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PROJECT PAPER

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Cape Verde: Agricultural Support (Rural Works)

BEST AVAILABLE DOCUMENT

Project Committee: E. D. Conroy, AFR/RA
J. Westley, REDSO/EA
T. Muntsinger, CC/AFR

June 30, 1975

SEP 22 1978

ACTION MEMORANDUM TO THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM : AFR/DR, John W. Koehring

SUBJECT: Cape Verde Rural Works

Problem: Your approval is required to authorize a one-year extension of U.S. financial support to the Cape Verde Rural Works Project (655-0001) in the form of a \$500,000 grant from the Disaster Relief Assistance appropriation. The additional funds requested through this action will bring the total level of AID funding for this project to \$3,900,000.

Discussion:

A. Description of the Project

1. Purpose

The immediate objective of the project has been to provide employment opportunities for a large percentage of Cape Verdean workers through the application of labor intensive techniques in soil and water conservation works and farm-to-market roads. The project was developed for Santiago Island where close to half of Cape Verde's population lives. Four valleys, Ribeira Seca, Ribeira dos Picas, Ribeira de Sao Domingo, and Ribeira dos Engenhos, constitute the project area.

Cape Verdean farmers are faced with a situation where they have had to cultivate an increasing amount of marginal land on higher slopes, thereby accelerating erosion. Animals, principally goats, wander freely and eat the vegetation. As a result, and with the devastating drought that began in 1967 and continues today, the land can no longer support the population's basic needs. In an attempt to alleviate this condition, the Government of Cape Verde (GOCV) inaugurated labor intensive projects to control erosion and to develop additional irrigated land. This effort is directed also to providing employment for some of the 70 percent under or unemployed.

In June 1975, A.I.D., in response to a GOCV request, executed a \$3,000,000 no-interest loan under Section 496 of the FAA, "Assistance to Portugal and Portuguese African Countries", to support the Cape Verde Rural Works Project. At the time of loan execution, it was agreed that A.I.D. would seek legislative authority to convert the loan to a grant; this conversion was made in March 1976. In May 1977, the project was amended to provide an additional \$400,000 grant from the Food and Nutrition appropriation to finance the purchase of equipment, required for dam construction. (The construction involved

placement of large rocks that could not be managed with hand tools provided by the project.)

The Rural Works project involves four sub-activities: (a) the building of dikes in valley areas to catch alluvial soils washed down from the mountain-sides as a result of sporadic, torrential downpours; (b) the construction of retaining walls to prevent further erosion of soils into valley areas used for crop production; (c) the construction of stone and concrete aqueducts to permit the irrigation of valley areas reclaimed through the diking system; and (d) the clearing of rocks from areas that could be used for pasturage or crop production.

The above activities were designed to contribute to the Project's long-term objectives of: (a) retarding erosion and desertification; (b) increasing productivity of the land; (c) increasing infiltration of the water into the soil; (d) increasing land area to be used; and (e) improving the general welfare of the population.

AID support of the project was originally scheduled to end in FY 78, with project outputs to be completed by December 1978. However, the daily average number of workers assigned to the target area has steadily increased from 1,800 in July 1976 to over 10,000 by July 1978. In an attempt to finance increased project activity costs, the GOCV has been drawing on funds from its National Development Fund (NDF) established through currencies generated from the sale of food grants. This has enabled the GOCV to support project activities in only one of the four designated valleys.

The GOCV has requested additional A.I.D. funds to support the continuation of ongoing project activities, i.e., construction of dikes, retaining walls and small subterranean dams. In addition to preventing further erosion of soils and providing better recharge of underground water which is used to irrigate food crops, the funds requested will provide employment to an average 4,300 workers per day for a 12-month period. These workers would otherwise be unemployed.

The GOCV intends to continue the Rural Works Project and during the next year will submit to the CILSS a new proposal for follow-on activities. Other donor assistance will be sought through the Club/CILSS mechanism. A one-year extension for which funding is being requested will provide the GOCV sufficient time to design and submit the new proposal.

2. Conformance to AID Country Strategy

AID has not developed a Strategy Statement for Cape Verde; neither does a DAP exist. A preliminary assessment of the agricultural sector in Cape Verde was completed under an A.I.D. contract in June 1978. This assessment provides recommendations for an A.I.D. development strategy in Cape Verde. According to the assessment, environmental rehabilitation and conservation and employment generation are two of the primary areas in which A.I.D. should concentrate its efforts.

3. Beneficiaries of the Project

Direct beneficiaries are the Cape Verdean workers who participate in the project. As stated above, the average number of workers per day in the four sub-projects has increased from 1,800 in July 1976 to 10,000 in 1978. Provision of the additional funds requested in this memorandum would provide employment to an average of 4,800 workers per day. Officials from the Ministry of Rural Development estimate that most of the rural families in the project area have at least one member working on rural works projects. In some cases of large families, more than one person is permitted to work.

Women employed in the construction efforts represent 30-40 percent of the total labor force; many are advancing to positions of responsibility as chiefs of work crews, or supervisors. Where women do equal work, such as supervising crews, they receive the same pay as men. The pay scale, however, reflects the average pay for men as higher than that for women. The Ministry of Rural Development explains that the Ministry of Justice is in the process of proposing a new wage law which will give women equal pay for equal work.

B. Socioeconomic, Technical and Environmental Description

1. Socioeconomic: Based on information provided in the evaluation, the project has been well received by the local population and interest and participation has been high. The project has provided employment opportunities and income for a large percentage of the rural population who would have otherwise been unemployed.

2. Technical: An evaluation of the Rural Works Project was completed in June 1978; it concludes that the continuation of labor intensive project activities in soil and water conservation should be of high priority as such activities can contribute significantly to the development of the agricultural sector.

According to the Project Evaluation, existing soil and water structures have been constructed by hand labor using the dry rubble technique. Check dams and retaining walls are constructed to meet conditions of the particular site. In the case of dikes constructed in the river beds, excavations of 2-3 meters are made by hand, and large rocks of one ton or more are put in place, forming footings. Check dams built on these footings rise to 2-3 meters above the stream bed. The spillway is given special attention and enlarged to carry floodwaters equal to those of 1976 when an unusual rain of 10 inches fell in one 24-hour period. The evaluation states the work accomplished is impressive; the quality of the dry rubble technique is rated as "excellent".

There are 200 work fronts presently in progress with 88 percent of the dikes completed; approximately 56 percent of the retaining walls are on target. Three Hundred and Six (306) kilometers of earth terraces have been constructed. Approximately 10 kilometers of access roads have been developed to permit work on soil conservation projects;

no specific projects have yet been undertaken on farm-to-market roads.

The evaluation also pointed out problems related to the project; namely, insufficient monitoring, and the lack of heavy equipment (an excavator) for construction of dikes over 180 meters. Primary recommendations of the construction call for: (a) a careful study of the watershed to precede the work; and (b) work on the slopes to precede work in the valleys. (A major part of the Rural Works Project is presently directed to work on the slopes.)

It has been the intention to address these problems in the event a follow-on project is designed for financing by A.I.D. However, the urgent nature of the GOCV's request for "gap" financing was not anticipated, and it has not been possible to address these concerns within the time frame. Accordingly, we plan to make the evaluation report available to the GOCV and recommend it be followed closely in the implementation of this project extension.

3. Environment: An IEE has been undertaken; no further environmental analyses are required and a negative determination is recommended. The project effort is directed to returning the terrain to its earlier condition.

