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Enabling poor rural people
to overcome poverty

Republic of Cape Verde

Implementation of the second cycle of the Rural Poverty Alleviation Programme financed under the Flexible Lending Mechanism

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Note to Executive Board Directors

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Abbreviations and acronyms

ACD	community development association
AWPB	annual workplan and budget
CRP	regional commission of partners
FLM	Flexible Lending Mechanism
M&E	monitoring and evaluation
PCU	programme coordination unit
PLLP	local poverty reduction programme
PLPR	Rural Poverty Alleviation Programme

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I. Introduction

1. The Executive Board approved the establishment of the Flexible Lending Mechanism (FLM) at its sixty-fourth session in September 1998. A loan provided under the FLM differs from a standard loan in that it has a longer loan 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 establishment of the FLM (EB 89/64/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. Accordingly, an information paper (EB 2003/80/INF.5) was presented to the Board at its eightieth session to report on the progress of the Rural Poverty Alleviation Programme (PLPR) in achieving the first-cycle triggers. It was concluded that all the triggers had been achieved for proceeding to the second cycle.
4. This information paper reports on the progress of the PLPR in achieving the second-cycle triggers. Like the previous information paper, its content is drawn from several sources: progress reports by the programme coordination unit (PCU), supervision reports prepared by the United Nations Office for Project Services, as cooperating institution, and the report of the inter-cycle review mission conducted jointly by IFAD and the Government of Cape Verde in July 2007. In addition to Government staff, this evaluation included staff members from IFAD's Western and Central Africa Division, Technical Advisory Division, Office of the General Counsel and Office of the Controller, as well as a team of independent consultants.

II. Background

5. The PLPR was approved by the Executive Board in September 1999 for funding under the FLM. The loan has a nine-year duration divided into three distinct cycles of three years each. 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 work together to combat rural poverty, and by empowering communities to make decisions on the allocation of financial resources. The initial PLPR area was limited to the islands of Brava, Fogo, Santo Antão and Sao Nicoláu, and two municipalities on the island of Santiago. The programme area was selected on the basis of the incidence and depth of rural poverty.
6. The main objective of the programme's second cycle is to consolidate and build on the achievements of the previous cycle by harnessing the institutions, mechanisms and procedures established, empowering grass-roots organizations and improving the quality of, and access to, community-based microprojects. The third cycle will focus on increasing the outreach of PLPR and

rendering its approach and instruments more efficient and effective, and on defining an exit strategy. It will focus on two dimensions: (i) consolidating the programme's strategic outlook; and (ii) replicating and scaling up successful interventions, including the new areas to be added.

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 (PLLPs) on five islands (to be expanded to up to seven islands during the third cycle). Under these programmes, microprojects are financed in the areas of community-based infrastructure and income-generation. Local communities decide which microprojects to fund based on their own needs and priorities, and subsequently formulate and implement the microprojects themselves.
 - **Demonstration activities.** Various microprojects are either completed or under way in the programme area to sensitize communities to the programme's social capital-building approach and to introduce and implement innovative community-focused technical interventions. These demonstration activities will also be launched in the new areas during the third cycle.
 - **Animation and training.** Field-based community mobilization agents have been recruited and local NGOs contracted to assist regional commissions of partners (CRPs) and community development associations (ACDs) devise local development plans, and design and execute microprojects.
 - **Programme management.** The PCU has been set up and equipped. Additional capacity in the areas of finance, and monitoring and evaluation (M&E), will be provided during the third cycle. The PCU operates under the overall coordination of the National Poverty Alleviation Programme and is setting up an M&E system.

