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IFAD**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT****Executive Board – Eightieth Session**

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**IMPLEMENTATION OF THE FIRST CYCLE
OF THE
RURAL POVERTY ALLEVIATION PROGRAMME IN CAPE VERDE
FINANCED UNDER THE FLEXIBLE LENDING MECHANISM**

1. The Executive Board approved the creation of the Flexible Lending Mechanism (FLM) at its Sixty-Fourth Session in September 1998. A loan provided under the FLM differs from a standard IFAD loan in that it has:

- a longer repayment period to allow for the achievement of sustainable development objectives;
- a continuous and evolving design process through implementation of distinct, three-to-four-year cycles; and
- clearly defined preconditions, or ‘triggers’, for proceeding to subsequent cycles.

2. Paragraph 13 of the report on the establishment of the FLM (document EB 98/64/R.9/Rev.1) stipulates that “for each FLM loan, and prior to the end of each cycle, IFAD management will decide whether to proceed to, cancel, or delay subsequent cycles. Management will inform the Board accordingly. The document presented to the Board will set out the lessons learned from initial cycles and their incorporation into subsequent cycles, the attainment of physical targets, progress towards meeting long-term development objectives, and achievement of the pre-conditions stipulated in the loan agreements.”

3. This information paper reports on the progress of the Rural Poverty Alleviation Programme in achieving the first-cycle triggers. Its contents are based on several sources: the report of the most recent United Nations Office for Project Services supervision mission (July 2003); a first-cycle activities report prepared by programme staff (October 2003); and the preliminary findings of an IFAD-organized first-cycle assessment mission that took place in October 2003 (which also included a participatory stakeholder workshop on 29-30 October). The assessment mission included IFAD staff members from the Western and Central Africa Division, Technical Advisory Division and Office of the General Counsel, and a team of consultants.

I. BACKGROUND

4. The Rural Poverty Alleviation Programme (PLPR) was approved by the Executive Board in September 1999 and was the second loan funded under the FLM. The loan has a nine-year duration and includes three distinct cycles of three years each.

5. The PLPR seeks to increase the social capital of rural poor people in Cape Verde by mobilizing local communities, their leaders, civil-society partners and government to tackle rural poverty, and by empowering communities to make decisions about the use of resources. Although national in scope, the programme is initially limited to the islands of Brava, Fogo, Santo Antão and São Nicolau, and two municipalities on Santiago – the country’s largest island. These islands were selected because of their predominant rural populations, and in fact over two thirds of the country’s rural poor live in the programme area.

6. The main objectives of the programme’s first cycle were to set up institutions, mechanisms and procedures, and ensure their workability; and initiate a limited number of community-based microprojects. The second cycle will continue to strengthen the institutional framework and further empower grass-roots organizations, while also endeavouring to improve the quality of microproject delivery. The third and final cycle will focus on consolidating achievements and implementing an appropriate exit strategy to ensure the sustainability of programme-supported operations.

7. The programme has the following components:

- **Local poverty reduction programme fund.** A development fund has been established to finance three-year local poverty reduction programmes on the five islands. Under these programmes, microprojects are financed in the areas of social infrastructure and income-generation. Local communities decide which microprojects to implement based on their own priorities, and subsequently develop them themselves.
- **Demonstration activities.** Various microprojects are underway in the programme area to sensitize communities to the programme’s social mobilization approach and to introduce innovative technical approaches for undertaking rural development activities.
- **Animation and training.** Field-based community mobilization agents have been recruited and local non-governmental organizations contracted to help regional commissions of partners and community development associations devise local development plans, and design and carry out microprojects.
- **Programme management.** The investments and recurrent costs of the PLPR programme coordinating unit (‘the programme desk’) and the operating costs of the regional technical support units are supported under this component. The programme desk operates under the overall coordination of the National Poverty Alleviation Programme. Provision has also been made for the establishment of a monitoring and evaluation system.

II. PROGRAMME ACHIEVEMENTS DURING THE FIRST CYCLE

8. The programme was declared effective in July 2000. During its first three years (July 2000 to mid-2003), corresponding to the first FLM cycle, the programme made institutional arrangements for carrying out its activities nationally and on the five target islands.

9. Key activities undertaken to date include:

- A programme desk has been established at the national level within the administrative framework of the National Poverty Alleviation Programme.
- Regional commissions of partners (CRPs) have been set up on each of the five islands to plan and oversee the design and implementation of community-level microprojects. To ensure inclusiveness, the CRPs are composed of a cross section of stakeholders: community representatives, non-governmental organizations, elected municipal officials, and civil servants.
- Each CRP has formulated and is implementing a three-year indicative investment plan, i.e. the local poverty reduction programme.
- A total of 105 community development associations have been mobilized, with a combined membership of 6 443, 51% of whom are women.
- These associations have thus far implemented 403 microprojects (with 75 of them having implemented at least one such project) in the areas of social housing, latrine construction, small-scale drip irrigation, artisanal fisheries, water capture, schoolroom construction and fruit-tree planting. They have directly benefited about 12 000 people (or 3 200 households).
- Training sessions and workshops have been organized for building and strengthening the programme's institutional framework at various levels. Related to this, an innovative North-South partnership has been established between a community development association in Portugal and the CRPs to increase the effectiveness of community mobilization and management of local development initiatives.