C. Financial Summary

1. With the additional \$500,000 requested through this action, the AID appropriated total will reach \$3,900,00.

2. Overall dollar appropriation by fiscal year is as follows:

| <u>FY 75</u> | <u>FY 76</u> | <u>FY 77</u> | <u>FY 78</u> | <u>Total</u> |
|--------------|--------------|--------------|--------------|--------------|
| \$3,000,000 | * | \$400,000 | \$500,000 | \$3,900,000 |

*FY 75 obligation of \$3,000,000 in the form of a loan was converted to a grant in FY 76.

D. Congressional Notification

A Congressional Notification is not required by this action.

E. Waivers and Implementation

1. No waivers are required under this extension. Since Cape Verde is an RLDC, procurement in Code 941 countries and Cape Verde will be authorized.

2. The major implementing agency is the Ministry of Rural Development.

F. Responsible Project Officers

The responsible officers for the project are:

AFR/DR, Doris Mason; and

Cape Verde, Merrill Asay.

G. Recommendations:

1. That you approve this request for a one-year extension of funding for ongoing project activities by signing the attached PAF II.
2. That you concur in the recommended Negative Determination by your signature on the IEE facesheet.

AFR/DR/SFWAP:DMason:mj:9/19/78

Clearances:

AFR/DR/SFWAP:JRMcCabe (draft)

GC/AFR:STisa (draft)

AFR/SFWA:OLustig (draft)

AFR/DR/SDP:JNixon (draft)

AFR/DR/ENGR:JMorgan (draft)

DAA/AFR:WYNorth W. W. Haven North

AMENDMENT

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

PART II

COUNTRY : Cape Verde
PROJECT : Rural Works
PROJECT NO.: 655-0001

Pursuant to Part 1, Chapter 9, Section 494A of the Foreign Assistance Act of 1961, as amended, (the "Act") I hereby authorize the following amendments to the Project Authorization and Request for Allotment of Funds - Part II ("PAF-II) dated June 1, 1977:

1. The amount of the Grant set forth in the first paragraph of the PAF-II is hereby increased in the amount of \$500,000 from \$400,000 to \$900,000. The additional funding provided under this Amendment may be used to finance the continuation of the Rural Works Project.

2. Paragraph a. of the PAF-II is hereby amended to add the following at the end thereof.

"Except for ocean shipping and motor vehicles, goods and services financed by A.I.D. under this Amendment shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book or the Cooperating Country, except as A.I.D. may otherwise agree in writing. Ocean shipping financed under this Amendment may be procured in the Cooperating Country or the United States; motor vehicles financed under the Amendment shall be manufactured in the United States".

W COLER T. BUTCHER

Assistant Administrator for Africa

SEP 22 1978

Date

INITIAL ENVIRONMENTAL EXAMINATION

Project Country: Republic of Cape Verde (Santiago Island)

Project Title: Agriculture Support (Rural Works, 655-0001); Amendment

Funding: FY (s) 78 \$500,000

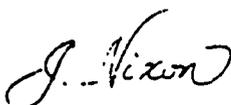
Period of Project: 1 year extension

IEE Prepared by: AFR/SFWA, Owen Lustig

Environmental Action Recommended:

Negative Determination

Concurrence:



Jack Nixon
AFR/OR/SDP

Assistant Administrator Decision:

W COLER T. BUTCHER

APPROVED: _____

DISAPPROVED: _____

DATE: _____

SEP 22 1978

I. Description of Project: The Rural Works Project was developed for Santiago Island where close to half of Cape Verde's population lives. Four valleys, Ribeira Seca, Ribeira dos Picas, Ribeira de Sao Dómingo, and Ribeira dos Engenhos constitute the project area. The long-term objectives of the project are to slow the erosion and desertification of the four valleys; increase the productivity of the land; increase the infiltration of rain water into the soil; promote small irrigation plots for food crop production; and to improve the lives of the population. This will be accomplished in part thru this project by restoring erosion and rain water catchments which were built by the Portuguese and have since fallen into disrepair.

The project outputs, to be achieved through highly labor intensive construction and land clearing techniques, include the building of dikes, dams, retaining walls, and aqueducts for soil and water conservation and irrigation; and the clearance of rocks from areas which can be used for additional agricultural production. The U.S. financed input required to continue the project for an additional one year period is \$500,000 to finance local currency costs.

II. Examination of Nature, Scope, and Magnitude of Environmental Impacts:

(in terms of items on attached Impact and Evaluation Form)

At the time this project began in 1975, the Environmental Impact examination was not required. In the meantime however, a thorough examination of the environmental impact of the Watershed Management project was completed for Santiago Island where this project (Rural Works) is being implemented. Given the small size of the island and the similarity of the activities in the Rural Works and Watershed Management projects (both are to construct dams, dikes, terraces, etc.), AFR/SFWA has used the findings of the IEE on Watershed Management as a basis for the recommendation contained herein. The Summary of the IEE is attached hereto.

III. Recommended Environmental Action:

Negative Determination.

Project: Rural Works FY 1978Checklist Summary

A. Kinds of Effects

| <u>Sectors</u> | <u>Direct</u> | <u>Indirect</u> | <u>Long-Term</u> | <u>Short-Term</u> | <u>System Sustainability</u> |
|--------------------------|---------------|-----------------|------------------|-------------------|---|
| Natural Resources | X+ | | X+ | | Good |
| Land Use | X+ | | X+ | | Good |
| Water | X+ | | X+ | | Excellent if rains come |
| Air | | X | X | X+ | If fertilizers and pesticides are monitored |
| Soils | X+ | | X+ | X+ | Excellent if rains come |
| Vegetation | X+ | | X+ | X+ | Excellent |
| Ecosystems | X+ | | X+ | X+ | Good |
| Human Livelihood Systems | | X+ | X+ | X+ | Good |
| Human Populations | X+ | X+ | X+ | X+ | |
| Human Health | X+ | X+ | X+ | | Good |
| Animal Health | | X+ | X+ | | Good |
| Cultural Health | | X+ | X+ | | Good |
| Regional Viability | X+ | X+ | X+ | | Good |
| Equitable Distribution | | X+ | X+ | | Excellent |

Key:

X = Consequence Indicators, with:
+ = Beneficial; or
- = Harmful.

CAPE VERDE

AGRICULTURAL SUPPORT (RURAL WORKS)

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ANNEXES

- A. Logical Framework Matrix
- B. Map
- C. The Economy of the Cape Verde Islands
- D. Statutory Checklist
- E. Draft Authorization

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

The Project Paper recommends approval of the following:

| | |
|---|-------------|
| Loan (40 years), 10 years' grace, no interest) | \$3,000,000 |
| Total new AID obligations | 3,000,000 |
| Waivers - Code 935 Procurement | 300,000 |

B. Description of the Project

The Loan will provide foreign exchange cost and local-cost financing to support labor-intensive rural works projects, including land clearing and the construction of access roads, conservation works, and small-scale irrigation facilities. Project activities will be organized and carried out by the Ministry of Economic Coordination and Labor of the Transitional Government of Cape Verde (TGCV). Rural infrastructure sub-projects will be implemented using established procedures and practices for execution of labor-intensive public works. The Ministry has been involved in such activities for some time and does not expect to request any related long-term technical assistance, although the Ministry will request short-term assistance in sub-project planning. Long-term technical assistance will be eligible for financing under the loan, but it is likely that any technical assistance provided by the U.S. would come from sources such as the Peace Corps or private and voluntary organizations. Short-term assistance for sub-project planning would probably be provided by AID personnel.

