

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



CAPE VERDE

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

Small Program Statement

BEST AVAILABLE

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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Cape Verde

Small Program Statement

**An A.I.D. Strategy For The Years
FY 1982 To 1986**

December 1979

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COUNTRY DEVELOPMENT
SMALL PROGRAM STATEMENT
FOR
CAPE VERDE

I. Background

A. Rationale for U. S. Bilateral Development Assistance Program

U.S. interest in providing economic assistance to the Republic of Cape Verde is influenced by the following:

1. Historical and Family Ties - Cape Verdeans have had a long history of emigration to the U.S., dating back to the 1700's. More than 300,000 people now living in the United States are of Cape Verdean descent. Immigration to the U.S. continues at the rate of 1,600 per year.

2. Humanitarian - Cape Verde is included on the United Nations list of Least Developed Countries. The Islands have been grievously afflicted by 12 years of drought; Cape Verde is a member of the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) which is endeavoring to identify common regional problems in the Sahel and to acquire support of the Club du Sahel for development assistance.

3. Strategic Geographic Location - Cape Verde occupies a strategic location at the intersection of several sea and air routes between Africa and the U.S., Europe and, potentially, for Latin America. As Cape Verde claims a 200

mile limit for its territorial water, Cape Verde sea boundaries extend over a large area of the South Atlantic.

4. Cape Verde Role in Africa - Cape Verde adheres to a foreign policy of non-alignment. Although a very small country with modest influence in Africa, Cape Verde maintains close relationships with many African countries, and with its combined political party with Guinea-Bissau, provides a channel for dialogue with and a moderating voice among these countries.

5. Human Rights - The Government of Cape Verde has a good human rights record.

II. The Economy

A. Overview

In any description of the Cape Verde economy, two factors should be noted at the outset. There are no recent national account statistics and reliable data of any kind are scarce or incomplete with the result that trends and patterns visually used to indicate the dynamics of an economy can simply not be identified in this case. The other factor is that the economy of an independent Cape Verde is only four years old and those have been four years of drought which have had a devastating effect on agriculture the ministry of the economy. As will be seen, with the exception of the agriculture and service sectors, there is little else to the economy.

In 1976, GNP was estimated at \$64 million. It was also estimated that agriculture, including related processing and marketing activities constituted 48% of GNP with the government contribution to GNP providing 47% of the total.

B. The Domestic Economy:

1. Agriculture: In periods of good rainfall the agriculture sector employs about 90% of the labor force and can provide for 70% of domestic food requirements as well as an exportable banana crop which, in 1977, provided for 15% of total domestically produced exports earnings. Agriculture is carried out by both irrigated and rainfed methods and in a year of good rainfall, each method will account for about 50% of total production.

The largest crop produced is sugar cane which, in 1978 amounted to 12,000 metric tons, followed by the banana crop of 11,000 metric tons and corn at 9,000 metric tons. These three crops accounted for over 90% of total agricultural production.

Rural incomes are low compared to those in the urban areas and although extensive data are not available, it has been estimated that in a year in which global GNP was \$212 per capita, agricultural GNP per rural dweller was only \$54.00.

There are a number of problems besetting the agricultural sector. Even in the years of best rainfall it cannot adequately meet domestic food requirements and those "best rainfall years" come only very rarely. When they do not come, the effects on crop production and the economy as a whole, can be devastating. In 1977, if rainfall had been only average, rainfed crops would have accounted for almost 60% of agriculture GNP, and would have been valued at \$23 million. As it was, with very poor rainfall, these crops were valued at only \$2 million and global GNP was reduced by \$12.5 million.

In the contexts of food and water shortages, the high production of bananas and sugar cane presents another problem. Both crops require highly water-intensive cultivation and neither do much to increase domestic food supplies. Much of the banana crop is exported and sugar is converted into "grog" (a local brew) for local consumption.

While the total availability of agricultural land is completely inadequate, land tenure practices have so divided and sub-divided what land is available as to seriously impede agricultural production.

