ACDI VOCA

Annual Results Report

P.L. 480 Title II Monetization Program

Fiscal Year 1998

-Cape Verde-

Submitted to:
Agency for International Development
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Table of Contents

List of Acronyms and Abbreviations

ACDI/VOCA	Agricultural Cooperative Development International (ACDI) and Volunteers in Overseas Cooperative Assistance (VOCA) merged January 1, 1997
ACP	Asian, Caribbean and Pacific
AER	Annual Estimate of Requirements
AR	Animação Rural (Rural/Agricultural Extension Service)
ARR	Annual Results Report
ASDIS	Associação das Associações para a Solidariedade Social e o Desenvolvimento Comunitário da Ilha de Santiago (Santiago Island Association of Associations for Social Solidarity and Community Development)
CCC	Commodity Credit Corporation (division of United States Department of Agriculture)
CCR	Caixa Crédito Rural (GOCV Rural Credit Institution)
CECV	Caixa Economica de Cabo Verde
CF	Call Forward
C&F	Cost and Freight
CEFAP	Centro de Formação e Perfeiçoamento Profissional de S. Jorginho
CILSS	Comité Inter Estados para a Luta Contra a Seca no Sahel (Interstate Committee for Drought Alleviation in the Sahel)
COs	DGASP's watershed-based community organizers
CPC	Caixa Poupança e Crédito (Savings and Credit Fund)
CRWT	Contour Rock Wall Terrace
CVB	Contour Vegetative Barrier
CVE	Cape Verdean Escudos (local currency)
CY	Calendar Year
DAP	Development Activities Proposal
DER	Divisão de Engenharia Rural (DGASP's Division of Rural Engineering)
DGAR	Direcção Geral de Animação Rural (General Directorate of Rural Extension)
DGASP	Direcção Geral de Agriculture, Silvicultura e Pecuária (General Directorate for Agriculture, Forestry, and Animal Husbandry)
DGCI	Direcção Geral de Cooperação Internacional (General Directorate of International Cooperation, a division of the Ministry of Foreign Affairs)
EMPA	Empressa Pública de Abastecimento (State-owned Supply Company)
ENAPOR	Empressa Nacional de Administração dos Portos EP (National Port Administration Company - Public Enterprise)
EU	European Union
FAIMO	Frentes de Alta Intensidade de Mão de Obra (Labor-intensive Work Front)
FAS	Free Along Side (Refers to price of commodity prior to shipment at U.S. Port)
FDN	Fundo Nacional de Desenvolvimento (GOCV National Development Fund)
GEP/MAAA	Gabinete de Estudos e Planeamento de Ministério de Agricultura, Alimentação e Ambiente (Office of Studies and Planning of the Ministry of Agriculture, Food and Environment).
GOCV	Government of Cape Verde
ha	Hectare (1 ha = 2.471 acres)
HCN	Host Country National
IADE	Instituto de Apoio ao Desenvolvimento Empresarial (Institute for the Development of Enterprises)
ICA	Individual Country Food for Peace Agreement between the GOCV and ACDI/VOCA.
ICS	Instituto Caboverdeana de Solidariedade (Cape Verdean Solidarity Institute)

IEE	Initial Environmental Examination
IEFP	Instituto de Emprego e Formação Profissional (Institute of Employment and Trade Training)
IIF	IADE Investment Fund
INERF	Instituto Nacional Engenharia e Floresta (National Institute for Rural Engineering and Forestry)
INFA	Instituto Nacional Fomento Agro-Pecuária (National Institute for the Promotion of Agriculture and Livestock)
INIDA	Instituto Nacional de Investigação e Desenvolvimento Agrário (National Institute for Agricultural Research and Development)
LC	Local Currency (Cape Verdean Escudos, CVE). The CVE, or "LC" is the "foreign currency"
M	Million
m and m^3	Meter and Cubic Meter
MAAA	Ministério da Agricultura, Alimentação e Ambiente (Ministry of Agriculture, Food and Environment)
MEC	Ministério da Coordinação Económica (Ministry of Economic Coordination)
METLP	Micro Enterprise Training and Lending Program
MEWS	Monitoring and Evaluation / Watershed Specialist (may also be referred to as Long Term MEWS)
MFA	Ministério dos Negócios Estrangeiros e das Comunidades (Ministry of Foreign Affairs and Communities)
MOAVE	Moagem de Cabo Verde SARL (State-owned flour milling firm)
MOU	Memorandum of Understanding
MPM	Monetization Program Manager
MT	Metric Tons
NGO	Non-governmental Organization
OASIS	Organização das Associações de Agricultures, Avicultores e Pécuários da Ilha de Santiago (association umbrella organization)
OMB	Office of Management and Budget (of the United States Government)
PAA	Previously Approved Activity
PL-480, FFP	Public Law 480, Food for Peace Program
PWDP	Participatory Watershed Development Plan
RA	Recipient Agency (entity receiving Title II funds)
RAA	Recipient Agency Agreement
RE/F	Rural Engineering and Forestry
REW	Rural Engineering Works
RIG	Regional Inspector General (USAID)
SBLP	Small Business Lending Program (CECV)
SDE	Sociedade de Desenvolmimento Empresarial, SARL (Enterprise Development Company, Inc.)
SMA	Special Monetization Account
SEPA	Secretariado Executivo para o Ambiente (Executive Secretary for Environment)
SP	Strategic Planning
ST TA	Short-Term Technical Assistance
SWC	Soil and Water Conservation (includes REW and forestry)
TA	Technical Assistance
TAR	Tecnico Auxiliare de Ribeira (another name for community organizer, CO)
UNDP	United Nations Development Program
USAID	The United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
WADS	Watershed Association Development Specialist (HCN)
WARD	Watershed and Applied Research Development Project (USAID-funded)

WDC Watershed Development Consultant

Annual Results Report for Fiscal Year 1998

I. Annual Results

A. Results

The Food for Peace (FFP) Program being implemented by ACDI/VOCA in Cape Verde continues to show positive impacts on the food security of the country's population, both in rural and in urban environments. In the rural areas, households with members supported by the soil and water conservation program have shown an increase in income by 38% from 1997, and 50% for female-headed households, both exceeding the targets identified in the Monitoring and Evaluation Plan.

The association movement in Cape Verde, continues to grow. In 1997, twenty-four associations received soil and water conservation contracts: in 1998, this number had increased to twenty-nine, not including prospective associations. While still young and in need of additional training and organization, members are showing greater understanding of the benefits and responsibilities of belonging to an association.

ACDI/VOCA continued programs to introduce agricultural technology during the year, including the development of a credit program for farmers that will allow them to install drip irrigation systems. The area of land installed under drip irrigation was less than planned during FY 1998 due to a number of obstacles including the lack or credit for agricultural producers. However, the groundwork laid during the year should result in a significant increase in the adoption of drip irrigation technology in the remaining three years of the Food for Peace program and the future.

The micro enterprise and small business lending activities are performing very well. Outputs have exceeded expectations by a wide margin. The Micro Enterprise Training and Lending Program achieved near break-even financial operations during the July through September 1998 quarter and is expected to generate a profit during the first or second quarter of FY 1999, approximately 18 months ahead of plan. Measured impact on borrowers shows improvements in profitability well above the level predicted in the Monitoring and Evaluation Plan. The Caixa Economica de Cabo Verde (CECV) remains very profitable thanks in part to the Small Business Lending Program that has enabled it to respond to the needs of small borrowers and at the same time, entice loan capital from other sources.

Annex 1 contains the Monitoring and Impact Indicators which provide a summary of outputs based on the measures called for in the Monitoring and Evaluation Plan of June 1997.

Objective #1: Support to soil and water conservation activities through farmer associations

1. Results Summary

In 1998, ACDI/VOCA supported 42 associations and prospective associations in the amount of 193.7 million CVE ($2.09 million) for rural engineering and forestry works. Associations are showing significant profits and rural household incomes are increasing. While re-enforcement trainings in organization and planning are still required, associations members have shown greater understanding of the benefits and responsibilities of membership.

(a) Progress Relative to Planned - The program exceeded its targets for the overall impact in soil conservation and the impacts on the association movement even though not all specific indicator targets were met in terms of works constructed or installed. Incomes increased in the rural areas though reports indicate a reduction in number of meals eaten and dietary diversity scores.

(b) Progress Met or Fell Short

Table 1 Association Progress — Plan vs. Actual

Association Development & Employment	Plan	Actual	Plan/Actual
Number of associations satisfactorily completing SWC contracts	30	31	103%
Percentage of REW funded by P.L. 480 constructed by association	70%	100%	143%
Number of people employed by program/year	3,000	2,638	88%
% of female employment in forestry program activities	75%	59%	79%
Income and Food Security			
Per Capita Income of rural households (CVE/yr)	11,632	23,208	200%
Per-Capita incomes of FHH working for associations	9,410	21,303	226%
Number of meals eaten per day by rural households (meals/day)*	3.08	2.84	92%
Dietary diversity scores of rural households (categories/day)*	5.89	4.31	73%
Soil and Water Conservation Works (as identified in the Monitoring and Evaluation Plan)			
Number of check dams constructed	309	166	54%
CRWTs Constructed (km)	94	126	134%
CVBs planted (km)	40	36	90%
Number of trees planted	100,000	81,510	82%
Impacts of SWC works			
Area improved from CRWT construction (ha)	94	169	180%
Recovered top soil (m^3)	28,300	37,348	132%
Reclaimed surface area for cultivation (ha)	11	22.8	207%

(c) Key Assumption Changes & Reasons for Shortfalls

Soil and Water Conservation Works - The indicators reported to USAID only include certain works constructed by the associations. The associations determine, in conjunction with technicians from DGASP and ACDI/VOCA, what works will be constructed in the following year based on the needs of association members and the watershed in general. Significant emphasis this past year was put on water resource management, including the construction of cisterns, captation dikes, wells and reservoirs. The following shows the increase between 1997 and 1998.

	1997	1998
Cisterns	12	36
Capatation Dikes	3	8
Wells	0	10
Reservoirs	1	21

Live vegetative barriers and trees are generally not planted until later in the year after the rainy season. The true totals will not be known until early 1999.

Income and Food Security - INIDA performed the 1997 dietary study in April and the 1998 study in January. Annual income reports are not necessarily affected by the timing of the study, however, the number of meals eaten and dietary diversity scores are based on the day before the study is conducted. The different collection dates could account for the decline in number of meals eaten and dietary diversity scores. The first study reflected a period when harvesting was basically over and SWC were providing significant incomes to rural households.

(d) Significant Trends and Policy Changes - The association movement continues to grow both in number and in comprehension of benefits and responsibilities. In 1997, 24 associations and 11 prospective associations contracted works under the FFP program. In 1998, these numbers were 29 and 13, respectively. While the emphasis is still placed on the economic benefits of associations, there is an upward trend in understanding of social benefits as well according to the INIDA Socio-economic Study.

The impact of the FFP program has been increased by other donors following ACDI/VOCA's lead:

- Austrian Cooperation supported SWC works by the Agrogado association in Ribereita and an association in Ribeira Seca. In addition, it is providing support to INGRH, the water resources institute.
- *Coopération Française* is supporting associations on S. Nicolau Island and is planning to begin to support work in the area of Cidade Velha.
- *KFW* (German Cooperation) is supporting the Loura and Rui Vaz associations on Santiago Island and the Calheta association on Maio Island. KFW is also supporting associations on Fogo.
- *IFAD* has been preparing a new 10-year, US $1M/year program, and is committed to our participatory watershed model, however, there seems to be no news on this activity. The existing IFAD/AfDB-financed PRODAP project works with informal farmer groups, some of which are interested in carrying out SWC and becoming formal, legal associations.
- FAO is following the ACDI/VOCA-initiated model for its SWC work.
- The European Union is working with the ADP Picos and Agro -Orgãos association on Santiago, Lagoa on

Sto. Antão, and Calheta on Maio in its support of the National Poverty Alleviatinn Program. The EU is assisting these association's members in the development of small scale production and transformation activities.

- The finalized Anti Desertification Program calls for carrying out most erosion-reduction works through rural watershed associations.

The past year also showed an increase in the number of women holding positions of responsibility within associations. In 1998, there were two women presidents and the percentage of women association accountants doubled from 20% to 42%. A Women's Commission was formed as part of OASIS in December, 1997, which conducted a study of women's needs in the rural areas. This information will be used during FY 1999 to develop a strategic plan for projects and training.

OASIS acted as general contractor for 12,838,182 CVE ($137,987) of forestry works in 1998 and is expected to do so for all Santiago SWC works contracts in 1999. By acting in this capacity, the monitoring and payment processes are expected to be streamlined. Furthermore, OASIS is expected to develop its own resources so that it may obtain lower prices for SWC inputs by volume purchases. Hopefully this will be achieved as it moves toward purchasing agricultural inputs including equipment and reselling it to farmers.

(e) Customer Driven Development - The associations, in consultation with technicians from DGASP and ACDI/VOCA, determine which works will be constructed the following year, thus providing a feeling of ownership.

(f) Partnering - ACDI/VOCA contracts with DGASP, which then contracts directly with associations and prospective associations' delegations for SWC works construction. The delegations act as general contractors for these prospective associations. DGASP is responsible for verification of works, which ACDI/VOCA spot checks. ACDI/VOCA also works extensively with OASIS in association development and training.

(g) Food Security Impact and Measurement Methods - Information regarding income, number of meals eaten per day, and dietary diversity scores is collected by INIDA by conducting interviews in six zones. This study is to take place at the onset of the program, at mid-term, and at the program's completion.

2. Specific Activity Details

Contracting - DGASP signed contracts with 29 associations and OASIS in 1998. Contracts were also signed with 9 Ministry of Agriculture Delegations which in turn contracted with 13 prospective associations under protocol agreements.[1] OASIS acted as general contractor for 11 associations in forestry works. Table 1 in **Annex 2** provides data regarding contracts by type of contractor.

[1] One of these "prospective" associations, Cutelho Coelho, is actually a legalized association but was not considered as such for contracting purposes. Two others, Agro Verde, and Tabugal, were legalized after contracting.

The 1997 contracts stipulated that all works be completed by calendar year end, however, the final contract SWC work was completed in May 1998. One association working on gabion cages did not finish until July. Two associations, Lagoa and Riberão Cariço, failed to meet contractual obligations or organizational requirements and were not included in 1998 contracts. Two others, Agrogado and Lombo de Figueiras, arranged contracts funded by Austrian Cooperation instead of the Cape Verde Title II Program.

Association Growth and Employment - In addition to the number of associations increasing, the number of members is also increasing. In 1997, the 17 associations that contracted both in 1997 and 1998 showed an increase in membership of approximately 3.5%. Tables 2-4 in **Annex 2** shows actual membership for the associations and prospective associations.

Audits - Thirty watershed associations and OASIS underwent audits in 1998 by an independent auditor with the assistance of the ACDI/VOCA association accounting specialist. Findings in general were positive and showed increased capacity in accounting by associations. The 1997 profits are shown in Table 5 in **Annex 2** with Table 6 showing association prices compared to those of INERF. As of December, 1998, it appeared that all associations would show a 1998 profit; this information will be included in the interim report to be prepared in May 1999.