III. Programme achievements during the second cycle

8. The PLPR was declared effective on 14 July 2000. The first cycle was completed successfully, as reported to the Executive Board (EB 2003/80/INF.5). In terms of building the social capital of the rural poor to enable them to overcome poverty, the establishment of the CRPs and ACDs constitute major first-cycle outcomes. During the second cycle, the programme achieved the following results:
- All five CRPs established under the first cycle function properly; they have successfully elaborated their PLLPs and implemented them through three-year framework agreements with the Government and the related annual contracts. The CRPs successfully channelled the funds to the ACDs and provided them with effective technical support. Field-based community mobilization agents have been recruited and local NGOs contracted to assist CRPs and ACDs devise local development plans and to design and execute microprojects. Financial controls for CRPs were implemented successfully, with quarterly reports issued, bank statements consolidated regularly and audits carried out twice a year. All CRPs provide annual reports to their general assemblies and to the PCU, which has deemed them satisfactory. Microprojects planned under the PLLPs have been contracted out to service providers that report regularly on implementation status, including

the final acceptance report. All management meetings have recorded minutes summarizing matters discussed and decisions. There is a trend to differentiate highly dynamic and entrepreneurial CRPs from others that continue to operate in a more isolated way. The third cycle should address this trend by developing the technical capacities of all CRPs and by fostering knowledge-sharing and learning among them.

- Some 177 ACDs were supported (as compared to 105 in the first cycle, and well above the appraisal target of 75), with some 14,000 members, representing 10,600 households and a total outreach of approximately 40,000 citizens of a total of 52,000 poor rural people. The penetration rate among the rural poor is approximately 77 per cent and needs to be improved, especially vis-à-vis young people. While some ACDs have shown a high capacity to absorb resources mobilized from a broad range of partners, others remain isolated. The third cycle should address this trend by ensuring that all ACDs develop their capacity and their ability to attract partners and the younger generation. ACDs should also learn from each other and share knowledge and experience.
- The PLLPs have proven to be an effective operational instrument. They played an important part in learning by the associations and microproject promoters, by enabling them to better articulate their needs through PLLP collective strategies and priorities and thus develop their potential for innovation and development. In addition to the 534 microprojects implemented during the first cycle, some 761 microprojects were financed and implemented in the context of the PLLPs during the second cycle, directly benefiting some 28,463 citizens. The microprojects are driven by the community, are of collective interest and address the specific needs of poorer groups, in particular women heads of household. They relate to basic social activities and infrastructure in 72 per cent of cases (access to water, sanitation, social housing, etc.) and income-generating activities in 28 per cent (small-scale irrigation, livestock, fisheries, processing and marketing, artisanal activities). By mobilizing the rural poor and their leaders and partners, the programme has contributed to unleashing the potential and initiative of communities and building strong momentum for empowerment and development. However, more needs to be done to foster innovation and initiative in order to effectively reduce poverty.
- The targeting approach, which consisted of a combination of area targeting (pockets of poverty) and intra-community targeting, was fully internalized by the community organizations and CRPs. As a result, the microprojects have effectively targeted poor people and vulnerable groups (women, especially single mothers; youth) in the communities. The microprojects, particularly those with a social purpose, have had a strong gender focus. However, women's participation in decision-making is still weak and needs to be enhanced during the third cycle.
- M&E arrangements have not been fully effective despite efforts made over the last year to establish a system based on self-evaluation by communities and the use of M&E as a learning tool.
- Considerable efforts have been made to establish and expand partnerships with a number of entities, many of which have also contributed cofinancing for certain PLLP interventions.

- At the policy and strategy levels, the programme has confirmed its relevance for, and effectiveness in, reducing poverty. The Government and the national and local partners have recognized that the programme has built institutional mechanisms for the rural poor and their organizations to effectively combat poverty. The Government has therefore requested that IFAD provide additional financing for the programme to expand its outreach to cover the rest of the country's rural poor, approximately 59,000 people.
9. Of the overall IFAD loan of 6.95 million special drawing rights (SDR), a total of SDR 4.43 million was allocated for the first two cycles. At the end of September 2007, this amount was 81 per cent disbursed. It is expected that it will be at least 90 per cent disbursed by the end of 2007.
 10. In view of the foregoing, the inter-cycle review mission considered that the programme has substantially delivered on the triggers. Six of seven triggers for entering the third cycle were either fully met or exceeded, and one trigger (M&E) was partially achieved. The programme will therefore proceed to the third cycle, and will be scaled up to become a national instrument for community-driven development and rural poverty reduction.

