



# STAR REPORT **CABO VERDE II**

Signed  
**February 10, 2012**  
Entry into Force  
**November 30, 2012**  
Compact End Date  
**November 30, 2017**

May 2019



**MILLENNIUM**  
CHALLENGE CORPORATION  

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UNITED STATES OF AMERICA

The Star Report provides a comprehensive and accessible assessment of MCC's investments in a given country, builds on MCC's longstanding commitment to results and accountability, and is a go-to resource for policymakers, think-tanks, NGOs, and businesses alike. While MCC has produced Closed Compact Reports in the past, the Star Report offers a more complete narrative—from initial country selection by MCC's Board of Directors through final project evaluation—and highlights investment objectives, partnerships, policy reforms, results, and lessons learned.

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Kyle LaFerriere

The Fundo De Acesso Social, part of MCA Cabo Verde Compact II, provided Sheila Araujo with water inside of her home in Sao Vicente, Cabo Verde.

## EXECUTIVE SUMMARY

In 2012, the Millennium Challenge Corporation (MCC) partnered with Cabo Verde, an island nation off the coast of West Africa and a long-standing maritime and security partner of the United States Government, to implement a five-year, \$66.2 million compact designed to reduce poverty through economic growth. Building on Cabo Verde's first MCC compact completed in October 2010, this compact combined infrastructure improvements with ambitious policy and institutional reforms to strengthen property rights and increase access to clean water and sanitation, improving the lives of more than 600,000 people.

To accomplish the compact's objectives, the Government of Cabo Verde (GoCV) successfully passed over 50 laws, closed ineffective institutions, and created new agencies based on sustainable commercial principles, demonstrating their commitment to undertake difficult policy and institutional reforms, try new approaches, and scale effective interventions. This commitment remained strong throughout the compact and was critical to the compact's success, even after elections midway through implementation brought a new political party into office.

Under MCC's country ownership model, governments receiving MCC assistance are responsible for implementing the MCC-funded programs. Partner governments establish units known as accountable entities, referred to as MCAs, to manage implementation

for compact projects. In this case, the GoCV established the Millennium Challenge Account—Cabo Verde II (MCA-Cabo Verde II) to oversee, manage, and implement the compact. The compact’s programs aimed to not only build capacity within the Cabo Verdean civil sector, but also to build a foundation for economic growth for the people of Cabo Verde that can be sustained long after the compact.

The overwhelming driver of growth in Cabo Verde is tourism, an industry that accounts for as much as 40 percent of Cabo Verde’s gross domestic product and is a major employer in the country. In developing this compact, analysis of Cabo Verde’s constraints to economic growth revealed two key issues: poor access to improved water and sanitation and the lack of a reliable source of information about land rights. Alleviating both of these constraints is critical to growing Cabo Verde’s tourism sector and both are important components of the GoCV’s economic transformation agenda, which aims to reduce the country’s reliance on foreign aid and remittances and to increase mobilization of private sector investment and improved domestic resource management.

#### WATER SUPPLY, SANITATION, AND HYGIENE PROJECT

Clean water and sanitation services are critical to reducing poverty and driving economic growth in Cabo Verde. Service improvements lead to better health and time savings for households, as well as an improved business environment. Tourism, for example, can drive economic growth, but depends on improved water and sanitation services. This is especially true for small-scale tourism, which has historically created higher levels of local employment than all-inclusive resorts.

This extremely water-scarce country faces a number of challenges in the water and sanitation sector. During compact development, the GoCV and MCC determined that the sector suffered from fragmented oversight, inefficient service provision, and poor infrastructure planning and implementation. To address these challenges, the Water, Sanitation, and Hygiene Project (WASH Project) was designed to establish a financially sound, transparent, and accountable institutional basis for the delivery of water and sanitation services to Cabo Verdean households and businesses. The project’s approach to improving sector performance was based on a three-pronged strategy: (1) reforming national policy and regulatory institutions; (2) transforming inefficient utilities into independent corporate entities operating on a commercial basis; and (3) improving the quality and reach of the water and sanitation infrastructure.

★ **National Institutional and Regulatory Reform Activity:** MCC supported the creation of a new National Agency for Water and Sanitation, *Agência Nacional de Água e Saneamento* (ANAS), responsible for overseeing policy and planning of all water resources, domestic water supply, wastewater, and sanitation. The creation



of ANAS drew certain roles and responsibilities from four separate ministries and placed them under one roof for streamlined efficiency and enforcement. The activity also strengthened the existing economic regulator to better regulate economic aspects of the WASH sector. The activity strengthened ANAS's environmental protection functions to include water and wastewater quality. The activity also provided technical assistance to integrate social and gender analysis and equity in policy and planning in order to facilitate access to and sustainability of improved water and sanitation services.

- ★ **Utility Reform Activity:** This activity created a single, new independent corporate entity, *Aguas de Santiago* (AdS), by merging and restructuring nine smaller municipal utility departments. The activity supported the formation of this utility on the island of Santiago, Cabo Verde's most populated island, where half of the nation's population resides. The activity provided support and capacity building to improve planning and operational efficiency at the utility, to reduce commercial losses in Santiago and to expand and improve services and information for women, low-income residents, and other vulnerable populations. The process was designed to demonstrate the efficiency and results of a single corporate entity, thus encouraging similar utility restructurings on other islands.
- ★ **Infrastructure Grant Facility:** The compact created an entity to distribute infrastructure grants (*i.e.*, a grant facility). The infrastructure grant facility was designed to address the most pressing water and sanitation needs and provide economically viable solutions in Cabo Verde. The facility was open to proposals from any utility in the country, provided that the utility met eligibility criteria related to demonstrated progress towards commercialization of utility operations. The facility received 78 project grant applications from qualified applicants and ultimately funded 23 grants. The success of the facility led the government to establish a revolving fund mechanism to further finance water and sanitation infrastructure expansion. This activity also included a Social Access Fund, in partnership with The Coca-Cola Africa Foundation, to improve access to water and sanitation for poor and women-led households.

The legal, institutional, and utility reforms in the Water, Sanitation and Hygiene Project are expected to benefit approximately 278,000 people, roughly the entire population of Santiago. The GoCV and donors are extending the corporatization of utilities throughout the country's other islands, expanding the compact's reach. In addition, about 48,000 people, just over 10 percent of the current national population, are expected to benefit from projects financed under the Infrastructure Grant Facility. These accomplishments have contributed to the WASH Project meeting and exceeding its implementation targets.

A performance evaluation<sup>1</sup> will be conducted of the WASH Project to assess the implementation, outcomes, and impacts of the National Institutional and Regulatory Reform Activity, the Utility Reform Activity, and the Infrastructure Grant Facility. The evaluation will also assess the success and sustainability of the WASH sector reforms conducted under the compact. Final results of the evaluation are expected in 2022.

## LAND MANAGEMENT FOR INVESTMENT PROJECT

Tourism is the main driver for economic growth in Cabo Verde. However, due to the Government's limited financial resources, the country is highly dependent on investment, mainly, foreign direct investment (FDI), for the development of the tourism sector and the associated hotel, real estate, and construction industries. Foreign investors want confidence that their property rights are secure and that land transactions in Cabo Verde are completed in an efficient and transparent manner. As such, clear information on land rights and boundaries and efficient procedures are key to creating economic growth as well as securing FDI, particularly in the tourism sector.

Prior to the compact, Cabo Verde lacked a central repository of land information, which led to widespread confusion over land ownership and boundaries that often resulted in the delay or cancellation of public and private investment projects. MCC's Land Management for Investment Project aimed to improve Cabo Verde's investment climate by supporting the creation of a single, definitive source of land rights and boundaries information. By enhancing the legal, institutional, and procedural environment, the compact sought to create conditions for increased reliability of land information, greater efficiency in land administration and transactions, and strengthened protection of land rights. The project also developed and implemented a new land information management system and, through fieldwork activities, clarified parcel rights and boundaries<sup>2</sup> on specific islands with high investment potential. Taken together, these activities aimed to strengthen Cabo Verde's investment climate for large and small investors as well as reducing land registration time and costs. The project was comprised of two activities:

- ★ **Legal and Institutional Foundations Activity:** This activity worked at the national level to support multiple legal reforms designed to create a new land management information and transaction system. This system is expected to create greater efficiency in land registration, land transactions, and land administration in the short term; and to improve land use, investment planning, and property tax administration in the long term. This activity also addressed environmental, social, and gender vulnerabilities by: (1) identifying land in environmentally sensitive areas; and (2)

<sup>1</sup> More information about MCC's evaluation model can be found on MCC's website: <https://www.mcc.gov/our-impact/independent-evaluations>

<sup>2</sup> Clarification of parcel rights and boundaries entailed collecting data, analyzing existing land rights, and, with new, map-based information which was not available prior to the project, clarifying physical boundaries for each plot of land.



identifying and including in the record the land rights of women in marriage and civil unions.<sup>3</sup>

★ **Rights and Boundaries Clarification Activity:** Building on the groundwork laid by the project's Legal and Institutional Foundations Activity, the Rights and Boundaries Clarification Activity supported the clarification of parcel rights and boundaries on targeted islands of high tourism investment potential. This activity collected information on environmental and social risks, particularly those related to women in *de facto* civil unions. Data on rights and boundaries of land was entered into the new land management information system to enable the municipal governments, national government, and land users to more quickly and conclusively identify the land boundaries and rights information needed to complete land transactions.

Through decreases in land transaction times and increases in the security of land rights, the Land Management for Investment Project is expected to increase investment in tourism and real estate development and result in job creation benefitting an estimated 13,000 people on the target islands of Sal, Boa Vista, São Vicente, and Maio. Beyond the tourism impact, the project activities are expected to generate an increase in incomes through property investments by Cabo Verdean citizens who, prior to project interventions, did not possess formal land rights.