Environmental Compliance - Environmental Compliance Documentation was submitted by ACDI/VOCA in June, 1998, and was approved by USAID in July 1998. This document addresses the potential environmental impacts of the program, and when necessary, mitigation activities to be undertaken to prevent negative consequences.

In general, many of the programs, such as credit programs and trainings, do not have negative impacts, but for those that have potential, such as soil and water conservation works, preventing negative environmental impacts are incorporated into the design and implementation of works. Mitigation includes technical design specifications, trainings in construction, and the use of manual labor. Monthly inspections and spot checks ensure that these activities are taking place.

Training - In FY 1997, a significant amount of training was given in SWC construction including manufacturing gabion cages, etc. In FY 1998, more attention was placed on management, accounting and quality control. As can be seen in Table 7 of **Annex 2**, ACDI/VOCA carried out 1,118 person days of training in the SWC program and 2,000 person-days in drip irrigation.

ACDI/VOCA also funded workshops on product transformation, ICS' training in carpentry, construction, plumbing and electricity, as well as financed 6 association members and government technicians for a training seminar in Israel.

ACDI/VOCA hosted a workshop in March, 1998 in Praia, Cape Verde, for Title II Cooperating Sponsors (CS) from Latin America, Africa and Asia. The thirty participants held discussions centered on Regulation 216 and environmental compliance issues. Participants went on field-trips on the island of Santiago for hands-on experience in preparing an IEE.

Objective #2: Introduce new technologies which conserve water and raise yields

1. Results Summary

ACDI/VOCA continues to pursue the objectives of sustainability and replicability on a large scale in its drip irrigation programs. The shift in focus that began in FY 1997 continues, that is, instead of providing most of each drip irrigation system as a grant to farmers and farmer groups, we are developing credit systems for farmers.

(a) Progress Relative to Planned - The indicator table **(Annex 1)** target calls for 25 drip irrigation systems installed on 12.5 ha of land. The actual achievement is 54 systems on 6.0 ha of land, 216% of the number of farmers served but only 48% of the land area.

(b) Progress Met or Fell Short - Progress with respect to systems installed exceeded plan but with respect to land area, fell short of plan. Income levels achieved after installing drip irrigation and exceeded plan.

(c) Key Assumption Changes & Reasons for Shortfalls - (i) A provider of rural credit ceased operations during the year, hampering the installation of drip irrigation systems using credit. (ii) Drip irrigation equipment was not available in country to the extent needed to achieve the planned level of installation. (iii) The preparation of a drip irrigation credit program did not begin to show significant results until after fiscal year end.

(d) Significant Trends and Policy Changes - (i) The two local drip irrigation importers have been joined by a third firm. Recently-arrived shipments to two of the three firms indicate that drip irrigation equipment will be more readily available than in the past. (ii) During the year, the CVE was linked to the Portuguese Escudo and Cape Verde was granted a standby loan from Portugal to meet short term foreign exchange shortfalls. As a consequence, importers have had less difficulty obtaining foreign exchange to pay for drip irrigation equipment since about September 1998. Hopefully this situation will continue during the current year.

(e) Customer Driven Development - (i) The demand for drip irrigation technology continues to be very strong. Farmer-recipients and their neighbors continued to install drip irrigation systems on their own after interventions supported under this program — this totaled 6.0 ha during FY 1998, an amount equivalent to the area provided under the Cape Verde program. (ii) The associations organized under the previous WARD Project and the previous and current Title II Cape Verde programs are setting up their own financial institution (see "ASDIS" below).

(f) Partnering - (i) ACDI/VOCA is providing support to the GOCV (DGASP) and FAO in order to implement a significant drip irrigation program. This complements the technology being introduced in Cape Verde under the FAO's Horticulture project that has been on-going for approximately ten years (introducing many new more productive varieties of fruits and vegetables to Cape Verde, and contributing immensely toward Cape Verde's attempts to reach self-sufficiency in vegetables and some fruits). (ii) ACDI/VOCA is working with the commercial bank, the Caixa Economica de Cabo Verde, on a new drip irrigation program. The CECV is a profitable, well-managed institution that wishes to do more production-based lending.

(g) Food Security Impact and Measurement Methods - (i) Increased vegetable production under drip irrigation results in an increase in food availability to the population in general. Reduced vegetable prices in the market place will mean that poorer members of the population can afford vegetables. (ii) Increased farmer income and ability to buy food is a result of drip irrigation installations. Farmer income increase is measured by a survey and by measuring yields in farmers' fields and gathering price information at the farm level.

2. Specific Activity Details

DGASP/FAO Drip Irrigation Program - FAO and the GOCV (DGASP) began the implementation of the Phase 2 follow-up program in September 1997. This program calls for the installation of drip irrigation systems covering 15 hectares of land including 2 hectares of fruit trees. Outputs to date are as follows:

DGASP/FAO Program	# of Farmers	# of Beneficiaries	Area (ha)
Total Projected	150	750	15.00
Outputs through September 30, 1998	62	310	5.89
Percent	41%	41%	39%

The original 12-month term has been extended without additional cost through the end of December 1998 (total term, 15 months). FAO assures that the outputs will be accomplished at near 100 percent of plan. Major obstacles to achieving the FY 1998 outputs as planned included (a) failure of the local lending institution, the Caixa Crédito Rural, to fulfill its lending role as agreed upon and (b) shortages of drip irrigation equipment in country. Measures have been taken and conditions have changed that will allow the achievement of planned goals in FY 1999. These are described below.

ACDI/VOCA Direct Drip Irrigation Assistance - During FY 1998 ACDI/VOCA completed the installation of two drip irrigation systems on two farms with a total land area of 0.12 ha. This low level was the result of our spending a great deal of time on the preparation of a credit program for drip irrigation. As of September 30, 1998, eleven additional systems were in planning or under construction. All of these are being installed with a portion self-financed by the farmer, a portion funded by a loan, and a portion funded by grant.

Credit through Caixa Crédito Rural (CCR) - The CCR discontinued lending in June 1998 after it had disbursed 1,133,250 CVE ($12,000) to six farmers for drip irrigation systems. In FY 1997 ACDI/VOCA approved 10.5 million CVE ($122,000) of funding for the CCR — ten million CVE for loan fund and 0.5 million CVE for an audit. The first five million CVE ($54,000) for loan fund was provided to the CCR in September 1997. Only a portion of it was disbursed to farmers. After the CCR discontinued lending operations, ACDI/VOCA requested that the CCR return the remaining 3,866,750 CVE ($42,000) — these funds were returned to the Special Monetization Account on December 9, 1998.

Credit through "Associação das Associações para a Solidaridade e o Desenvolvimento Comunitário da Ihla de Santiago" (ASDIS) - This entity was formerly referred to as "CPC".

ACDI/VOCA has been working with a group of watershed associations for more than a year on the formation of an association-owned lending institution. This institution will serve the individual members of its member-associations. ASDIS is to be legalized and begin operations in early 1999. Ten ASDUS member-associations have invested 2.65 million CVE ($28,000) to date. ASDID also recruited a male and a female loan officer and they began a three-month training stage with ACDI/VOCA's Micro Enterprise Training and Lending Program (METLP) on October 1, 1998. ACDI/VOCA's newly-developed drip irrigation credit program is being ground-tested directly by ACDI/VOCA's with groups of farmers and uses the solidarity group concept. As of September 30, 1998, a member of each of two groups had received loans. All loans will be transferred to the association-owned ASDIS after it is open.

Drip Irrigation Credit through Caixa Economica de Cabo Verde (CECV) - ACDI/VOCA is now working with the Caixa Economica de Cabo Verde on a fund for drip irrigation lending. This program will call for making 21.5 million CVE ($220,000) available to the CECV. This total includes 20.0 million CVE for loan funds and 1.5 million CVE for loan officer training and support. The CECV has demonstrated its ability to disburse and collect loans under the Small Business Lending Program (SBLP) and its interest in lending for drip irrigation is most welcome.

INIDA Dry-land Crops Program - ACDI/VOCA and INIDA continue to jointly fund four dry-land studies begun in August, 1997. ACDI/VOCA's contribution over 3 years amounts to 12.7 million CVE ($136,500 equivalent), which is approximately 84% of the total budget. The FY 1998 contribution by ACDI/VOCA was 788,061 CVE ($8,470 equivalent). The four studies include: forage crop production in marginal corn areas; fertilization of common potatoes; pigeon pea ecotypes and adaptations; and rain-fed corn and bean research. Much of the 1997 effort was concentrated on preliminary activities including meeting with farmers, identification and preparation of land parcels, and acquisition of materials. Results were affected by rain quantities and obtaining the necessary materials. INIDA's end-of the year findings should be considered preliminary and will be verified during 1999. Though results from these field research projects are not specifically included in the approved M&E plan, ACDI/VOCA monitors project success by the submission of interim reports and verifying INIDA's impact indicators.

Objective #3: Micro Enterprise Training and Lending Program, Small Business Lending Program, and Other Business Promotion Activities

1. Results Summary

The micro enterprise and small business lending activities initiated late in FY 1997 are performing ahead of expectations. Repayment is excellent on the micro enterprise program (executed directly by ACDI/VOCA) and portfolio quality remains sound on the small business program. The following is based on data provided in **Annex 1**.

(a) Progress Relative to Planned - (i) 1,175 micro enterprise loans were disbursed against 100 projected. (ii) 178 small business loans were disbursed compared to 40 planned.

(b) Progress Met or Fell Short - (i) The number of micro and small business loans disbursed exceeded plan. (ii) Income improvement following micro and small business loan disbursement exceeded plan by a wide margin and wealth improvement by a smaller margin. (iii) Per capita food expenditures by micro borrowers exceeded plan by a wide margin. (iv) Increase in employment provided by micro enterprises exceeded plan. Preliminary information on increase in employment provided by small business borrowers is, as yet, inconclusive. (v) Loan recovery rates for micro and small business loans exceeded plan.

(c) Key Assumption Changes & Reasons for Shortfalls - Loan officer productivity and over all program performance is better than anticipated on both the micro and small business programs.

(d) Significant Trends and Policy Changes - Over the last several years, changes in the GOCV policy and attitudes of officials have contributed to an improved micro enterprise and small business environment. For example: (i) The Banco de Cabo Verde (central bank) freed lending rates in 1995, allowing financial institutions to charge rates that they need to generate a profit while competing against each other for business[2]. (ii) Following the failure of the CCR (see previous section) and a Swiss funded small business lending activity that was executed by the GOCV (through the Departamento de Micro Empresas of the Instituto de Emprego e Formação Profissional, IEFP) officials have "discovered" that governments are not well-suited to lend money. In addition, they are slowly accepting the fact that micro enterprises can benefit from credit that is not subsidized.

(e) Customer Driven Development - (i) At the time of this writing, the METLP is disbursing more than 150 micro loans per month and has an eight-month backlog of loan requests. Loan demand is based on information spread by word-of-mouth — no public advertising has taken place. (ii) The CECV also receives more loan requests than it can fulfill under the SBLP.

(f) Partnering - (i) The METLP is being carried out under the *authority* of the CECV. (ii) the SBLP is being executed directly by the CECV. (iii) ACDI/VOCA is providing training by granting micro enterprise apprenticeships to loan officers of other entities. So far these include the ASDIS (see previous section) and women's Cape Verdean NGOs, Orginização das Mulhers de Cabo Verde (OMCV) and Marabi. The purpose of this training is to extend micro enterprise lending techniques beyond the limits of our program.

(g) Food Security Impact and Measurement Methods - (i) Wealth and income improvements are measured by comparing Balance Sheets and Statements of Operations and Cash Flows of individual micro enterprise borrowers taken at the time of disbursement of the first loan and

[2] Banks' nominal interest rates for most commercial loans are in the neighborhood of 13% to 14%, however, with fees, the effective rates reach approximately 20% to 25%. In spite of this rate liberalization, the agency of the GOCV charged with reviewing and approving our Micro Enterprise Training and Lending Program (IEFP) refused to accept our proposed 3% per month rate as reported in the FY 1997 ARR. Following a lengthy negotiation, we signed a Memorandum of Understanding with IEFP whereby we began the program with a 1.17% per month rate (14% annual rate). The MOU permitted changing the rate after one year if needed in order to assure sustainability.

again at the time of disbursement of the second loan. The measured difference is considered the impact of the loan. The cash flow documentation includes information on changes in family expenditures for food. (ii) The same measures are taken on small business borrowers, however, the measures are taken at different times, and not necessarily at the time of first and second loan disbursement since these loans are typically of longer duration.

2. Specific Activity Details

Micro Enterprise Training and Lending Program (METLP) - This program began with two loan officers in September 1997. Two additional loan officers were hired in May 1998 and loan disbursement is now at the rate of approximately 150 loans per month. A feasibility analysis indicates that the originally-proposed interest rate of 3% per month will be necessary in order to achieve sustainability, and this change is planned for January 1999. This feasibility analysis, including a Statement of Operations for the METLP is included in **Annex 3**. The Implementation Plan for the METLP calls for ACDI/VOCA to supervise it for three years after which options include:

(A) The CECV receives only the loan assets of the Program. The loan-disbursement activities to new borrowers are closed or handed over to another entity.

(B) The CECV takes over the entire Program as a separate profit-center or division.

(C) Subject to GOCV concurrence, the Program is made independent or handed over to a different entity which would assume all of its assets and liabilities and staff.

ACDI/VOCA favors the second or third alternatives at this time, or the establishment of the program as a stand-alone financial institution. In any event, the objective at this time is to make it as strong as possible so that it will (ii) be attractive as an addition to the CECV or another viable financial institution, or (ii) viable as a stand-alone entity.

Small Business Lending Program (SBLP) - Following a late start-up (September 1997) of Phase II the program's performance is ahead of plan. Small borrowers and female borrowers are favored and the program is profitable for the CECV. Loan disbursements to date are:

	# of Loans	Amount CVE	Avg Size CVE	Amount $US	Avg Size $US
Loans to Women a/	83	34,006,000	409,711	$365,502	$4,404
Loans to Men	95	39,530,000	416,105	$424,875	$4,472
Total Loans	178	73,536,000	413,124	$790,377	$4,440
Percent to Women	47%	46%			

a/ Includes loans to eight businesses in which women have at least partial ownership.

The percentage of loans to women in both numbers and amounts is slightly more favorable to women than the levels of Phase I (January 1995 through September 1997 as reported in the FY 1997 Annual Results Report). Loan disbursements under this program are significantly more favorable to women compared to the period prior to the beginning of Phase I.