IV. Lessons learned

11. The lessons learned during the first cycle continue to be valid with regard to the importance of an appropriate enabling framework and political commitment, the strengths and limitations of the community-driven development approach, and the relevance of the FLM approach (EB 2003/80/INF.5). They have been incorporated into second-cycle implementation through the inter-cycle review and design mission, a number of implementation support and supervision exercises, and learning events. The additional lessons learned are summarized below, and have been incorporated into the design of the third cycle.

Institutional development

12. During the second cycle, the CRPs demonstrated their capacity to carry out their responsibilities ably and diligently, particularly with respect to the elaboration of PLLPs, facilitation and mobilization of ACDs, support for microproject selection and preparation, transfer of funds and financial management. The CRPs have also been active in partnership development and have positioned themselves as local/regional platforms for proactive, collective and democratic reflection and debate around poverty reduction issues. They have also played a major role in structuring and capacity-building of ACDs, as their major stakeholders.
13. Despite these impressive achievements, improvements are needed to further empower CRPs to enhance their performance and sustainability. More specifically, the CRPs should:
 - Develop a more outward-looking partnership strategy to mobilize more partnerships and resources and to harness and manage these under coherent PLLPs. To this end, CRPs should take a leadership role at the local level as a solid and viable partner of the Government, the private sector and donors in implementing the Government's poverty alleviation strategy and programmes. CRPs should also gain recognition so as to attract financing from bilateral and multilateral international institutions;
 - Internalize and improve innovation among CRPs to develop new partnerships, new poverty-reduction instruments or new orientations;

- Diversify their portfolio of microprojects strategically and technically by improving their capacity for microproject design, appraisal and implementation;
- Strengthen their M&E system to provide for learning and improve their planning and preparation of next-generation PLLPs;
- Develop, with the assistance of the PCU and other partners, a medium- and long-term staff and management training programme;
- Establish a network or forum of CRPs to improve efficiency and effectiveness through better learning and the development of best practices in community-driven development, and to influence development policies on poverty alleviation and local development at the national level;
- Further clarify and strengthen their relationship with the municipalities. Moreover, the CRPs need to exchange more information with municipalities during implementation of PLLPs and microprojects, to ensure that they conform to municipal rules and regulations.

Preparation and implementation of PLLPs

14. PLLPs are one of the most innovative instruments of the PLPR; they are prepared in a participatory manner with grass-roots institutions and partners (NGOs, municipalities, representatives of lead ministries, etc.). Each PLLP reflects its community's needs and responses to poverty alleviation. It has been observed that most CRPs have not yet developed the skills for PLLP preparation. During the third cycle, specific needs will be addressed with training and capacity-building, and cooperation will be promoted among CRPs to this end.

Diversity and quality of microprojects and absorptive capacity

15. During the second cycle, some 726 microprojects were implemented in addition to the 534 of the first cycle, far exceeding the appraisal objectives. Most of the microprojects address poverty reduction through standard technical options under a strong participatory and partnership approach, thus reinforcing ownership by the community and its partners. The time is now ripe to foster greater innovation in microprojects in terms of participation, technical content or implementation arrangements. Compared to previous plans, the third-cycle PLLPs emphasize the need to gear microprojects more towards income-generation and professional and vocational training. To further improve the quality of microprojects, CRPs and ACDs will be trained in the project cycle, either in partnership with specialized institutions within the country or through technical assistance. Turnover among microprojects remains modest when compared to the absorptive capacities of CRPs and ACDs, despite the strong quantitative achievements. It is therefore suggested that additional resources be mobilized through local, national and international partnerships in order to boost the growth of development activities at community level.

Targeting and gender mainstreaming

16. The two-tier programme approach – targeting the poorest municipalities and communities in combination with self-targeting within the communities – has proven to be highly effective in enabling the rural poor to access better services and build their capacity. The share of women as direct end-users of microprojects compared to men is highly satisfactory, especially for those in social areas such as housing and sanitation. However, women are underrepresented in the decision-making process (CRP and ACD managing committees). During the third cycle, women's participation in income-

generating microprojects and in decision-making will need to be improved. The coming PLLPs will include clear targets for gender mainstreaming, to be defined by the communities and their partners.