10. Of the overall IFAD loan of 6.95 million Special Drawing Rights (SDR), a total of SDR 1.93 million was allocated for the first cycle (2000-03). At end-September 2003, this entire amount had been disbursed. No significant disbursement delays have been encountered.

III. LESSONS LEARNED

11. A number of important lessons have been learned during the first cycle of the PLPR, as summarized below.

12. **Importance of an appropriate enabling framework and strong political commitment.** Compared with most developing countries, Cape Verde has a long history of sensitivity to poverty concerns. Given the climatic uncertainties and extremely poor natural resource base, labour-intensive public works programmes have been used as a social safety net since the country's independence in 1975. These programmes have transformed the countryside through reforestation works, rock terraces, check dams and other forms of infrastructure-related natural resource management. Because of inefficiencies in these programmes, however, the Government – with assistance from various development partners, including IFAD – is currently seeking to reorient them. What is clear is that public commitment to finding more effective ways to combat poverty is exceptionally strong in Cape Verde at the highest levels.

13. The Government is also strongly and irreversibly committed to democratization and decentralization. Transitions from one political party to another have been peaceful and democratic. Popularly elected municipal officials have been given decision-making power and the authority to raise local taxes; they also receive revenue transfers from the central government (although resource

levels are low). Such a conducive atmosphere increases the potential for highly innovative programmes such as the PLPR to achieve success in empowering local development actors.

14. **Potential strengths and limitations of a community-driven development approach.** The programme has adopted a strong community-driven development approach to prioritizing and implementing microprojects. Its creation of representative regional bodies (the CRPs) has been especially innovative and has heightened the sense of local ownership of planning and implementation processes far more than a classic approach could have. As a result, a large number of microprojects have been completed fairly quickly. Beneficiaries clearly appreciate the short time lapse between the formulation of local development plans and the attainment of concrete results, a level of efficiency not found in many development projects. All this represents a major first step towards sustainable local empowerment.

15. Communities obviously chose investments that were priorities for them. There was a strong preference for social housing. At first glance, an outsider with classic notions of what constitutes private and public goods may question this choice. However, many of the country's rural poor are sharecroppers or tenants rather than homeowners, so housing is viewed as a public good. At the community level, acceptable housing is strongly perceived as an element of social justice.

16. On a more negative note, communities tend to propose microprojects that will generate short-rather than medium- or long-term benefits. From a technical and managerial point of view, some of their proposed income-generating microprojects are substandard. Therefore, a major challenge during the second programme cycle will be to work with communities and CRPs to improve the technical quality of microprojects, without falling into a classic 'top-down' approach. Over the three years of the first cycle, a shift appears to have begun in the priority of investments identified by the communities, from social housing and short-term income-generating activities to more 'structured' social and economic operations involving linkages upstream and downstream (e.g. agro-processing and schools). This trend is the result of a continuous dialogue and learning process involving local, national and international partners.

17. Another major challenge will be to enhance partnerships at the municipal level. The CRPs were in essence created by the programme, and this has caused tension among some mayors and municipal assemblies. Time will be required to work out satisfactory arrangements in those municipalities. In other municipalities, local officials have welcomed the CRPs as important and effective representative mechanisms that give the rural poor the voice that they have long lacked. What is essential is that a flexible and open approach is taken, recognizing that solutions arrived at locally are the best.

18. **Relevance of the FLM approach.** The PLPR is highly innovative in that it attempts to establish strong community institutions and to foster their participation in higher-level representative organizations (the CRPs). These organizations serve as planning and decision-making bodies, and will continue to promote rural development and poverty reduction activities once the programme ends. The PLPR is also closely linked to the country's ongoing decentralization process, and seeks to achieve greater beneficiary participation in the selection and oversight of microproject service providers than has historically been the case in Cape Verde. At programme outset, it was understood that, because the most appropriate institutional architecture had yet to be determined, reaching these objectives would be a long-term process calling for considerable flexibility. It would also be essential to carry out periodic assessments and to adjust programme design as experience was gained. The FLM was thought to be the best-suited approach in these circumstances.

19. While the FLM appears to be an appropriate vehicle for improving programme effectiveness, it will clearly take time to strengthen programme-initiated institutions so that they can fulfil their roles effectively. The FLM approach has promoted a spirit of learning-by-doing at the national, regional and local levels. It has also fostered a strong social dynamic towards equitable social and economic

development. The choice of triggers – primarily relating to institutional development and local empowerment – has helped the programme prioritize and focus its activities correctly.