Entrepreneur Trades Training Program by Instituto Caboverdeana de Solidariedade (ICS) - ICS operates a trade school in S. Jorginho called "Centro de Formação e Perfeiçoamento Profissional de S. Jorginho" (CEFAP). This trade school has been supported with Title II funds each year since the 1995/1996 school year. The final funding under this program provided support for the September 1997 - August 1998 school year, Phase III. A total of 101 students graduated from the course during the school year, an increase from the average of 85 most previous years. ICS estimates that 95 percent of the graduates remain in their field by becoming self-employed or by working for an established company or the Government, earning an average salary of 30,000 CVE ($330 equivalent) per month as opposed to unskilled laborers earning approximately 10,000 CVE ($110 equivalent) per month. This program is widely recognized by private construction firms, the GOCV, and donors as serving the crucial needs of the private sector in Cape Verde. The Phase III budget provided $23.6 million CVE ($263,000 equivalent) of funding of which 3.1 million CVE ($32,000) remained unspent at FYE September 30, 1998. The Austrians and Germans are now taking over the funding of this program and will support it during the next school year, 1998/1999 and future years.

IADE Investment Fund and SDE - Support of this program with Title II funds is pending final approval by USAID[3]. The proposal calls for providing 48 million CVE ($513,000 equivalent) over three years time, creating 864 jobs over a five-year period (including the three-year term of the program and the two subsequent years). ACDI/VOCA wishes to provide resources to this program for several reasons including:

- The development impact under the SLBP with the CECV has been substantially achieved.
- ACDI/VOCA wishes to be in a position to have a similar development impact on this new entity which is being funded by four different donors (Title II resources are approximately 25% of the total resources programmed for this effort over a five-year period). Based on ACDI/VOCA's strengths in business lending practices, it intends to influence this entity to practice good business and lending principles that will enable it to move toward self-sustainability and attract investment capital (as has been accomplished with the CECV).

B. Monitoring, Evaluation, Audits and Studies

1. Monitoring and Evaluation

Monitoring and Evaluation includes assessment of program impacts on food security, natural resource management practices and agricultural productivity. The M&E plan identifies annual and impact indicators which are used in developing and directing program initiatives in soil and water conservation works, drip irrigation and credit programs.

[3] During the October 1998 visit of USAID/Dakar Director Anne Williams and Regional Development Officer Seydou Cissé, it was agreed that ACDI/VOCA would prepare a memorandum describing this program and the reasons for supporting it. ACDI/VOCA submitted a memorandum to USAID/Dakar dated November 24, 1998, and is awaiting a reply. A copy of the memorandum is available from the Cape Verde Office — contact Iven Ose: Office Tel: (238) 61-22-69, Fax: (238) 61-22-79, or E-mail: acdi@milton.cvtelecom.cv.

Natural Resource Management and Agricultural Productivity - Actual works construction is monitored through submission of bills as well as by spot inspections and information is kept current in a database. OASIS, under contract with ACDI/VOCA, measured over 13% of CRWTs and approximately 90% of check dams in order to determine the impact on soil erosion and recovered areas for cultivation. An OASIS technician also measured over 6 km of CVBs which included 1997 and 1998 contracts.

OASIS has been contracted to measure agricultural yields under different treatment areas; because harvesting is still underway, this study is not yet complete. INIDA analyzed crop production information from the 1997 data but because of limited output, the findings can only be considered preliminary and further assessment will be conducted at the end of the harvesting season in 1999.

INIDA was contracted to undertake two studies to evaluate crop budgets and changes in income resulting from utilization of drip irrigation instead of traditional methods. These two studies were combined and detailed data on income, expenditures and water utilized was collected for over thirty farmers. This information was evaluated by the M&E specialist for reporting purposes, with INIDA conducting additional analyses.

ACDI/VOCA staff members have begun salinity testing of drip irrigation systems installed through ACDI/VOCA's direct credit program. This will be continued through the life of the program and necessary steps incorporated into the program based on findings.

Incomes, Employment and Food Security - INIDA conducted a socio-economic survey in January, 1998 in six watersheds. The population survey, stratified to represent gender and association membership status, was the same as the 1997 study, though changes in sub-sample sizes occurred as a result of normal factors as well as changes in association membership. In addition to income and dietary information, this survey includes a section on perception of association benefits and responsibilities that is used by ACDI/VOCA in evaluating the development of the association movement and for determining additional trainings required.

In the past, the number of equivalent workers was determined using the number of workers per quarter and assuming that each worked two months per quarter for a total of four months per year. The methodology was changed in order to obtain more defined information both in terms of general employment as well as assessing women's roles as skilled labor. Using the number of work days per month, and assuming a six day work week, the number of workers is determined for each association.

The impact from credit programs is assessed by ACDI/VOCA utilizing financial statements obtained from clients by the loan officers prior to each loan disbursement. The 1998 impact on client wealth, income, food expenditures in the micro credit program is based on an assessment of 142 clients, 108 of which had already received a second loan and 34 of which had received a third. Information for the micro program is not differentiated by gender because over 99% of the clients are women. The number of employees is based on a sample size of 100 employees in the micro-credit program. In the past, employees were not differentiated between salaried persons and family members, including children. Employment collection forms have been modified so that ACDI/VOCA will be able to monitor the direct impact of salaried vs. non-salaried workers in the future. The impact of the SBLP is based on a sample of 13 clients.

2. Evaluations, Audits and Studies

a. Mid-term Evaluation - A mid-term evaluation of the Cape Verde Title II program was finalized in December 1998. The "Executive Summary", "Recommendations" and "Lessons Learned and Conclusions" as well as our response entitled "ACDI/VOCA Response to Mid-term Evaluation and Follow-up Plans" are included in **Annex 4.** The key findings indicate that the program is well managed. The program is very ambitious and care must be taken to ensure that adequate TA is provided to associations and drip irrigation recipients. The variety of credit activities complement each other and allow risks to be spread.

b. Audits - The last audit of ACDI/VOCA's use of Title II funds covered the last three months of FY 1996 and all of FY 1997. The auditors were very complimentary of ACDI/VOCA's management of the accounting and bookkeeping systems and the overall management of the Food for Peace program. The audit contained an unqualified (clean) opinion. The next audit of the Monetization Program is planned to cover FYs 1998 and 1999 and will take place in November/December 1999.

During FY 1998, 30 watershed associations were audited. Following the audit of the use of Title II funds by ICS (a recipient agency) 800,000 CVE ($9,500 equivalent) were paid back to the special monetization account in the first quarter of FY 1998. Audits of additional recipient agencies are to be carried out in FY 1999.

c. Special Studies - ACDI/VOCA, in collaboration with FAO, brought in a drip irrigation specialist to carry out a four-week consultancy to examine the existing DGASP/FAO drip irrigation program (Phase II which ends December 31, 1998) financed by Title II funds and to prepare a proposal for Phase III. The recommendations are included in **Annex 5.**

C. Monetization Sales

1. **Detailed Analysis** - The following table includes the information called for in the ARR 98 guidelines on all ACDI/VOCA monetized sales during FY 1998, FY 1998 commodities delivered in FY 1999 and FY 1999 commodities called forward to date:

Table 2 Cape Verde Commodity Sales a/

Shipment: Program FY	1997	1998	1998	1998	1998	1998	1999	1999	1999
Commodity b/	Corn	HRW Wheat	SRW Wheat	Pinto Beans	Light Red Kidney Bns	Corn	HRW Wheat	SRW Wheat	Corn
Vessel	Marcel	Teco Trader		St. Ioannis		Elijeanne	Pearl		Adventurer
Buyer	EMPA	MOAVE		EMPA		EMPA	MOAVE		EMPA
Date Contract Signed	22-Sep-97	27-Jan-98		1-Apr-98		14-Jul-98	27-Jul-98		31-Jul-98
Date Discharge Began	13-Oct-97	03-Mar-98		28-Jul-98		17-Oct-98	14-Sep-98		Jan-99 c/
Bill of Lading MT Shipped	2,900.00	2,500.00	2,500.00	608.05	608.55	5,733.25	2,498.87	2,500.00	6,100 c/
Pre-shipment Est Cost/MT									
$ FFP est'd FAS/MT	$140.00	$150.00	$140.00	$665.00	$680.00	$114.00	$140.00	$110.00	$110.00
$ BNT Cost/MT	$5.00								$5.09
$ Frt//MT (non-U.S. carrier)	$49.75	$49.75	$49.75	$90.00	$90.00	$49.75	$47.50	$47.50	$47.50
$ Tot Cost/MT C&F	$194.75	$199.75	$189.75	$755.00	$770.00	$163.75	$187.50	$157.50	$162.59
Cost Recovery Benchmark (80%)	$155.80	$159.80	$151.80	$604.00	$616.00	$131.00	$150.00	$126.00	$130.07
Negoiated Price/MT	$173.25	$188.00	$178.00	$740.00	$755.00	$162.00	$170.00	$146.00	$163.85
Neg Price / Cost Rec Bench	111%	118%	117%	123%	123%	124%	113%	116%	126%
Actual Proceeds d/	$494,040	$908,377		$897,908		$912,101	$784,322		$999,470

a/ All sales took place in Cape Verde and Cape Verde was the beneficiary country for each shipment. All sales were negotiated. MOAVE, a 69% privately owned grain milling firm purchased the wheat. EMPA, a state-owned food supply firm purchased the corn and beans. EMPA is to be privatized during the coming year.

b/ Wheat and corn are bulk, beans were in 50 kg bags.

c/ At the time of this writing, the shipment hadn't arrived and we don't yet have the Bill of Lading documents containing the actual MT shipped. The tonnage amount is the call forward tonnage.

d/ Full payment has been received for the October 1997 and March 1998 shipments. Full payment has been received for the July 1998 shipment of beans, however, ACDI/VOCA is claiming an additional $1,600 on this shipment. Funds are still being received for the September and October 1998 shipments. The first payment for the January 1999 shipment will be made upon the arrival of the vessel. Terms range from (i) 30% at arrival of the vessel, 40% 60 days after arrival, and 30% 90 days after arrival to (ii) 20% each at: arrival of the vessel and 60, 105, and 150 days following the arrival of the vessel. Most payments due since the beginning of FY 1998 have been made within 10 days of the due date, some ahead of schedule, and all within 30 days of the due date.

2. Use of Proceeds, Production and Marketing Impact, Exchange Rate Risk, and Free Markets and Privatization

a. Use of Proceeds - The proceeds were used to carry out the FFP Cape Verde program as described in this report.

b. Production and Marketing Impact and Shipment Timing - **Corn**: Over the last five years, Cape Verde produced an average of 4,100 MT which is less than 10% of its annual consumption of approximately 50,000 MT. The harvest takes place in December/January. The October 1998 arrival of the 5,730 MT shipment of FY 1998 corn was optimum, falling two months before harvest. Based on the limited local production, the sale of corn in Cape Verde does not negatively influence or impact the local market.

Beans: Due to ongoing drought, bean production has declined from approximately 10,000 MT per year in the years just prior to 1990 to an average of 1,700 MT per year from 1991 through 1997. Commercial imports and food aid have furnished most of the beans consumed since that time. Annual consumption needs at 21 kg per capita reach approximately 9,000 MT. The July arrival of the bean shipment was optimal, falling approximately five months prior to the December/January harvest period. In summary, the 1,200 MT of beans brought in under the FFP program in 1998 did not negatively impact local production.

Wheat: Cape Verde produces no wheat — all is imported commercially or through food aid donations. Cape Verde consumes approximately 20,000 MT per year.

In all of the above cases, the timing of purchase and shipment of the commodities is based on the needs of the Cape Verdean buyer. Timing is based on ensuring that a supply exists on all islands at all times. Prices obtained are based on world prices.

c. Exchange Rate Risk - Historically, the Cape Verde Escudo (CVE) has been linked to a basket of European currencies and the $US. Therefore, the CVE to $US exchange rate has varied somewhat less than the $US rate against European currencies. On April 1, 1998, this changed and the Cape Verde Escudo (CVE) was formally linked only to the Portuguese Escudo at 55 CVE per 100 P. Esc. and remains at that level. On January 1, 1999, the CVE will be linked to the Euro (since the P. Esc. will be replaced by the Euro). There is a possibility that the P. Esc. (and CVE) would be devalued against other European currencies on January 1, 1999. Even though this is a remote risk, ACDI/VOCA has added clauses to recent contracts to protect against a one-time devaluation of more than 10% and/or a gradual devaluation of more than 15% between the time that the commodity is contracted and payment is made.

Each commodity sales contract includes the $US price, the exchange rate, and the CVE price. The exchange rate used is the rate on the day that the contract is negotiated with the buyer. This suits the buyer and ACDI/VOCA since the amount of LC is fixed at the time of contract signing and both can plan and budget based on known costs (to the buyer) and revenues (to ACDI/VOCA). Given that the CVE has been stable, gains and losses due to changes in exchange rate between contract negotiation, commodity delivery, and payment for commodities, have, over time, tended to cancel each other out.

d. Free Markets and Privatization - Major steps taken to free up food imports and changes supported by the European Union food aid plan are described in **Annex 6**.

II. Resource Analysis and Requests

A. FY 1998 Expenditure Report and Narrative

1. Comprehensive Report on Actual Expenditures during FY 1998

a. Detailed 1998 Expenditures - The tables below provide details of expenditures on the specific sub-activities that were described in earlier sections. The table follows the general format contained in the DAP, modified, to follow the ARR preparation guidelines.

Table 3 FY 1998 Expenditure Detail by Sub-Activity ($US)

	LC $US Equiv	202(e) Grant	Total
Receipts			
Local Currency Commodity Proceeds a/	$2,055,892	$0	$2,055,892
Interest	$42,040	$0	$42,040
Total LC Receipts	$2,097,932	$0	$2,097,932
Disbursements			
Rural Engineering Work Detail			
Watershed Associations	$1,319,380	$0	$1,319,380
Prospective Associations	$226,408	$0	$226,408
INERF	$4,153	$0	$4,153
Subtotal Rural Engineering Work	$1,549,941	$0	$1,549,941
Forestry Work Detail			
Watershed Associations	$94,056	$0	$94,056
Prospective Associations	$26,969	$0	$26,969
INERF	$0	$0	$0
Subtotal Forestry Work	$121,025	$0	$121,025
Introduce New Technologies			
DGASP/FAO Drip Irrigation Program	$31,772	$0	$31,772
Agricultural Credit Institution Support (CCR)	$10,748	$0	$10,748
INIDA Dry-land Crops Program	$8,470	$0	$8,470
Subtotal Introduce New Technologies	$50,990	$0	$50,990
Micro Enterprise Promotion			
Micro Enterprise Training and Lending Program	$165,422	$0	$165,422
Micro Entrepreneur Training (ICS)	$154,647	$0	$154,647
Subtotal Micro Enterprise Promotion	$320,069	$0	$320,069
Small Business Promotion			
Small Business Lending Program	$214,963	$0	$214,963
Local Office and Program Support / Administrative	b/		
Salaries	$26,226	$124,273	$150,499
Allowances	$20,413	$88,068	$108,481
Travel and Transportation	$11,695	$10,978	$22,673
Procurement	($17,319)	$0	($17,319)

	LC $US Equiv	202(e) Grant	Total
Audit	$16,863	$0	$16,863
Consultants	$38,660	$16,470	$55,130
Office and Communication	$24,108	$8,919	$33,027
Vehicle Fuel, Maintenance & Insurance	$4,341	$0	$4,341
Monitoring and Evaluation	$29,481	$0	$29,481
Training	$97,585	$0	$97,585
Subtotal Direct Expense	$252,053	$248,708	$500,761
NICRA at 33.25%	$0 c/	$84,753 d/	
Subtotal Local Office and Program Support	$252,053	$333,461	$500,761
Total Disbursments	$2,509,041	$333,461	$2,757,749
Receipts - Disbursements	($411,109)	($333,461)	($659,817)
Beginning Balance October 1, 1997	$775,819	$400,681	$775,819
Ending Balance September 30, 1998	$364,710	$67,220	$116,002

a/ Complete details on commodity sales are given in **Annex 6**.

b/ This represents funds moved from the Special Monetization Account (SMA) to the Local Expense Account. Complete details on budgeted and actual expenses are given in Annex 7.

c/ Due to the late arrival of FY 1998 Title II shipments NICRA funds were not withdrawn from the SMA until after FYE September 30, 1998.

d/ ACDI/VOCA's NICRA rate for CY 1997 was 36.6%. It reduced to 33.25% on January 1, 1998.

b. Exchange Rate Calculation Policy and Procedures - The Cape Verde program uses a *weighted annual exchange rate* which includes setting an exchange rate after FYE for the FY. The FY 1998 exchange rate of 93.0392 CVE/$US was calculated as follows:

Table 4 Exchange Rate Calculation

	CVE	$US	Exchange Rate
FY 1997 Carryover	63,757,151	$775,819	82.1804
Title II Commodity Receipts during FY 1998	199,703,003	$2,055,892	97.1369 a/
Total	263,460,154	$2,831,711	93.0392 b/

a/ Weighted average exchange rate of all funds received during FY 1998.

b/ *Weighted annual exchange rate* for FY 1998

2. Explanation of Significant Line Item Deviations from the FFP-approved Budget

The most recent FFP-approved budget for FY 1998 is contained in the FY 1999 PAA submitted to USAID in April 1998. That pipeline and the actual expenditures for FY 1998 are given below.