While the agricultural sector can never be made to provide fully for Cape Verde's needs, some steps are being taken to increase output. The GOCV has effected some reforms

in land tenure systems such as abolishing sharecropping and preventing increases in rents because of improvements on the land made by tenants. Also, in the public works program, emphasis has been placed on water development/soil conservation projects. The Government has placed highest priority on food production and particularly in the development of resources for irrigated agriculture. A research station will be opened in 1980 for the development of irrigation methods and techniques.

Most production has always been insufficient in Cape Verde. The animal population consists of goats and pigs for the most part, numbering some 80,000 according to 1975 statistics. In the same year cattle are estimated at 15,000 head, although this figure seems to be on the high side. In any case, the GOCV has no plans to expand cattle production but the Development Plan will provide for an expansion of pork and poultry production.

Government's economic activities consist of the providing of traditional services, the running of a number of public enterprises and the maintenance of a public works program. The activities are drought related, labor intensive and are intended to respond to the unemployment problem as well as that resulting from the food shortage. The public works program is financed entirely by public transfers from the international community and these transfers have been of critical importance to keeping the economy solvent during the years of drought, low domestic food production and the

need for a high level of food imports.

2. Fishing: The fisheries sector probably has a greater potential for development than agriculture. It provides employment for about 5,000 people either directly or in processing and marketing. The catch consists mostly of tuna with some lobster being taken from coastal waters.

Since 1967 the total annual catch has been stagnant, varying between 8,000 and 10,000 tons. However, while in the past, the artisanal and industrial fishing fleets have each accounted for about half of the catch, the take by the artisanal fishermen has been steadily increasing at the expense of the share taken by industrial fishing. By 1978, the industrial fishing activities accounted for only one-quarter of the total catch. The industrial catch is exported while all but about 10% of the artisanal catch is used for domestic consumption. To process the catch, there are five canneries and two cold storage facilities in operation. The fishing fleet consisted, in 1977, of 760 artisanal boats, only 8 of which were motorized and 45 commercial vessels, only 3 of which are equipped to stay out for longer than one day.

Cape Verde's territorial waters extend for 200 miles. The potential total catch from the continental shelf is conservatively estimated at 20,000 tons and may go as high as 30,000 tons. Coastal waters might provide another 20,000 tons of mackerel and sardinella. Lobster potential has been estimated at 2,000 tons.

To develop this potential, the GOCV is providing assistance to the artisanal sector by mechanizing more of the boats. They have also requested assistance in developing boats and equipment better suited to local conditions. However, more needs to be done. Little or no research has been done as to the location of the best fishing grounds, the real size of the fish population. The fishing season lasts only six months of the year. However, with larger, better built vessels the season could be extended considerably and the artisanal fleet could better move with the schools of fish. There may also be a potential for aquaculture production of lobster and shrimp. Bait fish for tuna fishing might also be produced through aquaculture and this would be a great improvement since now much time and fuel is consumed looking for bait and sometimes large tuna runs in this area can not be exploited simply because of lack of bait.

3. Industry: Commerce employs about 3 percent of the labor force and constitutes about 15 percent of GDP. The manufacturing sector exists mostly for the processing, freezing and preserving of fish for export. There is a modern wheat processing mill with 15,000 tons per year capacity and two shipyards with 350 ton and 100 ton vessel capacities. Except for the operations of the mill, manufacturing output has declined since 1975, largely because of mechanical breakdowns.

The only mineral presently being exploited is salt. In 1977, 31,000 tons were produced. A new salt works is coming into operation and will increase production to 80,000 tons by 1983-84. At one time pozzolana was produced and exported but this has now ceased. However, a cement plant is being planned for Santa Antao with French Government financing and the production of pozzolana will be resumed shortly.

4. Prices, Wages and Employment: Prices of most consumer goods are controlled by the GOCV. In the case of the principal grains, sugar and meat which are imported, a government enterprise has a monopoly on the importation and marketing to retailers. Although controls are attempted, prices generally fluctuate to reflect changing import prices. Adequate data to provide an accurate indication of price increases over the past several years are not available.