Because it has not been possible to carry out the detailed project planning prior to authorization of the loan and execution of the loan agreement, it is difficult to discuss the outputs and purposes of the two major sub-projects (rural roads, land and water development) with any degree of precision. Given the long experience of the Ministry of Economic Coordination and Labor with similar projects, there is little doubt that the various inputs - management and administration provided by the Ministry, skilled and unskilled labor by Capeverdeans, and planning and financial support by AID - can be combined successfully to produce completed rural roads and conservation and irrigation works. Whether these facilities will result in increased food production, and ultimately an improvement in the welfare of the resident islanders, depends on a large number of factors such as those noted in the preliminary logical framework included as Annex A. below. A more complete version of the logical framework may be prepared as the planning for each of the major sub-projects proceeds.

C. Summary Findings

Although the impact of the various sub-projects cannot be predicted with any accuracy until after the detailed planning has been carried out, it is clear that the activities financed under the loan will have a significant first-round impact on wage earnings by poor Capeverdeans, since at current wage rates (roughly \$2.50 per day) the Loan could finance over one million man-days of labor. Since almost no Capeverdeans have an income of over \$150 per annum, and since there are virtually no large farmers who could monopolize the benefits of increased agricultural output, the longer-range benefits of the various sub-projects should accrue almost entirely to individuals who make up the "poor majority".

The project meets all statutory criteria. It should be noted that no 611(e) certification has been included, since Section 611 of the Foreign Assistance Act does not apply to the section under which these funds are provided. However, loan funds will not be made available for each sub-project until the detailed plans for that sub-project have been completed, including analyses of technical soundness and plans for maintenance and utilization of the facilities.

D. Project Issues

The TGCV has requested that all AID assistance be provided on a grant basis, but has indicated that it would prefer to receive a loan immediately rather than wait several months in the hope that a grant for the same amount could be provided at some time in the future. Since only \$2 million in grant funds is available in FY 1975 for Cape Verde, and since the Foreign Assistance Appropriations Act of 1975 enjoins AID to provide not less than \$5 million in assistance to Cape Verde in FY 1975, the best course appears to be to make \$3 million available as a no-interest loan in 1975 with the understanding that AID will seek legislative authority to convert the loan to a grant in FY 1976. Cape Verde's debt service prospects are discussed in Section III.B. below.

II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. Background

The Cape Verde Islands are a group of five islets and 10 islands (nine of which are inhabited) 350 miles due west of Senegal in the Atlantic Ocean. They are spread over an area 150 miles square and have a total area of about 1500 square miles, one-fourth larger than Rhode Island. The population is estimated at 280 - 300,000, and is predominantly of mixed Portuguese and African descent.

Cape Verde has been a Portuguese dependency since the mid-fifteenth century. Following the coup which overthrew Portugal's Caetano regime in April 1974, the Portuguese Government recognized the right to independence of its African colonies, including Cape Verde as well as Angola, Mozambique, Guinea-Bissau, Sao Tome and Principe. In December 1974 the Portuguese Government established the Transitional Government of Cape Verde, made up of representatives of Portugal and the African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC). Elections will be held on June 30, 1975 for a Constituent Assembly which will be empowered to proclaim independence (scheduled for July 5, 1975) and draft a constitution.

The Cape Verde Islands are suffering from a seven-year drought related to the Sahelian drought in continental Africa. The drought has reduced agricultural output to about one-fourth or one-fifth of its normal level and has made the economy totally dependent on imported food for subsistence. The Portuguese Government has been providing \$20 - \$30 million per year in recent years to finance Cape Verde's budget and balance of payments deficits, but has announced that it will be unable to continue large-scale assistance after independence. While some Portuguese financial, technical and cultural assistance will continue after July, it will undoubtedly be sharply curtailed.

The TGCV has appealed to the UN agencies and to bilateral donors for assistance both in meeting its immediate need for food and in developing programs to foster Cape Verde's economic development. The UNDP organized a mission which visited Cape Verde in late January and early February 1975 and included representatives from most of the UN agencies. Other bilateral donors have been approached, although no information is available concerning the outcome. In response to requests made by Capeverdean officials during a visit to the State Department in March 1975, and pursuant to the Foreign Assistance Appropriations Act of 1975 which stipulates that not less than \$5 million be allocated for assistance to the Cape Verde Islands, an AID team visited Cape Verde in May 1975 to discuss assistance possibilities. The team concluded that the U.S. should provide: (1) an AID loan of up to \$3 million to assist in financing the labor-intensive construction of rural works, including soil and water conservation works and low-standard access roads; (2) an AID grant of \$2 million to enable the Government to continue the subsidized sale of food commodities in the islands; and (3) Title II food commodities in support of food-for-work programs implemented with assistance from voluntary agencies. This paper discusses the proposed \$3 million loan for Agricultural Support (Rural Works)

B. Project Description

The plan to use all of the funds provided under the loan for rural works construction falls in two categories: soil and water

conservation works and farm-to-market roads. The soil and water conservation works would be constructed primarily on Santo Antao, which has the greatest agricultural potential of the 10 islands, but also on Sao Vicente, Fogo, Brava and Santiago. They would include the building of dikes in valley areas to catch alluvial soils washed down from the mountainsides during the typically sporadic, torrential downpours; the construction of retaining walls to prevent further erosion of soils into valley areas used for crop production; the construction of stone and concrete aqueducts to permit the irrigation of valley areas reclaimed through the dixing system; and the clearing of rocks from areas that can be used for pasturage or crop production. ~~The farm-to-market roads constructed would be on Santo Antao and would total about 40 miles in two segments.~~ The roads would permit the transport of agricultural products from the archipelago's most productive agricultural area to the port city of Porto Novo for transshipment to other islands.

The overall project goal is to increase production of agricultural products and thereby increase small farmer incomes and reduce Cape Verde's dependence on imported food commodities. The purpose in the case of the soil and water conservation works is to improve and increase the soil and water resources effectively available for crop production. In the case of the farm-to-market roads, the purpose is to increase the effective farmgate price to the farmer by improving physical access and reducing transport costs. The project outputs are completed dikes, retaining walls, and aqueducts, cleared fields, and completed farm-to-market roads. The major assumptions are that the rural works will in fact improve soil and water retention and significantly improve road access, and that the other aspects of the crop production system - availability of material and human inputs, techniques, incentives, etc. - are less binding constraints than the absence of the works to be constructed.

III. PROJECT ANALYSIS

A. Technical Analysis

The conservation works and roads will be constructed under the supervision of the Ministry of Economic Coordination and Labor using traditional stonework designs and techniques which have evolved and been applied for decades in Cape Verde. The dikes and retaining walls would be built of either unmortared or mortared stone, while the aqueducts would use mortared stone. The roads would be of the cobblestone type. Construction methods would be highly labor-intensive, since the TGCV is particularly interested in the employment-generation aspects of the project and since stonework is inherently labor-intensive in any case.

The TGCV has indicated that it has the capacity both to plan and implement the rural works projects and is currently preparing detailed plans for construction of the works in various locations. AID will require that such plans be submitted and approved by AID prior to releasing any funds under the loan.

The Government has not yet submitted detailed cost estimates or construction schedules. Based on similar road construction activities in other parts of Africa, the cost of the farm-to-market road construction should be on the order of \$10,000 per mile, or \$400,000 for the two roads planned. Allowing 25% for contingencies, the cost breakdown would be \$500,000 for the road component and \$2,500,000 for rural works. The bulk of the costs would be local costs, but there would also be foreign exchange costs related to the purchase of cement and hand tools. Since it would be prohibitively time-consuming and expensive to ship cement to Cape Verde from the U.S. via Portugal, cement would be purchased in Portugal under a Code 935 waiver if necessary. If possible, however, it would be purchased in nearby African countries, all of which are included in Code 941. If hand tools are available on Cape Verde and only small amounts are needed, they would be purchased locally under the applicable shelf-item procurement provisions (up to \$2500 per transaction, aggregate value not to exceed \$100,000). If hand tools are not available locally, they will be procured from the U.S. or from Portugal under the Code 935 waiver.