Table 5 Actual Versus Approved FY 1998 Budget

	FY 1998 (FFP Approved)	FY 1998 (Actual)	Difference $US equivalent	Percent
Total LC Receipts	$2,368,644	$2,097,932	($270,712)	-11%
Disbursements				

	FY 1998 (FFP Approved)	FY 1998 (Actual)	Difference $US equivalent	Percent
Rural Engineering Works	$1,260,973	$1,549,941	$288,968	23%
Forestry Works	$227,679	$121,025	($106,654)	-47%
Introduce New Technologies	$451,327	$50,990	($400,337)	-89%
Micro Enterprise Promotion	$263,228	$320,069	$56,841	22%
Small Business Promotion a/	$449,937	$214,963	($234,974)	-52%
Local Office and Program	$443,950	$252,053	($191,897)	-43%
Total Disbursements	$3,097,094	$2,509,041	($588,053)	-19%
Receipts minus Disbursements	($728,450)	($411,109)		
Beginning Balance	$775,819	$775,819		
Ending Balance	$47,369	$364,710		

a/ ACDI/VOCA is awaiting approval of the IADE Investment Fund by USAID/Dakar.

Explanation Detail: ACDI/VOCA had planned to bring in corn in FY 1998, however, it was withdrawn from the list of commodities available for distribution in October 1997 and ACDI/VOCA was required to pursue the sale of other commodities. Due to this delay, $1.1 million of funds from FY 1998 shipments are to be received in FY 1999. A portion, but not all, of this delay was anticipated in April 1998 when the column above, "FY 1998 (FFP Approved)" was prepared. Most of the delays in funding were able to be managed in such a way as to avoid a negative impact on our program. In light of the delay in our receipt of funds, many of the unplanned expenditure delays described below were most fortuitous.

Total LC Receipts - At the time of the preparation of the FY 1999 PAA (April 1999), it was hoped that a sale of wheat could be arranged, but it was not possible at that time. Instead, sales and shipments of beans (arrived July 1998) and corn (arrived October 1998, after FYE) were made. Most of the funds from these two shipments arrive after September 30, 1998. However, a FY 1999 wheat shipment was called forward early and arrived in September 1998, and 25% of the proceeds were received upon delivery, mitigating the short LC situation at that time.

Rural Engineering Works - A portion of each year's REWs are finalized and paid for after FYE. The portion billed before September 30 was 23% above the estimate made in April 1998.

Forestry Works - Most of each year's forestry work is finalized and paid for after FYE. The portion completed and billed before September 30 was 47% less than the amount planned.

Introduce New Technologies - The DGASP/FAO drip irrigation program that was to end in mid September 1998, was extended to December 31, thus postponing the outlay of approximately $260,000 of LC funds for the first year of the follow-up Phase III (still in preparation). In addition, the outlay for the Direct Drip Irrigation program was much less as we worked on the development of a drip irrigation credit program; equipment was not available in Cape Verde, thus postponing expenditures (this situation is now resolved for the most part). Outputs from the "Dry-land Crops Program" of INIDA were delayed, and consequently, two-thirds of the originally-planned outlays for this program in FY 1998 were postponed.

Micro Enterprise Promotion - Loan disbursements under the METLP are above plan. Even with on-time repayment near 100%, the amount of funds tied up in outstanding loans is greater than planned, hence budget advances were approximately $60,000 greater than expected (the over-all three-year budget for this program remains at $680,000).

Small Business Promotion - The third installment in the amount of $230,000 under the SBLP was postponed to the first quarter of FY 1999 due to a shortage of Title II funds.

Local Office and Program Support - ACDI/VOCA postponed withdrawing funds from the SMA to cover "Indirect Costs" (NICRA) due to the shortage of funds. The first NICRA funds were sent to ACDI/VOCA in November 1998 and additional funds are to be sent in December.

3. Comprehensive Budget

A comprehensive budget for the five years of the Cape Verde program is included as **Annex 8 LOP Comprehensive Budget, LC Proceeds and 202(e) - $US Equivalent**. The title and the format of the annex table are similar to Table 2 in the FY 1999 PAA.

B. FY 1998 Monetization Pipeline Analysis

Table 6 Results Report Pipeline Analysis

	Foreign Currency (CVE)	Exchange Rate	$US Equivalent
Opening balance October 1, 1997, from prior years	63,757,151	82.1804	$775,819
Total actual funds received from monetization during FY 1998	199,703,003	97.1369	$2,055,892
Interest earned during FY 1998	3,911,385	93.0392	$42,040
Total actual expenditure of monetization funds during FY 1998	233,439,199	93.0392	$2,509,041
Actual closing balance of monetization funds at Sep 30, 1998	33,932,340	93.0392	$364,710
Amount of reserve/bridge funding needed to support program operations until FY '98 monetization sales a/	33,932,340	93.0392	$364,710

a/ This relatively low level of carryover funds was sufficient for the beginning of FY 1999 only because the Cape Verde program, at that time, was receiving proceeds from the sale of commodities delivered in July and September 1998. Plus, another shipment arrived in October and another is to arrive in January 1999.

C. FY 1998 Commodity Pipeline Analysis

Not applicable to the Cape Verde 100% monetization Program.

D. FY 1999, 2000, & 2001 Budget Revisions and Resource Requirements

No budget revisions are requested. **Annex 8 LOP Comprehensive Budget, LC Proceeds and 202(e) - $US Equivalent** contains the latest estimate of funds allocations for future years. This will be reevaluated during the preparation of the FY 2000 Previously Approved Activity Submission.

E. Future New Submissions

Cape Verde continues to depend on imported food including all basic commodities. Hence, it may be a good candidate for a "Third Country Monetization Program." Cape Verde imports 95 percent of its cereals and a major portion of its beans each year. Food commodities could be monetized in Cape Verde and the proceeds used in another country without impacting local production since production makes up such a small portion of consumption. ACDI/VOCA has no plans at this time to propose Third Country Monetization but could do so given the appropriate opportunity.

End of Results Report narrative. Annexes follow this page.

Annex 1 Table 1 Annual Monitoring Indicators - Annual Targets																		
Annual Monitoring Indicators	1997			1998			1999			2000			2001			LOP target		
	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target
Number of associations created (cumulative)	24	24	100%	30	31	103%	36			42			48			48	31	65%
Number of check dams constructed	248	350*	141%	309	166	54%	387			387			387			1,718	516	30%
CRWTs constructed (km)	75	203	271%	94	126	134%	118			147			147			581	329	57%
Area improved (ha)	75	224	299%	94	169	180%	118			147			147			581	393	68%
CVBs planted (km)	40	10	25%	40	36	90%	40			40			40			200	46	23%
Area improved (ha)	40	10	25%	40	58	145%	40			40			40			200	68	34%
Number of trees planted	100,000	79,609	80%	100,000	81,510	82%	100,000			100,000			100,000			500,000	161,119	32%
Number of people employed by program/year	3,000	3,849	128%	3,000	2,638 a/	88%	3,000			3,000			3,000			15,000		
Number of females employed by forestry program	700	652	93%	700	654 a/	93%	700			700			700			3,500		
% female employment in forestry program activities	75%	65%	87%	75%	59%	79%	75%			75%			75%			75%		
Number of drip systems installed	13	13	100%	25	55	220%	25			30			32			125	68	54%
Area of drip systems installed (ha)	3	3	100%	12.5	6	48%	15.0			15.0			17.0			62.5	9	14%
Number of micro enterprise loans provided	0	0	b/	100	1,175	1175%	500			1,500			1,500			1,500 loans /yr by 2000	1175	78%
Number of small business loans provided	0	0	b/	40	179	447%	200			300			400			940	179	19%

Annex 1 Table 2 Impact Indicators - Annual Targets

Impact Indicators		FY 1997			FY 1998			FY 1999			FY 2000			FY 2001			LOP target		
	Baseline	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target
Strategic Objective: Sustained improvement in household nutrition and agricultural productivity *Intermediate Result : Improved access to food*																			
1.(A) Per capita income of rural households (CVE/yr)	11,078*	11,632	16,844*	145%	11,632	23,208 c/	200%	11,632			12,186			12,186			12,186	23,208	190%
2.(A) Per-capita incomes of FHH working for associations (CVE/yr)	8,962	9,410	14,199	151%	9,410	21,303 c/	226%	9,410			9,860			9,860			9,860	14,199	144%

Impact Indicators		FY 1997			FY 1998			FY 1999			FY 2000			FY 2001			LOP target		
	Baseline	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target	Target	Actual	Actual as % of Target
3.(A) Number of meals eaten per day by rural households (meals/day)	2.93	3.08	2.84 c/ d/	92%	3.08	c/		3.08			3.08			3.08			3.08	2.84	92%
4.(A) Dietary diversity scores of rural households (categories/day)	5.35*	5.89	4.31 c/ d/	73%	5.89	d/		5 89			5.89			5.89			5.89	4.31	73%
5.(A) * Dietary diversity scores of FHH working for associations (categories/day)	5.23*	5.75	4.25 c/ d/	74%	5.75	d/		5 75			5.75			5.75			5.75	4.25	74%
6.(B) Income from irrigated land per household (CVE/yr)	58,234	77,450	n/a	0%	77,450	143,422 e/	185%	77,450			77,450			77,450			77,450		
7.(B) Net monetary value of prod on irrigated land																			
per unit of land (CVE/ha)	808,375* f/	929,631	n/a		929,631	1,499,455 e/	161%	929,631			929,631			929,631			478,350		
per unit of water (CVE/m³)	202* f/	232	n/a		232	220.0 e/	95%	232			232			232			41.5		
8.(C) Income of households receiving Micro loans separated by gender (CVE)	35,121	b/	b/		35,560	47,772	134%	35,999			36,438			36,877			36,877	47,772	130%
9.(C) Wealth of Households receiving micro loans separated by gender (CVE)	1,591,707	b/	b/		1,611,603	1,652,823	103%	1,631,500			1,651,396			1,671,292			1,671,292	1,652,823	99%
10 (C) Income of Households receiving small business loans (CVE)	61,545	b/	b/		62,314	73,189	117%	63,084			63,853			64,622			64,622	73,189	113%
11.(C) Wealth of Households receiving small business loans (CVE)	4,608,450	b/	b/		4,666,056	4,926,102	106%	4,723,661			4,781,267			4,838,872			4,838,872	4,926,102	102%
9.(C) Food expenditures of micro enterprise loan recipients (CVE/year)	154,622* f/	b/	b/		156,555	174,616	112%	158,488			160,420			162,353			162,353	174,616	108%
Strategic Objective: Sustained improvement in household nutrition and agricultural productivity. *Intermediate Result: Improve natural resource management practices and agricultural productivity in marginal areas.*																			
1.(A) Recovered top soil (m³)	0	26,182	52,091	185%	28,300	37,348	132%	28,300			56,610			56,608			198,000	89,439	45%
2.(A) Reclaimed surface area for cultivation (ha)	0	11	32.4	295%	11	22.8	207%	12			16			16			82	55.2	67%

Impact Indicators	Baseline	FY 1997 Target	FY 1997 Actual	FY 1997 Actual as % of Target	FY 1998 Target	FY 1998 Actual	FY 1998 Actual as % of Target	FY 1999 Target	FY 1999 Actual	FY 1999 Actual as % of Target	FY 2000 Target	FY 2000 Actual	FY 2000 Actual as % of Target	FY 2001 Target	FY 2001 Actual	FY 2001 Actual as % of Target	LOP target Target	LOP target Actual	LOP target Actual as % of Target
3.(A) Corn and Bean Yields (metric tons/ha)																			
Improved yields after placement of CRWTs	0.2	0.25	g/			g/													
Improved yields after placement of CVBs	0.2	0.22	g/			g/													
4.(A) Reduced soil erosion of side slopes of rainfed land (% based on LS factor)	0	40%	71%	178%	40%	69%	173%	40%			40%			40%			40%	71%	178%
5.(A) Percentage of rural engineering works funded by P.L.480 constructed by associations	0	70%	83%	119%	70%	100%	143%	75%			80%			80%			80%	83%	104%
6.(A) Number of associations satisfactorily completing SWC contracts	16	24	24	100%	30	31	103%	36			42			48			48	24	50%
7.(A) Number of associations operating profitably	16	15	16	107%	18	h/		22			26			29			29	16	55%
Strategic Objective: Sustained improvement in household nutrition and agricultural productivity *Intermediate Result : Improved credit facilities for micro and small business development*																			
1.(C) Avg. Number of employees of loan recipients	.68	b/	b/		.69	.69	100%	.70			.71			.71					
2.(C) Loan recovery rates for Small Business Lending Program (%)	82%	b/	b/		93%	89%	96%	94			96			97			97		
3.(C) Loan recovery rates for Micro enterprise Loan Program (%)	95%	b/	b/		95%	100%	105%	95%			96			97			97		

* indicates a change in baseline values, and subsequent change in target values.