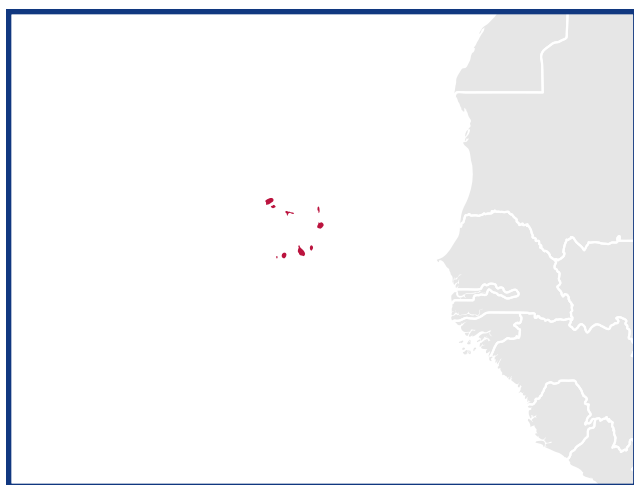
A performance evaluation<sup>4</sup> of the Land Project is in process. The evaluation is designed to assess the effectiveness of the Land Project activities and related outcomes on land and property investment, tourism investment, utilization of land, property values, land transaction times, and perception of tenure. Results of the evaluation are expected in 2020.

<sup>3</sup> Civil unions between men and women comprise the vast majority of unions in Cabo Verde. These unions, which are unregistered, often meet the legal criteria that confer property rights under local family law. Rights to property in civil unions are usually registered in the name of the man alone. The project sought to: (a) identify the female partners with rights in these land plots; and (b) safeguard those rights by including information about the union in the registration records. Information outreach and training was also conducted to increase awareness of these rights.

<sup>4</sup> More information about MCC's evaluation model can be found on MCC's website: <https://www.mcc.gov/our-impact/independent-evaluations>

## COUNTRY CONTEXT

Cabo Verde is a long-standing maritime and security partner of the U.S. Government, and has engaged with MCC since the agency's inception. MCC's Board of Directors selected Cabo Verde to develop a first compact in 2004 due to its strong commitment to democratic principles, stable and accountable governance, and economic growth. In October 2010, Cabo Verde successfully completed a \$110.1 million, five-year compact.



That compact focused on decreasing poverty and increasing economic growth by: reducing transportation costs by rehabilitating roads, bridges, and infrastructure in the Port of Praia; increasing agricultural productivity through investments in water management and soil conservation, technology transfer, access to credit, and microfinance institutions; and promoting private investment and initiating financial sector reform by supporting the enactment of securities legislation to enable individuals to buy treasury bills and bonds, and installation of an informational technology (IT) platform to support the securities market.

At the conclusion of Cabo Verde's first compact, four bridges and three roads were built to improve access to markets, employment, and social services, reducing the number of days per year in which bridges are impassable. The island's critical Port of Praia was significantly expanded and modernized to increase productivity and operational efficiency, including through leveraging an additional government contribution of \$98 million. The compact also funded the construction of 28 spring- and rain-fed reservoirs and 48 dikes; trained 553 subsistence farmers producing high-value horticultural and fruit crops in new drip irrigation technology and marketing techniques; and helped 225 farmers and small agribusinesses obtain credit. Finally, compact investments strengthened the capacity of microfinance institutions and laid the groundwork for the country's first private credit bureau. More information on MCC's 2004 Cabo Verde Compact, including evaluation results, can be found in its *Closed Compact Report*.

Based upon the GoCV's track record of reform, as well as the achievements of its first compact, MCC selected Cabo Verde for a second compact in 2009. At that time, Cabo Verde became the first MCC-partner country that had graduated from Lower-Income Country (LIC) status to Lower-Middle-Income Country (LMIC) status and was then able to meet the more demanding performance indicator requirements of the LMIC group.

Cabo Verde's 2009 selection also represented the first time that MCC ever determined that a previous MCC-partner country was eligible for a second compact.<sup>5</sup>

In developing a second compact, analysis of Cabo Verde's constraints to economic growth revealed two key issues: (1) poor access to improved water and sanitation; and (2) the lack of a conclusive source of information about land rights. Alleviating both of these constraints was considered critical to growing Cabo Verde's tourism sector, the major driver of economic growth in the country.

Cabo Verde is an archipelago of nine inhabited islands, with a small domestic market and relatively limited natural resources. The landscape varies significantly from island to island, but conditions are generally very arid. While agriculture and industrial activity represent relatively low percentages of gross domestic product (GDP), the service industry is very important, and tourism is one area of considerable economic growth. Much, but not all, of the recent development that has taken place in the sector has relied on foreign investment.

MCC's constraints to economic growth analysis noted that uncertainty in land ownership and cumbersome administration of land transactions posed potential and significant obstacles to business development of all types. In particular, the Board of Investment of Cabo Verde found that the long process of securing land title deterred foreign and domestic investors alike, and particularly impeded growth of the tourism industry. Two different land registries existed (a judicial registry and a municipal registry), each containing only partial information about a fraction of the country's land parcels. Other records systems contained outdated and conflicting information about state-owned land. There was also a lack of map-based information linking land rights to spatial data. Confusion over ownership of land led to unauthorized land sales, conflicts over land rights, and delays or cancellation of public works and private investment projects because of the difficulties in identifying the actual owner of land parcels.

Further hindering Cabo Verde's economic growth was a lack of clean water and sanitation. Cabo Verde is an extremely water-scarce country that relies heavily on desalinization of water, an expensive and energy-intensive process. At the time of Cabo Verde's compact selection, the WASH sector was characterized by poor access to water and sanitation and poor levels of service that negatively impacted Cabo Verdeans' quality of life and led to considerable public health and economic costs. The cost of water for customers connected to the system was among the highest in Africa. Furthermore, the WASH sector in Cabo Verde has been marked by dispersed responsibilities across a

<sup>5</sup> In addition to being measured against a more demanding, higher-income peer group, LMICs are evaluated on a scorecard which includes an indicator on girls' secondary education enrollment rate (as opposed to girls' primary enrollment rates for LICs) and an absolute threshold of 90 percent on the immunization rates indicator (as opposed to a median threshold for LICs).

large number of stakeholders, skewed incentives, lack of institutional accountability, fragmented and overlapping authority, conflicting legislation, and a failed attempt to privatize the combined water and electric company, all leading to high-cost and low-quality services, frequent water cuts, and large inefficiencies in the management of the sector. The compact's investments in the WASH sector aimed to benefit both households and businesses (such as resorts, bed and breakfasts, or smaller hotels) by improving the efficiency of the system as a whole, making any investments in WASH infrastructure by firms or households, including those made under the compact, more productive.

The GoCV conducted extensive public consultations throughout the compact development process, which helped to identify the root causes of the constraints to economic growth and to shape project design. The GoCV also demonstrated strong political will to partner on the compact in order to address these challenges, recognizing that policy reform and institutional strengthening in both sectors would be critical to achieving the country's economic transformation agenda. In addition, the GoCV committed significant country resources to the compact at the outset, including financing the program design and contributing \$10 million towards the successful implementation of the compact. This commitment remained strong throughout the compact and was critical to the compact's success, even after elections midway through implementation brought a new political party into office.

In February 2012, MCC and the GoCV signed a five-year compact for \$66.2 million to help increase the country's economic growth and reduce poverty by reforming the land and water and sanitation sectors. Both of the compact projects comprised important components of the Government's economic transformation agenda that focused on shifting from a reliance on foreign aid and remittances to mobilization of private sector investment and improved domestic resource management. These projects were designed with an innovative structure to incentivize the performance of utilities at the national and municipal level. Gender and social inclusion were incorporated into all aspects of program design and were tightly linked to the achievement of sustainable results. The compact was an ambitious investment in the water and sanitation sector and the land management sector, both representing high priorities in Cabo Verde's National Governance Program for 2011-2016.

## AT A GLANCE

Compact agreement

<https://assets.mcc.gov/content/uploads/2017/05/compact-cape-verde-ii.pdf>

Final Performance Indicators

<https://assets.mcc.gov/content/uploads/Cabo-Verde-II-Table-of-Key-Performance-Indicators.pdf>

M&E Plan

<https://www.mcc.gov/resources/doc/cape-verde-ii-compact-monitoring-and-evaluation-plan>

Constraints Analysis

[https://assets.mcc.gov/content/uploads/2017/05/CapeVerdeII\\_Ca\\_withCover.pdf](https://assets.mcc.gov/content/uploads/2017/05/CapeVerdeII_Ca_withCover.pdf)

Original amount at compact signing

**\$66.2 million**

Amount spent:

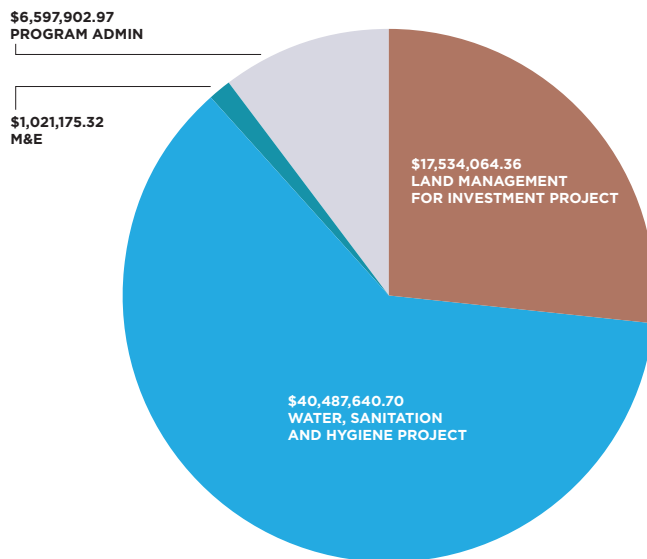
**\$65.6 million**

Estimated benefits correspond to \$66.2 million of compact funds, for which cost-benefit analysis was conducted.