The environmental impact of the project would be favorable. If constructed properly, the conservation works will control soil erosion and increase the rate of moisture retention. The roads will be constructed with adequate drainage works to assure that normal drainage patterns are not deleteriously affected.

B. Financial Analysis and Plan

The TGCV has not submitted any estimates of the cost of maintaining the rural works constructed under the loan. (Operating costs other than maintenance will be nil.) However, most maintenance will probably be carried out by local farmers. Maintenance costs reflected in Government budgets should be virtually non-existent.

Since the section of the Foreign Assistance Act under which the funds are being provided does not stipulate a minimum contribution to project financing by the Borrower, AID will not require any host-country financial contribution to the project. Given the current budgetary situation, it would be virtually impossible for the Government to contribute any more than the salaries of Government staff involved in project planning and implementation. This would be extremely unlikely to approach \$1 million or the equivalent of 25% of project costs normally required as a Borrower contribution.

As noted above, the TGCV has requested that the entire amount of the AID assistance be provided on grant terms. Although AID budgetary availabilities preclude providing more than \$2 million of the \$5 million as a grant at this time, AID will consider converting the loan to a grant in FY 1976, subject to legislative authorization. Because Cape Verde is likely to remain a member of the Portuguese escudo zone for the foreseeable future, with virtually unlimited access to the foreign exchange reserves of Portugal, Cape Verde's debt service capacity is a function of TGCV's ability to generate recurrent budget surpluses sufficiently large to permit payment of principal and interest on loans. The Cape Verde Government has been able to maintain a balanced recurrent budget in recent years, but will be very hard-pressed to do so in coming years in the face of domestic pressures for increased Government services combined with declining Portuguese assistance and uncertain revenue prospects. Although comprehensive budgetary data is not available, figures provided by TGCV officials indicate that revenues in 1974 were \$11 million, while expenditures were \$40 million, leaving a \$29 million deficit. Projected 1975 revenues and expenditures are \$12 million and \$45 million, respectively; the projected deficit is \$33 million.

C. Socio-Economic Analysis

Labor-intensive construction by work brigades has been a feature of Capeverdean life for decades and should present no problems of acceptance. While these methods may be identified in some islanders' minds with the colonial regime, the fact that it is entirely voluntary and is undertaken by the post-independence Government (and the fact that almost no other employment is available) should be adequate to assure a sufficient supply of labor for the project at the proposed wages of 60 escudos per day (about \$2.50 at the current exchange rate of \$1 = 23 escudos). The utilization and maintenance of similar facilities is also traditional and should present no problems. ?

The incidence of project benefits is difficult to project in the absence of more data. The wage payments made to laborers on the projects will accrue to approximately 10,000 workers who would otherwise be unemployed. Workers will be screened to assure that jobs are equitably distributed among families. Employment by one worker per family would yield a family income equivalent to about three-fourths of the level of average family incomes based on per capita GNP (\$600, versus \$800 for a family of five on an annual basis). The incidence of benefits from increased agricultural production is not known with any precision, since the only information available on Capeverdean land tenure is that it varies from island to island and that large individual landholdings are unusual. This and the impact of the project on women will be investigated further during the review of the TGCV project plans.

With respect to economic analysis, it has not been possible to quantify the project benefits, although this would be feasible if adequate data were available. The project does probably represent the least-cost alternative in terms of construction methods, although it would be possible to reduce financial costs further by paying lower wages. The economic cost of the project is close to zero, of course, since the opportunity costs of the material and labor resources to be utilized (with the possible exception of supervisory personnel) are zero or close to zero.

IV. IMPLEMENTATION PLANNING

A. Administrative Arrangements

The rural works projects will be planned and administered by the Ministry of Economic Coordination and Labor which is supervising similar projects at the present time. Since Portuguese financial assistance (and thus ongoing public works projects) will be substantially reduced after independence, availability of planning and supervisory staff should not be a problem. Although AID has not assessed the Ministry's management capability in this area, the fact that the Ministry is successfully carrying out similar programs at present suggests that it is adequate.

AID will administer the project from Washington with field monitoring provided from Lisbon (or other offices) as necessary. Negotiation of the Loan Agreement, review and approval of detailed project plans, issuance of implementation letters and evaluations of progress will be carried out by Washington staff and consultants, including an AID Project Officer and various personnel with expertise in rural works construction and agriculture. Routine advances and reimbursements for local-cost financing would be processed by AID's Lisbon office. The Lisbon office would also provide support for any offshore procurement, but major responsibility would lie with Washington.

B. Implementation Plan

The proposed project schedule is as follows:

| | |
|--|-----------|
| Loan Authorization | June 1975 |
| Loan Agreement Signed | June 1975 |
| AID Team Visit to Cape Verde ^{1/} | July 1975 |

^{1/} AID team to include a program generalist, agriculturalist, rural works specialist, and procurement specialist.

| | |
|--|----------------|
| Conditions Precedent Satisfied | July 1975 |
| First Advance Processed | August 1975 |
| AID Supervision Team Visits Cape Verde | September 1975 |
| Final Reimbursement Processed | December 1975 |
| Project Evaluated by Borrower and AID | January 1976 |

The AID team which visits Cape Verde in July will agree on detailed implementation procedures with the Government and will prepare an appropriate implementation letter for issuance. As noted above, the bulk of the loan will be disbursed in the form of local costs to pay wages to laborers. It is expected that the TGCV will request that some of the funds be used for the procurement of cement and appropriate hand tools. Although every effort will be made to purchase cement in Code 941 countries in Africa and to procure hand tools in the U.S. or Code 941 countries, timing considerations may make it necessary to procure the cement or some of the hand tools in Portugal. Since the TGCV intends to draw down the loan proceeds rapidly in order to provide wage payments for otherwise unemployed Capeverdeans, long procurement delays due to shipment from the U.S. for critical items such as cement and hand tools would preclude achievement of the immediate objectives of the project. Consequently a Code 935 source and origin procurement waiver has been included in the loan authorization (see Annex E) for up to 10% of the loan amount (or \$300,000) to permit procurement of Portuguese cement or hand tools if necessary.

C. Evaluation Plan

An evaluation plan will be prepared during the visit of the AID team in July. It is anticipated that the project will be completed by the end of 1975 and will be evaluated in early 1976.