\+ indicates a change in 1997 actual numbers resulting from works completed after 1997 ARR submission.

a/ Employment figures for FY 1998 do not include forestry work that began after FYE September 30, 1998 (In FY 1997, a great deal of forestry work began September 30, 1997, resulting in higher employment in FY 1997 than FY 1998. We could expect higher employment levels in FY 1999 due to the work going on at the time of this writing, late CY 1998,). One position is employment for four person-months. Employment of women was less than planned since several new associations on Sto. Antão Island tend to employ mostly men. This will improve in future years as ACDI/VOCA works with and sensitizes associations to the need to hire more women.

b/ Micro enterprise and small business lending programs did not commence until FY 1998.

c/ Raw data collected by INIDA was not presented to ACDI/VOCA for review as of December 1998.

d/ Information from the April, 1997 study conducted by INIDA serves as baselines values. A second survey was conducted in January, 1998. Though the data was collected in FY98, information more accurately reflects an annual change and so is included under FY97. It should be noted that the drop in dietary diversity scores and number of meals eaten could result from seasonal differences when the studies were conducted, changes in methodology, market shortages, among other reasons. In the future, efforts will be made to ensure that information is comparable one year to the next.

e/ The original methodology for measurement called for measuring incomes of the same households before and after drip irrigation tecnology was utilized. Because of the lack of new systems installed, INIDA conducted studies of farmers using either traditional methods or drip irrigation, with only two actually switching. The raw data was presented to ACDI/VOCA in mid-December and should still be considered preliminary.

f/ Household food expenditures are measured instead of per-capita as called for in the M&E plan.

g/ The baseline values for improvement due to the placement of CRWTs resulted from a crop cut survey conducted by OASIS at the end of the 1996 agricultural season. Thirteen parcels, including one parcel with CVBs were included in that survey. The data set was insufficient to establish 1997 actual values. The 1998 harvesting season is still underway and final results will not be known until early 1999.

h/ Associations operate on a calender year and so end of year results are not yet know for 1998. This information will be provided in the interim report.

Annex 2 Soil and Water Conservation Works, Association and Training Details

Annex 2 Table 1
Rural Engineering and Forestry Contracts - 1998
Analysis by Type of Contractor

Exchange Rate, CVE/$US: 93.0392

	Contracts Planned 1998		Billed as of Dec. 8, 1998	
	Contr Amt CVE	Equiv $US Amount	Contr Amt CVE	Equiv $US Amount
Associations				
REW - Construction	131,296,904	$1,411,200	119,746,004	$1,287,049
REW - Maintenance	7,646,848	$82,190	7,358,803	$79,094
Forestry	19,013,922	$204,365	11,387,563	$122,395
Total Associations	157,957,674	$1,697,754	138,492,370	$1,488,538
Prospective Associations				
REW - Construction	27,399,275	$294,492	25,710,806	$276,344
REW - Maintenance	133,024	$1,430	0	$0
Forestry	8,237,050	$88,533	3,350,584	$36,013
Total Prospective Associations	35,769,349	$384,455	29,061,390	$312,356
Total Contracts	**193,727,023**	**$2,082,209**	**167,553,760**	**$1,800,894**

Annex 2 Table 2
Employment Summary for SWC Works *
FY 1998

Description	Men	Women	Total	% Women
Associations	919	980	1,899	52%
Prospective Associations	287	256	543	47%
INERF	93	103	196	53%
Total	1,299	1,339	2,638	51%
Beneficiaries per job created	5	5	5	
Total Beneficiaries	6,495	6,695	13,190	

* Employment reporting in this report follows the same procedure as in previous reports. This and the other tables reflect "equivalent workers". The average work year is four months. Therefore, one job in the above table reflects four person-months of employment (one equivalent worker). The 2,638 jobs above reflect a total of 10,552 person-months of employment.

Annex 2 Table 3
Summary of Association Membership and Number of Workers 1998

Association Name	# of Dues Paying Members			Number of Workers			Contract Amount 1998*
Association	Men	Women	Total	Men	Women	Total	
ADP Picos	137	143	280	63	14	77	8,241,137
Agro Convento	28	7	35	35	10	45	4,014,382
Agro Cristovão	31	43	74	26	32	58	6,678,056 / 7,175,505
Agro Hortelão	35	45	80	29	40	69	6,678,056
Agro Mendes Afonso	27	45	72	20	31	51	3,981,449
Agro Miguel	47	65	112	49	66	115	6,680,595/ 8,058,827
Agro Principal	37	28	65	33	33	66	4,267,690
Agro Riboi	48	52	100	20	43	63	5,290,619/ 5,998,619
Boa Entrada	34	36	70	33	45	78	5,418,588
Boa Entradinha	39	91	130	13	64	77	3,642,102/ 4,928,602
Casa de Meio	22	0	22	40	16	56	5,300,490
Chã de Silva	29	36	65	24	35	59	5,402,366
Flago	31	47	78	47	63	110	5,883,378/ 7,482,378
Furna	26	34	60	36	37	73	3,959,516
Joagro	53	61	114	79	58	137	7,918,183/ 8,829,183
Lombo Branco Cinta de Braz	20	6	26	26	9	35	3,291,796
Luz Viva de Lagoa	26	7	33	24	8	32	2,296,488
Milho Branco	24	36	60	20	25	45	1,192,618/ 2,296,488
Montainha	7	13	20	30	26	56	5,135,550
Monte Negro	40	45	85	43	32	75	4,052,201/ 5,743,201
Orgãos	19	41	60	34	53	87	7,103,987/ 8,406,987
Pilão Cão	47	64	111	40	59	99	4,970,386
Porto Madeira	30	63	93	62	81	143	6,517,616/ 7,578,066

Association Name	# of Dues Paying Members			Number of Workers			Contract Amount 1998*
Riberirão Campo de Cão	32	16	48	42	5	47	5,621,067
Saltoagro	25	32	57	42	39	81	7,082,304/ 7,642,304
São Francisco	23	20	43	32	31	63	5,069,745
Serelho	22	71	93	16	21	37	5,434,284
Tabugal	16	2	18	24	18	42	4,154,466
Total	955	1,149	2,104	919	980	1,899	145,279,115/ 157,957,674

* Direct Contract / Direct Contract + Subcontracted Forestry Works under OASIS

Annex 2 Table 4
Summary of "Prospective" Association Membership and Number of Workers

Association Name	# of Dues Paying Members			Number of Workers			Contract Amount 1998
Association	Men	Women	Total	Men	Women	Total	
Agro Verde	18	22	40	11	7	18	2,634,060
Alto Mira	27	23	50	22	20	42	1,040,555
Cabeça de Monte	7	14	21	21	15	36	3,621,051
Cutelo Capado	16	5	21	12	8	20	3,671,649
Cutelho Coelho	9	14	23	7	35	42	2,258,752
Espino Branco	54	90	144	37	49	86	2,138,637
Estância de Pedra	20	6	26	10	3	13	3,205,576
Fazenda	11	23	34	18	16	34	2,768,618
Galinheiro	23	23	46	24	11	35	2,556,280
João Bernardo	19	22	41	23	26	49	2,624,704
Longuira	20	39	59	60	54	114	3,000,000
Montanha Viva (Corda)	17	0	17	6	0	6	1,465,250
Ribeira Filipe	41	15	56	36	12	48	4,784,217
Total	282	296	578	287	256	543	35,769,349

Annex 2 Table 5
Association Profitability FY 1997

Association Name	Total Works Completed	End of Year Profit CVE	US$ Equivalent
ADP Picos	8,300,556	336,336	$3,615
Agro Convento	6,142,645	1,053,422	$11,322
Agro Cristívão	5,501,081	689,637	$7,412
Agro Hortelã	5,104,243	154,775	$1,664
Agro Mendes Afonso	4,135,266	178,842	$1,922
Agro Miguel	6,149,613	905,856	$9,736
Agro Principal	3,897,439	163,498	$1,757
Agro Riboi	5,899,353	507,827	$5,458
Agrogado	5,313,335	(498,431)	($5,357)
Boa Entrada	2,612,027	300,300	$3,228
Boa Entradinha	2,391,156	308,648	$3,317
Chã de Silva	3,666,764	41,593	$447
Flagro	6,650,444	304,894	$3,277
Furna	2,016,149	106,000	$1,139
Joagro	5,570,086	594,058	$6,385
Milho Branco	2,311,654	939,739	$10,100
Montainha	1,920,000	500,000	$5,374
Monte Negro	4,349,055	130,374	$1,401
OASIS*	3,289,375	1,547,331	$16,631
Orgãos	4,899,685	1,577,816	$16,959
Pilão Cão	2,080,059	317,646	$3,414
Porto Madeira	5,468,091	255,390	$2,745
Saltoagro	5,156,775	(498,431)	($5,357)
São Francisco	10,538,716	432,513	$4,649
Serelho	4,884,470	394,836	$4,244
Total	**118,248,037**	**10,744,469**	**$115,483**

* OASIS acted as contractor to the following associations: Agro Cristóvão, Agro Mendes Afonso, Agro Riboi Boa Entradinha, Agro Miguel, Flagro, Porto Madeira, Orgãos and Ribeirão Cariço. The amounts listed for these associations only include direct contracts.

Annex 2 Table 6
Unit Prices of SWC Works - 1998 Prices, Associations Versus INERF

Description	Unit	Assn Unit Price (CVE)	INERF Unit Price (CVE)	INERF vs Assn % over - under
Excavation in compacted soil	m^3	646	776	20%
Foundation - dry laid stone	m^3	1,390	3,180	129%
Foundation - 1:5 mortared masonry (INERF 1:4)	m^3	5,472	8,348	53%
Stone work - dry laid	m^3	1,970	4,000	103%
Stone work - 1:4 mortared masonry	m^3	5,538	8,700	57%
Backfill - dry laid rock	m^3	696	2,840	308%
Pointing in dry laid masonry	m^2	400	370	- --8%
Unreinforced 1:3:3 concrete	m^3	9,575	12,000	25%
Reinforced concrete 1:2:4	m^3	20,400	24,000	18%
Plaster 1:3	m^2	587	734	25%
Stone paving	m^2	566	700	24%
Cement - simple, 10 cm thick	m^2	1,135	995	-12%
Gabion cage masonry	m^3	5,950	7,000	18%
Contour rock wall terraces	m	350	623	78%
Preparing planting hole	ea	32	32	0%
Placing plant	ea	5	5.04-	0%

Annex 2 Table 7
Summary of Training Provided FY 1998

General Training Category	**Duration Days**	**Number of Participants**	**Person-Days of Training**
Soil and Water Conservation Training and Association Building			
Accounting*	188	137	720
Association Capacity Training and Training of Leaders	11	108	156
Association Contracting and Works Planning	2	68	68
Environmental Training	1	18	18
Fiscal Management and Quality Control	6	115	156
Sub-Total SWC Training and Association Building	208	446	1,118
Drip Irrigation	61	205	2,000
Sub-Total Drip Irrigation	61	205	2,000
Micro-Enterprise Training			
Client Training in Loans and Repayments	1	735	368
In-House Training of Loan Officers from Local NGOs	25	2	50
Sub-Total Micro-Enterprise Training	26	737	418
Total	**295**	**1,388**	**3,536**

* Includes an estimated 160 days of one-on-one training for association accountants.

Annex 3 Micro Enterprise Training and Lending Program Operations and Sustainability

The purpose of this annex is to provide a picture of the METLP from the standpoint of its operations as a viable financial institution and its prospects for achieving long term sustainability within a reasonable period of time. **Table 1** below provides the operating assumptions appropriate to this program as if it were to be a stand alone institution with a limited capital base (1/3 of total assets) requiring it to borrow money from a commercial bank, and paying for its own management and accounting back-up now provided by ACDI/VOCA. **Table 2** is a hypothetical Statement of Operations applying the assumptions given in **Table 1** This is the analysis used to justify our recent move from monthly interest of 1.17% per month (14% per year, the rate used by commercial banks) to 3% per month. At the same time, the loan fee paid by the borrower before loan disbursement was reduced from 6% to 4%.

Annex 3 Table 1 New Assumptions for Adjusted Statement of Operations

Exchange Rate	93.0392	CVE/$US	
	CVE	$US	
Contributed Capital fixed at:	7,000,000	$75,237	Approximately one-third of Total Assets
Minimum Cash Requirement:	1000000	$10,748	
Effective Cost of Borrower Funds:	18.00%		Effective cost: Commercial bank rate including fees
Micro Program Interest Rate:	3.00%		Per Month
Micro Program Loan Fee:	4.00%		Paid prior to loan disbursement
Program Director Hired:	90,000	$967	Monthly Salary (before INPS)
Accounting Support	70000	$752	Monthly cost

Table 3 is the actual Statement of Operations for the program as it is being carried out, using PL-480 Title II funds as seed capital, including loan funds. **Table 4** is a summary of actual loan disbursement and operating statistics for the micro enterprise program during its first year of operation.

Annex 3 Table 2 Adjusted Statement of Operations - $US Equivalent

	Sep-Dec 97	Jan-Mar 98	Apr-Jun 98	Jul-Sep 98	Sep 97-Sep 98	Oct 98-Sep 99
Loan Disbursements	$40,306	$56,159	$126,828	$223,293	$446,586	$893,172
Borrowed Funds Amount	$0	$8,445	$74,435	$162,032		$324,063
Average Accruing Loan Balances	$7,527	$44,012	$102,909	$207,513		$415,026
REVENUE						
Interest	$677	$3,961	$9,262	$18,676	$32,576	$149,409
Loan Fees	$1,612	$1,644	$4,063	$8,932	$16,251	$35,727
TOTAL REVENUE	$2,290	$5,606	$13,325	$27,608	$48,828	$185,136
COST OF BORROWED FUNDS	$0	$380	$3,350	$7,291	$11,021	$58,331
CASH OPERATING EXPENSES						
Director Expense (including INPS)	$3,337	$3,337	$3,337	$3,337	$13,349	$13,349
Employee Expense (including INPS)	$4,295	$4,372	$6,582	$8,723	$23,971	$34,892
Accounting and Audit	$2,257	$2,257	$2,257	$2,257	$9,028	$14,403
Office Expenses	$308	$809	$748	$533	$2,399	$2,133
Cost of Space	$1,655	$2,213	$1,980	$1,917	$7,766	$7,668
Travel and Transport	$113	$107	$120	$118	$458	$471
Client Training Expense	$183	$118	$118	$0	$419	$0
Subtotal Cash Operating Expense	$12,149	$13,213	$15,143	$16,885	$57,390	$72,916
NON-CASH OPERATING EXPENSE						
Employee Bonus Liability Incurred	$806	$1,123	$2,537	$4,466	$8,932	$35,727
Less: Bonuses not Paid	$0	($21)	$0	$0	($21)	($3,573)
Depreciation	$83	$281	$564	$647	$1,576	$2,589
Provision for Loan Losses	$806	$1,123	$2,537	$4,466	$8,932	$17,863
Subtotal Non-cash Operating Expense	$1,695	$2,506	$5,638	$9,579	$19,418	$52,607
TOTAL COSTS	$13,844	$16,099	$24,130	$33,756	$87,829	$183,854

NET MARGIN	($11,554)	($10,494)	($10,805)	($6,148)	($39,002)	$1,282

Annex 3 Table 3 Actual Statement of Opeartions - $US Equivalent (Existing Program)

	Sep-Dec 97	Jan-Mar 98	Apr-Jun 98	Jul-Sep 98	Total
Average Accruing Loan Balances	$7,527	$44,012	$102,909	$207,513	
REVENUE					
Interest	$264	$1,545	$3,612	$7,284	$12,705
Loan Fees	$2,418	$2,467	$6,094	$13,398	$24,377
TOTAL REVENUE	$2,683	$4,012	$9,706	$20,681	$37,082
CASH OPERATING EXPENSES					
Employee Expense	$4,295	$4,372	$6,582	$8,723	$23,971
Accounting and Audit	$0	$0	$0	$0	$0
Office Expenses	$308	$809	$748	$533	$2,399
Cost of Space	$1,655	$2,213	$1,980	$1,917	$7,766
Travel and Transport	$113	$107	$120	$118	$458
Client Training Expense *	$183	$118	$118	$0	$419
Subtotal Cash Operating Expense	$6,555	$7,619	$9,548	$11,291	$35,013
NON-CASH OPERATING EXPENSE					
Employee Bonus Liability Incurred	$806	$1,123	$2,537	$4,466	$8,932
Less: Bonuses not Paid	$0	($21)	$0	$0	($21)
Depreciation	$83	$281	$564	$647	$1,576
Provision for Loan Losses (2% of Loans Disbursed)	$806	$1,123	$2,537	$4,466	$8,932
Total Non-cash Operating Expense	$1,695	$2,506	$5,638	$9,579	$19,418
TOTAL COSTS	$8,250	$10,125	$15,186	$20,870	$54,431

NET MARGIN	($5,567)	($6,114)	($5,480)	($189)	($17,349)

* Client training expense was for rent on a training room. During the final quarter, the program used its own training room in its newly-rented facility.

