

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.

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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 Staffs of the International Monetary Fund and
the International Development Association

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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 subsequently decided to delay the completion of the PRSP until the second quarter of 2004, and informed the Boards of the IMF and IDA of progress made in a first PRSP preparation status report (PRSP PSR)¹. The accompanying Joint Staff Assessment (JSA) concurred with the authorities' views that more time was needed for the completion of work on the poverty profile, poverty indicators, policy prioritization, program costing, and the incorporation of feedback from the later rounds of consultations.
2. The Council of Ministers reviewed a first draft of the PRSP in April 2004 and the authorities have shared it with stakeholders, including Bank and Fund staff. However, as the PRSP has not been finished within one year of the initial PRSP PSR, the authorities have prepared a second 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

¹ World Bank Report No. 26079-CV; International Monetary Fund document EBD/03/52 (June 11, 2003).

for completion, and notes that progress has been made in most of the areas previously identified by the staffs as needing additional work.

3. Staff agree that the second PSR provides an accurate description of the process since the initial PSR, and that progress on the PRSP has been substantial. The executive secretariat for the PRSP, the STAD (formerly known as the Poverty Observatory), has recruited two staff and is operational. The poverty analysis, which has been responsible for much of the delay in preparation of the draft, is well developed, and has been informed by the finalization of national income and product accounts through 2000. Some sector strategies have been presented in greater detail. There is also a useful discussion of its administrative capabilities on the basis of the recently completed general Public Expenditure Review (PER) that focused on education, health, and agriculture, and the Country Financial Accountability Assessment (CFAA). An action plan for the latter has been elaborated, and is guiding the implementation of key recommendations.

4. Staff also agree with the second PSR's diagnostic of where further work needs to be conducted. As was evident from the draft PRSP, there is a need to strengthen some of the linkages between the sectoral and national strategies and to develop critical components of the PRSP. The PSR acknowledges gaps in the macroeconomic framework, the costing exercise for the poverty reduction strategy, and a framework for monitoring and evaluation.

5. The authorities are taking actions needed to address the gaps evident in the draft PRSP. The computer model which had been expected to serve as the key tool in developing the macro framework proved to be better adapted to analysis of the long term than of the medium term, and the authorities have secured assistance from the Fund in developing a medium-term framework for inclusion in the PRSP. The costing exercise has taken longer than originally foreseen, due to an emphasis on participation from the sector ministries, which the staff support. The framework for monitoring and evaluation will tap existing capacities, including strong parliamentary accountability and community-based participatory mechanisms, while improvements will be sought to reinforce the role of an independent court of accounts.

6. The remaining PRSP preparation process will focus on pulling together the final document, and on winning endorsement from the National Coordination Committee for the PRSP, the Council of Ministers, and domestic and external stakeholders. The authorities' schedule for completing the document appears realistic. They expect to complete a final (Portuguese) draft in July 2004, with the necessary approvals to be gained soon thereafter.

7. The staffs of the World Bank and IMF consider that progress on the development of the full PRSP, as evidenced by the PRSP PSR, 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.