Estimated beneficiaries over 20 years, from the start of project implementation:

**604,100**

Present Value of estimated net benefits for 20 years, from the start of project implementation: approximately **\$113 million**



Land Management for Investment Project	\$17,534,064.36
Water, Sanitation and Hygiene Project	\$40,487,640.70
M&E	\$1,021,175.32
Program Admin	\$6,597,902.97
Total	\$65,640,783.35

## WATER, SANITATION AND HYGIENE (WASH) PROJECT

Original Compact Project Amount:  
**\$41,100,000**

Total Disbursed:  
**\$40.5 million**

Estimated benefits correspond to \$41,100,000 of project funds, where cost-benefit analysis was conducted:

		Estimated Economic Rate of Return over 20 years	Estimated beneficiaries over 20 years	Estimated net benefits over 20 years
National Institutional and Regulatory Reform Activity and Utility Reform Activity	At the time of signing	14%	600,000	\$23 million
	At compact closure	TBD	TBD	TBD
Infrastructure Grant Facility	At the time of signing	11%	48,000 <sup>6</sup>	\$28 million
	At compact closure	TBD	TBD	TBD

### PROJECT SUMMARY

Cabo Verde is an extremely water-scarce country that relies on energy-intensive desalinization of water for most of its municipal water needs. Domestic water consumption was barely above subsistence levels at the time of compact development, particularly on the island of Santiago. Use of public water points was costly, and a significant portion of the population had limited access to sanitation. The cost of water for customers connected to the system was among the highest in Africa, and approximately half of the water pumped into the system was not being paid for due to physical leaks, poor metering practices, and uncollected fees. The unreliability of the

<sup>6</sup> The estimated beneficiaries of the Infrastructure Grant Facility are a subset of the beneficiaries of the National Institutional Reform and Utility Reform Activities.



water supply meant that customers had no way of knowing when water would be running through the pipes.

An analysis of the sector conducted by MCC and the GoCV during compact development revealed poorly functioning institutions and a lack of cohesive national policy and planning as root causes of the issues in the WASH sector. Many water utilities, including a total of nine utilities on the island of Santiago, were run as municipal services, resulting in many small, inefficient, and essentially insolvent service providers who were unable to expand services to new customers or address losses in the system. At



the national level, multiple agencies and ministries had jurisdiction over various elements of water resource management, a factor that led to conflicting mandates and gaps.

The resulting lack of reliable water supply led many large business customers, notably hotels, to purchase and install their own small-scale desalination plants. Residential consumers, facing increasing costs to purchase water from public water points, installed domestic storage systems and/or tankers. The utilities were not charging those few households that were connected to the network for access to piped sewer service. There was no tariff for sanitation services, which resulted in poor or non-existent maintenance of existing sanitation infrastructure while limiting the needed expansion of the network to combat the high incidence of open-air defecation and its negative impact on public health.

Cabo Verde's shortcomings in WASH services disproportionately impacted women, the poor, and other vulnerable groups. Women and girls are largely responsible for time-intensive household water and sanitation tasks, and the lack of accessible water and private sanitation added significant time burdens that could reduce their time available for work, household care, and education. Women and girls who must leave their households to access water or sanitation facilities are at an increased risk of sexual harassment and gender-based violence in the public space.

Additionally, in a sector that desperately needed infrastructure investments, insufficient coordination and distributed jurisdiction over the water sector resulted in poor project planning and coordination. For example, wastewater treatment works in Sal and Praia were built without a comprehensive sector plan that connected them to the larger infrastructure network, leading them to perform far below their design capacity or not function at all prior to MCC's interventions.

The economic analysis of the compact program in water and sanitation conducted by MCC and the GoCV in the development phase of the compact examined two main benefit streams: (1) government/fiscal savings; and (2) savings for households and businesses. The analysis of the fiscal savings benefit stream assumed that after the compact closed, the GoCV would no longer need to greatly subsidize the utility, and those Government funds could be used for other, productive purposes. The analysis of the second benefit stream relied on the assumption that cheaper, more accessible and reliable water would result in more investment at the household and business level.

The WASH Project aimed to create the conditions under which scarce national resources could be optimally used to help bring the standard of water service in Cabo Verde on par with its comparator countries. The compact sought to achieve this by transitioning the sector towards full cost recovery and by ensuring that the customer service mandates would be pro-poor. The project was designed to address three key areas: (1) national-level, regulatory reform; (2) utility-level reform, with a focus on the island of Santiago; and (3) improved infrastructure and strengthened utility planning capacity supported by an infrastructure grant facility. The WASH project design was based on lessons learned from Cabo Verde's experience reforming WASH utilities on the islands of Fogo and Brava. The WASH project contained three activities: the National Institutional and Regulatory Activity, the Utility Reform Activity, and the WASH Infrastructure Grant Facility Activity.

Water in Cabo Verde is an important, expensive resource. Before the compact, multiple agencies with conflicting and overlapping responsibilities were active in the sector, and water was not seen as a natural resource for the country as a whole that required strategic management and coordination. The **National Institutional and Regulatory Activity** aimed to create a single agency, the National Agency for Water and Sanitation, *Agência Nacional de Água e Saneamento* (ANAS), to be a technical regulator responsible for managing the water sector in Cabo Verde from source to disposal in a way that incentivized the creation of publicly-owned water companies operating on commercial principles. The agency, formally created in 2013, is now fully functioning with a board of directors and is progressing to the goal of generating at least 50 percent of its budget from royalties and fees, the standard for this type of regulatory agency.

Because the challenges in the water sector disproportionately impact women and the poor, the activity ensured that their voices were represented in national policy conversations and decision-making. ANAS's Gender, Environment, and Social Integration Office supports data-driven social and gender analyses that inform master planning, investments, policy discussions, monitoring, and reporting, all of which aim to improve access and affordability. It also engages stakeholders, including civil society, and undertakes national information, education and communications campaigns on water, sanitation, and hygiene. The compact created a National Consultative Group on Social Inclusion and Gender in the Water and Sanitation Sector, composed of leaders of national ministries (ANAS, Housing and Transportation, Social Solidarity, and others), the Cabo Verdean Institute for Gender Equality, municipal governments, non-governmental organizations (NGOs), academics, and donors. The consultative group's mandate is to guarantee that the concerns and needs of women and the poor were included in all policy and institutional reforms in the sector.

The National Institutional and Regulatory Activity supported the development of a number of key strategic documents, laws, decrees, and regulations. In 2012, one of the initial project outputs was a national water strategy. Subsequently, a new national water code was developed by ANAS and other stakeholders. Under the code, numerous regulations were generated with regard to drinking water quality standards, wastewater treatment standards, water reuse standards, tariffs frameworks, and plumbing codes. Improved water resource allocation by ANAS has been achieved through the removal of boundaries between municipal utilities on the island of Santiago and national oversight. The activity also supported existing economic regulators and environmental institutions by completing a Strategic Environmental and Social Assessment. Together, the national water strategy and Strategic Environmental and Social Assessment allowed for the holistic, integrated management of water that improved prioritization of investments, prevented the construction of infrastructure unconnected to the network or underutilized, and planned the use of scarce water resources in a way that avoids over-extraction of water from aquifers or heavy reliance on costly desalination. These regulators and institutions are now actively functioning in the sector, including through tariff-setting and by defining new water quality standards. Where appropriate, provisions addressing gender and social equity were integrated into each of the activity's policy reforms, legal reforms, strategic documents, and plans. The national reforms enacted by ANAS have facilitated policy direction, sector planning, utility performance measurement, and prioritization of infrastructure investments. ANAS now manages the sector, including water abstractions and utility performance metrics, using a state-of-the-art information management system.

While the National Institutional and Regulatory Activity addressed governance and regulation of the sector, the **Utility Reform Activity** focused on improving service

delivery to customers. The objective of the Utility Reform Activity was to improve the delivery of water and sanitation services on the main island of Santiago through the creation of an island-wide, publicly owned water and sewer company operating on standard commercial principles. Small and fragmented water departments were unable to operate at scale and provide a high quality of service to customers, and moving to a single, corporatized, island-wide utility was expected to achieve the economies of scale necessary to professionalize service delivery and increase efficiency, effectiveness, and quality of service. The activity created the new utility, *Aguas de Santiago* (AdS), and provided three years of technical assistance focused on: AdS startup; business planning; non-revenue water management; developing critical infrastructure requirements; long-range strategic planning; developing and implementing staff training; developing human resources policies; creating and disseminating corporate communications and branding; creating and disseminating customer information; creating and disseminating public education programs and communications; and implementing tariffs. By merging the nine water service providers that existed before the compact and applying improved operational capabilities acquired through the compact-funded technical assistance, AdS is now able to operate at scale, with improved operational efficiency and effectiveness.

In 2016, AdS began operations in Santiago's eight rural municipalities. In 2017, AdS incorporated the urban municipality of Praia. AdS includes an Office of Information, Education and Communication, and Social, Gender and Integrated Management, which has aimed to:

- ★ improve utility efficiency and revenue, and improve equity, by facilitating sustainable water and sanitation network connections to low-income households in order to expand its customer base;
- ★ improve billing practices to avoid arrears and disconnections;
- ★ educate customers on the costs of water and the importance of payment for the utility to continue providing those services; and
- ★ engage with communities regarding their role in the care and maintenance of the public, water infrastructure, hopefully reducing vandalism and illegal connections that drain utility resources.

By analyzing and addressing users' needs with regard to access, payment schedules, billing, connections, and technologies, the Office of Information, Education and Communication, and Social, Gender and Integrated Management is helping AdS adopt practices that are expected to improve service delivery while allowing AdS to expand its customer base and reliably collect payments (revenue). AdS policy, operational guidelines, and capacity to deliver regular, targeted information, communication and

education activities are critical components for achieving the objectives listed above. The reforms undertaken by AdS, in conjunction with the new national policy, serve as a model for the creation of similar utilities for other islands. The WASH reforms and creation of AdS established a new foundation of stability in management and strategic planning for the sector, an improvement which contributed to the Japan International Cooperation Agency investing \$150 million to more than double the desalination capacity and transmission system on the island of Santiago.