Annex 3 Table 4 Actual Loan and Operational Statistics (Existing Program)

	Sep-Dec 97	Jan-Mar 98	Apr-Jun 98	Jul-Sep 98	Total
Number of Loan Officers	2	2	4	4	
Number of Loans Disbursed	160	160	350	505	1,175
Number of First-time Loans	160	100	200	275	735
Number of Second Loans	0	60	150	145	355
Number of Third Loans				85	85
Number of Groups Served (5 persons / group)	32	32	70	101	235
Exchange Rate:	93.0392	CVE/$US Equivalent			
Total Amount Disbursed - $US Equivalent	$40,306	$56,159	$126,828	$223,293	$446,586
Average Loan Size - $US Equivalent	$252	$351	$362	$442	$380
Average Disbursed per Group - $US Equiv	$1,260	$1,755	$1,812	$2,211	$1,900
Amount Reimbursed (Prin & Intr) $US Eq.	$5,907	$34,266	$68,156	$134,917	$243,247
Amount Reimbursed on Time $US Equiv *	$5,907	$34,210	$68,156	$132,947	$241,220
Past Due Balances End of Period $US Equiv	$0	$56	$0	$0	
Percent Reimbursed on Time	100.0%	99.8%	100.0%	98.5%	99.2%
Total Amount Disbursed - CVE	3,750,000	5,225,000	11,800,000	20,775,000	41,550,000
Average Loan Size - CVE	23,438	32,656	33,714	120,082	35,362
Average Disbursed per Group - CVE	117,188	163,281	168,571	600,408	176,809
Amount Reimbursed (Prin & Intr) CVE	549,581	3,188,111	6,341,170	12,552,606	22,631,468
Amount Reimbursed on Time * CVE	549,581	3,182,877	6,341,170	12,369,288	22,442,916

* Paid on the due date

Annex 4 Mid-term Evaluation Excerpts and ACDI/VOCA Response

The Mid-term Evaluation was conducted in October and November 1998. Given below are the following sections: **IV. Executive Summary**; **IX. Recommendations**; and **X. Lessons Learned and Conclusions**. This is followed by: **ACDI/VOCA Response to November 1998 Mid-term Evaluation and Follow-up Plans.**

IV. Executive Summary

The PL-480 Title II Monetization Program generates over $3,128,000 / year in local currency. Sales are conducted in a very professional manner and the spreadsheets chronicling the estimated and actual costs of landed commodity, negotiated sales price, losses, and the level of cost recovery is a model all monetization programs should adopt. Despite the fact that corn, a preferred commodity in Cape Verde, was off the PL-480 docket for almost two years the program successfully substituted wheat, beans, and rice. As the grain trade is liberalized in Cape Verde, PL-480 corn and wheat should continue to be sold through negotiated sales agreements rather than sealed bid tender.

The PL-480 Title II Monetization Program is moving steadily towards achieving its three objectives. **Support to soil and water conservation activities through watershed associations** is on track. Contracts for over $6,000,000 will be tendered to Associations over the next three years to plant trees and to construct check dams, rock wall terraces, sub-surface dams, reservoirs, and canals. If profit margins for the past two years are sustainable Associations will earn a little over a $1,000,000 over the next three years. This is serious money for rural community based organizations led by young and enthusiastic men and women in their 20's. Many of the Associations were organized and trained by the umbrella group OASIS, with technical assistance provided by ACDI/VOCA. Associations have been recognized throughout Cape Verde as the most efficient, effective means to carry out soil and water conservation works. Success at an early age, however, can be damaging and the program needs to direct more time and resources into in-service training of Association members and leaders. This training should focus on increasing awareness of the roles, responsibilities, and rights of Association membership especially as it relates to contracting donor financed public works. Works in progress have to be rigorously and conscientiously inspected whether by DGASP or technicians working directly for OASIS or ACDI/VOCA.

The program is investing in drip irrigation (est LOP disbursements of $1,300,000) in order to **introduce new technologies which conserve water and raise yields.** To encourage farmers to adopt drip irrigation, the program installed a number of demonstration plots and provided farmers with technical assistance as well as reservoirs, pumps, hose pipes, T-Tape, filters, valves, couplings, etc. Farmers having good results are installing additional drip equipment, at their own expense, on adjacent areas traditionally irrigated using flood techniques. This is an encouraging development. The PL-480 Title II program plans to capitalize a credit facility managed by CECV specifically to provide loans for drip irrigation. The FAO has strongly supported drip irrigation in Cape Verde and has received significant grant support from the PL-480 Program. According to FAO, the net profit estimate for drip irrigated vegetable production in Cape Verde is \$21,000 -\$28,000 / hectare / year. These figures appear to be highly optimistic otherwise farmers would be replacing their much lower margin drip irrigated bananas with cabbage, carrots, onions, and peppers. ACDI/VOCA should use these net profit estimates with caution especially when farmers are encouraged to use credit to adopt drip irrigation technology. Good drip irrigation sites in Cape Verde are like real estate in the U.S. - location is everything. Drip systems work best where there's reliable water and a reservoir located high enough above the plot to pressurize the system by gravity rather than a pump.

The PL-480 program has capitalized three credit facilities in Cape Verde to **help promote micro enterprises and small business.** Two of these facilities are fully operational and growing - the Micro Enterprise Training and Lending Program managed directly by ACDI/VOCA and the Small Business Loan Program managed by CECV. The program is planning to provide funds for two additional programs and to provide technical assistance to a credit facility capitalized by Association profits. On-time repayment for the METLP is over 97 %. As their businesses grow borrowers using this facility for loans up to \$350 may later apply for small business loans for larger amounts payable at lower interest rates.. Both these programs target female borrwers especially those needing operating capital to buy and sell fish, vegetable, fruit, processed foods, and clothing. Funding several facilities rather than just one or two makes sense. Risks are spread over several institutions and different market niches are served.
The program successfully addresses USAID objectives in food security, gender, democratization, and environment. It is at this point premature to make suggestions concerning future programs except that it should continue to address the same problems.

IX. Recommendations

A) PL-480 FOOD AID MONETIZATION, PROGRAM MANAGEMENT, AND MONITORING AND EVALUATION

1) PL-480 Food Aid Monetization

Assuming they are not removed from the CCC commodity docket ACDI/VOCA will continue to sell approximately \$3,128,000 of corn and wheat per year through FY 2001. Negotiated sales where the buyer takes possession of the commodity at the point of discharge is the most appropriate sales mechanism in our view. The futures price of corn and wheat grain (based on ETA Cape Verde of the proposed commodity), the basis at load port , and freight should continue to be the fulcrum price estimate used in negotiations. Sealed bid tenders and auctions are not the appropriate way to sell wheat grain and large quantities of corn in Cape Verde.

MOAVE is the only conceivable buyer of wheat grain and when the corn market is opened to commercial importers the rules of the trade will severely limit the number of potential buyers. ACDI/VOCA should not be corralled into the role of receiver and wholesaler of corn, rice, beans, powdered milk or soybean oil and should not be deterred from negotiating a corn deal with a consortium of buyers.

The Monetization Manager should begin evaluating the various trade finance instruments offered by Cape Verdean and corresponding banks. If the Ministry of Finance quits guaranteeing payments by EMPA and MOAVE, buyers will have to start purchasing bank guarantees, or opening up confirmed letters of credit in the name of ACDI/VOCA.

2) Program Management

The soil and water conservation activities financed under PL-480 Title II have been successful because they employ people who really do things. It is not a talk shop, it does not make five year plans, and it's not about rearranging chairs at the Ministry of Agriculture. Two thousand people get up in the morning, go to the field and build things. The terraces, check dams, reservoirs, canals, and trees are the legacy of this program. Time spent in the field managing the people who have been given a tremendous amount of program responsibility is time well spent. ACDI/VOCA staff and DGASP should spend more time in the field where the money is being spent and less time in the office counting the receipts. Monitoring and evaluation systems should focus on collecting and analyzing primary data. Extracting data from the social economic survey, putting it into another spreadsheet, and trying to fit it into an inelegant indicator table takes time better spent in the field. Reports and indicator tables are eventually discarded into the dustbin of history. It's better to keep it at the minimum required by AID and ACDI/VOCA headquarters.

The micro lending program is successful because the loan officers are making over 10 new loans a day, the program is growing, and on-time repayment is very high. Women are lining up outside the office just to get on the waiting list for loans ten months from now. Given the high demand for credit loan officers are able to screen out higher risk customers. Their bonus depends on it. ACDI/VOCA should continue to train and groom new loan officers. When Associations start their own micro credit programs a cadre of loan officers will be in reserve to manage the program.

Money has been set aside in the 202 (e) budget to buy access to the Peace Corps/Embassy health unit for ACDI/VOCA's two expatriate employees . For some reason, and it is certainly not the availability of alternate health care in Cape Verde, ACDI/VOCA is not authorized to use this clinic. These employees need this coverage and AID should facilitate the authorization.

3) Monitoring and Evaluation

ACDI/VOCA has contracted INIDA to carry out social and economic impact studies, crop cut surveys, and a drip irrigation benefit/cost analysis.

INIDA is also a beneficiary of monetization proceeds through a Recipient Agency Agreement to conduct dry land research in: 1) forage crop production in marginal corn areas, 2) fertilization of common potatoes, 3) pigeon pea eco-types and adaptations, and 4) rain-fed corn and bean production. Three years of drought has severely constrained the collection of meaningful data for some of these research activities. ACDI/VOCA and INIDA should triage the dry lands research program and concentrate on the most promising subjects.

ACDI/VOCA should insist that contract studies be conducted in a timely manner and work with the principle investigator to make sure data is analyzed and presented in a format simple to understand and transferable to the indicator tables called for in the ACDI/VOCA PL-480 Title II Agreement. If studies and research reports continue to be submitted late ACDI/VOCA should hire reliable local consultants to do these jobs instead of INIDA.

ACDI/VOCA should hire someone directly or indirectly through OASIS to assist DGASP inspect works contracted by the Associations. Works have to be rigorously spot checked and field measured. DGASP receives 5 % of all PL-480 Association contracts in part to physically inspect and measure SWC works. If DGASP does not have the personnel or the motivation to do this ACDI/VOCA and /or OASIS should hire someone directly to help.

B. OBJECTIVE #1: SUPPORT TO SOIL AND WATER CONSERVATION THROUGH WATERSHED ASSOCIATIONS

The GOCV and the PL-480 Title II Program pins enormous responsibility and hope on community based watershed Associations. As FAIMO's fade out, donors and GOCV officials are banking on Associations to help pull poor Cape Verdeans out of poverty. This is a lot of weight to bear on new organizations led by men and women in their 20's who have had limited amounts of formal education and virtually no management training. The PL-480 Title II Program championed the formation of Associations, and plans to award Associations over $6,000,000 in SWC public works contracts over the next three years (FY 1999 - FY 2001). OASIS will receive a 3 % fee on the Santiago contracts or $126,000, and DGASP a 5 % fee or $300,000 to administer these contracts on behalf of the Associations and the GOCV. The money is there to provide better training for Associations and tighten up contract management.

The PL-480 Title II program has a competitive advantage, as a patron of Associations, in the ability to train the leadership and to establish the administrative protocols other potential donors and clients will follow in awarding poverty alleviating public works contracts. This is no time to let this advantage slip. Continuous in-service training of DGASP technical coordinators, community organizers, association administrators, bookkeepers, and construction foremen is crucial if the "poverty elimination through public works contracted to Associations model" survives.

Other major donor program intend to follow, to the extent possible, the Association model by providing funds directly to the District Councils, to contract SWC works. For example, the Anti-Poverty Campaign will be putting a significant yet undetermined portion of their proposed $10,000,000 five year budget into local organizations. The Anti - Desertification Campaign has a proposed budget of $35,000,000 over the next five years. There is substantial double counting in both budgets and many "wish list" line items, but it is clear that a lot of donors have high hopes for Associations.

The following are a few recommendations for strengthening Associations and improve public works contracting. (Note that some of these actions are already in underway.)

1) ACDI/VOCA and/or OASIS should immediately hire extra staff to help DGASP inspect SWC works. DGASP technicians who inspect works contracted by Association should be required to keep dated and signed field note books containing all volumetric calculations for check dams, meters of contour wall constructed, number of trees planted, etc. for all works signed as complete in the "auto".

2) Delegations are entitled to their 2 ½ % share of DGASP's 5 % commission on Association public works contracts. ACDI/VOCA should insist that Delegations be paid their share so they can supervise and inspect contracted public works.

3) OASIS should consider hiring a General Manager who reports to the board appointed Operations Director. The General Manager would run the office, buy materials, and keep things running while the Operations Director is in the field supervising works in progress and making sure that Associations and DGASP are doing their jobs properly. The Operations Director should report to the General Manager.

4) OASIS should institute a quarterly scheduled in-service training curriculum and begin training trainers to expand the curriculum as needed. Oasis should consider hiring a permanent Training Coordinator.

5) ACDI/VOCA should hire a facilitator, organize a retreat for OASIS and begin thinking strategically about the future of the program.

6) The program should consider tendering through competitive sealed bids 1000 meters of contour rock wall terrace, 250 m3 of check dam, a 5 m3 reservoir, and 100 meters of canal as a pilot project to test the market for private contracting.