Partnership development

17. One of the fundamental thrusts of the PLPR strategy is to mobilize the community at large, civil society, local and central government, the private sector and international partners (e.g. the Portuguese association Associação Internacional para a Cooperação e o Desenvolvimento de Comunidades Rurais [ACVER], IFAD-financed projects in Brazil) to work together for poverty alleviation. Through its inclusive approach, the programme mobilizes and harnesses the energy, knowledge and resources of communities and their partners. During the second cycle, these partnerships were very effective and exceeded expectations, especially at the level of the ACDs, often leading to the mobilization of sizeable additional funds. At the CRP level, results are heterogeneous. Some CRPs have developed a large network of partners on which they rely for technical support, capacity-building and resources for cofunding microprojects, while others have developed limited linkages. Moreover, the relationship with municipalities, which was somewhat strained during the first cycle, has become more relaxed. The CRPs have not yet taken advantage of all the opportunities for economic partnerships with the private sector. The third cycle will need to include a more systematic and diversified approach to partnerships with the public sector, NGOs and the private sector, along with greater coordination with municipalities on field activities (i.e. community-level work, microprojects).
18. At the PCU level, partnerships have been organized with several institutions and organizations having the same objectives and interests, including NGOs. These have led to tangible results with the National Institute of Fisheries Development, ACVER and the IFAD-financed Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East (Dom Hélder Câmara project) in Brazil. Much remains to be done in the search for new pro-poor partners as an element of sustainability. Important efforts are needed to forge close partnerships with the private sector, both inside and outside the country, and with external partners and donors.

Scaling up the programme through learning, area expansion and policy influence

19. The PLPR has clearly confirmed its role as an effective and sustainable instrument of the national poverty alleviation policy. The institutional mechanisms promoted under the PLPR (i.e. CRPs, ACDs, PLLPs, framework agreements and contractual programmes) have proven to be robust instruments to empower communities and their partners in their struggle against poverty. This position will be further consolidated by expanding PLPR activities to the rest of the country. To ensure the sustainability of the institutions and instruments promoted by the programme, better coordination and greater exchange of information (through better M&E) and knowledge (through better networking) are needed at the policy and strategic levels. During the third cycle, the institutions established and promoted by the PLPR will be integrated further with national institutions and better coordinated with the policy and strategic levels. Ultimately, the objective is for these institutions to become effective delivery instruments for the poverty reduction strategy now under development. This will be a unique opportunity to build the PLPR's innovations, best practices, positive achievements and lessons learned into the new poverty reduction strategy – also ensuring clear exit arrangements.

Relevance of the FLM approach

20. The FLM has proven to be a highly effective operational instrument for PLPR design and implementation or the following reasons:
- The triggers ensure that all partners involved (CRPs, Government, programme team, cooperating institution and IFAD) adopt a **results-based management** approach. This allows implementation follow-up and support to focus on programme outcomes and strengths (as opposed to focusing on problem solving only). The triggers also made it possible to better **prioritize** and focus programme interventions.
 - There are **real incentives for partners to achieve results** and obtain recognition for them.
 - The **phased implementation and design** allowed lessons learned from the first phase to be taken into account during preparation of the second phase to improve overall design and performance. This also enabled institutional innovations to be mainstreamed gradually. The phased approach promoted growth and sustainability as follows: the first cycle focused on learning and establishing institutional infrastructure through demonstration and field testing; the second on testing the effectiveness and robustness of the institutional mechanisms, adjusting them as needed; and the third will focus on expanding the programme area to the whole country and systematizing its instruments in the national institutional system for fighting poverty.
 - The FLM approach was effective in **adapting to the Cape Verde environment**, which is characterized by ongoing reforms, a strong government commitment to poverty alleviation, a high level of democracy and good governance, and effective decentralization. The FLM has promoted institutional innovation and learning-by-doing at the national, regional and local levels, as well as ownership of the approaches. The choice of triggers has also helped prioritize and focus the programme.
 - The FLM approach has also resulted in **economies of scale** in terms of country programme management, especially within the context of a small island economy like Cape Verde. This IFAD investment will enable the PLPR to be expanded to the rest of the country. The design of this new operation is based on the knowledge acquired during the first two cycles and the inter-cycle review, thus resulting in economies and reduced lead time for both IFAD, and the Government of Cape Verde and partners.

