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PL-480 TITLE II SECTION 206

CAPE VERDE EVALUATION

Volume I

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PL-480 TITLE II SECTION 206
CAPE VERDE EVALUATION
VOLUME I

by

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G L O S S A R Y

BCV	Banco de Cabo Verde
EC	Emulsifiable Concentrates
EMPA	Empresa Publica de Abastecimentos
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GOCV	Government of Cape Verde
GTZ	German Office of Technical Cooperation
IMF	International Monetary Fund
LOP	Life of Project
MDR	Ministry of Economy and Finance
MEF	Ministry of Economy and Finance
PMI/PF, WHO	Maternal Child Health and Family Planning Program, World Health Organization
TA	Transfer Authorization
USAID	United States Agency for International Development
USEPA	United States Environmental Protection Agency
WFP (PAM)	World Food Program

PREFACE

This report presents a mid-term evaluation of the PL-480 Title II Section 206 program for Cape Verde. The evaluation covers the first 18 months of the program (January 1982 - 1983).

The Transfer Authorization (TA) 2606-A1, which constitutes the basic agreement between the Government of Cape Verde and the U.S. Government, was signed in November 1982. Effective program implementation began in January 1982, following the arrival of 5000 metric tons of FY 1982 Title II emergency commodities. These commodities were retroactively incorporated into the TA.

The purpose of the evaluation was to prepare a PL-480 Food for Development report addressing aspects of the program related to GOCV policy; acceptability of the PL-480 corn; accountability of the funds generated from the sale of commodities; the degree of support for the program from each of the GOCV implementing agencies; the adequacy of USAID/CV monitoring; and the overall implementation of the PL-480 program.

The basic scope of work for the evaluation was prepared in AID/W in conjunction with the USAID/CV project officer for the Section 206 program.

The evaluation team consisted of one member from AID/W, three from REDSO/WCA, one from Kansas State University, and three from the Government of Cape Verde (GOCV). The evaluation was conducted from October 3 to October 21, 1983.

The three GOCV members of the evaluation team were all from the Ministry of Rural Development (MDR). Other implementing agencies -- the National Supply Corporation (ENPA) and the National Development Fund (FND) -- were not directly involved in the evaluation. However, individuals from ENPA and FND were consulted throughout the evaluation.

The team: 1) assessed accomplishments during the first 18 months and, where possible, compared accomplishments with targets in the Project Paper; and 2) attempted to extrapolate from current accomplishments to obtain a life of project (LOP) perception.

The PL-480 Title II Section 206 evaluation is comprised of two volumes. Volume I presents background information, findings and recommendations. Volume II presents detailed resources information and technical analyses in four appendices.

Although USAID/Cape Verde received the scope of work from AID/W in July 1983, no prior contact or discussions were held with appropriate GOCV officials concerning the evaluation process and scope of work. The logistics arrangements for the team's arrival were inadequate. Although the absence of prior arrangements led to some confusion, the evaluation team believes that this evaluation is a fair and accurate assessment of the PL-480 Section 206 program.

Finally, the evaluation team wishes to express its appreciation to the Government of Cape Verde for its cooperation and assistance. Three officials of the GOCV participated as members of the team; many other GOCV officials contributed hours of their valuable time to this evaluation.

Also, the team expresses its appreciation to the U.S. Embassy and USAID staff for their support. In particular, the team is grateful for support services provided by Alda Machado and Renato Freire of USAID, and to Mr. Nunes who exhibited great dedication in typing drafts and final copy of this evaluation. Special thanks also go to Marcelina who worked hard to do all the photocopying.

PL-480 TITLE II SECTION 206 EVALUATION

CAPE VERDE

EXECUTIVE SUMMARY

In October 1983, an eight member team conducted a mid-term evaluation of the PL-480 Title II Section 206 program for Cape Verde. Findings, conclusions and recommendations are summarized below under four headings: 1) policy; 2) commodity-related considerations; 3) food for development account; 4) project implementation.

I. POLICY

Historically, Cape Verde has not been able to grow sufficient food for its population. In the best of years, it can produce only about 50 percent of food aid from donors.

To meet the need for foreign exchange and maintain a balanced budget, the Government of Cape Verde (GOCV) has implemented strict financial measures. Revenues are separated into two accounts. One account receives revenue from taxes and other government sources and is used for the operating costs of the government. The other account receives donor contributions and revenue from the sale of food aid. These donor contributions are used for development projects. With this system, the rate at which the GOCV invests in development is largely dependent on donor financing. The GOCV plans to reduce donor financing from 85 percent of the development budget in 1982 to 20 percent in the year 2000. National investment capacity will probably not be significant until the 1990s.

The GOCV is continually trying to increase domestic production. Its goal is to stabilize all possible agricultural land and to expand agriculture. About 15 percent of Cape Verde's land is currently cultivated. Only a very small percentage is irrigated; the remainder is dependent on rainfall. To preserve and improve the cultivated land, the GOCV has invested large amounts of money from its development budget in projects to build soil and water conservation structures. These labor-intensive projects employ large numbers of rural people.

At the same time, the GOCV is implementing agrarian reform and providing expropriated land to farmers who will till it. The GOCV's stated purpose is to obtain a more equitable distribution of land and to increase productivity.

The GOCV has tried to maintain a balance between the purchasing power of the most needy populations and the increase in commodity prices in the international markets. Cape Verdean authorities have gradually increased domestic prices of commodities to approach international prices. At the time this report was written, the evaluation team had been unable to meet with appropriate Cape Verdean officials to discuss pricing policy.

In the Transfer Authorization (TA), the basic document constituting the agreement between the U.S. Government and the Government of Cape Verde, the GOCV agreed to gradually adapt the domestic selling price of imported corn to international market price levels. In early 1983, the GOCV raised wholesale corn prices to international levels. Given the new escudo exchange rate and likely increases in the international price of corn, the evaluation team is recommending a price increase for PL-480 corn provided under the Food for Development (FFD) program. Specifically,

- o The evaluation team recommends that the GOCV increase the wholesale price of FFD corn from the current 8.9 CVE/kg. to about 12.5 CVE/kg. in FY 1984.

AID currently provides Cape Verde with funds for soil and water conservation through both the Food for Development program (approximately \$1.5 million annually) and the Watershed Management Project (\$6.275 million over 6 years). Both projects provide funds for rural workers, but only the Watershed Management Project has development assistance funds for the construction of conservation structures.

Estimates indicate that the FFD program will generate about \$1.6 million worth of CVE that will be unutilized at the end of the program. Integration of the two programs would enhance implementation of subprojects and provide a more satisfactory use of foreign exchange.

- o The evaluation team recommends that AID integrate the FFD program with the Watershed Management Project (Development Assistance Account) to facilitate a more efficient use of USAID funds.

Self-help activities are required by USG law in all FFD programs. To date, the GOCV has been delinquent in two of the stipulated self-help activities.

- o The evaluation team recommends that the GOCV take immediate steps to comply with all self-help measures stipulated in the TA by: 1) providing the July report on scheduled increases in corn selling price; 2) submitting an economic analysis of the soil and water conservation program.

II. COMMODITY-RELATED CONSIDERATIONS

Initial Environmental Examination

The Empresa Publica de Abastecimentos (EMPA) is the GOCV's organization responsible for importation, storage, wholesaling and some retailing of staple food commodities. The EMPA is responsible for the storage and distribution of the PL-480 corn being provided under the FFD program. EMPA reported 13,900 MT of open storage space that provides no protection from pests or climatic conditions.

- o The evaluation team recommends that open storage be used for commodity storage only in extreme emergencies.

Bulk storage in silos allows for maximum protection of grains and more effective use of pest control measures.

- o The evaluation team recommends that the new port facility be used to maximum for longer term storage of bulk.

All pesticides used by EMPA are controlled by the chief of the technical group of EMPA, who is assisted by four technicians trained in handling pesticides. Insecticides used for treatment of warehouses are applied by trained warehousemen. Fumigations of grain are conducted only by a trained team from the main EMPA office in Praia, and monitoring of the use of pesticides is accomplished by the EMPA technical group.

The team visited several warehouses and observed moth infestation in all of them.

- o The evaluation team recommends that the EMPA identify the reason for moth infestation in warehouses and take steps to eliminate it.

Pesticides used in the warehouses where all food is stored are supplied by the Federal Republic of Germany (GTZ).

- o The evaluation team recommends that the GOCV review the selection of appropriate pesticides for warehouses and silos with USAID and GTZ.
- o The evaluation team recommends that one or two persons from Cape Verde attend the annual AID Grain Storage and Marketing short course at Kansas State University in June-July 1984.

Nutrition

Several nutrition studies carried out in Cape Verde have concluded that the level of malnutrition is markedly higher in the rural areas than in the urban area of Praia. The studies found only a few cases of kwashiorkor. In general, the type of malnutrition found was marasmus.

Under the present Section 206 program, the U.S. donated corn is sold and the funds generated allow the GOCV to provide employment to needy people under a public works program. Wages paid under this program appear to be low in relation to the cost of living. Along with this, poverty is probably a major reason for the substandard nutritional levels of the population.

III. FOOD FOR DEVELOPMENT ACCOUNT

PL-480 Title II commodities are being made available and delivered by the U.S. Government to Cape Verde in a timely manner to implement the planned development activities.

A major task of the evaluation team was to review the use of local currency proceeds from the sale of PL-480 Title II Section 206 food.

The TA requires that the gross proceeds derived from the sale of PL-480 food, be deposited in a special Food for Development account. The procedure currently being followed by the GOCV is to deposit part of the sales proceeds with the National Development Fund (NDF). These funds are comingled with funds from the sale of food donations from other donors. However, the Ministry of Economy and Finance (MEF) indicates that separate sub-accounts are

maintained for each individual donor and the use of funds can be identified by source and the development activity funded.

As indicated by a recent review of the FFD account undertaken in April 1983 by AID/W, AFR/PRM, the account procedures and control used by the MEF appear to be adequate to ensure that the PL-480 local currency deposited with the NDF is channeled for development activities.

During the course of the evaluation, the team contacted Mr. Orlando Semedo, Ministry of Economy and Finance, on two occasions to discuss the Food for Development account. On both occasions, we requested that a cash flow statement of the account be made available for the purpose of including the document as part of the evaluation. This statement should include: 1) the beginning balance in January 1982; 2) the deposits and dates; 3) disbursements and dates; and 4) ending balance on June 30, 1983. At the time this report was written, the cash flow statement had not been made available to the team.

EMPA remits sales proceeds to the central headquarters in Praia. The net sales proceeds (gross sales price per fixed amount in this TA, less the fixed amount for internal transportation and storage) are deposited by EMPA with the National Development Fund. The team's examination of the information reported by EMPA revealed that only the portion of the sales proceeds deposited with the NDF are reported by EMPA. The team was not able to obtain information regarding EMPA's expenses for distribution and handling. The amount authorized in the TA for handling, storage and transportation represents approximately 24 percent of the revenues generated from the sale of PL-480 food.

- o The evaluation team recommends that the GOCV initiate procedures whereby the gross proceeds from PL-480 Title II sales are reported to USAID and deposited into the FFD account for approved disbursements.

The sale of FFD commodities generates about \$2 million annually in local currency. After handling and transportation costs are paid, about \$1.5 million is available for funding subprojects. Currently, the GOCV is unable to expend more than half of these funds yearly.

- o The evaluation team recommends that the GOCV and USAID investigate actions required and potential options to effectively use FFD funds that will be unallocated at the end of the project.

A few other recommendations are included on page 4.

IV. PROJECT IMPLEMENTATION

The evaluation team visited several subproject sites to assess implementation. In general, the team found that completed soil and water conservation works were well designed and well-built. Accounting for labor and materials appeared detailed and correct. The costs of construction were relatively low.

Employment and expenditure data provide two of the most accurate indicators of progress. One subproject, in Tarrafal, has achieved and surpassed the expenditure and employment levels targeted in the Project

Paper. The works completed are impressive. The success achieved in this endeavor can be attributed to the availability of technical personnel and labor. For example, the MRD established a regional office in Tarrafal and employed several of the technical staff who were trained under the water resources project. The accomplishments in Tarrafal clearly indicate the benefits derived from FFD integration with a larger development assistance project.

In the largest subproject, Eastern Santiago, employment has reached 66 percent of the targeted level for the entire project, but expenditures lag behind reaching only about half the anticipated level. Subproject activities in Santo Antao, Mangué, Sao Filipe and Sao Francisco have not yet been initiated.

Although some of the targets were apparently too ambitious, the team found that limitations in staff availability, heavy workloads and the GOCV's absorptive capacity were the most likely reasons for delays in achieving established targets. Within responsible MRD divisions, the size and composition of the technical staff limit the amount of study and planning of conservation works. Also, there does not appear to be much interdisciplinary and interdivisional effort (i.e. forestry hydrology, extension) in watershed activities. Work is also slowed by unexpected reductions in the labor force. Finally, the need for selected types of vehicles, equipment and parts is also causing delays at some sites.

- o The evaluation team recommends that USAID and GOCV revise the indicators and targets for this program, taking into account the absorptive capacity of the GOCV, and informed estimates of workload and in-country technical capacity.
- o The evaluation team recommends that MRD improve planning for the follow-up to watershed development by including study of the types, variety and mix of conservation practices, and by forming technical interdivisional working groups to integrate agriculture (rainfed/irrigated), forestry, extension, livestock and research into watershed development.

Institutionally, the evaluation team found that one of the major factors contributing to slowed subproject activity was the lack of understanding with respect to responsibilities, exact roles and achievement expected of the various agencies. For example, there is no overall coordinator for the FFD subprojects within the MTD. USAID priority for the monitoring of the works program is also inadequate to the large-scale effort involved. No official implementation letters or memoranda were transmitted to the GOCV. The USAID/PRAIA project officer has not been adequately involved in subproject activities because other Mission responsibilities have placed heavy demands on his time.

- o The evaluation team recommends that the USAID project officer for the Section 206 program become more involved in subproject activities and program monitoring, and that a full-time project assistant be assigned to this project, as stipulated in the Project Paper.

The upcoming design of the Watershed Management II Project offers the opportunity to rectify many of the weaknesses of the present FFD works program.

- o The evaluation team recommends that the GOCV set up a coordinating committee for the FFD Section 206 program, with members from the various implementing agencies involved in the project i.e. Cooperacao. MRD. EMPA. Ministry of Economy and Finance.
- o Further, the evaluation team recommends that the GOCV specify the exact roles of implementing agencies so these roles will be clearly understood, and that USAID/Praia use implementation letters or memoranda of understanding to provide project-specific clarifications.

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CAPE VERDE

I. POLICY

A. Background

After 500 years of Portuguese rule, the Republic of Cape Verde obtained independence on July 5, 1975. In establishing a new government, the Cape Verdeans had to contend with: 1) high rural unemployment; 2) a limited natural resource base; 3) the inability to produce more than 40 percent of food needs (in the best of years); 4) a very high negative trade balance; and 5) a limited human resource base.

To cushion the impact of these difficulties, the Government of Cape Verde (GOCV) has had to rely heavily on assistance from other countries. Donor contributions -- bilateral and multilateral grants and concessionary loans -- offset most of the country's foreign exchange needs.

Cape Verde's total consumption requirement for corn, wheat, rice and beans is 73,000 metric tons in 1983. This requirement remains unchanged from previous years. Production for 1982-83 is estimated at 9,200 metric tons (4,800 metric tons of corn and 4,400 metric tons of beans). With planned commercial purchases, food aid already promised by the U.S., Japan and Belgium, and stocks on hand, Cape Verde will still have a total cereals deficit of 32,430 metric tons, including the 18,000 metric tons to replenish the reserve stocks. The adequacy of the domestic food supply situation in Cape Verde continues to be highly dependent on the regular provision of food aid.

Until the commencement of the approved Food for Development (PL-480 Title II Section 206) program in January of 1982, the U.S. Government supplied emergency food aid to the GOCV. The change to a Section 206 program has ensured food security for the GOCV and allowed the USG to more fully utilize foreign assistance dollars.

B. GOCV Policies

1. Economic Policy

In its efforts to meet the need for foreign exchange and maintain a balanced budget during development, the GOCV has implemented strict financial measures. Revenues are separated into two budgets -- one for operating costs, the other for development. The operating costs or recurrent expenditures of the government (ordinary budget) are covered by revenue generated from taxes and other government income. Development costs are financed mainly by donor contributions in the form of bilateral and multilateral grants, concessionary loans and donations of food. Thus, the revenue available for financing development (development budget) is largely dependent on donor financing.

During the years 1980-82, the GOCV maintained a surplus in the ordinary budget. In 1980, the surplus was 49.9 million escudos (ECV). In 1981, revenue for the ordinary budget grew by nearly 23 percent, largely as a result of a 50 percent increase in taxes on income and profits. In spite of increases in salaries for government employees and changes in tax-sharing arrangements with local governments, a small surplus was maintained.

The GOCV's ability to balance the ordinary budget can be attributed to prudent wage and price policies, limitations on public expenditures and restrictions on the amount of credit available to public and private sectors. Following independence, the higher public sector salaries were reduced. Since then, salaries have remained relatively constant. Although the GOCV does not set wages, the public sector exerts a strong influence on wage levels. Salary increases must be reviewed by the GOCV. Government salaries currently range from about U.S. \$860 per year to a maximum of about U.S. \$5000 for the President of the Republic.