7) ACDI/VOCA should increase spot checks of Association financial records and receipts and provide additional bookkeeping and accounting guidance as needed.

C. OBJECTIVE #2: INTRODUCE NEW TECHNOLOGIES WHICH CONSERVE WATER AND RAISE YIELDS

1) To the extent possible the program should focus on installing drip irrigation systems on smaller plots in the more humid upper reaches of the watershed. These areas are more likely to offer a hydraulic regime where the elevation head of stored water is sufficient to drive a drip system without need of a pump and motor.

2) ACDI/VOCA should facilitate the training of more small motor and pump mechanics and plumbers. The program should encourage the establishment of welding and small engine repair shops, and agricultural supply/hardware stores. ACDI/VOCA should continue to support two planned drip irrigation credit facilities - one through the CECV capitalized by LC funds and the other through the planned Caixa Poupanca Credito capitalized by the Associations. The idea of backing a number of rural credit, micro lending, and small business loan facilities rather than just one or two is sound. It's just good business to spread your risks.

3) The ACDI/VOCA Direct and the FAO/DGASP drip irrigation projects should purchase (or continue purchasing) equipment indirectly through local vendors rather than directly from European manufacturers. This may cost more but local vendors need the business and the incentive to keep equipment and spare parts in stock.

4) FAO/DGASP should establish a modest petty cash fund for incidental expenses.

5) ACDI/VOCA should keep monitoring salinity levels at drip irrigation sites, particularly in arid zones near the coast where there's not enough fresh water or rain to leach salts out of the upper soil profile.

6) The program has developed an income balance sheet for drip irrigation using annual profit estimates supplied by FAO. The high price of vegetables in Cape Verde and the expectation that drip irrigated vegetables plots can produce 3-4 crops/year with yields 20% greater than flood irrigated crops makes for some very interesting net income estimates. The FAO annual profit estimate for drip irrigated vegetables in Cape Verde is $20,000/hectare. With these margins you would expect farmers who have been given drip irrigation systems to be driving 4x4 pick ups. Instead they can't seem to find the money or the motivation to repair their water pumps. If it sounds to good to be true it probably is. ACDI/VOCA should use FAO drip irrigation income estimates with caution.

D. OBJECTIVE #3: MICRO ENTERPRISE AND SMALL BUSINESS PROMOTION

It's a bit bewildering at first getting a grasp on the various credit schemes and loan facilities supported by the PL-480 Title II program in Cape Verde but it all makes sense. Its good business to spread your risks and each facility targets a different customer base. As customer needs grow they will turn from higher interest micro credit to lower interest small business loans. Two credit facilities are up and running. Three other's are planned. The first rural credit facility has closed.

The Micro Enterprise Training and Lending Program is up and running and heading towards profitability. The Small Business Lending Program managed by the CECV is in sound hands.

The PL-480 Title II Program plans to help capitalize the IADE small enterprise loan facility to complement the Small Business Loan Program in the CECV. The IADE facility will target customers with slightly larger capital needs. Two rural credit facilities are planned. ACDI/VOCA is providing technical assistance for the Caixa Poupanca Credito a new micro credit facility capitalized out of profits earned by the watershed Associations. In addition PL 480 Title II program plans to provide additional capital to CECV to set up a small drip irrigation credit facility.

ACDI/VOCA started capitalizing rural credit facilities in September, 1997 with a 5,000,000 contribution to the Caixa Credito Rural. The CCR has stopped lending money and is only servicing 1,100,000 CVE in loans. The Ministry of Finance has given approval for CCR to return the balance 3,900,000 CVE to the PL-480 Program.

The planned Caixa Poupanca Credito capitalized by the Associations will require a lot of ACDI/VOCA technical assistance. The legal status of this proposed micro lending facility has been tied up in the Ministry of Justice for the past ten months. Whatever legality is tying up the incorporation of this credit facility needs to be traced and adjudicated. ACDI/VOCA should seek out good legal counsel to ensure that this credit facility is legally incorporated in a way which protects and promotes the long-term interests of the Associations. There are some indications that the facility will be legalized by December 31, 1998.

X. Conclusions and Lessons Learned

Income generating public works contracted by Associations have had a direct and very positive impact on promoting food security in target watersheds. The wage effects are obvious. People have more money to buy food. The agronomic effects of years of building SWC measures are harder to measure but there is no doubting the positive impacts.

Check dams and rock wall terrace construction have a multiple, cascading effect on promoting food security. These structures decrease scour and erosion. They promote vegetative growth and improve crop yields. They increase rainfall infiltration, which increases aquifer recharge, which increases groundwater resources, which increases potential irrigation water supply. Trees are harvested for fire wood which is sold to buy food. Increased vegetative cover means more goats, more money, more meat, a better diet, and a more vigorous life.

Unlike previous PL-480 Title II Programs this one does not ignore urban Cape Verde. The extra income to borrowers generated from the two lending programs is measurable. People are borrowing money, paying it back, increasing their net worth, and increasing their food security.

Associations are earning significant profits which they are returning to members as dividends or holding in local bank accounts for future investment. This is an astounding development for Cape Verdeans accustomed to living from pay check to pay check. How this will play out in terms of increasing food security is an open question. There's no doubting the positive potential of all this financial leverage in the hands of local communities.

The PL-480 Program is investing a lot of money on drip irrigation in a country where some things don't change. Droughts happen in Cape Verde, pumps break down, wells run dry, and bugs eat vegetables. Despite FAO estimates very few farmers will net \$20,000 - \$28,000 /year tending a hectare of drip irrigated vegetables in Cape Verde. The program needs to factor in all the risks of doing irrigated agriculture in Cape Verde, especially when the program starts lending money for drip equipment. A well planned and executed drip irrigation program will have a positive impact. Otherwise the return on this investment will be much lower than investments in the credit and SWC sectors.

If demo plots, equipment grants, and access to credit don't convince farmers in the next twelve months to start replicating similar schemes using their own resources, the program should start shifting resources to finance more SWC public works and capitalize on-going credit facilities.

Staff time spent training loan officers, DGASP technicians, OASIS employees, and Association leaders has a very high return. Associations which received the most training are doing better work, are probably making more money, and are more likely to survive and grow.

The various financial spreadsheets used in the Micro Enterprise Training and Lending Program and Small Business Lending Program are extremely useful tools for measuring the profitability of these loan facilities. Staff time spent training others to use these analytical tools has a high return.

Time spent in the field inspecting SWC work and meeting with DGASP technicians, Association members, and OASIS staff has a very high return. People tend to do a better job when their bosses take a real interest in what they're doing. Keeping a sharp eye on Association level bookkeeping could put a stop to small irregularities before they become big ones.

This program is awarding over $2,000,000 / year in SWC contracts to Associations. Tracking the physical output, money spent, and employment indicators is a simple straight forward exercise. Tracking the changes in per capita and house hold income, the changes in dietary diversity, and the changes in number of meals eaten is expensive, time consuming, and subject to significant sampling error. Time spent monitoring these indicators has a low return. Time spent transferring outputs and indicators from one spreadsheet or format to another has a low return on management time. Time spent in the field helping OASIS and DGASP improve their accounting and contract management systems has a much higher return to management.

The question whether Associations are still around contracting for poverty reducing public works five or ten years from now is dependent on whether they keep on being good contractors for the PL-480 Program over the next three years. This is dependent on whether they receive continued in-service training through the program, good supervision from OASIS, and conscientious inspection and planning from DGASP.

OASIS has to decide whether it's going continue playing the role as senior construction supervisor or move up into higher management. OASIS has an opportunity now to staff up and hire trainers, technical supervisors, and a general manager. If OASIS can set the standard for both new and old Associations at a level where the Associations start behaving like very reliable contractors providing services at a prescribed level of competency - new worlds of opportunity will open up. If OASIS could be trusted to exact specified contractual levels of performance from Associations - with the threat of expulsion from the "pre-qualified short list of qualified contractors" for poor performance - it could perform some services now contracted to the DGASP Delegations.

ACDI/VOCA Response to Mid-term Evaluation and Follow-up Plans

ACDI/VOCA-Cape Verde staff reviewed the November, 1998, Mid-Term Evaluation prepared by Tom Luche and Bob Pierce and in general agree with their findings. We found many of their recommendations helpful and are investigating measures to implement them. Given below is a response to each point included in **Section IX. Recommendations** *(comments in italics)*:

IX. Recommendations

A) PL-480 Food Aid Monetization, Program Management, and Monitoring and Evaluation

1) PL-480 Food Aid Monetization

ACDI/VOCA concurs with the recommendations and will begin exploring trade finance instruments.

2) Program Management

We agree that "... ACDI/VOCA staff and DGASP should spend more time in the field...", and we are making efforts to carry this out once works construction begins again in early 1999. However, the M&E, commodity, environmental, and other reporting and control (ARR, PAA, and Interim Progress Report) require a great deal of office time and effort.

3) Monitoring and Evaluation

ACDI/VOCA concurs with the recommendation. Our experience with INIDA during the past year has been less than satisfactory. In the future, ACDI/VOCA will follow INIDA's work much more closely as it is being carried out and if results are not satisfactory, we will hire a different entity to carry out these services.

ACDI/VOCA concurs that additional resources should be applied to spot-checking association works.

B. Objective #1: Support to soil and water conservation through watershed associations.

ACDI/VOCA-Cape Verde staff is in general agreement with these recommendations. Many of the issues were addressed and measures put in place prior to the mid-term evaluation.

1) *OASIS has recognized the need for additional staff and in fact, five government technicians began requesting leave in October, 1997, in order to work for OASIS but the process has been slow. One technician was granted leave in October, 1998, and the others are still waiting for official word.*

2) *During a conference held by DGASP on Oct. 23, the issue of the Delegations' share was addressed. Resolutions are being investigated.*

3) *We concur, however, the field supervisor should report to the General Manager.*

4) *ACDI/VOCA has provided numerous Training of Trainer Workshops on Participatory Adult Education, and OASIS now has several qualified facilitators. We concur that OASIS should consider hiring a permanent Training Coordinator and are discussing this issue with them.*

5) *Watershed Development Consultant Tom Gardiner is carrying out this activity as part of his December 1998 consultancy. This will be continued in 1999 as needed.*

6) *Bidding of SWC will be considered in 1999 and future years.*

7) *Filipe Silva, the ACDI/VOCA association accounting specialist, already does this and provides significant assistance in bookkeeping and accounting procedures. This effort will be examined for strengthening as necessary.*

C. Objective #2: Introduce new technologies which conserve water and raise yields.

1) *We agree. Drip irrigation locations not requiring a pump will be favored.*

2) *We will explore means to encourage private pump sales and repair outlets in rural areas.*

3) *ACDI/VOCA has always purchased its drip irrigation equipment through local suppliers under the "Direct ACDI/VOCA Program." We will ensure that Phase III of the DGASP/FAO program now in preparation calls for the same.*

4) *To be recommended to FAO*

5) *We will continue to monitor salinity levels.*

6) *The consultants make a volid point in that the FAO drip irrigation income estimates should be verified. In fact, ACDI/VOCA contracted with INIDA to perform an income analysis of drip irrigation to be completed in October 1998. This information has not been forthcoming from INIDA. In addition, we are gathering our own information from farmers receiving direct assistance from A/V-CV for drip irrigation.*

D. Objective #3: Micro enterprise and small business promotion.

The final paragraph of this recommendation calls for ensuring that the association-owned CPC *[now called "ASDIS"] is "...legally incorporated in a way which protects and promotes the long-term interests of the associations". We concur with this recommendation and this is our objective.*

ACDI/VOCA Additional Comments

These comments relate to the body of the evaluation report. The section referred to is provided, followed by our comments in italics:

VII. Findings

B. Objective #1: Support to soil and water conservation through watershed associations (approximate pages 15 and 16)

Several comments were made by the consultants while carrying out the field work for the evaluation relating to the integrity of the works measuring procedures. It appears that the evaluators are concerned that some associations could "pad" their contracts with CRWTs to do something that's profitable and not too difficult to implement once they "get it right." ACDI/VOCA has no evidence that this is occurring, however, we acknowledge that it could happen. If it is occurring, we will consider the following options: limiting the annual quantity, encouraging live vegetative barriers (which have a cost of 40 CVE/meter), or including contract stipulations such as for every meter constructed of CRWT, XX meters of live barriers must be built.

The evaluators also suggest the possibility that "...inspectors fail to do their jobs conscientiously.....", "Moral hazard creeps into the system". Evaluators are concerned that DGASP and the Delegations may not have the will and the capability to check on the end-of-month inspections and measurements for billing. We agree that this is a potential problem and we are investigating the following steps to maintain the integrity of te system:

a) *Provide more works inspection training at the Ministry of Agriculture Delegation level. OASIS could train more government employees, especially if the current TARS leave DGASP. However, there is no guarantee that if more people are trained that they will actually do the work.*

b) *Though the issue has already been addressed, ACDI/VOCA can continue to insist that the Delegations get their 2.5% payment from DGASP and then pressure them to do a better job at works measurement and reception.*

c) *Put more of the onus of responsibility for works reception on OASIS. OASIS's field technicians would verify that in fact the work is being completed as contracted. The field director then would conduct spot checks on the technicians. Any OASIS field technician caught cheating to favor an association is fired and the association's contract is rescinded.*

d) ACDI/VOCA hires more personnel to carry out spot checks.

Annex 5 Drip Irrigation Consultant Recommendations

In August and September 1998, ACDI/VOCA and FAO brought in a consultant to evaluate the existing FAO drip irrigation program funded with Title II funds and to make recommendations for a subsequent phase (Phase III) of this effort. The recommendations include the following:

- increased emphasis on other islands, Santo Antão and Fogo, citing the significant amount of land and water available on those islands;
- the price of water (paid to the state) should reflect its true cost (pumping and depreciation and maintenance of infrastructure) in order to provide incentives to conserve and not waste water;
- open irrigation canals should be avoided and plastic pipe favored to transport water from sources to the reservoirs and the farmers' fields;
- reservoirs should, to the extent possible, be built to a capacity of 75 m^3 or more since economies of scale in construction costs are achieved at this size and larger, plus this size will allow the irrigation of an economical area of land in most cases;
- traditional concrete reservoirs are recommended in most situations, however, the galvanized, round reservoirs are applicable in specific situations where cement, sand and gravel are not available and/or portability may be needed;
- wherever possible, reservoirs should be placed at an elevation above the irrigated field in order to obviate the need of a pump (12 meters is recommended);
- water needs should follow FAO-established guidelines which should be adapted to Cape Verde — each extension worker should have a copy of the adapted guidelines;
- critical private sector needs that must be (or continue to be) addressed in order to allow continued growth in drip irrigation use include (a) credit for farmers, (b) credit for importers, and (c) foreign exchange for importers of drip irrigation equipment (the consultant made a strong statement in his report that making foreign exchange available for the importation of agricultural inputs should be a national priority);
- a video should be prepared on drip irrigation for use in introducing it to farmers (FAO is doing this under its horticulture project);
- farmers must receive follow-up TA after drip irrigation installation; and
- rural extension workers need to be trained in drip irrigation.