V. Achievement of second-cycle triggers

21. Achievements under the triggers established for proceeding to the third cycle are summarized below:
- (i) At least 80 per cent of the ACDs and four CRPs are functioning according to the principles that inspired their establishment, i.e.
 - (a) for the ACDs, participation by the majority of community families (particularly target groups and women), good circulation of information, discussion and selection of microprojects at the general assembly level; and
 - (b) for the CRPs, autonomy in decision-making, active participation by general assemblies, and in the latter in turn by ACDs, especially in preparing annual workplans and budgets (AWPBs), selecting microprojects and formulating third-cycle PLLPs.

These requirements have been met satisfactorily, with some results exceeding the target. The representation of women in the decision-making process needs to be improved. **Trigger fully met.**

- (ii) At least 80 per cent of the microprojects financed target the poorest people and are consistent with the PLLP poverty reduction strategy.

Very few inconsistencies or errors in targeting have been observed. The targeting approach has been fully internalized by ACDs and CRPs.

Trigger exceeded.

- (iii) With a view to acquiring further autonomy in the third cycle, at least 80 per cent of ACDs and four CRPs are developing partnerships and mobilizing resources to conduct their own initiatives and implement their poverty reduction strategy.

Results have far exceeded expectations in this area. **Trigger exceeded.**

- (iv) An M&E mechanism based on the principle of self-evaluation has been established and functions satisfactorily. It enables beneficiaries, particularly women, to assess the programme's impact on their living conditions, whether material (housing, income, food, health, etc.) or social (integration, participation in decision-making, access to services, etc.).

Despite the efforts made, shortcomings remain, and this is a weak point of the programme. However, with some delay, the programme has put in place a pilot test within one CRP before scaling it up to the rest of the programme. **Trigger partially met.**

- (v) Financial controls have been put in place successfully: quarterly progress reports are being produced on time, account reconciliation and reporting semiannually, and audit reports annually. Training in accounting has been provided to CRPs.

All these arrangements have functioned satisfactorily. **Trigger fully met.**

- (vi) CRPs have concluded satisfactory contractual arrangements with local service providers to implement the microprojects, M&E reports have been produced and AWPB objectives have been substantially met.

Contractual arrangements and procedures functioned satisfactorily, M&E reports were produced and AWPB objectives were substantially met.

Trigger fully met.

- (vii) The executive committees of the CRPs submit satisfactory annual reports to general assemblies and the programme desk. Annual evaluation reports are regularly produced by the latter.

Despite a few difficulties in report preparation, transmission and archiving, this requirement has been satisfactorily met. **Trigger fully met.**

22. In accordance with the above assessment, the triggers have been substantially achieved for proceeding from the programme's second to its third cycle.

VI. Conclusions and recommendations

23. The Cape Verde PLPR was one of the first IFAD loans to have been approved for funding under the FLM. Since then, then PLPR has consistently and on a timely basis achieved the triggers for the first and second cycles.
24. As requested by the Government of Cape Verde, the programme will be expanded to the whole country. The institutional arrangements set up or strengthened by the programme (CRPs, ACDs, PLLPs, framework agreements, annual contracts, etc.) will become major institutional instruments of the Government and its partners for combating poverty through community-driven development.
25. IFAD has in principle agreed to provide supplementary funding to scale up the programme to the rest of Cape Verde. This will allow the programme outreach to double to cover rural poor people in the rest of the country, or approximately 59,000 additional people.