D. Conditions, Covenants and Negotiating Status

The Loan Agreement will include the normal procedural Conditions Precedent to disbursement (legal opinion, signatures of authorized representatives) as well as a Condition Precedent requiring GCV submission and AID approval of final plans for the project. There will be none other than standard covenants. The Loan Agreement will be negotiated in Cape Verde during the week of June 23 and signed by June 30 if possible.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project
From FY 1975 to FY 1976
Total U.S. Funding \$10 million
Date Prepared June 10, 1975

Project Title & Number: CAPE VERDE AGRICULTURE SUPPORT (RURAL WORKS)

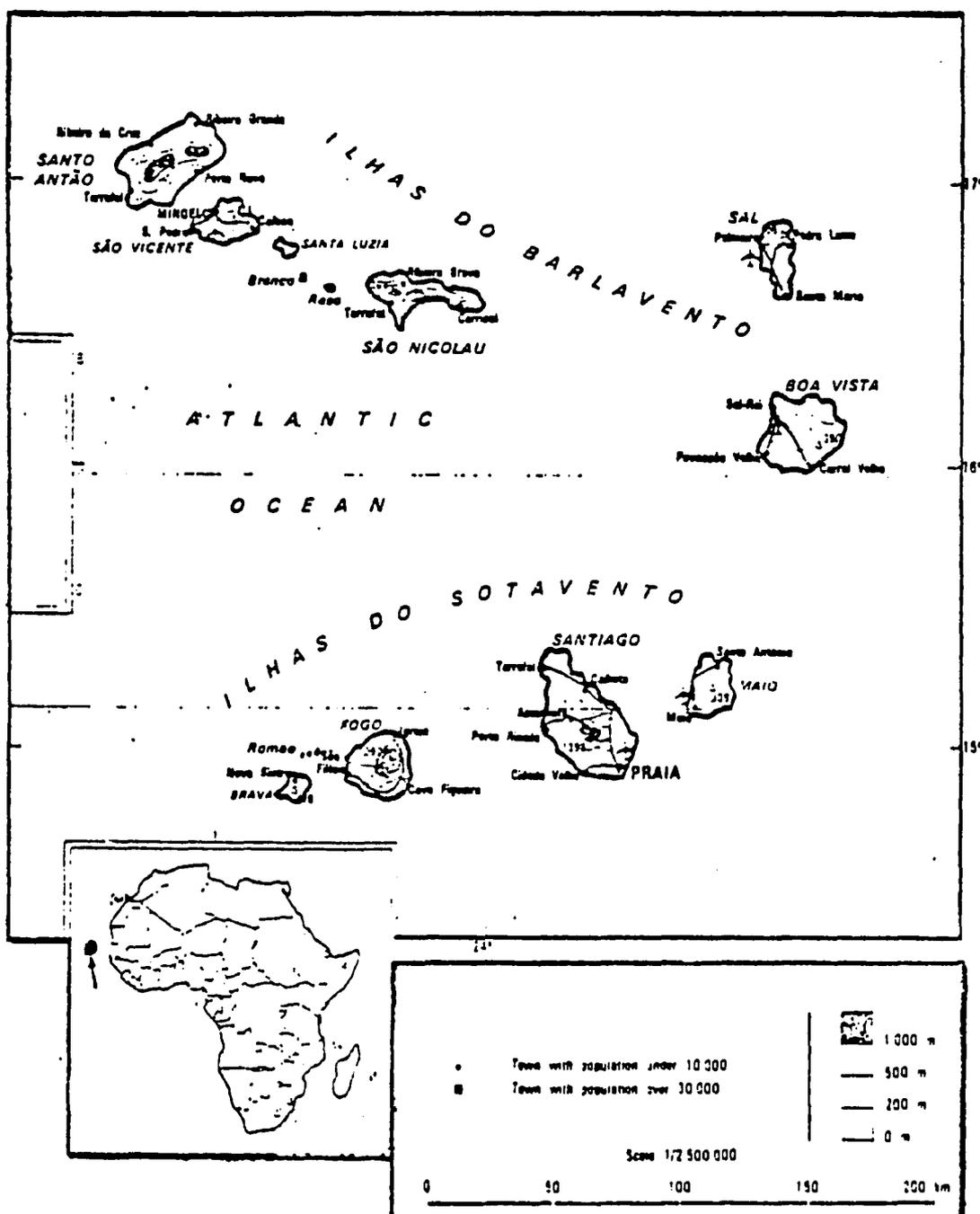
ANNEX A

| NARRATIVE SUMMARY | OBJECTIVELY VERIFIABLE INDICATORS | MEANS OF VERIFICATION | IMPORTANT ASSUMPTIONS |
|---|--|--|--|
| <p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Increased food production, in order to increase small farmer incomes and reduce Cape Verde's dependence on imported commodities</p> | <p>Measures of Goal Achievement:</p> <p>Increased production of maize, beans and other food crops</p> | <p>Government agricultural production data, special surveys</p> | <p>Assumptions for achieving goal targets</p> <p>An increase in the quality and availability of soil and water, and better road access, will help to restore production because other elements of the crop production system (policies, research, availability of inputs, marketing, incentives, etc.) do not act as major constraints</p> |
| <p>Project Purpose:</p> <p>To improve and increase the effective availability of soil and water resources for agricultural production (conservation works)</p> <p>To increase the effective farm gate price to the farmer by improving physical access and reducing transport costs (roads)</p> | <p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>An additional _____ acres of land available for production at high yields by mid-1976</p> <p>An additional _____ acres of potentially productive land provided with adequate access to markets</p> | <p>Reports of Ministry of Economic Coordination and Labor, special surveys</p> | <p>Assumptions for achieving purpose:</p> <p>Conservation works and roads will be utilized for crop production and marketing and will be adequately maintained</p> |
| <p>Outputs:</p> <p>Construction of dikes, retaining walls, aqueducts, roads; land clearing</p> | <p>Magnitude of Outputs:</p> <p>Construction by December 1975 of _____ miles of dikes, _____ miles of retaining walls, _____ miles of aqueduct, _____ miles of road, _____ acres of land cleared of rock</p> | <p>Reports Ministry of Economic Coordination and Labor, special surveys</p> | <p>Assumptions for achieving outputs:</p> <p>Ministry of Economic Coordination and Labor can effectively organize and administer rural works construction without additional technical assistance</p> |
| <p>Inputs:</p> <p>Labor</p> <p>Organization and administration by Ministry of Economic Coordination and Labor</p> <p>AID \$3.0 million loan</p> | <p>Implementation Target (Type and Quantity)</p> <p>Minimum of 1 million man-days of labor</p> <p>_____ supervisors available July - December 1975</p> <p>AID loan fully disbursed by later 1975 or early 1976</p> | | <p>Assumptions for providing inputs:</p> |

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Estimated population: -

| | |
|-------------|---------|
| SANTIAGO | 137.000 |
| FOGO | 32.000 |
| BRAVA | 8.300 |
| MAIO | 3.800 |
| SANTO ANTÃO | 47.000 |
| SAN VICENTE | 35.000 |
| SAN NICOLAU | 17.400 |
| SAL | 6.200 |
| BOA VISTA | 3.800 |



The Economy of the Cape Verde Islands

1. Background

The Cape Verde archipelago consists of five islets and 10 islands (nine of which are inhabited) situated about 350 miles due west of Dakar, Senegal and distributed over an area about 150 miles wide. The islands are of volcanic origin and are characterized by steep mountainous terrain (altitudes up to 9000 feet), rocky landscapes and widespread, serious erosion. The total land area is about 1500 square miles and the resident population is estimated at 300,000 or an average of 200 per square mile. Nearly half of the population lives on the island of Santiago in the south; the remainder is concentrated on four other islands (see Annex B). The only large towns are Praia on Santiago (22,000) and the port of Mindelo on Sao Vicente (29,000). Habitation began in the 15th century with the settlement of slaves from Africa and the arrival of Portuguese settlers. Today about 75% of the population is of mixed race. Caucasians on the islands probably number less than 3000. The population is predominantly Catholic.

Overpopulation has been a serious problem since probably the 17th or 18th century. Rainfall ranges from 5 to 20 inches per year in good years, but drought is a constant threat. In the last 200 years nearly 200,000 Cape Verdeans have died in drought-related famines. In the 20th century, there have been more than 20 years with almost no rain, including a sustained drought which lasted from 1940 to 1946 and the present drought which has lasted since 1968 and is probably related to the drought in the Sahel. Population pressures have resulted in large-scale emigration to the U.S. (beginning in the early 19th century) and more recently to Europe and Africa. There are now an estimated 300,000 persons of Cape Verdean descent in the U.S., and large numbers of Cape Verdean immigrants working in Portugal (40,000), Senegal (40,000), Holland (5000) and other European and African countries, particularly Guinea-Bissau. The changing situation in Portugal may lead to a substantial influx of returning workers, although this could be largely offset by the increase in Cape Verde's immigration quota to the U.S. (from the dependent area subquota of 200 per year to 20,000 upon independence).