Finally, the **WASH Infrastructure Grant Facility (IGF) Activity** aimed to incentivize and reward utility reform as well as improve investment planning in the sector. To incentivize reform, release of MCC funds into the IGF was contingent upon the achievement of certain reform milestones pertaining to the compact's other WASH activities. This contingent-funding process proved effective in advancing the institutional reforms that might have otherwise stalled. Additionally, the IGF activity required utilities to demonstrate progress in the professionalization or commercialization of their operations in order to be eligible to submit proposals, a requirement that created incentives for achieving the project's reform priorities on a local level.

The activity was also designed to improve investment planning. Due diligence during compact development found a number of investments made in Cabo Verde's WASH sector were not being utilized as intended due to poor planning and coordination. The country needed improved WASH infrastructure, but MCC and the GoCV determined that a more effective way to meet that need would be through relatively small, low-risk projects that addressed the actual needs of communities.

The IGF had two parts. The first component, known as The Water and Sanitation Fund (IGF-FASA) (*Fundo de Água e Saneamento*), funded infrastructure proposals from utilities. The IGF-FASA mechanism competitively selected investments in capital projects, such as network improvements and extensions, resulting in reduced technical losses and improved quality of service. A set of social, gender, and environmental criteria was developed as screening criteria for the IGF. IGF-FASA funded production, treatment, storage facilities, and distribution and expansion networks in two tranches. It included projects such as:

- ★ Addressing physical water losses on a transmission line between São Filipe and Mosteiros on the Island of Fogo. The resultant reduction in water loss is helping to



improve the service in a number of communities which went from only having water a few hours a week to having near-continuous water supply;<sup>7</sup>

- ★ Wastewater treatment rehabilitation and connection of households to the sewer network in Sal. This project lifted a major physical constraint to the construction of new hotels and restaurants on the island, dramatically reduced the disposal of sewage into the environment and partially served as the basis for Cabo Verde's application for Blue Flag, one of the highest environmental awards in the tourism sector; and
- ★ Water interconnection from Praia to São Domingos to address reduction in groundwater availability, thereby increasing the availability and reliability of piped water service.<sup>8</sup>

The IGF was popular and attracted 41 applications for the first tranche and 37 applications for the second tranche. Twenty-three of the applications were ultimately funded, representing a total value of \$21 million. The IGF's competitive application process was effective in generating and filtering projects that provided the best social benefits, as demonstrated by a cost-benefit analysis required in each application. Individual projects were evaluated based on criteria that mirrored the objectives of Cabo Verde's Strategic National Master Plan. Successful applicants were assisted with addressing social and gender issues in their projects and with developing information, education and communication campaigns where relevant. In addition to utilizing MCC funding, the IGF also received contributions from private companies and donors including the Luxembourg Development Cooperation Agency (LuxDev).

In addition to IGF-FASA, the IGF activity also included a Social Access Fund (SAF) that targeted poor and female-headed households. In Cabo Verde, 48 percent of families are headed by women, and 33 percent of female-headed households are considered to be poor, as defined by the IGF grant manual. The project aimed to address the gap in access to water that existed across household income levels in Cabo Verde, as well as aiming to address the burden that the lack of water access had placed on women and girls. The dedicated SAF was a partnership between MCC and The Coca-Cola Africa Foundation, and was implemented by three, competitively-selected, national NGOs. The SAF funded the water and sanitation connection and contract fees, provided sanitation equipment, and carried out information, education and communications activities targeted at poor and female-headed households. The SAF provided beneficiaries 3,557 new connections to the water network and 2,277 new sanitation facilities.<sup>9</sup> More than 41,119 people were reached with information, education and communications campaigns, covering topics ranging from how to read and understand utility bills, to the importance of bill payment

<sup>7</sup> Further verification of increased availability and reliability of piped water service will be part of the independent evaluation.

<sup>8</sup> Further verification of increased availability and reliability of piped water service will be part of the independent evaluation.

<sup>9</sup> These are not mutually exclusive as there were households that received both a water and a sanitation connection.



to sustainable service delivery, to how to maintain household water and sanitation systems, and hygiene.

## PROJECT SUSTAINABILITY

At the start of the compact, the GoCV faced a pressing challenge: having graduated from LIC to LMIC status, the availability of grants and low-cost loans (*i.e.*, concessional loans) began to be greatly curtailed. When the GoCV and MCC designed the WASH Project, sustainability of the sector was the ultimate objective of the investment. As such, the WASH sector reforms were designed to form and implement initiatives to existing and new institutions and to act as catalysts for the creation of tangible and sustainable benefits for the population of Cabo Verde. The project time period of five years was understood to be too short for fledgling institutions to become financially sustainable or to develop the operational and technical expertise necessary to oversee the sector. However, MCC and the GoCV believed that significant broad-based changes could be started during the compact period and there was sufficient support for reform in the sector to ensure change would continue after the compact ended.

**National and Institutional Reform Activity.** During the compact, a new national technical regulator and a national advisory council for the sector were created to manage water resources effectively, oversee utility operations, and develop strategic investment requirements in water and sanitation. A \$6.2 million technical assistance program supported the formation of the new entities, as well as strengthening the existing economic regulator and environmental regulator. An improved water code was drafted and passed through Parliament, providing a stronger framework for the sector. The water code set out supply obligations for water and sanitation, principles of water conversion and sources, principles of metering, and the requirement to connect to sanitation where available. Prior to the revised water code, sanitation matters had been addressed inadequately in legislation. A new sector masterplan and strategic environmental and social assessment plan at the national level were approved, providing an integrated planning tool and basis for prioritizing investments. Several new pieces of legislation tackling water quality, irrigation, and water reuse were passed, ensuring sustainable management of precious water resources.

The reforms in Cabo Verde offered a unique opportunity to integrate the needs and voices of women and low-income populations at both national and local utility levels. Women and civil society organizations in Cabo Verde today have permanent seats on the National Council on Water and Sanitation, a consultative body. The National Strategic Plan for the Water and Sanitation Sector now includes key provisions that advance physical and economic access to water and sanitation. A new tariff policy is already benefitting vulnerable residents on Santiago Island by reducing the price of water at

community stand-posts to the same price that households connected to the public water network pay. ANAS's Office of Gender, Environment and Social Integration ensures that master planning, investments, policy discussions, and monitoring and reporting include gender and social analyses to improve access and affordability. ANAS's significant attention to planning and execution of information, education and communications campaigns, including training of trainers, lays the groundwork for sustainability through promoting behavior change on an ongoing basis.

The new national technical regulator, ANAS, was legally structured as an institute, which means that it is required to raise at least 50 percent of its budget from the royalties and fees to which it is entitled. The WASH Project provided ANAS with a business plan and the tools to better manage its potential income sources. The Government, MCA-Cabo Verde II, and MCC worked closely with LuxDev, which has pledged to support FASA. It is a testament to the project's results that LuxDev committed to support this project "as is" and to continue administering activities after the compact concluded. Potential future activities under the new partnership include next steps to develop treated wastewater as a source for agriculture water, which is especially germane given that there was only a single rainfall in the 2017 agricultural season.

**Utility Reform Activity.** The Utility Reform Activity supported the development of a new multi-municipal utility, AdS, which operates on a commercial basis, improving efficiency of operations and pushing progress towards financial self-sufficiency and sustainability. Prior to the creation of AdS, each of Santiago's nine municipalities operated its own water utility, each with its own unregulated and poorly designed, administered and enforced tariff. The creation of AdS transitioned the nine municipalities to one unified tariff for the whole island that better reflects the true cost of service. A \$6.8 million technical assistance program focused on building the capacity of AdS in all operational aspects. Along with the establishment of the utility, the activity supported the preparation of a 25-year Water and Wastewater Masterplan and Strategic Environmental and Social Assessment Plan for Santiago. These plans will provide direction to the water sector in Santiago as the island's needs change with increased tourism and development. AdS's Office of Information, Education and Communication, and Social, Gender and Integrated Management contributes directly to sustainability of utility revenue and customer service through planning for connecting low-income customers to the network and keeping them connected, improving billing practices and customer education on water costs and the importance of payment for the utility to continue providing those services, and engaging with communities regarding careful maintenance of the public infrastructure. The formation of AdS inspired other islands to pursue a similar path, three of which were actively in the process of securing their own commercial utilities at the time of publication of this report.

While significant progress was made in establishing AdS during the compact, additional support will be required over the near-to-medium-term to make AdS a sustainable utility, and to meet the access and customer education goals. As the technical assistance drew to a close, MCA-Cabo Verde II and MCC prepared proposals for follow-on work, which LuxDev has pledged to fund. As of the end of the compact, *Aguas de Portugal* was also providing technical assistance to AdS. In 2015, at MCC's behest, the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF) undertook utility reform prefeasibility studies to see how the islands of Santo Antão and São Nicolau could transform to publicly-owned companies while operating on commercial principles. In recognition of the support that the compact provided to AdS on Santiago Island and *Aguas do Maio* on the island of Maio, PPIAF provided funding for feasibility studies for establishment of multi-municipal enterprises for the islands of Santo Antao and São Nicolau.

**Infrastructure Grant Facility.** The IGF aimed to encourage more efficient service delivery among providers by awarding grants for well-planned, well-conceived capital improvements based on the country's strategic priorities. The projects were selected on a transparent and competitive basis, which aimed to encourage utilities to appropriately design and plan for capital improvements.

At the IGF's conception, MCC entertained the possibility of turning it into a revolving fund. However, the path to a revolving fund was deemed too uncertain to promise at the compact development stage and a grant mechanism was used instead. Later, as the early success of the IGF became apparent, the GoCV took the decision to establish a revolving fund based on the IGF model in 2017. MCC supported the development of a business plan which envisions a public-private partnership-like approach, with the private sector providing a minimum of 20 percent of the loan values. LuxDev has pledged to providing up to €4 million, while the GoCV has committed to provide €7.5 million in annual funding.