Given the important role of imports in local consumption, price movements are closely related to international fluctuations. The price of imported grains, especially corn, is an exception. Donor-contributed corn is sold to the public at a price controlled by a Council of Ministers. The Council receives recommendations from EMPA through the Ministry of Commerce.

To hold down public expenditures during the period 1982-85, the GOCV is limiting increases in the number of civil servants to an annual rate averaging four percent or less. The credit policy, with respect to private, mixed or state-owned sectors, is of a selective nature, favoring only financing of transactions offering maximum returns. Credit available to the GOCV for financing of the ordinary budget is subject to an overall limit of 15 percent of the previous year's ordinary receipts.

Before 1980, development budget expenditures were matched closely to donor contributions. In 1981, the development budget exceeded revenue from donor grants and other contributions. Approximately 1,300 million ECV had to be financed by the Bank of Cape Verde and foreign financing. Since then, the GOCV has insisted that development budget expenditures conform to available foreign financing from grants. In 1982, the National Assembly deferred approval of the development budget until estimates of grant and foreign financing were available.

At the present time, the GOCV's rate of investment to develop the country is largely dependent on donor financing. The GOCV plans to reduce donor financing from 85 percent of the development budget in 1982 to 30 percent in the year 2000. National investment capacity will not be significant until the 1990s.

2. Agricultural Policy and Agrarian Reform

Agriculture, forestry and livestock sectors produce approximately 20 - 25 percent of the Gross Domestic Product in Cape Verde. Agricultural exports average 10 percent of total exports. About 15 percent of Cape Verde's land is currently cultivated. Only a very small percentage is irrigated; the remainder is dependent on erratic rainfall.

Cape Verde has been experiencing drought for about 16 years. In 1967, Cape Verde produced about 50 percent of its food needs; recently, it has produced only about 20 percent.

The GOCV's goal is to stabilize all possible agricultural land and to expand agricultural production. To preserve and improve cultivated land, the GOCV has invested large amounts of money from its development budget in soil and water conservation. Conservation practices being implemented include construction of terraces, torrent control, check dams and the growing of perennial crops on the steepest slopes. These labor-intensive practices employ large numbers of rural people, reducing unemployment and underemployment, and providing incentives for people to remain in rural areas. Currently, 75 percent of the population lives in rural areas.

Using revenue from the development budget, the GOCV also invests in irrigation and agricultural research. Agriculture and rural development receive 20 - 30 percent of the development budget expenditures. Although investments in agriculture will not produce benefits for many years, the GOCV places considerable emphasis on improving the agricultural base.

As part of its effort to increase agricultural production, the GOCV is also implementing agrarian reform. By purchasing large estates and parceling out the land to the previous tenant farmers, the GOCV plans to eliminate share cropping and land rent and achieve a more equitable share cropping and land rent and achieve a more equitable distribution of land (and income generated from cultivation). All lands expropriated by the reform will remain the property of the nation and the tenants on the expropriated lands will be exempt from payment of any rent or other form of remuneration. The development of agricultural cooperatives will aid the users of the reallocated lands.

At this time, the GOCV continues to implement agrarian reform. Implementation has been carried out very slowly -- for economic and political reasons. In the interim, the GOCV has determined the price which land owners can charge for the use of their land.

Preference in the attribution of useful possession (posse util) will be given according to the following order: 1) To tenants of arable lands; 2) To active agricultural cooperatives; 3) To other units of production managed by workers; 4) To direct tillers who own an area inferior to the unit defined by agrarian reform; 5) To rural workers.

To complement agrarian reform, the GOCV will gradually undertake other measures for rural development, such as creating and improving infrastructures for transportation, storage and conservation, and organizing and developing rural extension.

Neither the USAID/Cape Verde bilateral aid nor the FFD program has been involved in agrarian reform. Areas where reform has been implemented are primarily on islands other than Santiago.

One subproject of the FFD program is for soil and water conservation and an irrigation system on the island of Santo Antao. Under agrarian reform, this area has recently been reallocated to peasant farmers. The implementation of the rural works in Santo Antao will be the first activity carried out by USAID in which recipients of agrarian reform will benefit.

USAID has not made any recommendations on agrarian reform, but the approach to implementation of the Santo Antao subproject could influence the importance given to agrarian reform.

3. Food Security and Corn Pricing Policy

Since 1968, Cape Verde has been producing only about 20 percent of its food needs. Drought conditions are partially responsible for this low level of production, but even under conditions of sufficient and regular rainfall, the crop land in Cape Verde can produce only 40 percent of the food needed.

Given these constraints, the GOCV has had to import food commercially or request food aid from donor countries. During the period 1975-81, food aid provided approximately 40 percent of aggregated food imports. However, yearly fluctuation of food donations caused disruptions in food stocks and forced the GOCV to resort to additional commercial imports. To reduce the fluctuation in donor food aid, the GOCV has asked donors to make multi-year commitments.

To make sufficient food available to all segments of its population, the GOCV has fixed prices on food commodities and absorbed transportation costs so that the price is the same throughout the islands. This stabilization of prices has contributed to reducing inflation.

The GOCV has sought to maintain a balance between the purchasing power of the most needy populations and the evolution of commodity prices in the international markets. Before 1980, domestic prices were increased gradually to approach international prices. In July 1981, the price of maize was increased 21 percent and the price of rice was increased 20 percent.

In the TA that initiated the FFD program, the USC required EMPA to raise the price of corn to 8 ECV/kilogram for 1982 and 9 ECV/kilogram in 1983. This price was determined by escalating the Cape Verde price in 1983 to approach the world price of FFD corn (yellow no 2). At the time the TA was authorized, one U.S. dollar was equivalent to 48.5 ECV. In early 1983, the price of 9 ECV/kilogram was equivalent to U.S. \$185/ton. This price level approached the CIF price at that time.

In the TA, the GOCV agreed to "gradually adapt the selling price of imported corn in order to reach, during the life of the present Agreement, international market price levels."

Although the GOCV did bring wholesale corn prices to international levels in 1983, two changes deserve consideration. First, the exchange rate is now 75 \$44 to 1.00 U.S. as opposed to 48 \$50 ECV in 1982, when the TA was signed. Second is a result of the worldwide drought (including the U.S.), corn prices are very likely to rise.

In its publication, Round Table of Development Partners, Praia, June 1982, the GOCV states that wholesale prices in Cape Verde will follow the trend in

international prices, in line with the Government's pricing policy." The GOCV expected international commodity prices to increase annually at about 10 percent.

In order to satisfy the self-help measure stated in the TA, the GOCV would have to increase the wholesale corn price to 12.5 ECV/kilogram in 1984. The spirit of the TA is not only to reach a comparative price, but to maintain it.

U.S. corn is sold in Cape Verde at its approximate U.S. value, exclusive of shipping costs. Shipping costs average about 80 percent of the commodity's U.S. (FOB) price.

It has not been confirmed, but it is thought that GOCV-purchased corn is sold at less than its imported costs.

4. National Development Plans

In its first planning stage, the GOCV concentrated on structuring and establishing the government and relieving problems caused by prolonged drought

The second planning stage is outlined in the National Development Plan for 1982-85. This plan concentrates on projects in high-priority sectors -- agriculture, fisheries, transport, and the social sectors. Agriculture, including the development of water resources, has been declared the number one priority.

The GOCV states that its objectives in the rural sector are to establish favorable development conditions by: 1) implementing agrarian reform; 2) supporting institutions for rural development; 3) accomplishing certain basic tasks in research; 4) consolidating administrative structures in the Ministry of Rural Development (MDR). The GOCV has specific objectives in agricultural production and soil and water conservation. The objectives in fisheries are to improve storage capacity, increase fishing, and improve marketing.

Within other sectors, the objectives include (but are not restricted to) increasing electrical generation, conducting research in renewable energy sources, providing potable water, improving the transportation sector, and improving the educational system.

The third planning stage will be directed toward longer-term possibilities. The rural population already exerts extreme pressures on the land. Future planning will have to develop ways for increases in the work force to be absorbed in urban industries and services.

C. Donor Contributions

Over the years, the donor community has made substantial contributions to the development of Cape Verde. (See Table 1) Currently, the donor community provides over 50 percent of food import needs in grant food aid. Although few donors have made multiyear commitments of food aid, most have responded positively when food is needed. In the years 1978 through 1981, donors supplied about 60 percent of the difference between food produced and food needed. (See Table 2) Estimates of how donor contributions have been allocated by sector, are presented in Table 3.

Table 1 Cape Verde: Summary Operations of the Central Government, 1978-82

(In millions of Cape Verde escudos)

	<u>1978</u> Actual	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> Estimate
		Preliminary			
Total revenue	509.4	617.9	873.9	1,071.4	1,220.3
Ordinary revenue	508.0	617.3	873.0	1,070.8	1,220.2 ^{1/}
Capital revenue	1.4	0.6	0.9	0.6	0.1
Total expenditure	-1,420.9	-2,000.9	-1,966.5	-3,306.5	-3,584.2
Ordinary expenditure	-575.8	-657.4	-864.6	1,052.9	-1,386.2 ^{1/}
Extraordinary expenditure	-845.1 ^{2/}	-1,343.5	-1,101.9	-2,253.6	-2,198.0 ^{3/}
Overall deficit before grants	-911.5	-1,383.0	-1,092.6	-2,235.1	-2,363.9
Grants	744.9	1,250.0	1,056.4	930.3	...
Overall deficit (financing requirement)	-166.6	-133.0	-36.2	-1,304.8	...
Financing	166.6	133.0	36.2	1,304.8	...
Foreign financing (net)	40.2	65.6	81.1	902.2	...
Drawings	(...)	(68.7)	(85.5)	(907.0)	(...)
Amortization	(...)	-3.1)	(-4.4)	(-4.8)	(...)
Domestic Financing	126.4	67.4	-44.9	402.6	...
Bank of Cape Verde	(126.4)	(67.4)	(-44.9)	(402.6)	(...)
<u>Memorandum item:</u>					
Ordinary surplus or deficit (-)	-67.8	-40.1	8.4	17.9	-166.0
<u>(As percentage of GDP)</u>					
Deficit before grants	48.0	61.4	42.1	70.3	...
Overall deficit	8.8	5.9	1.4	41.0	...
Total revenue and grants	66.0	83.0	74.4	63.0	...
Total expenditure	74.8	88.9	75.8	104.0	...

Sources: Data provided by the Cape Verdean authorities; and staff estimates (IMF Document)

^{1/} Budget estimates.

^{2/} Includes outlays on the Emergency Program.

^{3/} Estimate based on scheduled 1982 outlays for the shipyard of Mindelo and the airport of Sal, and the authorities' forecast of other investment expenditures (US\$1 - C.V. Esc 53.6).

Table 2

SUMMARY
Food Import Needs and Donor Funded Food Imports

	Corn, beans, wheat, rice			
	1978	1979	1980	1981
Total Food Donations (metric tons)	45,345	29,000	50,800	36,250
Corn	33,095	15,000	23,500	18,600
Beans.	-	1,500	11,500	150
Wheat.	7,500	8,000	9,500	11,000
Rice	4,750	4,500	6,300	6,500
Total Food Produced.	10,350	10,000	9,000	3,500
Corn	9,000	1,000	7,000	3,000
Beans.	1,350	9,000	2,000	500
Total Food Import Needs (est.)	67,500	68,000	74,000	76,500
Corn	41,000	49,000	48,000	47,000
Beans.	8,500	1,000	8,000	9,500
Wheat.	12,000	12,000	12,000	12,000
Rice	6,000	6,000	6,000	7,000

Table 3

SECTORAL BREAKDOWN OF ODA COMMITMENTS,^{1/} - 1975 - 1980
(thousand US \$)

Sector	1975	1976	1977	1978	1979	1980	Total 1975-1980	Z
1. <u>Non-project assistance</u>	<u>18,288</u>	<u>20,424</u>	<u>22,374</u>	<u>21,506</u>	<u>22,106</u>	<u>40,305</u>	<u>145,004</u>	<u>51.8</u>
Balance of payments support	910	-	2,143	5,976	4,558	5,271	18,858	6.7
Food aid	11,428	6,641	10,998	11,819	14,254	15,528	68,668	24.5
Commodity support programme	-	2,296	6,585	1,219	-	13,085	23,185	8.3
Technical assistance	47	131	335	758	1,367	2,968	5,606	2.0
Fellowships	2	4	70	96	12	67	251	-
Emergency relief	5,901	11,352	2,243	1,638	1,916	5,386	28,436	10.2
2. <u>Project-related assistance</u>	<u>1,175</u>	<u>6,533</u>	<u>16,615</u>	<u>41,306</u>	<u>33,173</u>	<u>36,034</u>	<u>134,836</u>	<u>48.2</u>
Rural and agricultural development	295	2,931	4,439	20,725	50,180	10,264	48,834	17.4
Natural resources	229	1,516	3,070	11,594	7,035	4,683	28,127	10.1
Basic infrastructure	400	798	6,390	6,148	9,731	5,320	28,787	10.3
Human resources	251	1,185	2,716	3,286	6,219	5,763	19,420	6.9
Industry	-	103	-	3	8	10,004	10,118	3.6
3. <u>Total commitments</u>	<u>19,463</u>	<u>26,957</u>	<u>38,989</u>	<u>62,812</u>	<u>55,280</u>	<u>76,339</u>	<u>279,840</u>	<u>100.0</u>

Source: CILSS/OECD Club du Sahel

^{1/} These amounts do not include aid from centrally planned economies, Portugal, and non-OPEC developing countries.

^{2/} Taken from Round Table

Food commodities, imported by donors, help the GOCV by reducing the trade deficit balance and the need for foreign exchange. Food aid also contributes to the ordinary expenses of the GOCV by financing part of the EMPA's budget. When food aid is sold, a percentage of the local currency generated goes to EMPA for transporting, handling and storing the commodities. Also, the large amount of grant food aid coming into the country makes it possible for the GOCV to set prices for food commodities at a level lower than actual cost. If food prices reflected actual costs, they would be higher and would put upward pressure on wages.

With the current economic situation (overall depressed market worldwide), some donor countries may be unable to continue giving donor grants at the same levels as previously. Changes in donor contributions will affect Cape Verde's development because the GOCV plans to keep development expenditures in line with donor funding.

D. AID Contributions

1. Overview

The Agency for International Development has helped the economy in Cape Verde by making all of its aid in the form of grants. USAID obligations to Cape Verde during the period 1978-83 were approximately U.S. \$22 million. Of these obligations, USAID has disbursed over U.S. \$10 million in 1982-83. In addition to cash grants, USAID has imported commodities from 1978-83 valued at about U.S. \$20 million (commodity cost plus transportation). U.S. grant funding approaches 15 percent of the GOCV development budget.

The yearly value of PFD food is just under 50 percent of total USAID assistance to Cape Verde. Over the last several years, the PFD Program and AID grants have made it possible for the GOCV to plan its development budget in a consistent manner. The program's long-term commitment has relieved the GOCV's foreign exchange needs.

AID has used most of its contributions to the GOCV through projects in the agricultural sector. Of the four major bilateral projects that AID is financing, three are in agriculture and one is in education. The agricultural projects are: 1) PL-480 Title II Section 206 program contributions of about U.S. \$1.5 million per year to finance local currency costs of soil and water conservation construction; 2) the Watershed Management project, a U.S. \$6.275 million project that began in August 1979 and is scheduled to end on March 31, 1985; 3) the Food Crop Research project (U.S. \$3.688 million), begun in 1983 and continuing to 1987. These projects and several regional projects (Agrhymet, Integrated Pest Management, Regional Food Crop Protection) supplement the bilateral funds going into the agricultural sector.

Current strategy is outlined in the USAID mission's FY85 Annual Budget Submission (ABS). It states:

The AID long-range strategy for Cape Verde concentrates on increasing food production. In order to obtain more leverage on agricultural policy issues and more impact on agricultural production, all these activities outside the area of concentration are being completed as expeditiously as possible.

Active projects in non-concentration areas will not be extended into additional phases. Regional projects providing training will be largely used to support the food production strategy. The PL-480 counterpart fund will be used to support food production by continuing the rural works activities that restore potentially productive land and water resources in eroded watersheds.

Purposes and accomplishments of the Food for Development program are outlined below.

2. The Food for Development Program

As reported in the Cape Verde ABS (quoted above), the FFD program is an integral part of AID strategy. In 1982, USAID, through the FFD program, provided approximately 30 percent of all donor-financed food imports.

The primary purpose of the current FFD program is to supply 15,000 metric tons of corn annually for three years. The program has almost reached its goal of providing the needed grain for sale to the Cape Verdean population. After November 1984, only 5,000 metric tons of corn will remain to be delivered. These food imports, along with other donor contributions, have helped the GOCV to feed its people and have prevented further deterioration of the nutritional status of the population.

The second purpose of the program was to employ the rural population and provide income for them during bad cropping years. Although many people have been employed, employment expectations have not been reached (see section on implementation).