The Cape Verde Islands were discovered in the 1450s by Portugal and became a major port of call on the maritime routes linking North America with Africa, South America with Europe and Europe with the Indian Ocean. The archipelago was a colony of Portugal from the beginning. The African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC) was founded in 1956 by Cape Verdeans, and operated clandestinely in Cape Verde until after the April 1974 coup in Portugal. In December 1974 the Portuguese Government and PAIGC reached agreement on the future status of the islands: under the agreement a provisional government made up of Portuguese and PAIGC representatives is to hold power pending the election of a Constituent Assembly on June 30, 1975. The assembly will proclaim the

archipelago's independence as of July 5, 1975 and will draft a constitution. The issue of the relationship between Guinea-Bissau and Cape Verde will be negotiated following independence.

2. General Features of the Economy^{1/}

Cape Verde has a poor natural resources base and generally suffers from inadequate rainfall and water. Three of the islands (Sal, Maio and Boa Vista) are almost entirely salt and sand. On the other islands, there are only small areas in valleys or at high altitudes where vegetation grows. The present drought has vastly reduced the amount of vegetation on the islands, but even in periods of normal rainfall only four of the 10 islands support agriculture. There are some limited mineral resources, including salt, pozzolana (a volcanic rock used in cement production), limestone and kaolin and other clays. One major asset is Cape Verde's location, which places it at the intersection of several sea and air routes and in the center of a rich fishing area. Cape Verde's people are another significant resource. Cape Verdeans are generally regarded as intelligent and industrious, and traditionally filled middle-level positions between colonizers and the indigenous population in Guinea-Bissau and other West African states. Also, large numbers of Cape Verdeans have learned valuable skills as workers in Africa and Europe and in some cases the U.S. In terms of human resources development, Cape Verde is probably more advanced than other African countries at similar levels of development.

Data on Cape Verde's economy is scarce and in many cases inconsistent. Such national accounts data as are available suggest that Cape Verde's GDP as of 1972 was on the order of \$50 million, or about \$160 per capita; the figures for 1975 are undoubtedly much higher due to inflation. This figure probably includes value added related to Portuguese budget subventions and worker remittances, and thus vastly overstates the productive capacity of the islands. Commerce accounts for about 50% of GDP, while agriculture and fishing, as a result of the long drought, now account for only 10% (as compared with 18% in 1955). Cape Verde is producing only a small fraction of its food requirements (e.g. 400 tons of maize in 1974 as compared with 1975 requirements of 40,000-50,000 tons), although even in non-drought periods it probably produces less than half of its subsistence needs. According to figures provided by the Provisional Government, public sector expenditures in 1975 will be \$45 million, of which \$12 million will be financed from domestic revenues and the remainder from

^{1/} Most of the following is drawn from UN General Assembly "Report of the United Nations Visiting Mission to Cape Verde", April 17, 1975, and Etude Economique de l'Angole, du Mozambique, du Cap-Vert, de la Guinee-Bissau, de Sao Tome e Principe, Bruxelles, 1974.

Portugal and other sources. Projected imports for 1975 are \$42 million, while exports are estimated at only \$2 million (primarily fish, bananas, salt and pozzolana). The deficit is to be financed by Portuguese aid, worker remittances (which probably average about \$6 million per year) and other foreign assistance. During the period of the drought Portuguese financial assistance has increased from under \$10 million in 1970 to \$19 million in 1973, \$30 million in 1974 and \$20 million in 1975 (for the period up to July 5, 1975). The Portuguese Government has indicated that it is unlikely to be able to continue financial assistance beyond mid-1975, although technical and cultural assistance should continue.

Unemployment in Cape Verde is very high. Since a high percentage of the males in the 15-45 age bracket seek work abroad, the resident population includes a disproportionate number of children, women and old people. Of the active resident population of 85,000-90,000, only about 2000 are employed in mining and manufacturing, and 2000 are employed in fishing and fish processing. Perhaps 10,000-15,000 are employed in commerce and in the services sector. The bulk of the remainder would normally be employed in agriculture, but as a result of seven or eight years of drought about 60,000 of these can only find work on Portuguese-financed public works projects (primarily road construction). If changing political circumstances result in the return of substantial numbers of migrant workers from Portugal, Senegal, Guinea-Bissau or other areas, the unemployment problem would obviously worsen.

3. Agriculture and Fishing^{2/}

The agricultural potential of the Cape Verde Islands is severely limited by climate. The islands are in the path of northeast trade winds, but by the time the prevailing winds reach the islands they are insufficiently warm to be heavily moisture-laden. Consequently, rainfall is limited except for those areas of the islands where the mountains are sufficiently high to provide a barrier to facilitate precipitation on the windward slopes. The present drought is probably related to the Sahelian drought but may also reflect long-term changes in the Cape Verdean microclimate. The islands have gradually been denuded of vegetation by the depredations of livestock and the cutting of firewood; the bare soil is now heated by the sun and resultant rising currents of hot air may tend to repel moisture-laden clouds. This leads to further destruction of vegetation, perpetuating a vicious circle of ecological deterioration.

Arable land totals about 200,000 acres, or roughly 20% of Cape Verde's total land area. Much of this area, however, can be used only after being

^{2/} This section is based partially on Trevor Arscott, "The Agriculture of the Cape Verde Islands and Potential for Improvement", May 1975. Professor Arscott is an AID consultant.

cleared of rocks and subject to the availability of adequate moisture. (Only about 7000-8000 acres are irrigated at present.) According to the most recent available data, the most important crops in normal years are maize, which occupies about 42,000 acres, beans (36,000 acres), sweet potatoes (18,000 acres), sugar cane (no acreage figures available), and bananas (6000 acres). Other important crops are manioc, coffee and peanuts. Production of all major crops in normal years has been on the order of 75,000-85,000 tons, but production fell to 35,000 tons in 1969 and 22,000 tons in 1970, and has probably continued to decline. Banana and sugar cane are produced largely under irrigation and consequently their production has suffered relatively less during the drought. They contribute little to meeting Cape Verde's food requirements, however, since most of the bananas are exported to Portugal and the sugar cane is used almost exclusively to produce liquor. The Provisional Government has estimated food requirements in 1975 at about 70,000 tons, including 40,000 tons of maize, 8000 tons of beans, 8000 tons of maize and casava flour and 4500 tons of milk powder.

Little information is available concerning land tenure, agricultural production techniques, availability of research results, the marketing system, livestock, or the nature and adequacy of institutions serving agriculture. The Portuguese Government was active in carrying out various investigations, establishing demonstration farms, introducing crops, promoting the expansion of irrigated acreages, training agriculturalists, etc., in the past but no comprehensive assessment has yet been carried out concerning the present situation in agriculture and possible future plans and priorities following independence.

An AID consultant who visited the Cape Verde Islands in May 1975 has recommended on the basis of his brief reconnaissance survey that the Government of Cape Verde attempt to establish whether there is adequate groundwater on the two largest islands (Santiago and Santo Antao) to permit the development of irrigation on a much larger scale. If groundwater supplies are adequate, the Government would formulate an integrated five-year program for the agricultural development of the two islands. The major elements of such a program as recommended by the AID consultant would be development of irrigation systems, possibly using windmill power; construction of additional dikes, terraces and roads using labor-intensive methods; establishment of demonstration farms for maize, peas and sorghum; training programs; and investigation of the use and local manufacture of relatively simple farming machinery such as hand-powered planters, snailers, threshers and sprayers; and experimentation with measures to encourage the use of sugar cane for sugar production rather than the production of alcohol.