WASH stakeholders in Cabo Verde recognize that the sector must not rely on large donor projects, but aspire to self-sufficiency. As such, there is broad-based support for the WASH Revolving Fund. The IGF demonstrated to the GoCV the possibility of delivering projects on budget with careful oversight, and it also showed the importance of a professionalized approach to project selection, development, implementation, and oversight. The attention to community- and household-level information, education, and communications focused on issues such as paying bills, maintenance of household-level systems, and reducing illegal connections and vandalism were all aimed at sustainability for the households and utilities. MCC is optimistic that the investments in the WASH sector are durable and sustainable. The key question is how fast ANAS and AdS will achieve their financial targets.

## EVALUATION FINDINGS

A performance evaluation of the WASH Project will assess the implementation, outcomes, and impacts of the National Institutional and Regulatory Reform Activity, the Utility Reform Activity, and the Infrastructure Grant Facility. The evaluation will also assess the success and sustainability of the WASH sector reforms conducted under the compact. Specific evaluation questions include:

- ★ Was the WASH Project as a whole effective at increasing the management efficiency and sustainability of the sector as measured by non-revenue water, collection ratio, and tariff adequacy?
- ★ What has been the effect of the WASH Project on access to, quality and continuity of, and total costs of (direct and indirect) water and sanitation services for households and businesses in Cabo Verde?
- ★ What has been the effect of the WASH Project on gender and social equality in access to and cost of water and sanitation services?
- ★ How do the FASA and SAF projects' effects on these outcomes compare?
- ★ Is the IGF a sustainable institution in Cabo Verde and will it continue to catalyze additional dollars for WASH infrastructure?

Status of the evaluation:

Component	Status
Baseline	A WASH baseline survey was conducted in 2011. In 2015 a survey was done of households selected to receive water and sanitation connections under the IGF Activity.
Midline	This evaluation will conduct a household survey to follow-up on baseline surveys. The evaluation will also include administrative data collection and case studies, with results expected in 2019.
Endline	In 2020, a second round of data collection is expected to be conducted, with final results expected in 2022.

## KEY OUTPUT AND OUTCOME INDICATORS

Activity/Outcome	Key Performance Indicators	Baseline	End of Compact Target	Quarter 1 through Quarter 20 Actuals (November 2017)	Percent Compact Target Satisfied (November 2017)
Activity 1: National Institutional and Regulatory Reform Activity	Network water service coverage by corporatized utilities	55.7%	75%	61% <sup>10</sup>	27.5%
	Number of reform milestones achieved	0	12	11	92%
	People receiving formal training regarding roles and new responsibilities in support of WASH sector reform	0	136	91	67%

<sup>10</sup> This indicator has an annual frequency of reporting; however, Quarter 20 data were not available at the end of the compact and are expected in 2019. As a result these data are as of Quarter 16.

Activity/Outcome	Key Performance Indicators	Baseline	End of Compact Target	Quarter 1 through Quarter 20 Actuals (November 2017)	Percent Compact Target Satisfied (November 2017)
Activity 2: Utility Reform	Residential Water consumption (liters per capita per day) (Network)	20.9	35	27.4	47%
	Continuity of service (hours per day)	6	13	7.7	25%
	Non-revenue water (NRW)	39%	24%	78.9% <sup>11</sup>	-266%

<sup>11</sup> As AdS worked to integrate all nine municipalities on Santiago, it has experienced challenges related to its customer database, billing and collections, factors impacting the completion and availability of necessary data for this indicator. However, improvements are expected on this indicator as AdS resolves these challenges and better data become available. For more detail, see the Explanation of Results below.



Activity/Outcome	Key Performance Indicators	Baseline	End of Compact Target	Quarter 1 through Quarter 20 Actuals (November 2017)	Percent Compact Target Satisfied (November 2017)
Activity 3: Infrastructure Grant Facility	Access to improved water supply	98.5% (includes public water points)	100%	98.5 <sup>12</sup>	-1%
	Access to improved sanitation	67.4%	89%	75% <sup>13</sup>	34%
	Number of new water connections	0	3739	3557	95%
	Number of new sanitation facilities	0	1200	2277	190%
	Kilometers of water pipeline construction	0	220	227	103%
	Kilometers of sanitation pipeline construction	0	30	27	93%

<sup>12</sup> This indicator has an annual frequency of reporting; however, Quarter 20 data were not available at the end of the compact and are expected in 2019. As a result these data are as of Quarter 16.

<sup>13</sup> This indicator has an annual frequency of reporting; however, Quarter 20 data were not available at the end of the compact and are expected in 2019. As a result these data are as of Quarter 16.

## EXPLANATION OF RESULTS:

At the end of the compact, the WASH project showed strong results on several outputs related to the activities implemented. For example, the number of reform milestones achieved reflects the strength of new institutions established and functioning in the water sector as well as the impact of legislation related to those institutions. Eleven out of 12 milestones were completed by the end of the compact. Under the IGF, the compact sensitized 49,119 people on hygiene and sanitary best practices and exceeded its target of 24,000 people. Under this activity, there were 3,557 water connections out of an expected 3,739, with 2,275 of those connections made in female-headed households. This activity also exceeded its target for sanitation facilities by providing 2,277 sanitation connections, plumbing, and septic tanks. The number of sanitation facilities exceeded the target because there were more households deemed eligible than the target number and there was sufficient funding in the project budget to provide these facilities. For the infrastructure works conducted under the IGF, more than 200 kilometers of water and sanitation pipelines were constructed, along with 33 reservoirs and 48 pumping stations. Network water service coverage by corporatized utilities refers to the population connected to the water network operated by a corporatized utility regulated by the Economic Regulatory Agency. At baseline, the data included the municipality of Praia, the only area on Santiago Island served by a corporatized utility at the time. Data at the end of the compact are as of 2016 for AdS and represent all of the municipalities on Santiago Island. The proportion of the population connected to the network in a few of the municipalities outside of Praia (*i.e.* São Domingos, São Salvador do Mundo, none of which were previously served by a corporatized utility) is very low, affecting the total. It is also expected that over time, selected rehabilitation and extension works conducted under the IGF may impact the proportion of the population connected to the network and this will be monitored in the post-compact period. For the indicator related to people receiving formal training regarding roles and new responsibilities in support of the WASH sector, targets were related to expected levels of recruitment and staffing for relevant institutions; however, not all positions were filled.

Under the Utility Reform Activity, the creation of AdS was an important milestone of the compact. However, key outcomes such as non-revenue water, continuity of service or residential water consumption did not meet the targets established by the end of the compact, and there are important considerations to note in assessing the achievement of these targets. The baseline for these indicators represent the nine different multi-municipal utilities in existence prior to the compact, whereas the actual data reflect the performance of AdS in its early stages. AdS started operating in 2016 and only incorporated Praia, the largest municipality on Santiago, in 2017. At its outset, the new utility has experienced challenges in billing and collections, such as issues with migration of customer records from the previous municipal utilities and inconsistent meter

readings. These challenges also affect the quality and completeness of the data available. With the end of the compact in November 2017, AdS was still a very new enterprise facing hurdles common with any start-up, and it was too soon to see improvements on some key performance outcome indicators. AdS continues to address the challenges it has experienced and outcomes related to its performance will be tracked post-Compact, through the independent evaluation.

Access to improved water supply includes accessing: a private, piped connection (into a dwelling or yard); a public tap/standpipe; a tube well; a protected well that was previously dug; a protected spring; or rainwater. While compact activities may change the proportion of people connected to the network, this mainly creates a shift from one type of improved water supply to another and does not significantly change the proportion of the

population with this access. The compact did increase the proportion of people who use an improved sanitation facility such as flush toilet to a piped sewer system, flush toilet to a septic tank, etc. When it becomes available, data from 2017 will better assess the achievement of these targets. Continuity of service results are also impacted by data quality concerns related to inconsistent measures of the indicator prior to and through the transition to AdS, and the total is unweighted for urban and rural populations. Additional administrative and survey data on this indicator will be collected in the post-compact period as part of the independent evaluation.



Jake Lyell

Manuel Gomes, shown here with his daughter, holds his newly-acquired land title outside his home on Maio Island, Cabo Verde. Mr. Gomes was able to obtain his title as a result of the Land Management for Investment Project, part of the Cabo Verde Compact II.

## LAND MANAGEMENT FOR INVESTMENT PROJECT

Original Compact Project Amount:  
**\$17,260,000**

Total Disbursed:  
**\$17.5 million<sup>14</sup>**

Estimated benefits correspond to approximately \$17,260,000, where cost-benefit analysis was conducted.

		Estimated Economic Rate of Return over 20 years	Estimated beneficiaries over 20 years	Estimated net benefits over 20 years
Legal and Institutional Reform Activity and Rights and Boundaries Activity	At the time of signing	22%	13,000	\$62 million
	At compact closure	TBD	TBD	TBD

### PROJECT SUMMARY

Prior to the MCC compact, Cabo Verde did not have a conclusive source of legal and spatial information regarding land. The majority of the land rights did not have the required legal protection because registration of land rights was voluntary, land records were scattered and confusing, and there was a lack of map-based information linking rights to a demarcated parcel. Land records were maintained by two different entities which each possessed only partial information for a fraction of the country's land parcels: the national property registry and municipal authorities. This lack of a central repository of land information resulted in information that was often outdated or in conflict with other information, causing confusion over ownership and land boundaries as evidenced by unauthorized land sales and the delay or cancellation of public and private investment projects. These factors limited the ability of large businesses and households to create value and increase incomes through property investments. Tourism is a principal driver of the Cabo Verdean economy. As a result, Cabo Verde's development strategy has placed strong emphasis on establishing tourism development zones on the islands of Sal, Boa

<sup>14</sup> Unused funds from elsewhere in the compact budget were reallocated to the Land Project during the compact period.

Vista, São Vicente, and Maio, aiming to generate employment opportunities and income. Consequently, with funding and assistance from MCC, the GoCV sought to create a single, reliable, and easily accessible source of land rights and land boundary information.