IV. ACHIEVEMENT OF FIRST-CYCLE TRIGGERS

20. The main objectives of the PLPR during the first cycle were to set up programme institutions, mechanisms and procedures, and ensure their workability; and develop a limited number of investment activities. These objectives are reflected in a set of eight triggers for proceeding from the first to second cycle. Each trigger is specified below, and information is provided on its status. Triggers (i) through (vi) relate to programme management, and triggers (vii) and (viii) to the implementation of field activities:

- (i) That a National Arbitration Commission has been established and is composed of beneficiary representatives, the Association of Mayors, non-governmental organizations and the Government.

The commission was established in October 1999, but never became operational and it was ultimately abolished in January 2001. To fulfil similar functions, the National Commission for Fighting Poverty was established in October 2003. Its mandate and composition are consistent with the loan agreement.

- (ii) That the programme desk is fully staffed and its operating procedures are established in accordance with the loan agreement.

The programme desk is fully functional and, as stipulated in the loan agreement, it operates under the general supervision of the National Poverty Alleviation Programme coordination unit.

- (iii) That loan withdrawal applications are promptly forwarded to the Fund.

As at end-September 2003, 19 withdrawal applications had been submitted to IFAD, constituting the total first-cycle allocation. No major processing delays were encountered.

- (iv) That government counterpart funds are released to the programme account on schedule.

According to the loan agreement (Section 3.07(b)), the Government was to replenish funds regularly in order to maintain the account at USD 70 000 equivalent during the first cycle. While some delays occurred, by end-October 2003 the Government had deposited the full Cape Verdean escudo equivalent of this amount (CVE 76 350 868) into the counterpart fund account.

- (v) That the principle of ex post control of the use of funds is applied.

Contracts provided by the PLPR to local operators for service delivery at field level have been based on approved annual workplans and budgets. Funds have been delivered to local operators in tranches upon presentation of justification of previously incurred expenses. Three annual audits have been completed on time, and none has discovered any major anomalies in the financial management of programme funds.

- (vi) That the implementation procedures manual for programme management during the second cycle has been drafted and contains procedures related to: financial mechanisms for transfer of funds from IFAD to the Borrower and to the CRPs through a framework

agreement and programme contract; accounting and procurement; and financial and activities reporting by the programme desk and the CRPs.

A draft procedures manual for the second cycle has recently been completed. The programme desk and the cooperating institution (United Nations Office for Project Services) will give priority over the next several months to finalizing and approving the manual, training programme stakeholders at all levels in its application, and clarifying the roles and prescribed operating procedures of respective actors.

- (vii) That at least 75% of programme demonstration activities have been implemented.

At design, 22 demonstration activities were foreseen (10 different types spread throughout the programme area). It is estimated that first-cycle demonstration activities represent approximately 150% of what was initially foreseen.

- (viii) That the training programme has been established.

This involved recruiting and training field-based community mobilization agents to help the CRPs and community development associations develop their local development plans and design and carry out microprojects. A number of local non-governmental organizations were also contracted to assist communities in project implementation. To support this effort, a community development association based in Portugal has provided technical assistance. This has contributed to building an effective partnership between the CRPs and similar local development associations based in Portugal.

21. In accordance with the above information, all the triggers have been achieved for proceeding from the programme's first to its second cycle. Yet, according to paragraph 9(e) of the September 1998 report on the FLM, "effective functioning and use of the monitoring and evaluation (M&E) system by management will be a pre-condition for proceeding to second and subsequent cycles". Although this was not included as a first-cycle trigger, the PLPR has established an M&E unit that produces regular reports. A trigger related to M&E will be included for proceeding from the second to the third programme cycle.

V. CONCLUSIONS AND RECOMMENDATION

22. The Cape Verde PLPR was one of the first IFAD loans to have been approved for funding under the FLM and the second to have achieved the first-cycle triggers (after the Sahelian Areas Development Fund Programme in Mali). In this particular case, the FLM has served its original purpose of compelling programme stakeholders – including IFAD staff and management – to focus greater attention on implementation effectiveness and on ensuring that there is a continuously evolving process of design based on experience. The fielding of a first-cycle assessment mission attests to an increased focus on implementation effectiveness. The mission was undertaken with strong participation of IFAD staff and other major partners, such as the United Nations Office for Project Services, representatives of local development associations in Portugal, and other resource persons and institutions. This is important, given the need for IFAD and its partners to enhance their capacity to learn from innovative implementation experiences.

23. The PLPR will now proceed to the second cycle, subject to agreement between IFAD and the Government of Cape Verde on an amendment to the loan agreement to: (i) allocate second-cycle loan resources (totalling SDR 2.5 million in the loan agreement) to the various expenditure categories; and (ii) adjust the triggers for proceeding from the second to the third cycle to take into account recent implementation experience and the need to assign high priority to impact monitoring.

