation of the national coordination mechanism, under the leadership of the Ministry of Environment. If the reform efforts continue according to the plan, the MTR advises Luxembourg to consider providing further support to water and sanitation through sectorial budgetary support.
- ▶ **Health:** the Luxembourg Development Cooperation in this area comprised a project aimed at promoting health in schools by contributing to the implementation of the National School Health Programme and the National School Feeding. The MTR notes that the project, that dates back to the 1st ICP, is highly relevant (significant needs but low presence of other donors), but its implementation was hampered by weak political involvement of Cape Verdean authorities and it failed to generate expected results. The MTR proposes to analyse the opportunity to continue the project based on the potential improvements achieved, thanks to the introduction of the new institutional arrangements and the effective implementation of the inter-ministerial coordination mechanism. Alternatively, the ICP could support interventions in other health-related areas, such as management of health institutions (institutional capacity building, healthcare quality, equipment, etc.).
- ▶ **Food security:** since 1991, Luxembourg has provided food aid to Cape Verde. The money from selling the wheat went into a counterpart fund used to finance welfare projects (implemented by municipalities and NGOs). At the time of the MTR, a new food security mechanism has been agreed in order to untie the Luxembourg's support and to ensure that the funds are not used to political purposes. The new approach which is more in line with the Luxembourg Development Cooperation food security strategy, will, apart from providing food aid (necessary taking into account the Cape Verde's dependence on imports), finance projects directly aimed at improving food security.

The 3rd ICP can be considered as a « transition ICP” from the project based approach, used by the Luxembourg Development Cooperation until recently, for programme and sectorial approaches, with some prudent use of new aid modalities, such as sectorial budgetary support

in the field of vocational training, a triangular cooperation project and the Fund for Studies and Technical Assistance.

However, the use of traditional aid modalities (grants, projects) is still relevant in Cape Verde, which is still a poor middle-income country that faces numerous structural challenges at the time of the international economic slowdown.

The ICP's mix of aid modalities seems therefore coherent and realistic, taking into account the limited experience of the Luxembourg Development Cooperation with the new aid modalities and the need to maintain the continuity of the support provided in different areas. In order to better respond to the Cape Verde's needs and challenges - the MTR proposes the following developments:

- ▶ **Strengthen the budgetary support** – taking into account the solid financial governance and management capacities and the existence of sectorial strategies in the areas supported by Luxembourg (Vocational Training and Water and Sanitation). In order to ensure the adequate monitoring of the budgetary support, it seems crucial to closely follow up Cape Verde's capacity to put into place and adequately finance a GPRSP III monitoring framework. Luxembourg could also envisage elaborating a strategy to better define the objectives and principles underlying the use of the budgetary support in partner countries.
- ▶ Envisage providing **direct support to civil society and local authorities** through approaches yet to be analysed. These stakeholders play an important role in the sustainable development of Cap Verde, yet they have been weakly involved in the ICP's drafting and implementation.
- ▶ **Clarify the principles underlying the use of the Fund for Studies and Technical Assistance** and target the use of available funds towards: (i) areas such as the seven economic clusters identified in the GPRSP III, (ii) identification of new cooperation sectors (in order to strengthen the complementarity between the Fund and the other ICP interventions), or (iii) activities targeted at populations or needs insufficiently covered by the ICP (vulnerable population, civil society).

The ICP is governed through several administrations: the Partnership Commission which institutionalizes the political dialogue and provides a framework for global ICP monitoring. The existence of the Luxembourg Embassy in Praia facilitates daily contacts at strategic and operational level between the two partners. The implementation of the ICP interventions is monitored by the steering committee, co-chaired by the ambassadorial chargé d'affaires a.i..

The governance and organization at the project level is adequate and based on the principle of mutual accountability. However, apart from the budgetary support, the ICP interventions seem weakly aligned on the national systems.

The Cape Verdean representatives implicated in the implementation of the ICP interventions are predominantly high-level government officers, however the decision making responsibilities could be usefully delegated to a middle-management level. The participation of the Cape Verde representatives to the implementation of more complex ICP interventions (budgetary support, policy elaboration, etc.) was considered burdensome and time-consuming.

The division of responsibilities between the Embassy, in charge of the political and strategic aspects of cooperation and the Lux-Development, dealing with operational implementation of the ICP, was modified as a consequence of the introduction of new aid modalities, such as programme approaches, which consist in providing direct support and advice to high-level political representatives (ministers). This shift blurs the line concerning the division of labour between the two partners. This situation may be seen as an opportunity to exploit the complementarities between the political and operational level, but it may also cause confusion vis-à-vis the external partners.

The human resources mobilised by Luxembourg seem adequate to ensure the ICP's implementation and monitoring, in particular in the case of the Lux-Development, while the Embassy staff may experience more pressure to ensure the adequate monitoring of ICP's and their subsequent political representation in the ICP steering committees.

The MTR recommends completing the Protocol between the State and Lux-Development⁴ in order to clarify the roles of the two stakeholders and adapt the Protocol to the specific context of Cape Verde (definition of the competences of each actor and if necessary acting the existence of shared competences and their use in different types of projects and circumstances). In order to facilitate the ICP's monitoring by the Embassy, it seems important to organize and codify the sharing of information.

The ICP's monitoring and evaluation are adequately developed at the level of individual projects and programmes. However, the ICP's performance framework is too basic and does not allow linking the ICP's expected results with the Cap Verde's objectives. The MTR proposes to strengthen the programmatic approach of the future ICPs and the monitoring and evaluation framework in general through the following objectives: (i) specify the expected results for each ICP's area of intervention, (ii) elaborate a performance evaluation matrix including relevant indicators that should be also used at the project level (outcome indicators) or monitored by the Cape Verde (impact indicators)⁵.

⁴ The Protocol defining the roles and responsibilities of the ministry and its operational agency was revised in 2012.

⁵ GPRSP III defines several indicators that should be monitored by Cape Verde authorities (it is not yet the case). Those indicators could be used by the Luxembourg's development cooperation to monitor the results in the main cooperation areas.