The economic analysis of the Land Project, having its focus on areas of tourism development, applied the following theory of change: easing of administrative burdens would compress the lead time anticipated for implementing investments and induce a higher rate of additions to tourism capacity than would have been otherwise observed. The economic analysis focused on two main benefit streams: (1) benefits going to the tourism sector; and (2) increases in investments on property. The estimated quantifiable benefit streams did not incorporate the benefits gained by thousands of household beneficiaries with improved property rights, which are more difficult to estimate.

The Land Project aimed to establish an authoritative management information source in order to reduce time and cost of land transactions and registration for all users. To achieve this, the project addressed necessary policy, institutional, and procedural reforms to create a technical and operational solution that would systematically clarify land rights and boundaries in a modern land registration system. The project included two activities: the Legal and Institutional Reform Activity and the Rights and Boundary Clarification Activity.

The **Legal and Institutional Reform Activity** intended to develop new legal, institutional, and procedural foundations for the establishment of an improved land transaction regime, as well as to develop and install a new land management information and transaction system. MCC funded a legal and regulatory analysis that reviewed the legal and procedural framework governing land administration and transactions in order to determine the changes necessary to establish a more efficient system of land administration. This activity also supported the GoCV amending over 30 land laws and regulatory acts, as well as drafting and passing the *Regime Especial* Law, which established the legal and procedural framework for the rights and boundary clarification work that is part of the Rights and Boundaries Clarification Activity. This activity also resulted in the establishment of the National Institute for Land Management (*Instituto Nacional de Gestão do Território*, INGT), a new body responsible for the management of land and compilation of land data required for initial registration of land. Legal amendments also covered gender and environmental issues related to the clarification of rights and boundaries of land. The Legal and Institutional Reform Activity included the development and deployment of a new Land Management Information and Transaction System (LMITS), including training for users. The LMITS software system was developed by the Operational Nucleus for the Information Society (*Núcleo Operacional da Sociedade de Informação*, NOSi), a Government unit responsible for the development of all e-Government applications used in Cabo Verde. Finally, the activity included

preparation and adoption of a comprehensive rights and boundary clarification manual that provides a description of the procedures established under the *Regime Especial* Law for future use by all entities completing rights and boundary clarification work in Cabo Verde.

Building on the Legal and Institutional Reform Activity which ensured that legal, procedural, and technical conditions were in place for the collection and clarification of land information, fieldwork activities began on targeted islands as a part of the **Rights and Boundary Clarification Activity**. The Rights and Boundary Clarification Activity was first implemented on the island of Sal as a pilot to test and support actual clarification of parcel rights and boundaries in areas with high tourism investment potential, including by providing technical training regarding all aspects of the rights and boundary clarification process to the staff of key institutions. After testing and refining the approaches and methodologies used in Sal, the decision was made to roll out the activity to the planned islands of Maio, São Vicente, and Boavista.

The Rights and Boundary Clarification Activity involved communications and public outreach to Cabo Verdean citizens affected by this activity, as well as training of the rights and boundary clarification field teams in identification of social, gender, and environmental risks. The main risk identified from a gender perspective was to women in unregistered, but legally 'recognizable' civil unions, the largest category of unions in Cabo Verde by far. The women involved in these unions were not usually identified in the evidentiary documents used by the project for titling, presenting the risk that their land rights might be weakened or not protected under the new system.

To address this risk the activity trained civil society organizations in how to deliver information to women about their legal rights pertaining to land titling. These organizations then delivered the relevant legal information to women. The activity pursued ongoing dialogue with the GoCV and civil society organizations regarding post-compact legislative and procedural solutions to address women's legal rights. The activity also gathered data identifying land associated with couples in these *de facto* unions, and sought to include this information as part of the official registration record in order to provide a basis for future recognition in legal land records. The activity further sought to designate, on the official record, parcels that were located on environmentally sensitive lands in order to avoid construction or other actions on these land parcels in contravention of the law or regulations.

The process of rights and boundary clarification required detailed planning and data gathering steps including: gathering of spatial and land rights information; obtaining documents from land holders that established their rights to particular land; analysis of the legal situation of land holders; posting of claims with opportunity for lodging objections; entry of clarified data into LMITS; and approvals and rights registration by relevant officials within LMITS.



The rights and boundary clarification process on Sal took about two years to complete and resulted in the entry of all parcels of the island into a land database (*i.e.*, a cadaster). This represented nearly 19,400 land parcels included in LMITS out of a targeted 15,000. At the end of the compact, the rights to over 11,000 parcels out of an eligible 11,250 had completed the registration process in the *Registo Predial* (Property Registry), the mandatory land registry for confirmation of full property rights. After a successful pilot on Sal, the activity expanded to three other islands. Although much progress was made in mapping land rights in the other islands, registration targets were not met due to insufficient time for completing all activities following implementation delays on the Sal pilot. INGT continues working to incorporate remaining parcels in LMITS and register rights in the *Registo Predial*. Results to date include:

- ★ On São Vicente, 16,000 parcels were targeted for mapping, 12,000 of which were eligible for registration. By the end of the compact, 4,105 parcels were mapped and included in LMITS but only 2 parcels registered.<sup>15</sup>
- ★ On Boavista, over 6,400 parcels were targeted for mapping, a little over 4,800 of which were eligible for registration. By the end of the compact, 5,290 parcels were mapped and incorporated into LMITS and 50 parcels were registered.
- ★ On Maio, 8,000 parcels were targeted for mapping, 6,000 of which were eligible for registration. By the end of the compact, over 8,700 parcels were mapped and incorporated into LMITS and 298 parcels were registered.

On Maio, the compact used a results-based financing approach with INGT, similar to the contracts used on the other islands with private contractors. This involved paying a fixed fee only for each parcel that was entered into the cadaster. Using this approach provided INGT the opportunity to build its expertise managing the rights and boundary clarification process. INGT is expected to use its newly developed skills as the Government continues clarification of rights and boundaries work on the remaining five islands, specifically, INGT may either implement the activity using its staff, or manage the implementation of this activity by contractors hired by the Government.

While significant progress was made under the activity, the GoCV and MCC were not able to accomplish everything as planned due to several issues. The rights and boundaries clarification work under the compact placed the clarified parcels in the new national land information system (*i.e.*, the cadaster). The final step in the process required Ministry of Justice registrars to register the parcels which, as mentioned above, was an intended part of the compact's activities, but was not achieved for all parcels given the limited staffing resources within the Ministry of Justice to address the large volume of parcels eligible for registration and the share of parcels in "deferred" status, meaning that issues

<sup>15</sup> The slow pace of registration on these three islands was due to the fact that registration was conducted outside of the activity.

requiring resolution by the parcel-holder or a local or state authority were documented and required to be resolved prior to registration. Delays in the rights and boundaries clarification in the target islands and a lack of registrars with relevant experience in mass registration affected the expected results of the project. However, the registrars continued registration work beyond the end of the compact.

Another barrier to completion of activity goals pertained to the status of the land parcels themselves. Parcels eligible to be registered in the *Registo Predial* were those with definitive, legal and spatial status. Parcels without clear, legal, and spatial status were entered into the land information system in deferred status. Registration of the right to a land parcel could only be completed once outstanding issues were resolved by a land holder who was then required to physically present the appropriate legal documents to prove that the parcels may rightfully be transitioned from “deferred” to “definitive” status.

## PROJECT SUSTAINABILITY

Sustainability of the Land Project’s results is expected through the GoCV’s own funding and initiatives to continue the rights and boundary clarification and land transaction system development and deployment work in the short term. Rights and boundary clarification work will continue on São Vicente and other islands not covered by the Land Project as a precursor to establishment of the new land transaction system on each island. The Government included \$700,000 in INGT’s 2018 budget for continuation of rights and boundary clarification work. Cabo Verde is also exploring public-private partnership (PPP) opportunities and seeking additional donor funds to continue this work over the longer term. At the end of the compact, the GoCV had already received two unsolicited PPP proposals for completion of rights and boundary clarification work on all remaining islands and operation of the land transaction and registration systems.

The sustainability of the project also comes from developing the technical expertise of individuals who will be responsible for completing the remaining rights and boundary work after the end of the compact. In particular, the results-based financing mechanism with INGT led to increased capacity at the institution through the implementation of rights and boundaries clarification. INGT staff successfully completed the rights and boundary clarification work on the island of Maio, clarifying rights to more parcels than originally estimated on the island. Local capacity has been created to either continue implementation of rights and boundary clarification activities in the remaining islands and areas of the country or to effectively monitor and coordinate the works if implemented by other parties. In 2018, the GoCV funded and INGT oversaw the surveying and clarifying of rights for all parcels not completed under the compact on Boavista. Registry and notary officials in all four target islands are now highly familiar

with: the clarification process; the legal, claims, and boundary issues that typically arise and need to be resolved; and the steps required to definitively register clarified rights.

With regard to people in unregistered, de facto civil unions, in the absence of the fieldwork activity there is no certain mechanism for ensuring that their legal status is recorded, nor that the Government will continue to maintain this information in records over the long term, though the project did make considerable efforts to try to ensure this. Near the end of the compact, MCC and MCA-Cabo Verde II engaged civil society organizations and the Ministry of Education, Family and Social Inclusion to develop a strategy for post-compact development of a better long-term solution for the situation of vulnerable women in these de-facto civil unions.

Sustainability of the LMITS will require continued funding and technical support from the GoCV. Institutions using the LMITS platform established by NOSi, the entity responsible for the design and deployment of the system, are developing service-level agreements with NOSi. The Government also asked relevant institutions to map needs of the sector in order to ensure that the state budget considers all funding needs after the end of the compact, including funding needs for technology. All entities are committed to working aggressively to continue refinements to the new land environment, focusing on work and strategies with institutions and staff in the various islands and municipalities so that the new system continues to be used for land transactions and registration. While concerns for the continued viability of the system exist, active support by NOSi to ensure the system is fully functional and used as part of the daily work of stakeholder institutions should ensure sustainability over the long term.