A third purpose was to use local currency from the sale of FFD commodities to fund soil and water conservation practices. Objectives included: 1) the construction of dikes, dams and terraces; 2) the planting of trees and other plants on steep slopes to reduce erosion; and 3) the construction of an administration building for the Center for Agrarian Studies (research unit of the GOCV's Ministry of Rural Development). Although considerable work has been completed, targeted levels of accomplishment have not been attained. Nevertheless, AID's efforts in helping the GOCV in soil and water conservation would be greatly reduced without the contribution of local currency generated by grant food aid. (The FFD program actually provides more funds for soil and water conservation (approximately U.S. \$1.5 million per year) than the Watershed Management Project (U.S. \$6.275 million over 6 years).

E. Recommendations

1. Pricing of Corn

The evaluation team recommends that the GOCV increase the wholesale price of FFD corn from the current 8.9 CVE/kg. to about 12.5 CVE/kg. in FY 1984.

In the TA, the GOCV agreed to gradually adapt the domestic selling price of imported corn to international market price levels. Given the new escudo exchange rate and likely increases in the international price of corn, the recommended increase is modest.

Currently, donor countries are financing the cost of ocean transport of imported corn to Cape Verde. If donor gifts of grain were discontinued or decreased, the GOCV would have difficulty financing this cost. A price increase, to a level above the FOB price, would cover part of the transportation costs. At a minimum, a price increase to 12.5 CVE/kg. would mean that imported corn was being sold at its FOB price.

2. Integration of the FFD Program and Grant-funded Development Assistance

The evaluation team recommends that AID integrate the FFD program with the Watershed Management Project (DA-funded) to facilitate a more efficient use of USAID funds.

Both the FFD program and the Watershed Management Project are involved with soil and water conservation. The Watershed Management Project funds wages of rural workers through a grant; the FFD program funds rural workers with local currency generated from the sale of donated corn. The Watershed Management Project has development assistance funds available to support the construction of conservation structures; the FFD program does not.

Integration would enhance the implementation of both programs. In several cases, FFD subprojects have been slowed by the absence of technical assistance, equipment, supplies and transportation. Integration would facilitate the allocation of DA funds for these needs.

Integration would also provide a more satisfactory use of foreign exchange. Estimates indicate that the FFD program will generate U.S. \$1.5 million (in CVEs) that will be unused at the end of the program. Local currency generated in any follow-on FFD program could probably fund all the rural workers employed in both projects. Integration would facilitate the use of local currency generated from the sale of donated corn, rather than DA funds.

3. Agrarian Reform and USAID

The evaluation team recommends that USAID work with MDR to encourage soil and water conservation practices in areas affected by agrarian reform.

As agrarian reform is implemented, estates will be parcelled out to individual families. These lands have previously been cultivated, but productivity can be improved by soil and water conservation practices.

The subproject on Santo Antao will be the first activity carried out by USAID in which recipients of agrarian reform will benefit. Thus, this subproject offers the opportunity for USAID to take a position to encourage soil and water conservation practices in areas where agrarian reform has opened lands to the rural population.

4. Rate of Expenditure of FFD-generated Funds

The evaluation team recommends that the GOCV and USAID investigate actions required and potential options to effectively use unallocated FFD funds.

The sale of FFD commodities generates about U.S. \$2 million per year. EMPA receives 24 percent of these funds for handling and transportation costs. The remainder, approximately U.S. \$1.5 million, is available to fund subprojects. The GOCV has been unable to expend more than half of these funds yearly.

Funds sitting in an account are not aiding development. Since Cape Verde very much needs the food commodities provided, reducing the level of the FFD program is not advisable. However, USAID and the GOCV should develop appropriate uses for the unallocated funds.

5. Self-Help Measures

The evaluation team recommends that the GOCV take immediate steps to comply with all self-help measures stipulated in the TA by: 1) providing the July report on scheduled increases in corn selling price; 2) submitting an economic analysis of the soil; and water conservation program.

The TA specifically states, under section VIII, that the GOCV will "gradually adapt the selling price of imported corn in order to reach, during the life of the present Agreement, international market price levels." Further, the TA states that the "GOCV will submit, in July of each year, the scheduled increase of the domestic selling of corn to USAID/Praia."

As of October 1983, the GOCV has not submitted the required report on the scheduled pricing of corn for the upcoming year. Since EMPA is the agent for all corn shipments, EMPA would presumably be the reporting agent, with the Council of Ministers approval.

The TA also states that within the framework of the evaluation of the Watershed Management Project, the GOCV will conduct an economic analysis which will compare the costs and benefits of carrying out a soil and water conservation project.

II. COMMODITY RELATED CONSIDERATIONS

A. Initial Environmental Examination - Cape Verde PL-480, Section 206 Food for Development Program

1. Summary

Empresa Publica de Abastecimentos (EMPA) is the Cape Verde Government organization responsible for importation, storage, wholesaling and some retailing of staple food commodities. This includes storage and distribution of corn under a PL-480, Title II Section 206 Food for Development Project.

Under a project on post-harvest problems, the Federal Republic of Germany, German Office of Technical Cooperation (GTZ) has provided EMPA recommendations for pesticide use and training in grain storage and pesticide application. Further, GTZ has supplied quantities of pesticides, application equipment, safety and monitoring equipment and gas tight tarpaulins for grain fumigation to EMPA for use at warehouses and storage facilities throughout the nine principal islands of Cape Verde.

Whereas USAID/Praia will recommend the use of malathion, registered by the USEPA for unrestricted use in grain storage facility treatment and direct application to grain, GTZ has chosen to recommend and supply a pesticide, fenitrothion (Folithion, a registered trade name of Bayer), for storage facility treatment, exterior treatment of grain sacks and fogging of the space surrounding stored sacks of grain. Fenitrothion is not registered by the USEPA for the uses suggested by GTZ.

GTZ has also recommended the use of aluminum phosphide containing fumigants, specifically Phostoxin for fumigation of stored grains in EMPA facilities. USAID/Praia concurs in this recommendation. Phostoxin, and several other products containing aluminum phosphide, is registered by USEPA with a restriction based on user hazard, and must be used only by personnel trained in proper application methods and safety precautions. Therefore, under Title 22 CFR, Part 216, Section 216.3 (b)(1)(i)(ii) and (iii)(a), an evaluation of the economic, social and environmental risks and benefits of the pesticides is required to determine whether the use may result in significant environmental impact. The accompanying evaluation of risks and benefits is submitted for a Threshold Decision.

Evaluation of the economic, social and environmental Risks and Benefits of the use of Malathion, Fenitrothion (Folithion^R) and aluminum phosphide (Phostoxin^R) in conjunction with the PL-480 Title II, Section 206 Cape Verde Food for Development Program.

2. The USEPA Registration Status of the Requested Pesticides

Malathion (premium grade) is registered by the USEPA without restriction for the intended use. Fenitrothion is not registered for the same or similar uses by USEPA without restriction or for restricted use on the basis of user hazard. Aluminum phosphide (Phostoxin and others) is registered by the USEPA for the intended use, but carries a restriction based on user hazard, requiring adequate training for fumigation crews as well as adequate safety equipment.

3. The Basis for Selection of the Requested Pesticide(s)

Malathion (premium grade) and aluminum phosphide were selected on the basis of USEPA registration for use in protection of stored grain. Fenitrothion is not a pesticide of choice, however it is being recommended and donated by the German (FRG) Office of Technical Cooperation (GTZ). Further, it has been used in other countries for the treatment of grain storage facilities and for direct application to grains.

4. The Extent to Which the Proposed Pesticides are Part of an Integrated Pest Management Program

The proposed pesticides will be used to treat and protect bagged grain inside isolated warehouses and bulk grain in silos. Efforts to protect stored grains from deterioration due to insects and other pests have commonly stressed an integrated approach to pest management. Frequent and thorough cleaning of storage facilities reduces the necessity for frequent pesticide applications and makes the pesticides applied more effective. Preventive treatments by pesticide treatment of storage facilities reduces the necessity for use of the restricted use aluminum phosphide fumigants.

5. The Proposed Method or Methods of Application, Including Availability of Appropriate Application and Safety Equipment

Premium grade malathion is available as emulsifiable concentrates (EC) or dust formulations. C formulations are diluted with water and then applied with backpack or pump-type sprayers to treat walls and floors of warehouses or silo storage facilities. Premium grade malathion EC and dust formulations are also registered for direct application to cereal grains. It is possible this form of treatment would be used when corn is received for storage in bulk in the new port silo in Praia. Application should be made according to label directions.

Fenitrothion is available as a 50 percent EC or 1X dust formulation. The EC formulation is diluted with water to provide a 2.5 percent solution for application to surfaces. The 1X dust formulation is tested on bags between layers when sacked grains are first placed in storage.

Aluminum phosphide is a fumigant in solid form which, when exposed to moisture in the atmosphere, generates hydrogen phosphide (phosphine) gas. Aluminum phosphide fumigant formulations are available as pellets, tablets or in paper sachets. Each pellet contains 0.2 grams of phosphine; each tablet 1 gram and each sachet 11 grams. Tablets or sachets are distributed over the surfaces of bags for fumigation of bags of grain in stacks. Gas tight tarpaulins are placed over the stacks of bags as the tablets or sachets are dispersed. Sand snakes seal the tarpaulin to the floor to form a gas tight chamber for 72 hours. After the exposure period tarpaulins are removed and the grain is aerated. Appropriate tarpaulins and safety equipment are available for fumigators including gas masks and canisters and gas detectors. Pellets will be applied by automatic application units in the new silo for bulk storage.

6. Any Acute and Long-Term Toxicological Hazards, either Human or Environmental, Associated with the Proposed Use and Measures Available to Minimize such Hazards

There are no known long-term toxicological hazards associated with the pesticides.

Malathion has low mammalian toxicity both orally and dermally and is one of the safest pesticides available.

Fenitrothion has slightly higher oral and dermal mammalian toxicity but in the manner proposed for use will have minimum direct contact with the food commodity.

Hydrogen phosphide gas is acutely toxic when inhaled, however, delayed generation of the gas during application and training in the use of safety equipment prevents exposure to toxic concentration of the gas.

7. The Effectiveness of the Request Pesticide for the Proposed Use

The pesticides proposed for use have been shown to be effective for their intended use through research and acceptance of them for protection of stored grain.

8. Compatibility of the Proposed Pesticide(s) with Target and Non-Target Ecosystems

The proposed pesticides are compatible with the target pests, and no non-target pests or ecosystems are involved.

9. The Conditions Under Which the Pesticide(s) is to be Used

The pesticides will be used inside grain warehouses and will not affect any flora, fauna, water courses, soil or other natural resources.

10. The Availability and Effectiveness of Other Pesticides or Non-Chemical Control Methods

The proposed pesticides are the most effective for the purposes, and no non-chemical control method is available for protection of bagged or bulk stored grains. Non-chemical means, such as housekeeping will be used to increase the effectiveness of the pesticides and minimize their use.

11. The Requesting Country's Ability to Regulate or Control the Distribution, Storage, Use and Disposal of the Requested Pesticide

All pesticides used by EMPA are controlled by the chief of the technical group of EMPA. He is assisted by four technicians trained in handling pesticides.

Separate storage areas are provided at warehouse locations for storage of insecticides. Fumigants are stored at some warehouse locations but transported to other small warehouses as needed.

Insecticides used for treatment of warehouses are applied by warehouses who have been trained and are provided instructions in their use by the chief of the technical group of EMPA.

Fumigations of grain are conducted only by a trained team from the EMPA main office in Praia.

12. The Provisions Made for Training of Users and Applicators

The German agency for technical cooperation (GTZ) which is supplying the pesticides and equipment for application and safety, conducted a training seminar in Praia in early 1981 and later in 1981 provided training at other warehouse locations in Cape Verde. Another training program is scheduled in Cape Verde for October/November, 1983 by this same agency.

13. The Provisions Made for Monitoring the Use and Effectiveness of the Pesticides

Monitoring the use of pesticides is accomplished by the technical group of EMPA. Monitoring the effectiveness of the pesticides is determined by warehouse manager requests for additional treatment.

B. Nutritional Status

1. Background

After independence in 1975 there were several nutritional studies that were carried out in Cape Verde (K-N) including different segments of the population in various islands.

Stabile-Wolcan (K) studied children and women in most all of the islands in 1977. He found a rate of 24% moderate (60-80%, Harvard standard) malnutrition, and 2% were considered grave (-40%). Of the cases studied, 62% were estimated to be acute cases (40-60% of standard). Pina and others (L) made a health study of women and children (0-5 years) in Sao Vicente and Sal in 1979. According to the data collected, 23% of the children in Sao Vicente and 17% of the children in Sal had a weight of between 60 to 80% to the Harvard standard. Ten per cent in Sao Vicente and 2% in Sal had a weight of less than 60% of the standard. Legrain and Cap (M) studied pre-school children in Santiago in 1979. One of their conclusions was that the level of malnutrition in the rural areas was markedly higher than in the urban area (Praia). The malnutrition rate was estimated at 31-46% for those 0-6 years of age and 45-51% for children 7-15 years. The Jellife standard (N) was applied in studies (K) and (M).

The studies carried out found only a few cases of Kwashiorkor, but in general the type of malnutrition found was that of marasmus. All these studies carried out can be defined as cross-sectional, i.e., they did not cover the entire country. The methods used were more or less standard and the studies were made several years ago.

Currently, a joint nutritional study is underway, sponsored by the Maternal Child Health & Family Planning Program (PMI/PF) of the World Health Organization, and the Ministry of Health and Social Affairs. The study is focused on the most vulnerable group, i.e., pre-school children between one and three years, but the principal objective is to strengthen health and nutritional data for children 0-6 years (see tables 4-5).

2. Food Habits

The diet of most rural Cape Verdeans consists of cachupa - a corn-based dish. Cachupa is a versatile dish reflecting in its contents the economic well-being of households. The cachupa of the poor people consists of corn, water, salt, and a little lard or oil. Beans may be added to improve its food value and taste. Populations close to the coast add some fish. Better off households add some bones and meat. Persons in the cities who receive a regular salary consume "rich man's cachupa" which includes the above mentioned items as well as manioc, pork meat, bananas, and a proportion of beans comparable to the proportion of corn (Miranda, 1963). Nutritional assessments of the rural population indicate that most of the time, the cachupa consumed is that of the poor man's diet. Consumed three times a day, this diet provides an inadequate supply of calories, low quality protein and insufficient fats (see table 6). Also, anemia is a serious problem among lactating and pregnant women.

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Table 4
ESTIMATED POPULATION IN CAPE VERDE FOR 0-6 YEAR OLDS
BY AGE AND MUNICIPALITIES IN 1982

CONCELHO	1 ano		1 ano		2 anos		3 anos		4 anos		5 anos		6 anos		TOTAL		Total
	M.	F.	M.	F.													
Boa Vista	43	50	44	52	47	55	49	58	50	59	52	61	52	61	337	396	733
Brava	88	104	90	106	96	113	101	119	103	122	106	125	106	125	690	814	1,504
Fogo	392	462	401	472	428	504	449	528	461	542	474	558	472	556	3,077	3,622	6,699
Maio	52	61	53	63	57	67	59	70	61	72	63	74	63	74	408	481	889
Paul	101	118	103	121	110	129	115	136	118	139	122	143	121	143	790	929	1,719
Porto Novo	168	198	172	202	183	216	192	226	197	232	203	239	202	238	1,317	1,551	2,868
Ra. Grande	275	325	282	332	301	354	315	371	324	381	333	392	332	391	2,162	2,546	4,708
Praia	721	849	737	868	786	926	824	971	847	997	871	1,026	868	1,023	5,654	6,660	12,314
S.Catarina	519	611	531	625	566	667	594	699	609	718	627	738	625	736	4,071	4,794	8,865
Santa Cruz	291	342	297	350	317	373	332	392	341	402	351	414	350	412	2,279	2,685	4,964
Tarrafal	308	363	315	371	336	396	353	415	362	426	372	439	371	437	2,417	2,847	5,264
Sal	76	89	77	92	83	97	87	102	89	105	91	108	91	108	594	701	1,295
S.Nicolau	171	201	175	206	186	220	195	230	201	236	206	243	206	242	1,340	1,578	2,918
S.Vicente	526	620	538	634	574	767	602	709	618	728	636	749	634	747	4,128	4,863	8,991
TOTAL	3,731	4,393	3,815	4,494	4,070	4,793	4,267	5,026	4,381	5,159	4,507	5,309	4,493	5,293	29,264	34,467	63,731

Table 5

REPUBLIC OF CAPE VERDE
 MINISTRY OF HEALTH AND SOCIAL AFFAIRS
 PROTEIC/CALORIC MALNUTRITION IN CHILDREN 0-7 YEARS OLD*
 (MCP MODERATE 80 to 60%)
 1981

CONCELHOS	JANEIRO		FEVEREIR		MARCO		ABRIL		MAIO		JUNHO		JULHO		AGOSTO		SETEMB.		OUTUB.		NOV.		DEZEMB.		TOTAL
	N	A	N	A	N	A	N	A	N	A	N	A	N	A	N	A	N	A	N	A	N	A	N	A	
Boa Vista	5	14	9	18	6	10	2	7	4	8	-	7	5	4	-	3	-	-	-	-	3	9	-	-	114
Brava	5	19	-	8	2	2	4	16	39	27	50	63	4	14	-	-	5	13	4	9	9	11	-	-	295
Fogo	28	118	78	159	76	191	44	138	32	246	15	132	6	179	24	275	-	-	12	176	21	189	30	240	2,409
Maio	1	6	-	-	-	-	-	-	4	9	-	9	2	8	3	3	-	-	4	9	6	-	1	5	70
Ra. Grande	75	112	63	109	53	223	145	299	134	462	48	263	106	343	-	-	158	293	86	399	72	334	101	460	4,338
Porto Novo																									
Paul	6	92	13	83	7	123	10	78	7	103	3	71	8	110	-	-	16	105	2	125	5	87	1	93	1,148
S. Catarina																			163	45	-	-	79	182	469
Sal	-	20	1	18	4	24	3	13	-	27	1	29	-	30	4	25	-	-	5	10	2	24	2	11	253
S. Nicolau	8	19	5	19	5	37	4	20	30	38	4	22	6	31	-	-	17	21	24	17	14	35	13	60	449
S. Vicente	15	70	9	85	22	76	17	93	23	60	16	64	5	87	-	-	37	118	14	52	13	74	6	77	1,033
TOTAL	141	461	178	499	175	686	229	664	273	980	137	660	142	806	31	306	233	550	314	842	145	763	233	1,128	10,578

(a) PROGRAM WAS INITIATED IN OCTOBER 1981

* DATA IS FROM MATERNAL CHILD HEALTH & FAMILY PLANNING PROGRAM OF WHO

N = New cases 21%
 A = Old cases 79%

Table 6

AVERAGE NUTRITIONAL NEEDS OF AN ADULT CAPE VERDEAN*

Calories	2,800
Carbohydrate	420 g
Fat	93 g
Protein	72.5 g
Calcium	0.8 g
Iron	12 mg
Vitamin A	1.5 mg or 5,000 I.U.
Thiamin	1.6 mg
Riboflavin	1.6 mg
Nicotinic acid (B2)	16 mg
Ascorbic acid	75 mg

Source: Ministerio de Saude e Assuntos Sociais,
1978, Inquerito Nutricional. Praia.

