



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA



February 10, 2012 | www.mcc.gov

MCC and Cape Verde: Managing Scarce Resources to Reduce Poverty and Promote Investment

This five-year, \$66.2 million Millennium Challenge Corporation compact with Cape Verde is designed to reduce poverty through economic growth. The two projects in this compact are intended to increase household incomes by reforming two sectors identified as current constraints to economic growth: the water and sanitation sector and the land management sector. Each compact project is an important component of the Government of Cape Verde's economic transformation agenda, focused on shifting from a reliance on foreign aid and remittances to mobilization of private sector investment and improved domestic resource management. This compact builds off the success of Cape Verde's first MCC compact, completed in October 2010, and upholds high standards for accountability, transparency and achieving results.

Water, Sanitation and Hygiene Project

Cape Verde, an extremely water-scarce country, faces a number of challenges in the water and sanitation sector. The \$41.1 million Water, Sanitation, and Hygiene Project (WASH Project) is designed to establish a financially sound, transparent and accountable institutional basis for the delivery of water and sanitation services to Cape Verdean households and businesses.

The project's approach to improving sector performance is based on a three-pronged strategy: reforming national policy and regulatory institutions, transforming inefficient utilities into independent corporate entities operating on a commercial basis, and improving the quality and reach of water and sanitation infrastructure.

The WASH Project is comprised of three activities:

- ★ **National Institutional and Regulatory Reform Activity:** Institutional and regulatory reform at the national level is expected to improve planning systems and regulatory processes. MCC will support the creation of a new National Agency for Water and Sanitation, responsible for policy and planning of all water resources, domestic water supply, wastewater, and sanitation. The project is designed to strengthen the existing regulator to better regulate economic and technical aspects of the WASH sector. Finally, the project is expected to strengthen environmental protection functions to include water

and wastewater quality. The program will provide technical assistance and resources to ensure gender equity and social analysis will be integrated into national policies and planning.

- ★ **Utility Reform Activity:** This activity will support merging and restructuring municipal utility departments into independent corporate entities. Compact efforts will focus on supporting the formation of a proposed utility on the island of Santiago, on which half the population of Cape Verde resides. The compact will provide support and capacity building to improve planning capacities and operational efficiency and to reduce commercial losses in Santiago. The process will be designed to facilitate similar utility restructurings on other islands.
- ★ **Infrastructure Grant Facility:** The compact will provide resources for a competitive Infrastructure Grant Facility to fund infrastructure capital improvements in the WASH sector. The facility is open to proposals from any utility in the country, provided the utility meets eligibility criteria related to demonstrated progress towards commercialization of utility operations. Project grant applications from qualified applicants will be evaluated based on a set of transparent financial, economic, technical, implementation, environmental, and social criteria.

Land Management for Investment Project

The \$17.3 million Land Management for Investment Project is expected to improve Cape Verde's investment climate by refining the legal, institutional and procedural environment to create conditions for increased reliability of land information, greater efficiency in land administration transactions, and strengthened protection of land rights; developing and implementing a new land information management system; and clarifying parcel rights and boundaries on targeted islands with high investment potential.

The project supports the Government of Cape Verde in creating a single reliable and easily accessible source of land rights and land boundaries information, which is expected to strengthen Cape Verde's investment climate for large and small investors and reduce land registration time and costs. The project is comprised of two activities:

- ★ **Legal and Institutional Foundations Activity:** This activity will work at the national level to support necessary legal reform, as well as the creation of a common information and transaction system for each of the country's core land administration institutions. This system is designed to achieve greater efficiency in land registration-related transactions and land administration in the short term; and improved land use, investment planning and property tax administration in the long term.
- ★ **Rights and Boundaries Activity:** Building on the groundwork laid by the project's legal and institutional foundations, the Rights and Boundaries Activity will support clarification of parcel rights and boundaries in targeted islands of high tourism investment potential. This information will be input into the new common information system, enabling all land users to more quickly and conclusively identify land boundaries and rights.

Administration, Monitoring and Evaluation

The compact includes program administration costs projected at \$6.48 million over five years, including the costs of administration, management, auditing, and fiscal and procurement services. The estimated compact budget for monitoring and evaluation is \$1.39 million over the life of the compact, with MCC conducting additional impact evaluation work.

Expected Results

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 (Cape Verde's most populated island). The Government of Cape Verde and other donors are expected to extend the corporatization of utilities throughout the country following compact completion, enhancing the compact's sustainability and expanding its reach.

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.

The **Land Management for Investment Project** is designed to improve the land registration process, which is expected to increase tourism and real estate development and result in job creation benefitting an estimated 13,000 people on the target islands. Beyond the tourism impact, other potential impacts resulting in additional income for the population living on the target islands—and perhaps more broadly, due to the national level legal and institutional changes and new information systems—will be explored and tested as part of the compact's monitoring strategy and impact evaluation.

MCC is based upon core principles of transparency and accountability. In keeping with this commitment, all economic rate of return analyses conducted during project development are made available to the public. Monitoring and evaluation will be conducted throughout compact implementation, and third-party, independent researchers will conduct impact evaluations upon project completion. All results will be available to the public and published on www.mcc.gov.

For more information about MCC's partnership with Cape Verde, visit www.mcc.gov/capeverde.