## EVALUATION FINDINGS

A performance evaluation of the Land Project is in process. The evaluation is designed to assess the effectiveness of the Land Project activities and related outcomes on land and property investment, tourism investment, utilization of land, property values, land transaction times, and perception of tenure. Analysis includes three main components: a trend analysis of administrative data; qualitative analysis through focus groups and key informant interviews; and a tourism investment case study. There will also be: (1) gender analysis to understand if benefits accrue differently to men and women; and (2) assessment of project sustainability, including continued utilization of LMITS to record and administer land rights and continued formalization of land rights.

Status of the evaluation:

Component	Status
Baseline	Baseline data collection to collect historic land transaction volume and time data, as well as end of compact performance data, is expected to be finished in mid-2019 with an early performance evaluation report expected in 2019.
Midline	None planned.
Endline	Endline data collection to capture 2-3 years after Land Project interventions is planned for 2020.

#### KEY OUTPUT AND OUTCOME INDICATORS

Activity/ Outcome	Key Performance Indicators	Baseline	End of Compact Target	Quarter 1 through Quarter 20 Actuals (November 2017)	Percent Compact Target Satisfied (November 2017)
<b>Legal and Institutional Foundations Activity</b> Outcome: Develop legal, institutional and procedural foundations; develop and install land information and transaction systems	Legal and regulatory reforms adopted	0	26	36	138%
	Land administration offices established or upgraded	0	35	38	109%

Activity/ Outcome	Key Performance Indicators	Baseline	End of Compact Target	Quarter 1 through Quarter 20 Actuals (November 2017)	Percent Compact Target Satisfied (November 2017)
<b>Rights and Boundaries Activity</b> Outcome: Clarification of parcel rights and boundaries in targeted islands with high tourism potential	Percent of targeted surface area on intervention islands incorporated into the Land Management Information and Transaction System (LMITS)	0	100	37.03	37%
	Parcels corrected or incorporated in land system	0	45,432	37,495	83%
	Land rights formalized	0	34,074	11,365	33%

## EXPLANATION OF RESULTS

The Legal and Institutional Foundations Activity performed well and exceeded indicator targets regarding legal reforms and land administration offices established or upgraded. The legal reforms indicator exceeded the target because additional reforms were identified through the course of the project and the GoCV supporting passing these additional reforms. Decreases in land transaction times are expected to be achieved, but these outcomes have not yet been measured due to the delay in establishment of LMITS

and related transaction functionalities, training on the new integrated procedures, as well as time needed to revise the baseline to better capture new investments and sales across the various types of land.

The Rights and Boundaries Clarification Activity results differ by island. In the pilot island of Sal, the Land Project reached targets for percentage of surface area incorporated into LMITS where 100 percent of the island was covered, as well as registering over 11,000 land rights and more than 19,000 parcels incorporated into LMITS, which exceeded the 15,000 parcel target. In the other three islands, the Land Project was not successful in the formalization of land rights due to the delays in the rights and boundaries clarification process, which included mapping and legal analysis for each parcel, approval by a government team responsible to validate all clarification work, and finally entering the clarified parcels in LMITS.

In Maio, the project surpassed its target of 8,000 parcels clarified and incorporated into LMITS, with approximately 8,713 parcels incorporated. In Boa Vista, 5,290 parcels have been incorporated. In São Vicente, 4,105 parcels have been incorporated. The rights and boundaries clarification work placed most of the clarified parcels in LMITS. The Government continues to work on the validation process in order to incorporate the remaining 1,454 parcels of the three islands into LMITS (160 parcels on Maio, 677 parcels on São Vicente, and 617 on Boa Vista).

Formalization of land rights is indicated by the final registration of parcel rights and is a subsequent step after the parcels are entered in LMITS. The Ministry of Justice registrars were responsible for registration. Due to insufficient numbers of staff with relevant experience in mass registration, the overall registration process was delayed. The registrars are mandated to continue their work beyond the compact.

## COMPACT CHANGES

The Cabo Verde Compact II achieved the full scope described in the original compact agreement and in, some instances, went beyond what was anticipated.

## COORDINATION AND PARTNERSHIPS

The GoCV received unsolicited proposals from the private sector to operate and complete the land cadaster on a PPP basis. This would enhance the sustainability of MCC's compact by completing the MCC-funded land investments and extending the rights and boundaries work and land cadaster coverage to other islands. MCC has recommended that the GoCV continue to study its options for a PPP after the end of the compact.





Jake Lyell

The WASH project was designed to incentivize corporatization of municipal water supply and sanitation systems and to get strong support by other key donors in the sector. The Public-Private Infrastructure Advisory Facility, a multi-donor technical assistance facility affiliated with the World Bank, implemented an activity valued at \$235,500 to widen the reach of the compact by financing feasibility studies to create two multi-municipality utilities for water and sanitation services on the islands of Santo Antão and São Nicolau. These utilities were modeled after the multi-municipality utility created on Santiago under the compact, which operates on a corporatized, commercial basis. Additionally, LuxDev, a long-standing partner of the GoCV that is active in the WASH sector, has pledged up to €4 million to strengthen the IGF as the IGF evolves into a revolving fund, as well as €8.5 million in technical assistance for the WASH sector, including institutional strengthening of ANAS and AdS. Finally, The Coca-Cola Africa Foundation co-invested \$400,000 alongside MCC in the SAF, which was aimed at increasing access to water and sanitation for poor households. As part of the SAF, the Coca-Cola Africa Foundation's investment funded house connection fees and sanitation equipment. When added to MCC's funding, this partnership funded connections for approximately 4,300 poor and disadvantaged households in urban, peri-urban, and rural areas, a result not anticipated during compact design.

A group of cadastre technicians work to geomap an area of Maio island as part of the Land Management for Investment Project of MCC's Cabo Verde Compact II.



## POLICY AND INSTITUTIONAL REFORMS

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
WASH	National Water and Sanitation Council (CNAS) and National Water and Sanitation Agency (ANAS) created	Met on time	ANAS is responsible for policy and planning of all water resources, domestic water supply, wastewater, and sanitation; and CNAS provides oversight to ensure sector policies are aligned with overall government policy direction.
WASH	CNAS and ANAS operational: (1) Strategic National Master Plan and Strategic Environmental and Social Assessment; (2) National Training Plan; (3) Information, Education and Communication Plan; and (4) Social and Gender Mainstreaming Strategy approved by CNAS and implemented by ANAS	Met on time	

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
WASH	Ministry of Environment, Housing and Land Management and Autonomous Service of Water and Sanitation sign Memorandum of Understanding transitioning to independently operated/managed Multiple Municipal Utilities of Santiago.	Met on time	
WASH	Government ensures that Multiple Municipal Utilities (“MMU”) of Santiago island has sufficient equity contributions, or other non-reimbursable funding from its shareholders, to support its operations and working capital needs, in accordance with the findings of the economic and financial viability study.	Met on time	

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
WASH	Multiple Municipal Utility(s) (MMU) created as an independent, corporatized entity based on cost-of-service	Met on time	Prior to making the second tranche of MCC funding available under the IGF, MMU was created as an independent, corporatized entity that utilizes cost-of-service by rate class and addresses pro-poor tariffs.
WASH	Government makes matching contribution to the Infrastructure Grant Facility (IGF)	Met on time	Prior to making the third tranche <sup>16</sup> of MCC funding available under the IGF, the Government made the appropriate matching contribution to the IGF as previously agreed.

<sup>16</sup> Originally, the IGF was designed with three tranches of funds. When the Government met the conditions to release tranches two and three at the same time, it eliminated the need for three calls for funding.

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
WASH	Water quality <sup>17</sup> standards updated, legally decreed and published, including those pertaining to re-use and treated water.	Not met	Entered into force in 2018, after the compact period ended.
WASH	ANAS fully functional, as evidenced by: relevant changes in legislation approved; administrative rules in place; internal operating regulations established; 90 percent of key management staff hired in accordance with approved organizational structure transfer; and ANAS executed approved work plan and budget.	Met on time	

<sup>17</sup> Water quality refers to the chemical, physical and biological characteristics of water, a measure of the condition of water relative to the requirements of one or more biotic species and/or to any human need or purpose. The most common standards used to assess water quality relate to health of ecosystems, safety of human contact and drinking water.

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
WASH	CNAS fully functional, as evidenced by: members appointed; meetings convened; CNAS performing designated function of providing policy guidance and implementation oversight of ANAS activities in accordance with CNAS's published bylaws.	Met on time	

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
WASH	Establishment of a community liaison office in AdS staffed with social inclusion and gender expertise.	Deferred, then met	<p>The formation of the new multi-municipal utility, AdS, itself was delayed, so that at that time that the condition precedent came due, the utility was in an early stage of formation and it was too early to have established this unit. AdS offered a temporary staffing solution deemed satisfactory by MCC in the short-term. Given this temporary solution, MCC deferred the condition precedent in order to allow AdS additional time to meet the condition precedent. The community liaison office was ultimately established and staffed to MCC's satisfaction.</p>

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
LAND	Prior to the initial Disbursement of Program Funding that includes, in whole or in part, any funding for the Rights and Boundaries Activity, any new or amended laws or regulatory texts (including but not limited to, regulations, ordinances and directives) determined to be necessary under the Foundations Activity, shall have been adopted by the Parliament or the relevant Government ministries and be in full force and effect.	Satisfied	



Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
LAND	<p>Prior to the initial Disbursement of Program Funding that includes, in whole or in part, any funding for the Rights and Boundaries Activity, an operations manual for the Rights and Boundaries Activity fieldwork satisfactory to MCC, including environmental and social safeguards and provisions, shall have been completed and adopted by the Ministry of Justice and the Ministry of Environment, Housing and Territorial Management through such instrument as the Parties agree is required to give full force and effect to such manual.</p>	Satisfied	

Compact Component(s)	Major Condition Precedent or Policy Reform	Rating: Met on Time/Satisfied/Deferred/Not Met	Narrative
LAND	Prior to disbursement of MCC Funding to implement the Rights and Boundaries Activity on additional islands, the Government shall have completed the activity on Sal island, to a degree satisfactory to MCC, and any modifications to the implementation approach for remaining islands agreed shall have been agreed among MCC, the Government and MCA-Cabo Verde II.	Satisfied	

In addition to the policy-related conditions precedent listed above, the GoCV drafted and adopted 36 different new or revised laws, regulations, procedures and standards to underpin and enable the Land Project's implementation, particularly the Rights and Boundaries Clarification Activity.