*Age, 30; weight, 63 kilos; height, 1.7 meters

3. Nutrition and Income

In accordance with Government policy, practically all donated food by other nations is sold through the Empresa Publica de Abastecimentos (EMPA) at fixed prices. For example, the U.S. donated PL-480 corn as being sold at 8\$90. per kilo (agreed upon fixed price under terms of agreement). For this policy to function equitably, the government must provide employment to the neediest of the people and at least to one member in every family. This is a principal guideline for hiring on the public works projects. Wages appear to be low in relation to the cost of food, and is probably a major reason for the sub-standard nutrition that the population as a whole suffers. For example, in talking to some workers during our field visits, we were told that wages paid to women in public works programs were 57\$00.00* per day and 75\$00 for men. The reason given by one individual for the difference was that the men performed more heavy work than the women.

4. Conclusion

While there have been numerous nutritional studies carried out in Cape Verde over the years, a complete nutritional study has yet to be done. Nutritional data is scarce and incomplete, but steps in the right direction are now being taken to collect information. For example, as noted above, the PMI/PF of WHO, with the Ministry of Health and Social Affairs, is beginning to periodically gather nutritional data from all the islands. The World Food Program (WFP) has recently brought in a nutritionist for a two year tour. This individual will be responsible for gathering information and begin to structure a nutritional data base for Cape Verde.

*Current exchange rate = U.S. \$1.00 to E 75\$00.

III. FOOD FOR DEVELOPMENT ACCOUNT

The purpose of this part of the review is to briefly examine the financial and other management aspects of the Food for Development (FFD) program. The intent is to examine the use of the generated currency sales proceeds during the life of the project.

In conducting the review, consideration was given to certain basic programming issues related to the long-range use of development resources obtained through the monetization of PL-480 Title II food aid provided under the authority of Section 206.

The terms of reference for this part of the review are as follows:

A. The Account

1. Assess the management procedures for the account and the actual management of the account.
2. Assess the impact of availability of funds to finance development activities and delays in execution of projects due to a shortage of funds in the FFD account.

The Project Paper indicates that... "the GOCV will establish a separate account for the deposit of the local currency generated from the sales of the Title II foods and will make disbursements from this account only to finance approved projects". TA-2606 stipulates that... "gross local currency proceeds from the sale of commodities under this agreement shall be deposited in a special account and will be used for (1) local distribution, transport, handling and storage costs of the commodities herein and (2) the following project activities...".

The present procedure used by the GOCV includes the deposit in a single investment account (National Development Fund - NDF) of funds generated for development programs from the sale of food donations from all donors. Accordingly, all funds are co-mingled in the Ministry of Economy and Finance (MEF) accounts. However, the MEF reports that separate sub-accounts are maintained by individual donors and the deposit and utilization of the funds can be segregated (and reported) by source and development activity funded.

No doubt, the requirements for development funds exceed the funds available for all development activities and the irregular deposits of proceeds from the food sales would impact upon the progress achieved in any individual project provided. Work activities are linked directly to the availability of the designated funds. Due to the delays in sales and the deposit of proceeds, the FFD account at any given time may not contain sufficient funds to pay project costs.

Comingling of resources from all food donors allows the individual projects to be carried out with minimum interruptions because the funds generated from one donor's contribution may be used to pay costs for projects approved by another donor and vice versa. In this manner, a more uniform flow of resources permits uninterrupted work activities at project sites to be

maintained. According to the MEF, disbursements for individual project activities are maintained even though the pertinent project records indicates that no funds are available at the time needed. In this case, the MEF will advance funds from other sources to prevent interruptions in the project payment schedules.

For purposes of this review, it is recognized that a separate account is not maintained but, apparently, the accounting records maintained are adequate to insure sufficient control of the local currency sales proceeds thereby complying with the basic intent of the Project Paper and TA-2606. In April 1983 a representative of AFR-PRM, AID-Washington completed a review of the control procedures and accounts used by the MEF and concurred that the present system is adequate. For a more detailed description of the GOCV system for controlling local currency deposits in the FFD account from PL-480 food sales (see Appendix III* Annex A).

B. Generation, Deposit and Use of Sales Proceeds

1. Determine total funds generated.
2. Determine total funds used.
3. Determine an estimated end-of-project balance.

The Project Paper indicates that... funds (sales proceeds) shall be deposited into the account according to a specified schedule tied to project expenditure requirements. The frequency and amount of deposits shall be agreed upon by the GOCV and the USAID. For example, monthly deposits into the FFD account for the first program year would approximate \$146,195, varying according to seasonal labor requirements of the projects...

TA-2606 stipulates that... funds shall be deposited into the PL-480 FFD account according to a specified schedule tied to the project expenditure requirement as agreed upon by the GOCV and the USAID... and that... EMPA shall submit the gross revenues generated from the sale of PL-480 corn at the rate of 9 escudos/kg during 1983 (8 escudos/kg for 1982) to the National Development Fund for deposit into the PL-480 Title II Section 206 Food for Development Account. Once registered for accounting purposes, EMPA will be able to immediately withdraw these funds (2.30 escudos/kg during 1982) to cover internal storage and transport costs leaving net revenues of 6.70 escudos/kg for 1983 (5.70/kg for 1982) for the soil and water conservation activities of the FFD Program.

* All annexes for this section are contained in Appendix III.

The proceeds are generated and deposited. This begins with the receipts of the PL-480 foods by the National Foods Supply Corporation (EMPA), the semi-autonomous parastatal marketing agency responsible for distributing and marketing all foods donated to the GOCV. EMPA distributes these foods through warehouse and sales centers throughout the nine islands.

In EMPA's accounting system, all records are maintained by type of food instead of by donor source, and sales proceeds are remitted by type of food to the central headquarters in Praia. The net sales proceeds (gross sales price per kilogram less the fixed amount for internal transportation and storage as approved in TA-2606) are periodically remitted to the NDF through the MEF accounts. Because of the distance between the islands and the lack of an extensive banking system, the lag time for remitting funds to Praia can be as long as 90 days thereby causing considerable delays in the deposit to the MEF accounts. EMPA normally remits funds to the MEF every 45 days.

A representative of AFR/PRM, AID/Washington recently completed a review of the stock control and accounting system of EMPA. A copy of this review, which is used as the basis for evaluating the procedures followed by EMPA (see Appendix III).

However, to the extent that EMPA does not deposit into the FFD account an amount equal to the total gross proceeds derived from PL-480 food sales, but withholds an amount equal to 2.3 escudos per kilogram sold to cover logistical costs associated with the transportation and handling of the PL-480 foods, the deposit procedure used is contrary to the provisions TA-2606.

It is estimated that approximately 427 million CVE will be generated over the life of the project from the sale of the Title II foods programmes under TA-2606. Of this amount, approximately 103 million CVE (24 percent) will be retained by EMPA for logistical costs and approximately 211 million CVE (49 percent) will be utilized for approved development project purposes. Given the present rates of expenditure, it is estimated that, as of October, 1983 approximately 112 million CVE (26 percent) of the estimated proceeds generated will be unallocated for project purposes at the end of the project (December, 1984), unless significant revisions are incorporated into the project design.

The significant balance of unallocated funds which will be available at the end of the project is the cumulative result of three factors, (i) the original budget estimated that 27 million escudos would be unallocated for specific projects and available for other project purposes; (ii) the estimated and projected proceeds for the Title II foods sold in CY 1984 have been calculated based on a corn selling price of 12.5 CVE/kg resulting in the generation of an additional 22 million escudos; and, (iii) the projected rate of expenditure will be significantly of approximately 63 million escudos. See Annex C for details of the calculations.

Below is a chart providing certain aspects of the FFD program operations during the period January 1, 1982 through June 30, 1983.

	Planned*	Actual**	Difference (minus)
Commodity Imports (PL-480)			
Metric Tons	25,500	29,939	7,439
Value (US\$)	3,285,000	4,252,176	967,176
Ocean Freight (US\$)	3,622,500	3,247,886	(374,614)
Delivered Value (US\$)	6,907,500	7,500,062	592,562
Sales***			
Metric Tons	22,500	22,898	398
Proceeds (Est. CVE)	187,500,000	191,096,000	3,596,000
Application of Proceeds (CVE)			
EMPA Costs (Est.)	51,750,000	52,666,000	916,000
Project Implementation	124,465,000	88,621,000	(35,844,000)
Program Support	479,000	0-0	(479,000)
Sub-Totals	176,694,000	141,287,000	(35,401,000)
Unallocated Balances (CVE)	10,806,000	49,809,000	39,003,000

* Equivalent to the first eighteen months of the indicative budget as projected in the Project Paper and the TA-2606.

** Due to the reporting procedures of the GOCV, actual gross sales proceeds and actual EMPA costs are not reported to the USAID. Therefore, quantities for these items are estimated.

*** Sales during the time period exceeded the amount reported due to the sale of stocks from prior emergency shipments. However, for purposes of this review, only those sales of commodities covered under the TA-2606 have been considered.

Based upon an analysis of the FID program operations through the first eighteen months, an extrapolation was completed of various aspects of these operations through the final eighteen months, i.e., from July 1, 1983 through December 31, 1984, the estimated end of the present Section 206 program. The following chart provides details of this analysis.

	Planned*	Actual**	Difference (minus)
Commodity Imports (PL-480)			
Metric Tons	22,500	15,000	(7,500)
Value (US\$ Est.)	3,285,000	2,175,000	(1,110,000)
Ocean Freight (US\$ Est.)	3,622,500	1,710,000	(1,912,500)
Delivered Value (US\$ Est.)	6,907,500	3,885,000	(3,022,500)
Sales***			
Metric Tons	22,500	21,953	(547)
Proceeds (Est. CVE)	217,500,000	236,078,000	18,578,000
Application of Proceeds (CVE)			
EMPA Costs (Est.)	51,750,000	50,492,000	(+1,258,000)
Project Implementation	148,925,000	122,551,000	(26,374,000)
Program Support	559,000	559,000	-0-
Sub-Totals	201,234,000	173,602,000	(27,632,000)
Unallocated Balances (CVE)	16,266,000	62,476,000	(46,210,000)

* Equivalent to the second eighteen months of the indicative budget as projected in the Project Paper and the TA-2606.

** Due to the reporting procedures of the GOCV, actual gross sales proceeds and actual EMPA costs are not reported to the USAID. Therefore, quantities for these items are estimated.

*** Sales during the last eighteen months of the project are calculated on the pricing as follows due to the 55 percent devaluation of the C.V. escudo: CY-1983, 9 escudos/kg; CY-1984, 12.5 escudos/kg.

By combining the reviews of the operations during the first half of the project and the projected operations during the final half of the project, an analysis of the projected achievements during the life of the project was completed for management review. The chart below provides various aspects of the information developed.

	Planned*	Actual**	Difference (minus)
Commodity Imports (PL-480)			
Metric Tons	45,000	44,939	(61)
Value (US\$ Est.)	6,570,000	6,427,176	(142,824)
Ocean Freight (US\$ Est.)	7,244,000	4,957,886	(2,286,114)
Delivered Value (US\$ Est.)	13,814,000	11,385,062	(2,428,938)
Sales***			
Metric Tons	45,000	44,451	(149)
Proceeds (Est. CVE)	405,000,000	427,174,000	22,174,000
Application of Proceeds (CVE)			
EMPA Costs (Est.)	103,500,000	103,158,000	(+342,000)
Project Implementation	273,389,000	211,172,000	(62,217,000)
Program Support	1,038,000	559,000	(479,000)
Sub-Totals	377,927,000	314,889,000	63,038,000
Unallocated Balances (CVE)	27,073,000	112,285,000	85,212,000

* Equivalent to the total 36 months of the indicative budget as projected in the Project Paper and the TA-2606.

** Due to the reporting procedures of the GOCV, actual gross sales proceeds and actual EMPA costs are not reported to the USAID. Therefore, quantities for these items are estimated.

C. Reporting Procedures

1. Assess procedures for reporting and recent AID/APR recommendations on these procedures.

2. Determine if implemented or adopted.

Reports

The Project Paper and TA 2606 indicate that the NDF will submit to USAID a quarterly statement of the funds it has deposited into the FPD account and disbursed to the individual projects (or funds disbursed in support of food distribution activities). These reports will be checked against the quarterly project progress reports submitted by the Ministry of Rural Development and their respective expenditures. At the end of a program year, project expenditure requirements will be compared to the sales proceeds deposits to determine the outstanding balance, if any, to be credited to the FPD account.

The GOCV also agrees to keep the USAID fully informed concerning the status of commodity receipts, distribution and sales and will provide complete details, as requested. Representatives of the USG will be permitted to audit and have access to all records pertaining to the use of commodities provided by this Transfer Authorization. The GOCV further agrees to submit semi-annual reports to the USAID/Cape Verde to include the following:

- a) Beginning Stocks
- b) Arrivals
- c) Distributions
- d) Sales
- e) Damaged Stocks
- f) Ending Stocks
- g) Currencies Generated and Interest Accrued, if any
- h) Deposits and Disbursements

A review of the reports available in USAID indicates that the GOCV has been preparing and supplying the reports as discussed below.

"Auto de Recepcão de Ajuda Internacional"

This report prepared by EMPA following the receipt and discharge of a cargo of donated food aid, provides details on the cargo, the arrival and the discharge information, and the origin and source of the food aid. This serves two purposes, i.e., it is used by EMPA to establish a stock record for the goods received, and it is used by the NDF to establish the quantity of funds which will accrue to the NDF for development purposes from the sale of food commodity by EMPA.

A review of the preparation dates of the reports in the USAID files indicates that recent reports have been prepared in a timely manner. Except for information concerning ocean freight losses, the reports appear to be complete and easily understood. (See a sample attached as Annex D).

"Relatorio Trimestral s/Mercadorias Recebidas de Ajuda Internacional"

This report, prepared quarterly by EMPA, provides a summary of the donated commodity movements (sales) during the quarter indicating the total sold, ending stocks and the amount of funds generated for the development account. The commodities are identified and reported by kind of product, the donor and the shipment arrival date by vessel.

A review of several reports in the USAID files indicates that the reports are prepared generally in a timely manner. However there appears to be a considerable time lapse from the time commodities are received until they are sold and the sales are reported. An examination of the information reported revealed that only the portion of the sales proceeds destined for the FFD account is reported. Gross proceeds or logistic expenses of EMPA are not reported. The report does not indicate the date deposits are made to the FFD account. This examination also reveals that errors sometimes occurs in the stock balances reported at the end of the quarter. This is probably due because EMPA does not record commodity stock losses or spoilages on all reports, although EMPA occasionally reports the sales of Title II foods at a reduced price. Apparently, these sales are attributable to PL-480 commodities unfit for human consumption (See a sample attached as Annex E).

"Ajuda Alimentar dos Estados Unidos da America a Cabo Verde - Anual"

This report is prepared by the NDF annually and provides the yearly summary of different types of information regarding all aspects of the FFD program, i.e., commodity arrivals and sales; deposits to the FFD account; sub-project work activities and progress; and sub-project disbursements.