There is little information available on possible other donor assistance for Cape Verde's agricultural sector. The UNDP will finance a two-man groundwater research team to prepare a water development plan and further

project proposals. The World Meteorological Organization (WMO) is considering a large meteorological project, although no details on the project are yet available. The FAO is preparing projects in reforestation, plant protection and soil and water conservation.

Fishing also plays an important role in Cape Verde's economy. As of 1971 (latest figures available), exports of fish and fish products (including shellfish) accounted for nearly 40% of Cape Verde's total exports of about \$2 million. (Bananas accounted for 18% and salt for 8%.) The waters around the islands are rich in fish, but they are currently being exploited mainly by Japanese ships fishing for tuna and French ships fishing for lobster. Fuller exploitation of its fisheries resources by Cape Verde will require modernization of the fishing fleet, further expansion and improvement of processing facilities, and the training of Cape Verde fishermen in the use of modern equipment and techniques.

4. Mining and Manufacturing

As noted above, Cape Verde's mineral resources are very limited and include salt, pozzolana, limestone, and kaolin and other clays. The pozzolana mining operation on Santo Antao and the salt mining operations on Sal are somewhat inactive at present, partially because the expatriate companies involved do not have either the interest or the funds necessary to expand their operations. The transitional government is developing plans, with the assistance of Portuguese Government officials, for transforming the private companies into mixed government and private operations. Also, UNIDO is considering financing studies of pozzolana production, salt production, limestone utilization, cement production and mineral water production.

Manufacturing activity is also very limited, and is confined largely to fish processing and baking. The Government is currently negotiating with an international consortium concerning the possible construction of a refinery on one of the islands, and has also requested that UNIDO consider financing feasibility studies of brick and tile manufacture, and the improvement of the pharmaceuticals facility. Other possibilities are the establishment of a sugar refinery, tannery, and ship repair facilities.

5. Transport and Infrastructure

The islands have a relatively adequate system of over 1200 miles of roads, of which about 200 have been constructed to fairly high standards. Most of these roads were built under the Portuguese Government public works program. As of 1972 there were 3700 motor vehicles on the islands, including 2000 automobiles and 1000 motorcycles.

The major port is Porto Grande at Mindelo on Sao Vicente. The other important ports are at Porto Novo on Santo Antao and Praia on Santiago. Maritime communications with Europe and Africa are irregular and limited. Transport from Porto Grande at Mindelo to other islands is by coastal vessels and fishing boats.

The international airport is on Sai island, and is used mainly by Portuguese Airlines (TAP) on its flights between Lisbon and Guinea-Bissau and by South African Airways (as a refueling stop between South Africa and Europe). Four of the other islands have airstrips, which are served regularly by Cape Verdean Airlines (TACP).

Electric power is provided by about 20 thermal generating plants. Water is scarce throughout the islands, and is provided by desalination plants at the international airport and at Mindelo.

Various UN agencies are currently considering studies of possible projects in telecommunications, civil aviation and development of energy resources.

6. Education and Health

Primary school attendance has been compulsory since 1971 for children between 6 and 12 years of age. At the present time there are approximately 70,000 children attending 465 primary schools and 7000 children attending the 14 junior secondary schools, the vocational school or the two secondary schools. There are also adult literacy courses, with a current enrollment of about 3000. Since the educational system is modeled entirely on the Portuguese, the Provisional Government is now considering various reforms in the school system and in the curriculum to assure that education is relevant to Cape Verdean development needs. The Government is particularly interested in raising the literacy rate, which is currently about 25%.

With respect to possible assistance, UNICEF and UNESCO are currently considering various projects, including the retraining of primary and secondary school teachers.

The most common diseases are pneumonia, TB and gastro-intestinal diseases. Traditional reliance on maize as the main element of the diet has left the average islander nutritionally deficient and susceptible to disease. Existing health facilities consist of two hospitals (Santiago and Sao Vicente) staffed by 11 doctors and 21 health posts (or about one per 15,000 population) staffed by nurses. The number of facilities is probably adequate, but they are understaffed, poorly equipped and short of basic supplies. WHO is currently reviewing requests for assistance in

the training of doctors and nurses, and UNICEF is considering various activities in the health field including water treatment. Medical supplies are being provided by WHO and private organizations.

No information is available concerning Cape Verdean attitudes toward family planning or family planning services now being offered.

7. Plans and Prospects

During the colonial period the Cape Verde recurrent budget was financed entirely from domestic resources, while the capital or development budget was largely financed by Portuguese loans and grants under successive development plans (beginning in 1953) for Portugal and its "overseas provinces". Under the Third Development Plan (1968-1973) the investment foreseen for Cape Verde was about \$40 million, of which 34% was allocated to transport and communications, 28% to fisheries, 14% to health and education and 10% to agriculture and livestock development. The implementation of the Portuguese Fourth Development Plan (1974-1979) was suspended following the Portuguese coup of April 1974, although Cape Verde received about \$7 million for the development budget in 1974 from Portugal. The Cape Verde development budget for 1975 totals \$9.4 million, of which nearly half has been allocated for port and airport improvement. Roughly 20% has been allocated to health and education, 8% to housing and 4% to agriculture.

Cape Verde's transitional government has been concentrating on the problem of feeding its people when Portuguese financial assistance ends in July 1975. Consequently there has been no detailed effort as yet to formulate strategies and programs addressed to Cape Verde's longer-run development problems. It will clearly be many years before Cape Verde can attain a substantial degree of economic independence, and in the meantime a great deal will depend on factors beyond the Government's control. The most important of these are rainfall and decisions affecting the status of Cape Verdeans working in other countries. If the drought continues, or if large numbers of overseas Cape Verdeans return to the islands, Cape Verde's problems will be exacerbated and the Government will have to consider ways to accelerate emigration to areas willing to accept Cape Verdeans (such as the U.S.). If the drought ends, Cape Verdean workers remain overseas, and aggressive efforts are made to exploit Cape Verde's resources, there are fair prospects that the islands could eventually be self-sufficient in most foodstuffs and could finance continued imports of fuel and manufactures through earnings from minerals, fish, tourism, oil refining and services to shipping and airlines.

CHECKLIST OF STATUTORY CRITERIA

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

App. - Foreign Assistance and Related Programs
Appropriation Act, 1974.

MMA - Merchant Marine Act of 1936, as amended.

BASIC AUTHORITY

1. FAA § 103; § 104; § 105;
§ 106; § 107. Is loan being made

Not applicable. Loan
made under authority
Sec. 496.

a. for agriculture, rural development
or nutrition;

b. for population planning or health;

c. for education, public administration,
or human resources development;

d. to solve economic and social development problems in fields such as transportation, power, industry, urban development, and export development;

e. in support of the general economy of the recipient country or for development programs conducted by private or international organizations.

COUNTRY PERFORMANCE

Progress Towards Country Goals

2. FAA § 201 (b) (5), (7) & (8); § 208

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

(3) Increasing the public's role in the developmental process.

The loan will support the Cape Verde government's efforts to increase food production and improve distribution: see Sections II and III of the Project Paper (PP).

To the best of our knowledge Cape Verde intends to maintain a favorable climate for foreign and domestic private enterprise and investment.

A major aim of the Transitional Government of Cape Verde (TGCV) is to increase public participation in the development process, particularly following independence (July 5, 1975).