## BEYOND THE COMPACT

In partnership with the GoCV, MCC's investments encouraged a number of additional activities not originally planned in the compact. The WASH project was able to support the creation of Maio's utility through the IGF. The compact did not originally target the island of Maio for support, but Maio responded to the incentives of the IGF by restructuring its utility into a PPP with the first tranche of funding and utilizing the second tranche of funding for infrastructure investments to move the island to 24/7 water service. MCC and the GoCV were further able to leverage resources for preliminary studies for Santo

Antão and São Nicolau through a request to the World Bank's Public-Private Infrastructure Advisory Facility.

As discussed above, the WASH project was also able to transform the IGF into a revolving fund, a mechanism that will leverage public, private and donor funding to finance water and sanitation infrastructure. At the project's conception, MCC entertained the possibility of turning the IGF into a revolving fund. However, the path to a revolving fund was deemed too uncertain to promise

at the compact development stage and a grant mechanism was used instead. The early success of the IGF led the GoCV to establish a revolving fund based on the IGF model.



Kyle LaFerriere

Construction crews build new water delivery infrastructure on Santiago Island as part of the Cabo Verde Compact II Water, Sanitation and Hygiene Project.

## LESSONS FROM THE COMPACT

**The policy and institutional reforms required a clear vision, fearless champions, great communication, and broad-based buy-in from the start.** The compact was MCC's first true reform-centric compact. In many ways, the compact served as a pilot for how to leverage MCC's reputation and systems to effectively tackle transformative policy and institutional reform programs under second compacts. Compact success consolidating two, complex sectors, with over 50 new governing laws and procedures, creation of two new national authorities, the introduction of principles for gender and poverty-responsive service provision, and transition from nine municipal water utilities to one corporatized utility, was only possible due to vision, design, and tremendous buy-in from our host-country partners. Change at this level is never easy, and transformation was only possible due to a common vision that spanned national and local governments and one that was tailored to transcend partisan political positions. Sustaining buy-in required that MCC and MCA-Cabo Verde II develop and maintain the trust of multiple public and private stakeholders through personal and corporate communication strategies, lobbying, and strategic use of MCC's systems and 5-year implementation clock. To successfully tackle these reforms and ensure sustainability of investment, MCC had to look beyond the traditional leverage point of a large grant and engage in more strategic use of communication and influence.

**The staffing demands and resource requirements for this type of major reform initiative were significant.** MCC's experience with the compact demonstrated that reform projects require greater levels of planning, staffing, and resources than relatively more predictable and linear infrastructure investments. Compact implementation showed that putting reforms and laws into operational practice required resources, particularly people and time, and usually beyond the limits of typical MCA staffing structures. MCC and MCA-Cabo Verde II experienced delays with reforms for the Land Project because the associated GoCV implementation partners simply did not have the staff or resources required to complete the added workload of managing the time-intensive process of legal rights and boundary clarification and validation. While the GoCV fielded a very talented and dedicated team of professionals from the Ministry of Justice, National Land Management Institute, Ministry of Finance, and multiple municipalities, the Government was not equipped to handle the significant increase in workload generated by the Land Project. This staffing constraint proved difficult to solve as the gap could not be filled by hiring more technicians; rather, the project was handicapped by the rational limit of senior professionals holding the requisite legal authorities to certify and grant property title.

**Linking grant facility disbursements to institutional/reform milestones provided critical leverage.** The design of the WASH Project's IGF only allowed for disbursement for capital improvements upon the completion of key institutional progress milestones. This strategy was successful in encouraging the development of an effective operating environment for the infrastructure investments because it provided clear incentives for completing difficult reforms. Implementation of the WASH Project would have been considerably more difficult without these incentives. The design of the IGF also helped support improved prioritization of works projects for the sector. Ideas were submitted by beneficiaries (i.e., local utilities), which meant that those closest to the ground were able to identify what was needed most in their communities. Additionally, the competitive selection process encouraged utilities to appropriately design and plan for capital improvements ensuring winning grants were well-planned, well-conceived capital improvements based on the country's strategic priorities.

**Coupling water infrastructure investments with water pricing reforms in poor and vulnerable communities may have been more pro-poor than tariff reforms alone.**

The WASH Project also included activities centered around revising the tariffs to ensure that they were based on cost-of-service principles and designed to be pro-poor. The project found that targeting the network-connected extreme poor with a tariff subsidy required accurate information for identifying poor and vulnerable households. In countries that do not have a national database for targeting the poor, this is challenging. When the Cabo Verdean national cadaster did not materialize during the compact's timeframe as anticipated, the Government was not able to identify an alternative methodology for defining and identifying the poor by compact end. On the other hand, reforms to pricing

of public standposts and off-network water (i.e., auto-tankers) proved to be a substantial benefit for women and the poor. When donors undertake sector reforms elsewhere, they should explore opportunities for tariff reforms and infrastructure improvements to vulnerable communities, including those outside of formal tariff structures.

**Implementing the IT system was as risky as implementing an infrastructure project, requiring knowledgeable experts at MCC and MCA to effectively manage design and execution.** Compact design failed to fully prepare for the complexities of designing, installing, and managing the new software platform necessary to form the backbone of the new land management information system. In the future, MCC needs to ensure adequate capacity at MCC, MCA, and implementing entities before, during, and after project implementation. These systems require highly specific technical expertise, experience contemplating and negotiating IT risks, legal authorities for safe and secure handling of confidential or sensitive information, and expertise and resources to implement and oversee IT system development and deployment. As with any multiple user interface information management system, data security, as well as administrator and user roles/responsibilities, must be clearly defined upfront and codified under relevant contracts and agreements. Land IT systems require specific service level agreements with each user institution, which should be the responsible party to develop key tasks to be delivered by the service provider and validate outputs and functionalities. To ensure timely and informed decision making, and in Cabo Verde's case, with regard to allocation of land for investment purposes, it is critical that investment agencies and government authorities are part of the consultation process to develop Land IT systems and have access to relevant data, particularly parcels located in the land domain managed by those institutions.

**Understanding of the country-specific social complexities related to land rights and restrictions was critical.** Land rights comprise a complex field, involving many country-specific formal and informal rights and restrictions that affect people differently across socioeconomic and cultural contexts. These need to be well understood, and land reforms need to address these complexities explicitly in the new systems. In Cabo Verde, the vast majority of couples are unmarried, but live in several types of civil unions conferring different types of property rights under family law. These complexities were captured in project fieldwork databases, but were difficult to include in the land registration system. This limited the documentation of the rights of both partners, with men's names typically appearing on the document. Additionally, it is challenging to include land use restrictions, environmental or otherwise, in the land registration system. The land use restrictions were also documented in the fieldwork database, but not transferred into the registration system, which would have made them more widely available to all Cabo Verdean citizens. While wealthier households have resources to investigate restrictions to their registration in the land registry, lower-income households

are less likely to be able to investigate restrictions and are thus more vulnerable to their land rights being weakened or not protected under the new system. An important lesson is the need for adequate attention and commitment among stakeholders to addressing the challenging country-specific complexities of land rights and restrictions through new legal and administrative systems, in order to avoid the risk of unintended consequences.

**Results-based financing was effective in building local capacity for sustainability and expansion of project objectives.** The compact successfully established the National Land Management Institute (INGT) and built its capacity through a results-based financing structure that eschewed traditional, upfront technical assistance in favor of back-end, market-based payment for results. MCC purposefully took a different approach to capacity building between the WASH and Land Projects, providing foundational funding and technical assistance for ANAS and AdS, while providing incentive and opportunity for INGT. The compact proved that results-based financing structures can indeed be very effective as INGT out-performed expectations and exceeded targets for data collection and clarification work on the island of Maio. This specific approach was not originally planned and represented an important lesson as there is now local know-how on the legal, procedural, and technological aspects of implementing rights and boundaries for: (1) continuation of the works on the other islands by INGT itself; or (2) adequately monitoring and overseeing the work of other private parties that can be hired by the GoCV to complete this work. A similar results-based implementation strategy could be used for other similar projects in the future to improve sustainability of investments.

**Piloting and then scaling projects can be an effective implementation strategy, but is difficult under MCC's five-year implementation cycle.** The Land Project validated a pilot-first approach for tackling new policy and institutional reforms with national reach. Understanding the need to pilot, test, modify, and deploy a nationwide system, the compact was effective in piloting the rights and boundary clarification activity on the island of Sal, setting the stage for robust expansion across the remaining islands. However, while the piloting approach was effective in refining process and procedures, the length of time required for uptake pushed subsequent interventions far into the implementation timeline which created new challenges for completion.

**Updating targets and baselines as better quality data becomes available can improve grant facility decisions.** Finally, the compact yielded important lessons around setting performance targets and evaluating results in the WASH and land sectors. Due to the fact that data from due diligence research often requires quality checking, it is important during the compact period to update targets and baselines as better quality data becomes available. The WASH project found that it was difficult to produce economic rates of return (ERRs) for facilities like the IGF because the projects are not known ex ante. Nonetheless, with some effort a project typology can be developed with illustrative approaches to



ERR calculations. Individual project selection would then need to ensure an ERR sufficiently high to meet the threshold, including overhead. Validation of ex ante estimations of the overall economic return to the infrastructure fund and of the utility of the approach are in progress (many of the works were not commissioned before the end date of the compact). For the Land project, the completion of work towards the end of compact meant that observations from administrative data were not yet available to make judgements about results. Anecdotally, the original project rationale regarding the utility of the implemented interventions for enlarging the scope for tourism development and associated value added may be weaker than previously thought. However, there may be other channels through which the parcel mapping and improvements in administrative procedures and documentation may be contributing to development on various islands. The results are likely to be specific to the context and are the subject of the on-going land project evaluation.







# Reducing Poverty Through Growth



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