A review of the 1982 Annual Report and a report prepared by the NDF for this review covering the first quarter of 1983, indicates that considerable information is contained in this report. The preparation dates for both reports indicate that a report is being prepared approximately six months after the end of the period being covered in the report. It is noted that the commodity arrival and sales information is presented only by cargoes pertaining to each individual vessel, which requires the reader to summarize stock and sales information from two or more shipments (vessels). This needs to be done to arrive at the actual stock/sales situation during the reporting period (See a sample attached as FFD Annex F).

An analysis of the reports prepared and submitted by the GOCV for the USAID indicates that the GOCV is providing sufficient information, but the form is not readily usable by program managers who normally require current information in a summary format in order to make appropriate and timely management decisions. In addition, the USAID and AID/Washington are required to prepared a PL-480 report to be submitted to the U.S. Congress late in each calendar year. This information permits an appropriate evaluation of the benefits derived from the implementation of PL-480 programs, thereby justifying their continuation.

USAID/CV has suggested that the GOCV revise the present reporting procedures now being utilized (see copy of USAID letter dated July 7, 1983

attached as Annex G) by submitting one quarterly report which would consolidate all information and include summaries of commodity movement and sales information, and physical work progress achieved during the reporting period. The suggested reporting schedule and report formats outlined in the July 7 letter are considered appropriate except for two differences discussed below.

(i) The Cargo Arrival and Discharge Report prepared by EMPA, the cargo consignee, cannot be delayed until a quarterly report is due. This report must be completed within ten days after the cargo discharge has been completed. Accordingly, EMPA should continue to prepare this report and forward it to USAID in a timely manner.

(ii) The format suggested for the financial statement appears to indicate that the GOCV should report only net local currency remitted to the NDF (sales less a fixed amount for internal transportation and distribution costs). First, this procedure is not consistent with the terms and conditions of TA-2606, which requires that the gross local currency proceeds be deposited and reported in operational reports. Therefore, any procedure which does not satisfy this requirement, is not in compliance with the terms and conditions of the TA-2606. Second, development program managers including both the GOCV and the USAID managers should know the total amount of resources available for development activities, so that informed decisions regarding the use of all resources can be made. In this manner, a determination can be made of those resources that can be used in the most effective and efficient manner.

Third, verify if acceptable standards of accountability are maintained. Fourth, evaluate the timeliness and content of reports provided to USAID by the GOCV.

D. Structure of Program Management at Program Level

The FFD program is administered through arrangements whereby USAID and various agencies of the GOCV participate either directly or in a supporting role to carry out the provisions of the program agreement. The entities, the relationships, and the responsibilities of each entity as discussed in the Project Paper and TA-2606 are presented below with some additional information to clarify these roles and relationships.

1. Government of Cape Verde

(a) National Supply Corporation (EMPA)

EMPA is a semi-autonomous parastatal marketing agency responsible for importing, distributing and marketing selected basic foods, supplies and materials, including all foods donated to the GOVC. EMPA distributes these items through warehouse and sales centers throughout the nine islands. EMPA is responsible for receiving, storing, distributing and marketing the PL-480 corn through its normal commercial channels. EMPA shall submit the gross revenues generated from the sale channels. EMPA shall submit the gross revenues generated from the sale of PL-480 corn, at the rate of 8 CVE/kg during 1982, to the National Development Fund (NDF) for deposit into the PL-48) Food for Development (FFD) account. Once registered for accounting

purposes, EMPA will be able to withdraw funds, at the rate of 2.3 CVE/kg during 1982, cover internal storage and transport costs, leaving net revenues of 5.7 CVE/kg for the soil and water conservation activities of the FFD program.

(b) National Development Fund (NDF)

The NDF, an entity of the Ministry of Economy and Finance, is the GOCV investment fund which obtains funding for financing investment projects through the sale of externally donated developmental aid. The NDF currently represents about 10 percent of the total investment budget of the GOCV. The NDF, in conjunction with the MEF, manages the local currencies generated from the sale of Title II foods and the sale of other commodities donated by other countries. The NDF is responsible for the management of the FFD account. Sales from EMPA are deposited with the NDF and NDF authorizes the disbursement of local currency to finance implementation of the agreed upon projects.

(c) Ministry of Economy and Finance - Division of Finances

The MEF is the fiscal control agency of the GOCV which controls the local currency generated by EMPA. These funds are deposited into one bank account controlled by the MEF. The generated funds from all donors are comingled. However, the MEF maintains separate ledgers and sub-accounts by donor, which reflect at any specific time, the funding to any donor is maintained by their accounting system. The MEF disburses funds directly to sub-projects financed by the local currency generations.

(d) Ministry of Rural Development (MDR)

The General Directorates of Conservation and Use of Natural Resources within the MDR will be responsible for administering overall project implementation. The Division of Soils and Water Conservation will be the executing agency in most cases except for the Center for Agrarian Studies project for which the Division of Structures will be responsible. The Administrator of the General Directorate will ensure that the FFD program activities follow the internal operating procedures of the MRD. The Project Coordinator from the Division of Soils and Water between field implementation and Praia. Field supervisors will provide guidance and direct the job foremen responsible in each project.

As the FFD program will result in net additional watersheds to be developed and may entail greater reporting requirements on the part of the GOVC, the FFD budget provides for hiring a full-time Project Assistant for life of the program and for six person-months annually for additional support for watershed topographic and survey work during the critical period when employment levels are highest. The GOCV will be responsible for procuring this support locally. These costs are included in the indicative FFD program budget.

(e) Cooperacao.

This Ministry is responsible for coordinating all donor activity, and following through on project implementation in which funds generated by grant food aid are used. With respect to the Food for Development Program under PL-480 Title II Section 206, there is no coordinating committee to oversee the

implementation of this project. For example there are four entities (Cooperacao, MRD, EMPA, MEF) that are directly linked and responsible for making decisions concerning this PL-480 program. Decision concerning the PL-480 program, in many cases, are independently made by each of the various entities, without the other knowing what is taking place. What is needed is a coordinating unit within Cooperacao, with representation from each of the entities involved, so that issues can be addressed and decisions made in a timely manner.

2. USAID/Cape Verde

The FFD Program Manager is the principal USAID person responsible for monitoring the FFD account and for submitting reports concerning its management, and the project's overall operations, including any recommendations.

Adequate monitoring of the FFD account as well as overseeing the progress of project implementation will entail an additional workload for the small USAID staff in Praia, therefore, this may require the hiring of an additional person as FFD Program Manager. Accordingly, USAID may wish to hire a full-time American personal service contractor (PSC) to serve in this capacity*, although it is left to USAID's judgement whether currently authorized staff levels. The Program Manager will be the initial point of contact for the GOCV for all matters concerning the FFD program.

Another key duty will be working with GOCV counterparts on the annual evaluation reports on progress, implementation, and an accounting of the use of PL-480 generated revenues.

The Program Manager will be the principal person examining the GOCV evaluation report and primary author of the USAID assessment of the GOCV evaluation report, both of which will be submitted to Washington for USG inter-agency review.

It is noted that USAID is also directed specifically to:

(a) Assess the feasibility of recommended actions involving operational matters in-country, including a timetable for correcting those deficiencies within the jurisdiction of the GOCV and USAID.

(b) Verify the potential impact of any proposed program changes, based upon the GOCV estimates.

(c) Assess the adequacy of the GOCV proposed data collection for establishing benchmarks and measuring progress.

(d) Recommend the type and levels of commodities, and changes in project or program plans or objectives.

* Funding for the Program Manager will come from USAID/Praia operating expenses (OE). No. PL-480 generated local currencies will be used to fund this staff position.

In assessing the performance of any entity charged with managing the FFD program, one factor is dominant and recurring, i.e. the lack of sufficient mid-level managerial and technical staff to plan, manage and execute a developmental program involving over the life of the project, financial resources of approximately 427 million escudos (over 5.5 million dollars), not including those human and material resources from the GOCV. It is noted that the GOCV did not make available one full-time or short-term project management personnel, and USAID did not obtain the services of a full-time project manager as indicated in the Project Paper. The lack of progress, or progress below a targeted level, as discussed elsewhere in this review has been linked directly to the lack of staff both in the GOCV and USAID. In addition, coordination and liaison activities appear to have been constrained or less than desirable because overburdened staffs have tried to concentrate their efforts in what they considered higher priority areas.

However, in spite of this deficiency, it must be acknowledged that the GOCV has made impressive progress in some of the Eastern Santiago projects. This is attributed to the fact that a competent GOCV project manager and technical personnel were made available for carrying out the activities (see Section IV).

E. Conclusions and Recommendation

1. Conclusions

This review has concluded that:

(a) Adequate Title II commodities are being made available and delivered to Cape Verde in a timely manner to implement the planned development activities;

(b) Minor shipping and delivery timing problems do occur but the majority of these problems could be resolved mainly through improved coordination and realistic scheduling of shipping deliveries;

(c) Work progress at the sub-level is not being delayed due to delayed disbursements or unavailability of financial resources;

(d) If financial resource allocation problems do occur, these occur within the MEF where resources are transferred between development funding accounts to meet project disbursement schedules;

(e) When these problems occur, the primary contributing factor is the delays in selling Title II foods or the delays in reporting sales and depositing proceeds to the FFD account (see Annex H);

(f) The Title II, Section 206 food aid program to Cape Verde is generating financial resources, i.e., local currency sales proceeds, which significantly exceed the requirements for approved development projects (See Annex C);

(g) The Title II food commodity supplied is well accepted and the Title II food aid resources are generally well managed and accountability appears to meet management standards compatible with food aid management

criteria except where staffing and supportive resources are lacking as discussed in this review;

(h) Two provisions of TA-2606 and AID Standard Regulations are not being satisfied through the present program implementation procedures of GOCV, i.e., the deposit and reporting of gross sales proceeds, and the reporting and disposal of inland losses or spoilage of Title II food commodities.

(i) Local currency proceeds are not being deposited into a separate account but the GOCV fiscal procedures being used to account, for these funds are considered adequate to meet the intent of the PP and TA2606.

2. Recommendations

With regard to this part of the review of the FFD program, the following recommendations are made:

(a) The GOVC take steps to initiate procedures whereby the gross proceeds from the sales of all Title II foods are reported to USAID and deposited into the FFD account for approved disbursements by Program Managers as stipulated in the Project Paper and TA-2606.

(b) EMPA initiate a procedure whereby any inland losses of Title II foods, i.e., losses and spoilage of foods after end of ship's tackle, are reported and disposed of in accordance with AID's standard regulations and procedures. See AID Handbook Five, 7 and 8, Exhibit I, and AID Regulation 11, Section 211.9.

(c) The GOCV and USAID mutually agree to establish a selling price for the 15,000 MT of corn arriving under the third year ((FY84) of the program agreement. This should be compatible with the selling price levels established for the first and second years of the program agreement prior to the adjustments of the escudo foreign exchange rate.

(d) The GOCV and USAID, (i) mutually agree to the format, descriptive contents and a submission timing schedule for a summary report to be prepared by the COCV Program Managers, and submitted to USAID as required by the program agreement; and (ii) initiate a procedure whereby all GOCV and USAID Program Managers periodically utilize the summary report to review progress in critical FFD program aspects, i.e., sales of commodities and stock situation, deposits of proceeds, funding disbursement and cash flow rates, project implementation levels, and other appropriate operational concerns.

(e) The GOCV and USAID investigate the actions required and other alternatives to effectively utilize approximately 100 million escudos which will be unallocated by end-of-project. The alternatives chosen should meet the criteria for Section 206 programs.

F. Programming Issues Regarding PL-480 Title II Food Aid Resources

Prior to completing this review on the FFD financial management, the Team considers it relevant to discuss briefly certain concepts concerning the use of scarce food aid resources to finance development activities through Title II, Section 206 program agreements.

The United States Congress is concerned that the U.S. food aid program makes more important contributions to helping developing nations overcome constraints which contribute to shortage of staple foods. Food aid made available under Title II of PL-480 can be provided to qualifying recipient countries on a grant basis, through multi-year commitments, if those countries are willing to address basic constraints restricting increased agriculture production. Title II, Section 206 of Public Law 480 authorizes government-to-government commodity sales programs and stipulates three basic programming requirements as follows:

- i. the recipient government must undertake self-help measures;
- ii. the local currencies must be used for alleviating the causes of the need for food aid or increasing the effectiveness of food distribution and availability to the neediest individuals; and
- iii. the specific uses of local currency proceeds must be set forth in a written agreement between the U.S. and the recipient.

Development Orientation

The major objective of Section 206 is to assist countries in alleviating the underlying causes of their food problems and their need for continual food assistance. Section 206 proposals should therefore contribute directly and primarily to achieving these objectives. The principal feature of a Section 206 program is its development orientation.

Self-Help Requirements

The basic objective regarding self-help requirements in the Section 206 programs is to identify specific activities which the recipient country is undertaking or will undertake to correct, reform and/or improve the food supply situation or strengthen the recipient government's capability to resolve problems associated with the lack of food and the need for continued concessional food aid.

The language in Section 206 Program agreements which provides food donations to the recipient government must identify the self-help measures the recipient government is undertaking or will undertake to increase agricultural production, improve storage and distribution of agricultural commodities, or carry out voluntary family planning programs in poor rural areas, and to enable the poor to participate actively in increasing agricultural production through small farm agriculture.

Generation and Use of Local Currency Proceeds

The sale of donated commodities will generate local currency proceeds which must be used (1) to alleviate the causes of the need for assistance in accordance with the purposes and policies specified in Section 103 of the FAA of 1961, or (2) for programs or projects to increase the effectiveness of food distributions and the availability of Title II food commodities to the neediest persons in recipient countries.

The legislation permits Section 206 support for a broad range of activities including agriculture, rural development, nutrition, health services, and population planning. However, the emphasis on the Section 206 legislation is on addressing the causes of the need for food aid and improving

the effectiveness of food distribution to the neediest. Priority will be given to activities which most directly contribute to these ends and complement the self-help measures and policy initiatives.

Potential for Continued Programming of Title II Food Aid

If this review is to be used to evaluate the potential for continued use of PL-480 Title II food aid resources in Cape Verde, Program Management should consider certain aspects of the provisions of Sections 109 and 206 of PL-480, e.g.,

(a) ... the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities...

(b) ... the President shall take into particular account the extent to which they (self-help measures) are being carried out in ways designed to contribute directly to development progress... in poor rural areas and to enable the poor to participate actively in increasing agricultural production...

(c) ... the economic development and self-help measures which the recipient country agrees to undertake shall be described (a) to the maximum extent feasible, in specific and measurable terms, and (b) in a manner which ensures that the needy people in the recipient country will be the major beneficiaries of the self-help measures...

(d) ... the President shall assure that the self-help measures agreed to are additional to the measures that the recipient country otherwise would have undertaken...

(e) ... the currencies will be used for (a) alleviating the causes of the need for the assistance...

In considering both the potential and the project design for continuing development activities financed by the monetization of Title II food aid resources in Cape Verde, Program Managers should consider various issues, e.g.

1. Issue - The use of local currency sales proceeds to finance in-country commodity logistical costs.

Is it appropriate to use a portion of donated Title II food aid resources to reimburse the recipient government for distribution costs of PL-480 Title II foods? If, in doing so, are these Title II food resources being used to subsidize the operational costs of semi-autonomous parastatal marketing agency in the recipient country without verifying that the local currency sales proceeds are being used only to pay those approved costs associated with insuring that Title II foods are reaching the needy persons?

Comments

Preferably, all administrative and other costs related to receiving and handling of the Title II commodities are to be borne by the recipient

country. In other words, the gross proceeds of the sales will be available to finance the development purposes agreed upon. In certain cases, a portion of the sales proceeds may be used to pay logistical costs (of PL-480 commodities); however, local currency proceeds available for project purposes must equal the local currency equivalent of the U.S export value of the commodities. Therefore, the portion of proceeds which can be used for local transport and handling costs cannot exceed the difference between the U.S export value and the in-country selling price. Any such costs exceeding this amount must be covered by the recipient country.

Accordingly, it is permitted to use a reasonable portion of the Title II sales proceeds to increase the effectiveness of the food distributions and the availability of food. Therefore, any new or follow-up project design should verify that a reasonable portion of the local currency generated is being used in the approved manner. To do so, it is suggested that provisions be included in the project design which will require the deposit of the gross sales proceeds into the FFD account and the reimbursement of the distribution agency EMPA for specific costs (as approved by USAID) which are associated with the handling and delivery of Title II foods to the needy beneficiaries. The approved costs may include only costs directly associated with the Title II foods; these approved costs should be mutually agreed to through an examination or an audit of EMPA's operational costs. In the event that such an audit is not possible, a flat fee rate should be negotiated that will insure that non-developmental expenditures will not absorb an unequitable share of the resources available for developmental purposes.

2. Issue - The use of Title II local currency sales proceeds to continue to finance public works types of soil and water conservation structures.

Is it appropriate to continue using the major share of the disposable resources which have been generated from the sale of Title II food aid resources and available for developmental purposes, to achieve labor intensive, soil and water conservation projects in an area of limited agriculture potential when the primary objective of these work activities is apparently to provide employment for surplus agricultural labor during the slack season?