The DGASP/FAO Phase III program now in preparation and ACDI/VOCA's program of "Direct Assistance to Farmers" are taking into account all of the recommendations of the consultant. ACDI/VOCA is also working with the Ministry of Agriculture and importers on the issue of foreign exchange for agricultural inputs.

Annex 6 Free Markets and Privatization, Commodity Sales, and Monetization Lessons Learned

Free Markets and Privatization

In late 1997, the GOCV and the European Union agreed to a three-year food aid program. The program includes funding for studies to examine policy changes that would allow private firms to import cereals and other foods that are now the exclusive domain of EMPA. EMPA is to be split into two entities, a private food importing and trading firm and a food security agency of the GOCV. The GOCV wishes to ensure that basic food staples are available on all islands within specific wholesale price ceilings. These ceilings were recently increased in order to eliminate the need for subsidies. ACDI/VOCA has encouraged: (i) measures to free up the marketing of food commodities that would allow market women to market on all islands including freeing up private shipping between islands and broadcasting commodity (including fruit and vegetable) price information on the radio and publishing it in newspapers; and (ii) installation of a system of private "bonded warehouses" that would be able to issue "warehouse receipts". Such a system would allow the GOCV to purchase commodities to fulfill its food security stock requirements and leave them in the warehouses of private traders that would be responsible for rotating the stock and ensuring good quality.

ACDI/VOCA met with the consultants reviewing the wheat-milling situation in Cape Verde including the operations of MOAVE, the Cape Verdean flour miller (now 69% privately owned). The consultants indicated that the Cape Verde market was too small to justify a second flour mill. Following this consultancy, the GOCV eliminated virtually all subsidies on flour by doubling the price paid by MOAVE from a fixed 9,000 CVE to a fixed 18,000 CVE/MT ($97 to $194/MT) and increasing the maximum flour price. The GOCV pays MOAVE the difference between the subsidized price and the world market price, however, when world market prices are less than the subsidized price (as they are currently), MOAVE makes additional profit.

Annex 6 Table 1 FY 1998 Cape Verde Commodity Sales Details

Shipment: Program FY	1997	1998	1998	1998	1998	1998	1999	1999	1999	
Funds Received: FY	1998	1998	1998	1998/99	1998/99	1999	1998/99	1998/99	1999	
Commodity	Corn	HRW Wheat	SRW Wheat	Pinto Beans	Light Red Kidney Bns	Corn	HRW Wheat	SRW Wheat	Corn	Total
Vessel	Marcel	Teco Trader		St. Ioannis		Elijeanne	Pearl		Adventurer	
Date Discharge Began	13-Oct-97	03-Mar-98		28-Jul-98		17-Oct-98	14-Sep-98		Jan-99 a/	
Bill of Lading MT Shipped	2,900.00	2,500.00	2,500.00	608.05	608.55	5,733.25	2,498.87	2,500.00	6,100 a/	
MT Discharged & Paid For	2,851.60	2,478.50	2,485.50	602.53	600.82	5,630.25	2,488.50	2,474.50	6,100.00	
Negoiated Price/MT	$173.25	$188.00	$178.00	$740.00	$755.00	$162.00	$170.00	$146.00	$163.85	
Proceeds/Commodity	$494,040	$465,958	$442,419	$445,872	$453,619	$912,101	$423,045	$361,277	$999,485	$4,997,816
Total Proc/Shipment	$494,040	$908,377		$899,491		$912,101	$784,322		$999,485	$4,997,816
Received FY 98 b/	$494,040	$908,377		$455,974		$0	$197,500		$0	$2,055,891
Rec'd or to be Rec'd FY 99	$0	$0		$443,517		$912,101	$586,822		$912,101	$2,854,541
$ FFP est'd FAS/MT	$140.00	$150.00	$140.00	$665.00	$680.00	$114.00	$140.00	$110.00	$110.00	
$ BNT Cost/MT	$5.00								$5.09	
$ Frt/MT (non-U.S. carrier)	$49.75	$49.75	$49.75	$90.00	$90.00	$49.75	$47.50	$47.50	$47.50	
$ Tot Cost/MT C&F	$194.75	$199.75	$189.75	$755.00	$770.00	$163.75	$187.50	$157.50	$162.59	
Actual $ Cost/MT to CCC	$118.48	$143.47	$140.57	$567.39	$624.84	$89.35	$115.43	$93.94	$117.32	
Actual $ BNT Cost/MT	$5.09								$4.88	
Actual $ Frt Cost/MT - U.S. Car		$84.95	$84.95							
Act $ Frt Cost/MT - Non US Car	$49.75			$92.00	$92.00	$39.95	$36.50	$36.50	$38.52	
$ Total Act Cost/MT, C&F-CV	$173.32	$228.42	$225.52	$659.39	$716.84	$129.30	$151.93	$130.44	$160.72	
Neg Price / Actual C&F Cost	100.0%	82.3%	78.9%	112.2%	105.3%	125.3%	111.9%	111.9%	101.9%	
FFP est FAS - FAS cost to CCC	$21.52	$6.53	($0.57)	$97.61	$55.16	$24.65	$24.57	$16.06	($7.32)	
FFP est'd FAS, % over (under) cost to CCC	18%	5%	0%	17%	9%	28%	21%	17%	(6)%	
(FFP est'd FAS + est'd Frt) - Actual C&F cost to CCC	($0.07)	($40.42)	($47.52)	$80.61	$38.16	$32.70	$18.07	$15.56	$1.87	

a/ At the time of this writing, the shipment hadn't arrived, hence the tonnage amount is the call forward tonnage.

b/ Far right "Total Column" amount coincides with the "Local Currency Commodity Proceeds" amount in **Table 3 FY 1998 Expenditure Detail by Sub-Activity ($US)**.

Lessons Learned

1. Prices Obtained - As can be seen in the above table, ACDI/VOCA negotiated prices well above the CCC cost on nearly all shipments. Program proceeds received were approximately \$140,000 more than the FAS price paid by the CCC for FY 1998 and 1999 shipments to date. And, excluding the non-U.S. carrier shipment, the program received approximately \$180,000 more in freight than the amount paid by the USG during the same period. Therefore (once again excluding the non-U.S. carrier shipment), the Cape Verde program received approximately \$320,000 more (C&F) in Title II proceeds than the amount paid by the United States Government for these commodities.

2. FFP Price Estimates - As seen in the 2nd and 3rd from the last lines in the above table, most FAS price estimates received from FFP are well above actual market prices and prices paid by the CCC. The result is that the relationship of our negotiated sales price to the Cost Recovery Benchmark is less favorable than it would be otherwise. ACDI/VOCA respectfully encourages FFP to review its price gathering procedures to ensure that they truly reflect actual market prices. We should add that a general downward trend in commodity prices during the fiscal year contributed to a portion, but not all of this discrepancy. In addition, CCC's purchase price for the January 1999 corn shipment of \$117.32 per MT does not follow our reading of the market. It is \$7.32 above the FFP estimate and about \$15 above the price that our sources indicate for this commodity during the purchase period. ACDI/VOCA's members include the largest grain marketing cooperatives in the U.S. and we obtain market information from them and other private sources.

3. Timeliness of Shipments - FFP and CCC brought in two shipments of wheat within approximately 10 weeks following our submission of the call forward and within the specific two-week period requested by the customer. The customer needed a narrow delivery period due to the 5,000 MT size of the shipment and its limited storage space. This type of delivery requirement is common in the private grain trade and has been made possible through coordination between FFP, CCC and our agent, D.F. Young, Inc. This level of performance is necessary if ACDI/VOCA is to continue to obtain world prices for wheat. In addition, since corn importing will be in the hands of the private sector sometime during CY 1999, we may be required to respond rapidly to purchase orders on corn as well.

4. Separating Commodities - The vessel, Pearl, that brought the September 1998 shipment of 2,500 MT each of HRW and SRW wheat had one hold containing both commodities, separated only by plastic sheeting. During discharge the clam buckets tore the plastic below the SRW in several places resulting in mixing the two commodities. To avoid further tearing and further mixing, the clam buckets had to be closed outside the vessel, then lowered into the vessel and filled by hand-shoveling. This resulted in two additional days of discharging, a great deal of additional expense to our customer, MOAVE, and a great deal of complaining by the Director General of MOAVE to ACDI/VOCA. When we complained to our agent, D.F, Young, we were informed that this is an *acceptable* way to load a vessel according to CCC. We informed our agent that this is not acceptable to our customer. Only one bulk commodity should be loaded into one hold. We hope that CCC will respect this need on all future shipments.

Annex 7 Local Office and Program Support Budget and Expense Details FY 1998

	Bal From FY 1997	Added fr SMA a/	Budget FY 1998	Expends FY 1998	Balance Sep 30, 98
Local Office Expense					
Salaries	$2,615	$21,059	$23,674	$28,227	($4,553)
Allowances	$942	$20,577	$21,519	$28,355	($6,836)
Travel and Transportation	$564	$1,005	$1,569	$5,138	($3,569)
Procurement	$53,834	($28,430)	$25,404	$28,604	($3,200)
Office and Communication	($5,393)	$24,108	$18,715	$34,670	($15,955)
Vehicle Fuel, Mtce & Insurance	$59	$1,589	$1,648	$1,894	($246)
Monitoring and Evaluation	$244	$29,481	$29,725	$22,921	$6,804
Subtotal Local Office Expense	$52,865	$69,389	$122,254	$149,809	($27,555)
Audit	$2,273	$16,864	$19,137	$11,527	$7,610
Drip Irrigation Support					$0
Salaries	$4,127	$0	$4,127	$3,143	$984
Allowances	$581	$0	$581	$361	$220
Travel & Transportation	$795	$129	$924	$4,117	($3,193)
Procurement	$31,158	$2,150	$33,308	$29,625	$3,683
Consultants	($5,374)	$6,986	$1,612	$0	$1,612
Vehicle Fuel, Mtce & Insurance	$1,688	$0	$1,688	$1,946	($258)
Training	$31,537	$39,836	$71,373	$28,263	$43,110
Subtotal Drip Irrigation Support	$64,512	$49,101	$113,613	$67,455	$46,158
Farmer Association Support					
Salaries	$4,445	$5,166	$9,611	$11,932	($2,321)
Allowances	$1,548	($164)	$1,384	$2,523	($1,139)
Travel & Transportation	($1,793)	$10,561	$8,768	$9,936	($1,168)
Procurement	$3,624	$8,962	$12,586	$8,344	$4,242
Consultants	($4,448)	$31,673	$27,225	$32,976	($5,751)
Vehicle Fuel, Mtce & Insurance	$880	$2,753	$3,633	$5,266	($1,633)
Training	($355)	$57,748	$57,393	$53,952	$3,441
Subtotal Farmer Assn Support	$3,901	$116,699	$120,600	$124,929	($4,329)
Total Local Office and Program Support	$123,551	$252,053	$375,604	$353,720	$21,884

a/ The total of this column coincides with the total of "Local Office and Program Support" expenses in **Table 4**. The total of this column, $253,053, is the amount of funds withdrawn from the Special Monetization Account (SMA) and deposited into the "Local Expense Account" (LEA) during FY 1998.

Annex 8 LOP Comprehensive Budget, LC Proceeds and 202(e) Grant - $US Equivalent

FY	1997 Actual		1998 Actual		1999 Projected		2000 Projected		2001 Projected		Total 5 Years	
	LC $US Equivalent	202(e) $US	LC $US Equivalent	202(e) $US	LC $US Equivalent	202(e) $US	LC $US Equivalent	202(e) $US	LC $US Equivalent	202(e) $US	LC $US Equivalent	202(e) $US
Exchange Rate	82.1804		93.0392		97.1837		92.5726		92.0584			
Opening Balance	a/	$0	$775,819	$0	$364,710	$0	$388,446	$0	$355,126	$0	$0	$0
Commodity Rec	$3,135,153		$2,055,892		$4,307,795		$3,128,000		$3,126,712		$15,753,552	
Interest	$0 b/	$0	$42,040	$0	$10,804	$0	$11,342	$0	$11,798	$0	$75,984	$0
Total LC Rec / 202(e) Budget	$3,135,153	$412,551	$2,097,932	$400,681	$4,318,599	$455,905	$3,139,342	$349,145	$3,138,510	$487,914	$15,829,536	$2,106,196
Total Available	$3,135,153	$412,551	$2,873,751	$400,681	$4,683,309	$455,905	$3,527,788	$349,145	$3,493,636	$487,914	$15,829,536	$2,106,196
Disbursements												
Rural Eng Works	$1,121,345		$1,549,941		$1,852,054		$1,566,338		$2,027,393		$8,117,071	
Forestry Works	$296,616		$121,025		$495,349		$378,081		$412,781		$1,703,852	
Intro New Technology	$328,307		$50,990		$463,041		$437,494		$434.507		$1,714,339	
Micro Ent Promotion	$156,170		$320,069		$288,173		$175,231		$0		$939,643	
Small Bus Promotion	$261,620		$214,963		$591,663		$172,838		$173,803		$1,414,887	
Subtot - Primary Activities	$2,164,058		$2,256,988		$3,690,280		$2,729,982		$3,048.484		$13,889,792	
Adm Exp Prog Sup a/	$195,276	$302,014	$252,053	$248,708	$377,940	$333,752	$324,070	$255,596	$325.880	$357,184	$1,475,219	$1,497,254
NICRA, 33.25%	d/	$110,537	b/	$84,753	$226,643	$122,153	$118,610	$93,549	$119,272	$130.730	$464,525	$541,722
Subtot Admin Exp	$195,276	$412,551	$252,053	$333,461	$604,583	$455,905	$442,680	$349,145	$445,152	$487.914	$1,939,744	$2,038,976
Total Disbursements	$2,359,334	$412,551	$2,509,041	$333,461	$4,294,863	$455,905	$3,172,662	$349,145	$3,493,636	$487,914	$15,829,536	$2,038,976
Receipts - Disbursements	$775,819	$0	($411,109)	$67,220	$23,736	$0	($33,320)	$0	($355,126)	$0	$0	$67,220
Closing Balance	$775,819	$0	$364,710	$67,220	$388,446	$0	$355,126	$0	$0	$0	$0	$67,220

a/ The only opening balance for the FY 1997 - 2001 program was in the Local Expense Account which was used to fund office operations until the receipt of funds from the sale of new Title II commodities. This balance of approximately $125,000 is not included here since the LC columns in this table reflect only movement into and out of the SMA. The first commodity sale proceeds were deposited into the SMA in January 1997.

b/ No interest was received in FY 1997 since it is paid on a calendar-year basis in December. Title II counterpart funds under the new program were received only in January 1997.

c/ Actual total FY 1997 expenditures were $320,446, but approximately $125,000 of funds carried forward from the previous program were used to cover operating expenses during a portion of FY 1997. Details of FY 1998 Local Office and Program Support Expenditures including beginning balances and ending balances are in **Annex 6**.

d/ As mentioned earlier in this report, the transfer of Indirect Costs (NICRA) to ACDI/VOCA-Washington was delayed until after FYE Septmeber 30, 1998.