- (4) (a) Allocating available budgetary resources to development. See Section III.B. of the PP.
- (b) Diverting such resources for unnecessary military expenditure (See also Item No. 20) and intervention in affairs of other free and independent nations.) (See also Item No. 11). Cape Verde does not have a military establishment at the present time.
- (5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise. These are all objectives of the TGCV.
- (6) Willing to contribute funds to the project or program. The TGCV will be unable to contribute more than the salaries of personnel assigned to supervise the rural works programs.
- (7) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures. The proposed project represents a significant response to Capeverdiens' social and economic concerns and demonstrates the TGCV's determination to become more self-sufficient.
- B. Are above factors taken into account in the furnishing of the subject assistance? Yes.

Treatment of U.S. Citizens and Firms.

3. FAA § 620 (c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? No.
4. FAA § 620 (e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No.
5. FAA § 520 (o); Fishermen's Protective Act. § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters, It has not.
- a. has any deduction required by Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by A.I.D. Administrator?

Relations with U.S. Government and Other Nations

6. FAA § 620 (a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

No.

7. FAA § 620 (b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

The Secretary made such determination with respect to Portugal on January 14, 1975, and Cape Verde will not achieve full independence until July 5, 1975. Additionally, Congress has legislated that not less than \$5 million of the FY 75 funds appropriated to carry out FA Act Section 496 shall be allocated for the Cape Verde Islands.

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8. FAA § 620 (d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan?

Not applicable.

9. FAA § 620 (f). Is recipient country a Communist country?

No.

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15. FAA § 620 (t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No.
16. FAA § 620 (u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? Not applicable. They have not yet joined the U.N.
17. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? No.
18. FAA, 1973 § 29. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base? Not applicable. No bases.

Military Expenditures

19. FAA s 620 (s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

Cape Verde has no military budget at present.

Conditions of The Loan

General Soundness

20. FAA s 201 (d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan.

Not applicable.

21. FAA s 201 (b) (2); s 201 (e) Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

See Sections I.C. and III.A. of the PP.

22. FAA s 201 (b) (2). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

See Sec. III.B. of PP.

No other free-world donor has offered financing for the project: it is inappropriate for private U.S. financing.

24. FAA s 611 (a) (1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?

Not applicable. However, all plans necessary to carry out assistance will be provided prior to disbursement of funds.

25. FAA s 611 (a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of loan?

None required.

26. FAA s 611 (e). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Not applicable.

Loan's Relationship to Achievement of Country and Regional Goals

Not applicable.

27. FAA s 207; s 113
Extent to which assistance reflects appropriate emphasis on; (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs;

(e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (f) integrating women into the recipient country's national economy.

Not applicable.

28. FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed?

No.

29. FAA § 201 (b) (4). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.

The TGCV is not undertaking other development activities in agriculture at the present time. The project will contribute to the TGCV's goal of increased self-sufficiency.

30. FAA § 201 (b) (9). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.

See Sec. III of PP and Annex C.

31. FAA § 209;
Information and conclusion whether assistance will encourage regional development programs.

See #28 above.

32. FAA s 111. Discuss the extent to which the loan will strengthen the participation of urban and rural poor in their country's development, and will assist in the development of cooperatives which will enable and encourage greater numbers of poor people to help themselves toward a better life. Not applicable.
33. FAA s 201 (f). If this is a project loan, describe how such project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development. Not applicable. See Sec. III of PP.
34. FAA s 281 (a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions. Not applicable.
35. FAA s 281 (b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. Not applicable.

36. FAA § 201 (b) (3). In what ways does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities?

See Section III of PP.

37. FAA § 601 (a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

See Sec. III of PP.

38. FAA § 619. If assistance is for newly independent country, is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Assistance is being coordinated with U.N.

Loan's Effect on U.S. and A.I.D. Program

39. FAA § 201 (b) (6). Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities

Virtually all funds being disbursed in form of local costs, although if hand tools are not available locally they may be procured from the U.S.

and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.

40. FAA § 202 (a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources. Not applicable.
41. FAA § 601 (b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). U.S. private and voluntary organizations will be involved in implementation.
42. FAA § 601 (d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest? U.S. consulting firms might provide necessary planning assistance needed prior to implementation. These funds not financed under loan.

43. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and service financed by the loan. AID's usual procedures will be followed.
44. FAA § 620 (h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries? No.
45. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs. Not anticipated that TA will be financed under loan itself.

Loan's Compliance with Specific Requirements

46. FAA § 110 (a); § 208 (e). In what manner has or will the recipient country provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the Loan is to be made? Not applicable.

47. FAA § 112. Will loan be used to finance police training or related program in recipient country? No.
48. FAA § 114. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? No.
49. FAA § 201 (b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year? No. Loan is provided under Section 496.
50. FAA § 201 (d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter? Not applicable.
51. FAA § 201 (f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise? Not applicable.
52. FAA § 604 (a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Yes.

53. FAA § 604 (b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price?
- No bulk commodity procurement under the loan.
54. FAA § 604 (d). If the cooperating country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan?
- There will be no discrimination against U.S. marine insurance companies. This provision will be covered by loan agreement.
55. FAA § 604 (e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?
- No agricultural commodities or products thereof are to be financed under the loan.
56. FAA § 604 (f). If loan finances a commodity import program, will arrangements be made for supplier certification to A.I.D. and A.I.D. approval of commodity as eligible and suitable?
- Not applicable.
57. FAA § 608 (a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
- Utilization of excess property not considered practicable under this loan.

58. FAA s 611 (b); App. s 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? Not applicable.
59. FAA s 611 (c). If contracts for construction are to be financed what provision will be made that they be let on a competitive basis to maximum extent practicable? Not applicable. No construction contracts are to be financed.
60. FAA s 612 (b); s 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services See 2.A(6) above; the U.S. does not own foreign currencies which could be utilized for this project.
61. App. s 113. Will any of loan funds be used to acquire currency of recipient country from non-U.S. Treasury sources when excess currency of that country is on deposit in U.S. Treasury? Sect. 113 repealed.
62. FAA s 612 (d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? No.

63. FAA s 620 (g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property? Loan Agreement will prohibit use of funds for any such purpose.
64. FAA s 620 (k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? Not applicable.
65. FAA s 636 (i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States or any guaranty of such transaction? No.
66. App. s 103. Will any loan funds be used to pay pensions, etc., for military personnel? No.
67. App. s 105. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? Loan agreement will so provide.
68. App. s 107. Will any loan funds be used to pay UN assessments? No.

70. App. s 110. Will any of loan funds be used to carry out provisions of FAA s s 209 (d)? No.
71. App s. 114. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the Loan. Notification was sent to Congress on June 13, 1975.
72. App. s 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by Congress? No.
73. MMA s 901. b; FAA s 640 C. Loan Agreement will include compliance with this requirement.
- (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.
- (b) Will grant be made to loan recipient to pay all or any portion of such differential as may exist between U.S. and foreign-flag vessel rates? No.

74. Section 30 and 31 of PL 93-189 (FAA of 1973). No.
Will any part of the loan be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand?
75. Section 37 of PL 93-189 (FAA of 1973); App. s. 111. No.
Will any part of this loan be used to aid or assist generally or in the reconstruction of North Vietnam?
76. App. s 112. No.
Will any of the funds appropriated or local currencies generated as a result of AID assistance be used for support of police or prison construction and administration in South Vietnam or for support of police training of South Vietnamese?
77. App. s 604. No.
Will any of the funds appropriated for this project be used to furnish petroleum fuels produced in the continental United States to Southeast Asia for use by non-U.S. nationals?