Comments

No doubt, the GOCV considers that resolving the food deficit each year is their highest priority problem. However, it is also reported that the Cape Verde agricultural sector cannot be made to satisfy Cape Verde's basic food needs in any reasonable time frame. Therefore, Program Managers should question the objectivity of applying a major share of the Title II food aid resources which are made available for development purposes to effect long-range water and soil conservation activities. These have little potential which will result in short- or medium-term benefits in increasing per capita production.

It is not the objective of this discussion to contradict the value and the benefits of soil and water conservation activities in Cape Verde. The

accomplishments of the GOCV is acknowledged elsewhere in this report and soil and water conservation activities meet the selection criteria of Section 206 programs. However, the intention of this discussion is to remind Program Managers that the basic intent of multi-year Section 206 programs is development which can be linked directly to increased per capita production, improving the means for storage and distribution of agricultural commodities, and to improve health and nutrition conditions.

Accordingly, it is suggested that serious consideration be given during any new project design to diverting a share of the local currency sales proceeds away from the public works types of projects which utilize surplus agricultural labor during the off agricultural season and, instead, devote a significant share of the local currency generated from sales proceeds (and supported by DA funds), to implement innovative and productive activities whose benefits will more directly contribute to relieving the reason for continued food assistance. It is also suggested that Program Managers consider programs which would involve the direct participation and labor of the small land holders in smaller, primary soil and water control efforts within or directly benefiting their own land holdings.

3. Issue - The planning and implementation of development projects financed primarily with only local currency and without providing adequate program management resources.

Is it appropriate to continue to attempt to effect development activities using the monetization of food aid resources with providing adequate and sufficient managerial and technical resources, to insure that Title II food aid is utilized and managed in accordance with acceptable development program management standards?

Comments

This review has indicated that the actual accomplishments projected for the life of the project will be significantly below the target levels planned and budgeted in the Project Paper and the TA-2606. The reduced accomplishments have been attributed, both to insufficient personnel to effectively plan and manage development activities, and insufficient supportive equipment and materials (see Section IV).

Accordingly, it is suggested that all Program Managers (a) define realistic input requirements in terms of management and technical assistance staffs, and support equipment and materials required to effectively implement the approved development activities at the levels planned; (b) provide these inputs as required to satisfy the level of effort planned, or (c) in the event this is not possible, reduce the allocation of the financial resources to a level which is more compatible with the absorptive and managerial capacities of the entities charged with the responsibilities for program implementation.

IV. PROJECT IMPLEMENTATION

A. Implementation Analysis of Outputs/Overview

The MRD's Division of Soil and Water Conservation has been the GOCV's major executing agency for the FFD sub-projects (it is also responsible for the AID-MRD Watershed Management Project). This division has had considerable experience in conservation rural works programs since independence. The director is an engineer and two expatriate engineers are on the staff. The division's control and regional offices have a number of technically-trained personnel responsible for various works projects. It has also conducted training sessions in construction management several times each year.

The Center for Agrarian Studies has been responsible for the two smaller sub-projects: a building at the Center and the Sao Filipe/Sao Francisco experimental works. The Center has an architect and a few construction technicians. The director of the Center is evidently managing the sub-projects directly.

In the field, semi-skilled supervisors and job foremen oversee the physical construction of the conservation works. Once work is completed, personnel are transferred to new work sites to expand the area treated with new construction. A typical work site will have from 25 to 100 workers carrying, breaking and placing rocks in walls or inside the gabion cages. The only heavy equipment used are air hammers and compressors to breakup rock outcroppings and small dump trucks and bulldozers to move the larger rocks. Workers also construct small reservoirs and water canals and place pipe for irrigation. Due to the timing of the evaluation during the cropping season, only small skeletal work crews could be observed.

The workforce is usually composed equally of men and women. This varies with the season; if and when the rains come, more women than men generally leave the job site to tend the fields. Wages are paid according to skill. For example, women predominate as carriers, while men break up the rocks. Work crews building terrace walls are comprised almost exclusively of women.

These public works jobs are eagerly sought after due to the virtual non-existence of alternative employment. The men and women laborers are generally from the area and are thus further motivated by the improvement of their own local surroundings.

The selection of employees has been the responsibility of a local commission which represents the population within a given watershed. The commission determines the sources of income available to each household to evaluate their relative need. This apparently works quite equitably. Employment is generally limited to one individual per family unless compelling need for additional income is shown. In general, households receiving remittances from relatives abroad are disqualified if their assistance is equal to or greater than the average daily wage of 75 CVE (about US \$1.00) paid to each worker. Families or individuals not selected for employment have the right of appeal to a higher level.

Quantities of labor and materials are closely at the work site. The MRD prepares field sheets for each dike. Using these field sheets, the local job foreman (controlador) records the number of workers daily at each site, the number of hauls made by trucks, and the operating hours of other machines utilized. A 15-day summary is made for each work site. This information is then checked against the technical information developed for the given dike or dam. Copies of a set of forms which were completed for a dike at Vila Quente, in Ribeira Seca are found in Appendix II.

Once the field sheet is completed, it is verified by the field supervisor responsible for several foremen. In turn, the field supervisor delivers the field expenditure information to the Division of Soil and Water Conservation which checks the information and presents it to the MRD accountant. After the accountant certifies the expenditure, the MRD presents a bill to the Ministry of Finance for payment from the FFD account of the National Development Fund.

From these forms, a quarterly activities and financial summary is prepared by MRD for their own internal accounting. This summary then serves as the basis for the FFD quarterly report which is supposed to be presented to USAID/Praia (the Ministry also furnishes other donors of similar soils and water projects with a quarterly report based on these field sheets).

Analysis

The evaluation did not attempt to audit the accounting system at sites. A spot check of one dike construction in Ribeira Seca (see Appendix II) indicated meticulous accounts with only minor errors. Actual construction costs are running about 5% higher than those estimated in the project paper, after accounting for the 15% annual inflation factor. Judging from the extensiveness of the completed sub-project works, and the costs reported by the MRD there is no reason to suspect irregularities. Likewise, the overall quality of construction work appeared to be good; only a few minor washouts were caused by a heavy rainstorm earlier this year.

The construction system does have a bottleneck in accounting and disbursement. The time required to compile the expenditure reports through the MRD, to have them submitted for inter-agency approval to the Ministry and, finally to distribute disbursements back through the system can delay salaries by as much as two months. The problem appears to lie more with Finance than with MRD. Financial management assistance or the creation of a revolving fund may alleviate the delays. This does not however present a major impediment to implementation.

In fact, the late start-up of the FFD sub-projects is not attributable to the system, but to the size. Starting at the top, the primary executing agency has only three engineers (two of whom are technical assistants) and a small number of engineer-technicians in the central and field offices. This staff must plan and oversee several multi-million-dollar watershed improvement and rural works programs. Workload and staff constraints appear largely responsible for the time necessary to develop adequate plans and schedules for the sub-projects. The training and placement of lower-level, skilled personnel (controllers and foremen) also requires time. Finally, the available labor force will vary greatly due to the rains and consequent demands of farmwork, as well as to the employment needs of other projects.

Specifically, the limited availability of agronomical, hydrological, and engineering expertise in-country has slowed planning for two sub-projects. The beginning of work in Sao Filipe/Sao Francisco depends on the arrival of a landscaping expert. No technically qualified personnel have been available to conduct a study for the Santo Antao sub-project. Moreover, the MRD had no overall soil and water conservation plans worked out for the other watersheds prior to construction. The lack of complete, integrated watershed plans was also a major conclusion on the recent evaluation of the Watershed Management project.

Sub-project activities were also somewhat hampered by some transportation and equipment needs. Chief among these are spare parts for dump trucks, motorbikes for field technicians, a backhoe for excavation and miscellaneous office equipment.

The AID office also bears responsibility for some of the delays in implementation of the sub-projects. The project officer has admittedly not been fully aware and adequately involved in sub-project activities; this was evidently caused by other demands on his time due to staff absences and a weighty project portfolio. No project assistant could be hired as was recommended in the Project Paper. In particular, this has prevented work with the MRD on the Santo Antao sub-project, although recent programming decisions also held back start-up.

The major institutional factor contributing to the slowed sub-project activities was the apparent lack of a clear understanding of the exact roles, responsibilities, and achievement expected of the various agencies involved. No implementation letters or memorandums of understanding were used to clarify project specifics. There is no overall coordinator of the FFD sub-projects within the MRD. The dissolution of responsibility was evident during the evaluation: Only the Division of Soil and Water Conservation participated although the Center for Agrarian Studies and other GOCV institutions were involved in sub-project implementation. The Division of Soil and Water Conservation is still not entirely clear on certain aspects of the project (for example, the target of irrigation development in the Eastern Santiago sub-project). In fact, the Division Chief was apparently not aware that the project budget provided funds for topographic and program assistance until it was discussed during the evaluation.

B. Program Outputs

1. Eastern Santiago Soil and Water Conservation Sub-Project

This is the largest sub-project involving various soil and water conservation works in four different watersheds: Ribeira dos Picos, Sao Domingos, Ribeira Seca and Ribeira do Mangue. These watersheds are located on the eastern, windward slope of Santiago Island, between 15 and 30 km from Praia. Three of these valleys have some rural works which were financed under a previous USAID project.

The combined area of the Watersheds is 170 square kilometers. The four watersheds have a population of approximately 33,000 people (1980), almost all of whom depend directly on agriculture for their livelihood. Soil in the upper reaches of the watersheds is generally fertile due to their volcanic origin. Demographic pressures on the land have prompted occupation and cultivation of very steep slopes, 100 percent being common in higher elevations. Infrequent high-intensity rains along with expansive cultivation and removal of the vegetative cover have caused loss of both topsoil and water runoff to the sea.

These losses are reduced by well-located soils and water retention works. At the same time, the rich alluvial soils deposited in the wider stretches of the riverbed downstream can be exploited for irrigated agriculture. Therefore, the goal of this sub-project is to slow soil erosion and increase water infiltration within the four watersheds, and increase domestic food production while improving the well-being of the resident population.

These four valleys were selected on the basis of their above average population density, severity of erosion problems and agricultural potential with soils and water resources management.

The specific objectives of this sub-project were:

- a. construct technically sound soils and water conservation structures;
- b. stabilize rainfed land and increase arable land for rainfed and irrigated agriculture;
- c. provide sources of water for agricultural and home use; and
- d. provide employment to Cape Verdean men and women. The quantifiable indicators are listed on the tables (page

Achievements

A considerable amount of work has been accomplished under this sub-project. As detailed on the following tables, over a hundred kilometers of contour ditches and walls and hundreds of dikes have been built, and almost ten thousand trees planted. Employment has surpassed one half million person-days. The magnitude, expanse and quality of this work was immediately evident during site visits to the valleys.

However, despite the formidable amount of work completed, the achievements to date are considerably less than the targets set forth in the project paper. Only a relatively small amount (5%) of the agricultural land targeted has been stabilized with contour ditches and walls (although note that this hectareage is roughly estimated from the linear measure of contour treatments given by the MRD). Less than a third of the overall target for alluvial land has been achieved (again, this is roughly estimated from the number of dikes constructed. No irrigated land has yet been developed. On the other hand a hundred thousand trees were planted, which were not listed as an indicator for this sub-project.

Employment and expenditures are probably the most accurate indicators of progress. The tables show that approximately 66% of the employment targets

EASTERN SANTIAGO SOIL AND WATER CONSERVATION

PP Targets for 36 months	Sub-project achievements in 18 months				
	Ra Seca	Picos	S. Domingos	Mangue	Total
1) 1280 ha of agricultural land stabilized with contour ditches and walls	3500 m of ditches 32615 m of walls (est. 20 ha)	36936 m of ditches 29079 m of walls (est. 26 ha)	7301 m of walls (est 3.5 ha)	0	40436 m of ditches 68995 m of walls (est. 49.5 ha)
2) 160 ha new alluvial land behind dikes	341 dikes (est. 34 ha)	167 dikes (est. 17 ha)	45 dikes (est. 5 ha)	0	553 dikes (est. 56 ha)
3) 64 ha of irrigated land	0	0	0	0	0
4) 1,670,640 person-days of employment	252037 p-d	233347 p-d	64822 p-d	0	550,206 p-d
Other works	48771 trees	42026 trees	6000 trees	0	96797 trees (est. 206 ha)
	284 citrus	987 citrus			1271 citrus

for this period have been reached. The rate of expenditure is on the order of half of that planned during this period.

The shortfalls to date can be attributed to several factors., The first is the ambitious targets for agricultural land set in the project paper. The 1280 ha of land targeted for stabilization in the PP would not only require an enormous level of effort, but is probably erroneous. 1280 ha represents 71% of the 18 square-kilometer project area, probably an impracticable goal. Also, the MRD records and reports give only linear measures of contour treatments completed; from these linear distances, the areal surface stabilized is difficult to accurately estimate.

An aspect of this sub-project which is not clear in the project paper is the benchmark of sizeable, 64-hectare increase in irrigated land. No explanation relates this increase to the works to be undertaken. It can only be assumed that this increase would, in the end, be a result of improved water conservation, and hence aquifer recharge. The Division of Soil and Water Conservation engineers were also puzzled by this figure.

EASTERN SANTIAGO SOIL AND WATER CONSERVATION

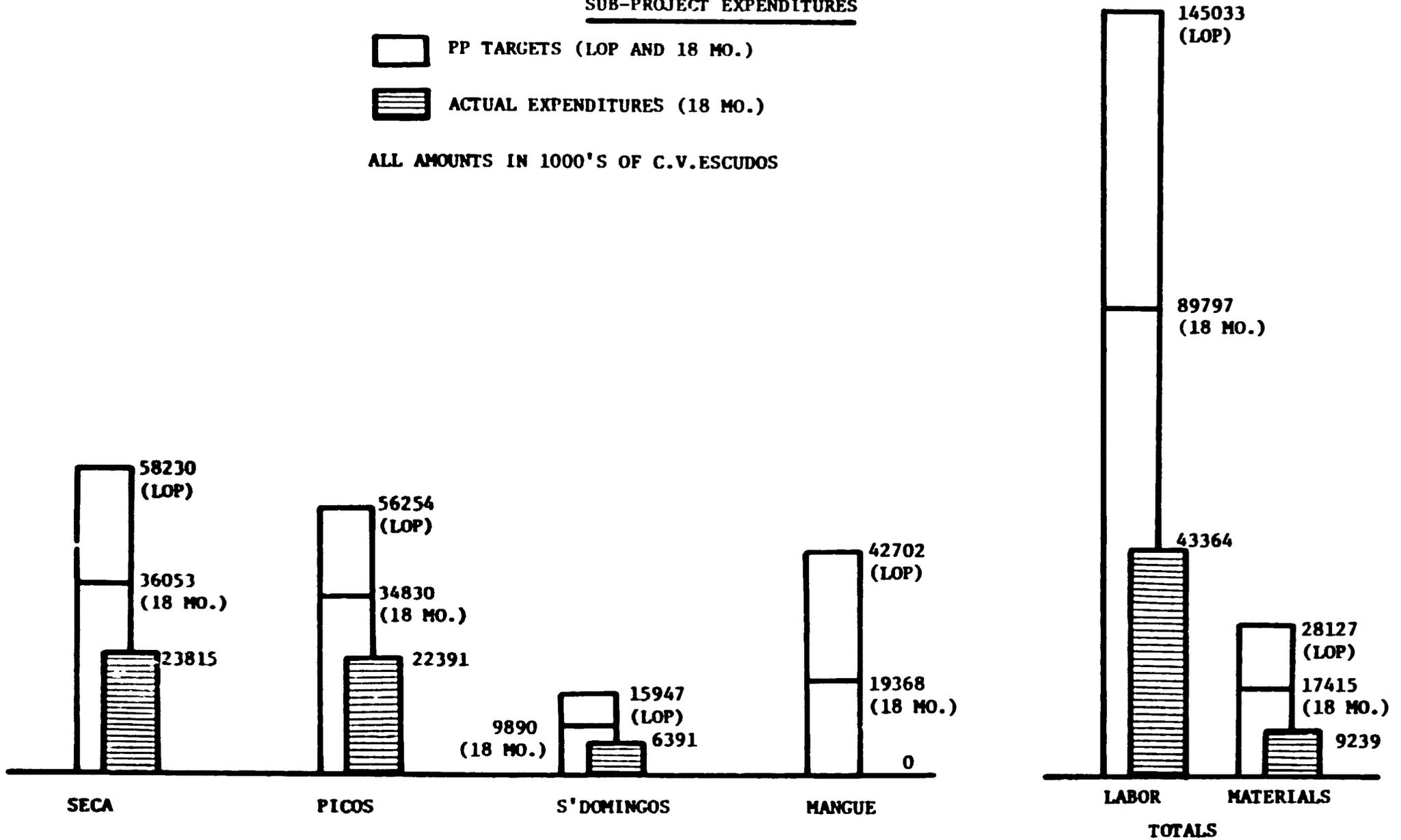
SUB-PROJECT EXPENDITURES

□ PP TARGETS (LOP AND 18 MO.)

▨ ACTUAL EXPENDITURES (18 MO.)

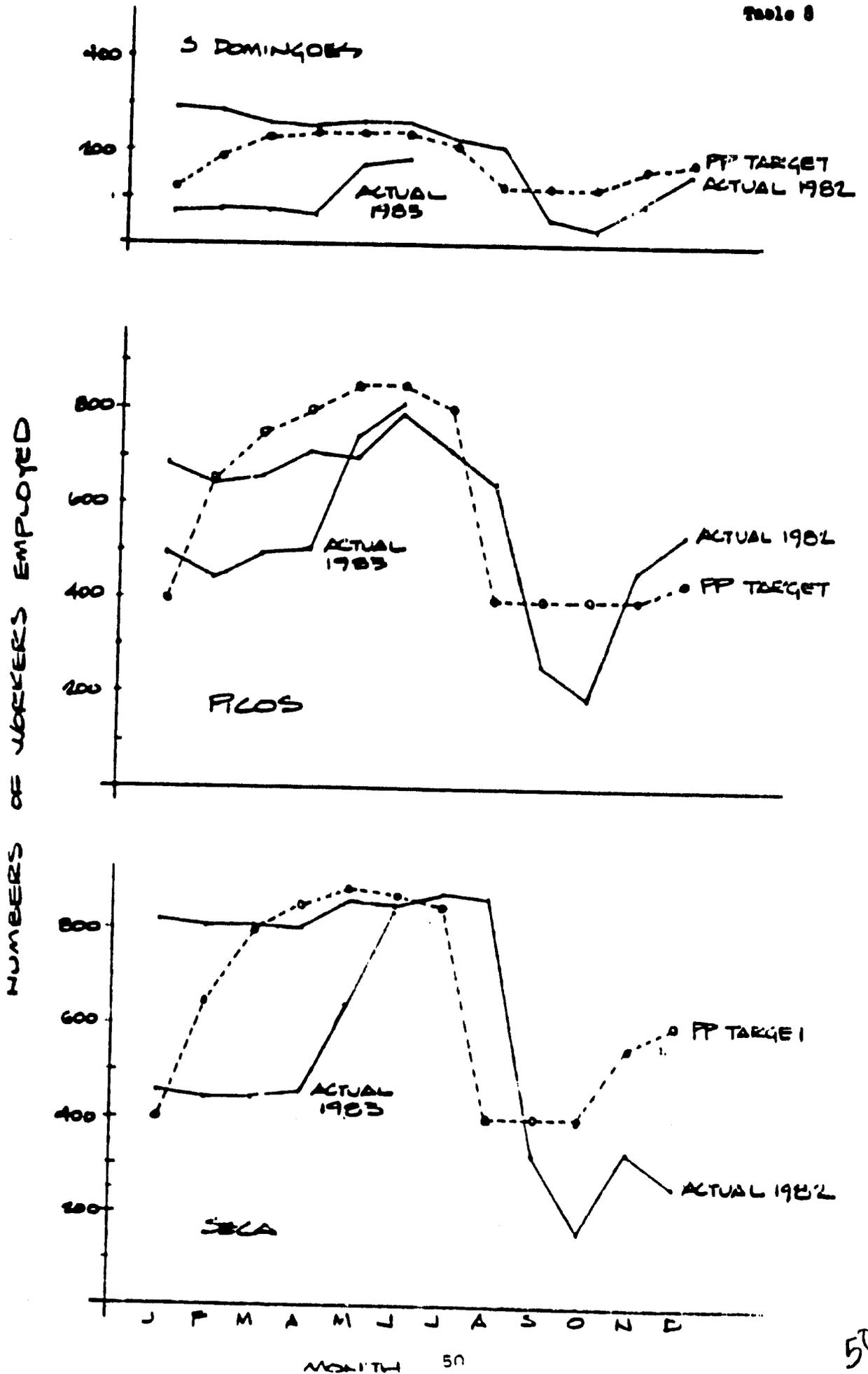
ALL AMOUNTS IN 1000'S OF C.V. ESCUDOS

Table 7



SUB-PROJECT EMPLOYMENT

Table 8



Other, more general factors contributing to slow sub-project start-up include the small technical staff size and heavy workload of the Division of Soil and Water Conservation, and a large drop-off in the labor force due to an improved 1982-83 rainy season (see labor curves, Table 8). The low-level of monitoring and involvement by the AID office was also a contributing factor. These are discussed in more detail in the overall implementation analysis.

A major cause of the shortfall in this sub-project is the delayed startup of activity in Ribeira do Mangue. Work could not begin in this area due to other project works, particularly one in a neighboring watershed, Praia Formosa, which effectively occupied all available labor and MRD technical staff. This indicates that there are limitations to the human resources (from unskilled labor to MRD technical cadre) in the area which may be a constraint on the project. The MRD has now completed a work plan and will begin works in the valley in mid-October. As of this writing work had not yet begun.

Finally, tree planting, although not foreseen in the Project Paper as part of this sub-project, should be considered an acceptable and appropriate addition or alternative to the sub-project conservation activities. . . . Forestation of upper slopes has multiple benefits for agricultural production, not the least of which are reducing runoff and increasing organic matter. It is furthermore a highly cost-effective conservation practice which is recommended in the numerous technical treatise and agricultural assessments of the Sahel, as well as in the recent evaluation of the AID-MRD Watershed Management Project. The agricultural productivity fruit trees needs no discussion. Therefore, the tree planting should be a legitimate target and indicator of progress. Assuming a tree spacing of 5 meters and 85% survival rate, these trees are protecting an additional area of approximately 206 hectares.

2. Sao Filipe/Sao Francisco Soil and Water Conservation Sub-Project

Sao Filipe and Sao Francisco are two watersheds just outside of Praia. Like other "ribeiras" on Santiago Island they are subject to severe soil erosion and large rates of rainfall runoff. The conservation measures financed by this sub-project are similar to those of the Eastern Santiago sub-project, with the addition of tree planting. However, upon completion, the sub-project site will provide the physical framework (soil erosion plots and tree foliage as animal fodder) for applied research on the impact of soils and water conservation practices on crop and animal production.

Starting from the practical knowledge gained during the past several years of work, the MDR needs to begin an applied research to determine the effectiveness of various soil and water retention measures. For example, the MDR needs to be able to quantify watershed runoff and sediment yield and determine the relationship between planting trees for conservation purposes and supplying forage for small ruminants.

An applied research program implemented through the Center for Agrarian Studies will begin in the Sao Filipe/Sao Francisco watersheds. The MDR is in the process of constructing several division offices in these watersheds which will also support testing activities of other donors there, such as experimental use of solar and wind energy to pump water for irrigated plots.

Center is therefore awaiting the arrival of a Portuguese landscape specialist who will layout the final site plan. The arrival of this specialist does not appear imminent. No work has yet begun on any of the other conservation works or tree planting.

The delay in starting up these sub-project activities is attributable to two factors. First, the Center for Agrarian Study has a limited capacity to undertake and manage construction works on this scale and complexity. Its technical office is presently engaged in several sizeable projects involving design or construction, two of which are AID financed (Food Crop Research and IMP). The Center simply does not have the time and technical staff necessary to undertake this sub-project within the timeframe envisaged. The Center's Director expects work in the watersheds to begin in earnest by the end of the year.

3. Tarrafal Soil and Water Conservation Sub-Project

This sub-project is located in and around Tarrafal (population: 2600) on the northern end of Santiago island, 40 km from Praia. The activities were designed to support the Tarrafal Water Resources Project which ended in mid-1983. This development assistance project provided short-term technical assistance, drilling and irrigation equipment and vehicles to help develop water resources and expand an existing irrigation system. Soil and water conservation works, i.e., catchment dams, dikes, terraces, trees, etc. were an integral element of this effort.

This sub-project integrated PFD financial resources into the Tarrafal development assistance activity. PFD resources extended the conservation works to the Water Resources project to a larger area encompassing watersheds adjacent to the project site. The PFD sub-project also provided labor for construction of certain parts of the irrigation system.

The objectives of the sub-project were to construct soil and water conservation structures, to provide water storage in streambeds with subterranean dams, to stabilize land to increase arable land for rainfed and irrigated agriculture, and to employ Cape Verdean men and women.

The Program Paper lists the following verifiable indicators:

1. Stabilization of 380 hectares of rainfed agricultural land;
2. Formation of 55 hectares of new alluvial land for farming;
3. Formation of 20 hectares for irrigated agriculture; and
4. 460,000 person-days of labor.

Achievements

This activity is well underway.

These sub-project objectives are to construct technically sound soils and water conservation structures; to stabilize rainfed land and increase arable land for rainfed and irrigated agriculture; to construct soil erosion plots for applied research; to plant trees to aid the conservation of soil and water resources and provide fodder for small ruminants; and as part of the

national forest reserve, some of which will be transplanted to aid conservation efforts elsewhere in Cape Verde; and to provide employment to Cape Verdean men and women.

The Center for Agrarian Studies objective whose activities will be financed independently from the Food for Development program: to provide a physical setting where the MDR can pursue applied research for its on-going program of conservation practices in order to better define and quantify the relationship between integrated conservation efforts and agricultural and animal production.

The objectively verifiable benchmarks for the end of the sub-project are as follows:

- a. Planting of 200 hectares (100,000 trees (Parkinsonia aculeata Prosopis juliflora) for conservation purposes and foliage for animal fodder (for independent use by the MDR for pasture research plots);
- b. Planting of an additional 1300 hectares (650,000 trees of native and imported species) as part of the national forest reserve;
- c. Construction of an adequate number of soil erosion plots for independent use by the MDR to determine values for the various parameters of the USLE (i.e., slope, crop cover and soil type);
- d. Construction of terraces, dikes, contour ditches sufficient in number to adequately maintain the tree planting efforts above, to stabilize agricultural land and to create new alluvial land for farming; and
- e. Employment of Cape Verdean men and women at the approximate rate of 256,350 person/days of labor.

Achievements

This sub-project is as yet in the planning stage. Due to the research orientation of these works, detailed plans are necessary before work can proceed. A preliminary plan has been drawn up by the Center for Agrarian Studies, but the final design requires specialized technical assistance which is not presently available in-country.

It is the only sub-project which met, in fact, surpassed the implementation benchmarks set out in the Program paper. Expenditures and employment surpassed targets by 29% and 17%, respectively. The works which have been completed are extensive and impressive.

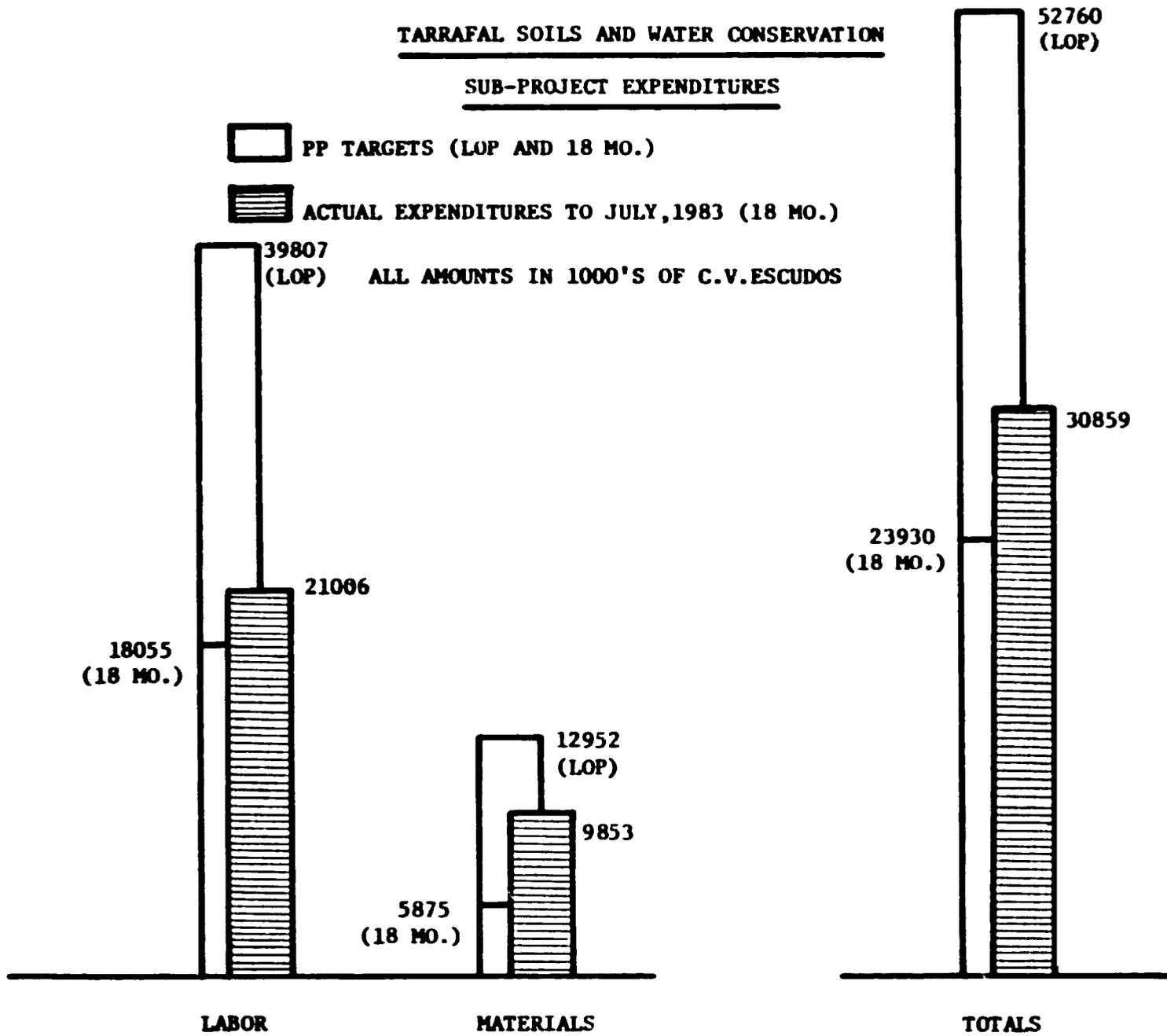
The relatively fast start-up and pace of this sub-project is directly attributable to the technical personnel and labor available in Tarrafal. The MRD had established and staffed a regional office. Several of the technical staff were trained under the water resources project. The head of the MRD office was well-experienced in large-scale rural works. Nor was the labor force diminished by farming needs during the cropping season; there is less rainfed agriculture in the area.

TARRAFAL SOILS AND WATER CONSERVATION

SUB-PROJECT EXPENDITURES

Table 9

□ PP TARGETS (LOP AND 18 MO.)
▨ ACTUAL EXPENDITURES TO JULY, 1983 (18 MO.)



Moreover, the achievements in this sub-project clearly demonstrate the benefit, if not necessity, of linking a FFD program with a large development assistance project. The Tarrafal water resources project provided institutional support in the form of technical personnel, offices, equipment and vehicles. Less tangibly, but as importantly, linking the FFD program to a development project also consolidates management and provides technical direction to the program.

It should, however, also be noted that this sub-project achieved outputs quite beyond those stated in the Program Paper. These included well drilling, road construction and MRD office and housing repair, and contributed significantly to expenditure and employment rates. FFD support for a development project led to innovative and enthusiastic expenditures in this sub-project.

PP TARGETS (36 MONTHS)

ACHIEVEMENTS IN 18 MONTHS

1) 380 ha of agricultural land stabilized by walls and ditches	81 396 m of ditches 37 927 m of walls (estimated at 99 ha)
2) 55 ha of new alluvial land formed behind dikes	270 dikes (estimated at 27 ha)
3) 20 ha of irrigated land developed	14 deep wells (7100 m) 1 reservoir 2086 m of pipe 2 dam site borings 3 ha of leveling
4) 460,000 person-days of employment Other works	270,000 person-days 87,350 trees planted 2 deep wells for domestic use 9 km of access road misc. building construction and repair

4. Santo Antao Agricultural Production Sub-Project

This sub-project consists of the development of an irrigation system and associated conservation works in Tarrafal do Monte Trigo which is located on the south-western end of the Santo Antao Island, approximately 320 km from Praia.

Santo Antao is the second most populous island of the archipelago with 45,000 people. Approximately 1200 people live within the valley itself. Their principal means of employment are fishing, agriculture and public works. The MDR regional office in Ribeira Grande, to the north, provides supervision for the rural works activities in Tarrafal.

The Tarrafal basin was selected for development due to its hydrological resources. A spring located at a height of 620 meters (1984 feet) runs into the riverbed and natural formations along the bed set as water catchments,

maintaining a continuous stream flow with small annual fluctuations, despite the scarcity of rainfall. This natural system is ideal for irrigation because it does not depend on pumping energy for utilization. Water can be easily gravity-piped to lower fields for irrigation, obviating the need for expensive pumping equipment. The Tarrafal basin also has at least six other springs in its headwaters whose flow is not presently utilized.

With the exception of one small area, Covao, the farmers cultivate on extremely steep hillsides which are susceptible to erosion without any conservation treatment. In the basin, only 112 hectares located below the springs (or one-fifth the potential area) are presently adapted to irrigation. Of the 112 hectares, 17 are privately-owned and 95 are state-owned. The principal crop is sugar cane, followed by tubers, manioc and sweet potatoes, and vegetables, particularly tomatoes and onions. The number of fruit trees, presently some 200, could be greatly expanded. Developing the region for irrigation would increase food production since the GOCV is prohibiting sugar cane production on land developed with public funds. The MRD is also devising a plan to form rural workers into an agricultural production once development activities are initiated in the Tarrafal valley.

The project objectives are based on a first 3-year phase of the project which would be followed by a second phase to develop irrigation and form a producer cooperative.

The specific objectives of this sub-project are to construct technically sound soils and water conservation structures; to stabilize rainfed land and increase arable land for rainfed and irrigated agriculture; to construct a gravity functioning water reservoir and canal system for irrigated production of fruits and vegetables; to provide necessary infrastructural support for formation of an agricultural producers' cooperative; and to provide employment for Cape Verdean men and women.

The quantifiable indicators are:

1. the construction of ditches walls and terraces and planting of trees on the contour of 95 hectares of arable land;
2. the preparation of 95 hectares of land for irrigation;
3. the construction of a small water reservoir (1000 cubic meters);
4. the construction of 4 kilometers of concrete-lined irrigation canals; and
5. the formation of a viable producers' cooperative.

These indicators may be modified by a feasibility study.

This sub-project is technically more demanding since it involves an irrigation system and the development of a cooperative on different islands. The original project design team and AID office felt that a "further definition of project technical feasibility and survey of the MRD's capabilities to conduct it "was necessary prior to the release of funds. Therefore, the Project Paper and Transfer Agreement specify a joint AID-MDR feasibility as a condition precedente to funding this sub-project.

Analysis

The feasibility study has not yet been conducted and implementation has yet to begin on this sub-project. The AID office and MRD have not yet been able to coordinate on a specific time for this study. The press of other technical and management responsibilities on both sides is the major factor preventing completion of this study. The MRD now has a six-man technical team on site apparently capable of executing the works. This team, however, does not have the interdisciplinary expertise necessary to conduct a feasibility study. It has nevertheless prepared a construction plan which describes and schedules the works required and specified labor and material needs. The MRD has requested the AID feasibility study, or to propose details for a joint study as outlined in the project paper. To date, no action has been taken on this request. This impasse has been reinforced by the AID 1983 ABS which outlines a strategy of concentrating program activities on Santiago Island only.

In discussions, the MRD has stressed the importance of this irrigation development at Santo Antao, and a desire to move ahead with implementation as soon as possible. These irrigation works are closely linked to the Agrarian Reform Program, and the MRD feels that a technically-competent team is now assigned to the zone (which was not the case previously).

Although an evaluation site visit was discouraged by the AID office (basically because of time constraints), there is no reason to doubt the MRD assessment. However, the size and complexity of the development still warrants a USAID site visit to ensure the feasibility of the scheme prior to funding. (This requirement is not necessary before beginning the associated conservation works in Tarrafal). This study could probably be completed during a site visit by the MRD and AID project managers with the assistance of the USAID engineer and the short-term agronomist planned for the Watershed Management project. Judging from the meticulous and detailed record-keeping of construction work in other sub-projects, close AID monitoring of these works does not appear to be an issue.

5. Center for Agrarian Studies Sub-Project

The National Center for Agrarian Studies (CAS) in Sao Jorge is approximately 28 km from Praia. Though still in its early stages, the Center has made considerable progress in its efforts to address key aspects of increasing food production. The Center is presently undertaking several activities: the establishment of a water and soils testing laboratory; a program of planning for remote sensing and land use mapping; initial research on locally produced organic fertilizer; sponsorship of national and international seminars on selected topics of agrarian development; participation in the Sahel-wide Integrated Pest Management program; implementing the AID-financed Food Crop Research Project; and participation in Agrhymet, a Sahel-wide agro-meteorological monitoring program.

The last activity involves this sub-project. As a member of CILSS (the Sahelian group for drought control, Cape Verde is involved in the Agrhymet program, headquartered in Niamey, Niger. The program is an extensive, rather sophisticated effort to establish agro-meteorological monitoring and reporting stations in various parts of the Sahel in an effort to understand and predict

climatic conditions for the region. Due to its maritime location, Cape Verde's participation extends the agro-meteorological monitoring capabilities of the Agrhymet program past the mainland coast of West Africa.

The GOVC has agreed to have a national meteorological and hydrological center in Sao Jorge completed by 1983 to house the telecommunications equipment and personnel required to operate the national program. The Center for Agrarian Studies serves as the Agrhymet Program National Center and "sub-regional" centers are being constructed on the other islands.

The Center presently operates from a cluster of buildings in Sao Jorge, some of which are still under construction. The Center requires an administrative headquarters to plan and program its activities on the spot, rather than from Praia, and to oversee their implementation. The Center's architect drew up the plans for a two-story administrative building designed in the form of two semi-circular sections for which the financing required for one section had already been secured.

This sub-project, the smallest of the five, financed the construction of a section of the Center's operational and administrative headquarters. This building will also house the telecommunications and other equipment for Cape Verde's participation in the Agrhymet program.

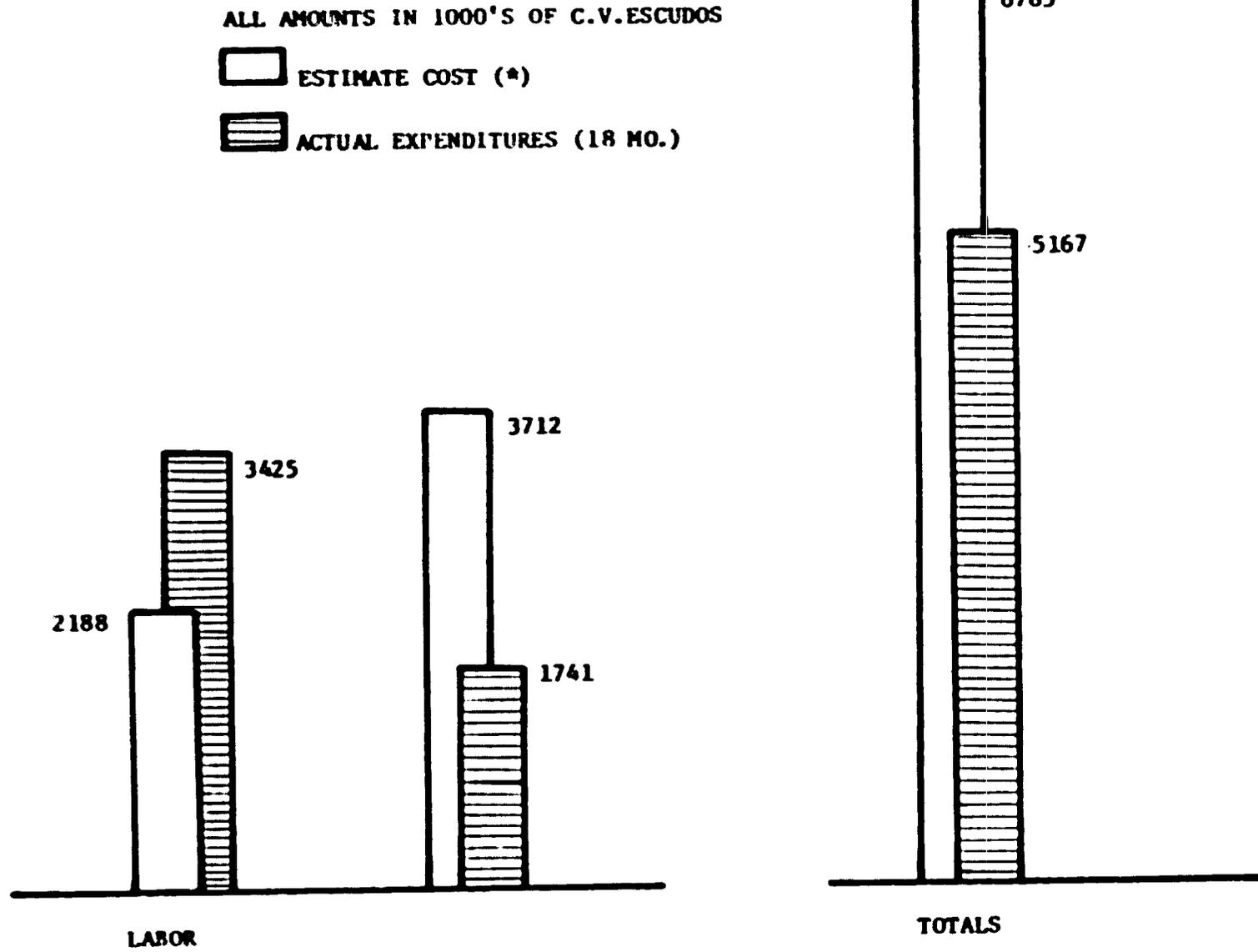
Therefore, the purpose of this sub-project is to strengthen the institutional capability of the MDR and its Center for Agrarian Studies to apply research methods in a practical manner in order to plan and promote the agricultural and rural development of Cape Verde; and to increase rural incomes. The more immediate objectives of this project are to construct a section of the headquarters of the national Center for Agrarian Studies, and to provide employment for Cape Verdean men and women.

Achievements

This sub-project is approximately 60% complete. Construction on the building has been progressing slowly, but steadily, over the last 18 months. The first floor rooms are almost finished and the third floor slab is being poured. The expenditure chart on the following page (table 10) is illustrative. Due to the small size of the works and skills required, employment has generally be less than 50 workers.

Inspection of the building site revealed some questionable structural elements and poor construction practices. The work is being managed by the Center's architect; no professional engineer appears to be involved. Building construction on this scale requires closer AID engineering inspection, and is probably not well-suited for this type of FFD project. The Center's small staff has been hard pressed dealing with the large amount of different project construction planned and in progress at Sao Jorge.

In addition to the engineering workload and staff size at the Center, there is a question of the suitability of this type of low employment, high skill constructing for a FFD sub-project. This issue is, however, not critical due to the relatively small size of this sub-project.



* ESTIMATE, MORE 785 FOR STUDIES AND 100 FOR OTHERS.

C. Technical Analysis of Outputs

The results of this project are for the most part standard soil and water conservation works: contour ditches and terrace walls, check, dams and dikes and forestry and fruit tree planting. Secondary works include irrigation systems, wells and office building.

Most of these soil and water conservation works are well-known in semi-arid zones worldwide, and are widespread in Cape Verde. All of these techniques are or were employed in three other AID-MRD projects: Watershed Management, Terrafal Water Resources (completed in early 1983), and Rural Works (completed in early 1982). Appendix I contains a description of these various works taken from the FFD project paper and detailed discussions of the effects of various types of works taken from the recent (1982) evaluations of the Watershed Management and Terrafal Water Resources projects. This analysis limits itself to a discussion of the major issues surrounding the effectiveness of these conservation treatments, and how these pertain to the FFD Program.

1. Upstream-Downstream Development

As recommended in the evaluations (as well as in most treatise on watershed management), efforts to decrease runoff and erosion should begin on the uppermost slopes of the watershed. This reduces the "snowballing" of rainfall runoff and soil sloughing, preserving downslope agricultural land and reducing downstream capital investments for flood control and siltation.

In the FFD project, as with the others, there has been an understandable emphasis on larger downstream works. These works are highly visible, seemingly more directly effective, and more readily-reached and built.

However, following the technical lead of the other watershed projects, the emphasis in the FFD sub-project should be directed toward the upperwatershed areas as much as technically and logically feasible. This has institutional and agricultural implications: prior inter-disciplinary study and planning of the work programs, and attention to upstream farming systems.

2. Biological vs. Physical Works

The establishment of perennial plants for soil and water conservation can be highly cost-effective when compared to the expense of earthen, rock or masonry works. Although requiring more initial care, contour strip or stabilization planting of perennials (such as congo bean, atriplex, sisal, aloe, acacias, and tamarind) have low initial cost and long-term maintenance, benefits of improvement to soil structure and organic matter, and consumable or marketable productive yields.

In the FFD sub-projects some notable efforts have been made in reforestation and fruit tree planting. Future sub-project activities should include planting of these perennials which have proven demonstratively effective in other watershed projects. Of course, increased emphasis on perennial planting is closely related to working on upper-most slopes as discussed above. More importantly, an emphasis on biological controls requires adequate agro-forestry research, backup and support and considerable modifications to farming systems as next discussed.

3. Conservation and Farming Integration

As continually pointed out by our own USDA, the successes of conservation as a state enterprise are circumscribed by farming practices. Conservation will not be self-sustaining (and will continue to require continual large capital investment by the state) unless its value is demonstrated and proven to farmers. This is very difficult due to traditional conservatism, labor constraints, and the dire short-term need to maximize food cropping. Only recently has the Watershed Management Project been able to convince farmers of the value of the investment of their labor in certain conservation practices (e.g., congo beans), and this through a considerable extension effort. Besides standard conservation practices, there are a number of water harvesting techniques which would probably increase present low levels of crop yield.

No comparable efforts have been undertaken in the FPD sub-projects. Contour ditches and walls have been constructed and trees planted on farmers fields with apparently no assurance of maintenance, and no extension follow-up to encourage replication of works or adoption of other practices. Nor does the burgeoning research system seem presently geared toward providing technical support for agro-forestry (although the recently begun AID-financed Food Crop Research Project has the potential). A basic understanding of the farming system, a widespread system of on-farm trials and testing, and an active, informed extension service are fundamental to farmer involvement in the conservation program. These can be achieved through a strengthened and expanded research and extension networks. Farmer incentives may initially be an appropriate adjunct to this effort.

4. Hydrological and Pedological Monitoring

Little verified quantification can be found in Cape Verde to substantiate the effects of various conservation practices on erosion and run-off. Some stream gauging and soil moisture testing has been undertaken under various projects with widely differing results. Without sustained monitoring of selected works, the MDR and donor agencies cannot determine the physical impact of conservation investments, nor judge the cost-effectiveness of various practices in differing situations.

With the exception of some rainfall gauges installed by the AGRHYMET project, there is no regular hydrological monitoring in the FPD unique to the FPD activities; the Tarrafal water resources has not established a sustained monitoring program despite a specific mandate and expenditures. However, efforts have begun in the Watershed Management to establish a monitoring system and the AGRHYMET project holds promise of well-trained assistance. The FPD conservation activities need to be linked into this system.

D. Conclusions and Recommendations

1. Conclusions

(a) The soil and water conservation works which have been completed are in general well-designed and built. Labor and materials accounting for the works appears detailed and correct. The costs of construction are relatively low. However, the pace of work has been slow with the major delays occurring during the start-up of individual sub-projects.

(b) The Program paper contains comprehensive and detailed construction planning. Yet, the benchmarks and indicators projected for the works were unrealistic both in the quantity and variety of the work to be accomplished during the program. No engineer was apparently involved in the design of the program.

(c) The major factor which limits the rural works program in the size and composition of the technical staff of the responsible MRD divisions. This also limits the amount and depth of study and planning of conservation works which is practicable in the watersheds. There does not appear to be much interdisciplinary, inter-divisional effort (i.e., forestry, hydrology, extension) within the MRD for watershed activities. Work is also slowed by unexpected reductions in the labor force. Last year's marginally-improved crop reduced employment by a third to a half of projections. Finally, the need of selected types of vehicles, equipment and parts is also affecting several work sites.

(d) AID Office priority to and monitoring of the works program is not adequate to the large-scale effort involved. No official implementation letters or memoranda were transmitted to the GOCV, nor was a full-time project assistant engaged as recommended in the Program Paper.

(e) The upcoming design of the Watershed Management II Project offers the opportunity to rectify many of the weaknesses of the present FFD works program. Several elements are detailed below.

2. Recommendations

(a) This FFD-financed conservation works program should be closely linked, if not integrated into the Watershed Management projects. This would strengthen several shortcomings of the program listed above by providing:

Technical direction to the works program, incorporating better interdisciplinary study and planning, selection of most-effective practices, and monitoring and evaluation of impacts.

Technical assistance and training to bolster MRD's capability to implement the program.

Logistical, administrative and commodity support for the operations of the program.

The second Watershed Management project should be designed to incorporate the provision of these elements.

(b) Planning for and follow-up to watershed development should be improved, including study of the types, variety and mix of conservation practices. The MRD could form technical, inter-divisional working groups in order to integrate agriculture (rainfed and irrigated), forestry, extension livestock and research into watershed development.

(c) The assumption in the Program Paper that quote virtually no other employment opportunities exist unquote in the sub-project areas should be examined. AID should undertake a short survey of labor and employment

in the relevant watershed areas to determine the impact of the works program on employment and arrive at an estimate of available labor and employment.

(d) The works programs should be redesigned with realistic and informed estimates of the demands of the work and appraisal of host-country technical capacity. Most of the indicators and benchmarks in this program should be revised downward by at least one-third to one half. An appropriately-experienced engineer should participate in the design of FFD works programs.

(e) Should AID decide to try to considerably increase (more than 20%) the present rates of expenditures and employment in the program, sub-projects on other islands will have to be included. MRD technical staff (and possibly, the skilled labor force) on Santiago Island are working at capacity; the maximum rate of expenditures and employment are probably not far from present rates. For this reason (not to mention the AID-GOCV legal commitment), the sub-project on Santo Antao Island should be encouraged.

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