In 1976, the labor force was calculated at between 90,000 and 100,000. A survey indicated the following breakdown of actual employment of that workforce:

Government investment programs	30%
Agriculture	15%
Public Administration	6%
Commerce and Transportation	5%
Fishing	3%
Other	5%

It is probable that most of those employed in government public works projects are from the rural areas. In the urban area, it is estimated that in 1976 unemployment was at 23 percent and, when combined with underemployment would bring the rate up to about 40 percent. Current figures are not available but it is estimated that those now employed in public works projects are about 40 percent of the rural labor forces which is probably about 30 percent of the global labor force.

Private sector salaries in general increased at about 15 percent a year from 1974 to 1977. However, after an initial adjustment at independence, salaries in the public sector have held steady until this year when an increase of 10 percent was authorized in August, 1979 with a second increase of 10-25% scheduled for 1980. Even so, public salaries remain substantially lower than in the private sector and this inhibits government recruitment of technical personnel.

C. Government Finance:

The national budget consists of two parts; the ordinary or operating budget and the development budget which is, essentially, the GOCV's public works program and includes all foreign aid.

Domestic revenues are used to finance the operating budget which has always produced a deficit. In 1978, this deficit was only about 17% compared to the 38% deficit of

the previous year. Bank financing and the occasional use of foreign financing and grants cover the deficits. Although, with the exception of 1977, the deficits in the operating budget have been small, in the foreseeable future anything other than government operations will have to be financed by foreign resources.

Except in 1977 and 1978, receipts of foreign financing have been adequate to finance the development budget without increasing government borrowing. In those two years the government was able to finance the deficit by drawing down on previously received but unutilized foreign assets.

D. External Sector:

The trade balance is one of the large and growing deficits. During the first three years of independence, it increased by over 80%. In 1978, export earnings covered only 5% of the cost of imports. In the near term, the situation is not likely to improve. Cape Verde imports, on average, half of its food requirements and just about all other essential consumer items. In essence, it imports the world's inflation. Over the longer term, relief may come from increases in domestic food production and in export earnings from food products which can be profitably sold abroad.

One might hope that the international inflation which Cape Verde buys along with its commodity imports would be, to some extent offset by increases in private transfers

as more Cape Verdians are working abroad and receiving higher wages. However, in 1978, remittances actually decreased by 25%. If the U.S. and Europe move into recession, the ability of these expatriates to continue to maintain past levels of remittances may be seriously impaired. Indeed the continuing emigration from Cape Verde might also be reduced.

However, given the very modest size of the economy, these remittances have been of critical importance over the past several years, as the following table indicates:

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Official Transfers:	10.2	11.5	12.0	24.2	18.4
Private Transfers:	8.7	5.7	13.7	20.3	18.7

It will be noted that remittance from Cape Verdians abroad have about equaled foreign aid (less technical assistance) since independence. These two factors have combined to produce an overall surplus in balance of payments in spite of heavy trade deficits in every year except 1978 when the reductions in both official and private transfers made it impossible to completely compensate for a trade deficit which increased by 19% over the previous year.

E. Summary:

This is a quick sketch of an economy which has few alternatives except agriculture in a country where agriculture does not do very well at all. It can be made to do better but a considerable part of the minimum food

requirement will always have to be imported. The present sources of foreign exchange which have generally managed to keep a bad trade deficit from becoming a balance of payments problem, are undependable over the longer run and ways will have to be found to increase export earnings as well as domestic food production if Cape Verde is going to be able to meet its food requirements without concessional foreign assistance.

III. Profile of the Poor

Except to say that the rural population is not as well off as those living in the urban areas, it is difficult to draw meaningful distinctions between the various levels of poverty. Seventy percent of the population is engaged in agriculture and the majority do not own the land they farm. However, all have suffered greatly from the drought, owners as well as tenants.

Current statistics on land ownership are not available but the situation existing in 1975 will give some indication of the large numbers of farmers who do not own their own land. At that time there were 26,000 contracts in existence for sharecropping. There were another 13,000 rental contracts in force and 11,000 small-farmer ownerships. The first category of land tenure was abolished at the time of independence and, presumably, most of these contracts were converted to land-lease agreements. On this basis, it might be concluded that some 80% of all farm families do not own their own land.

Data on income distribution would be useful as an indicator of relative levels of poverty between the urban and rural populations. Unfortunately, they are not available. However, a 1977 survey covering 33 non-professional employment categories indicated an average daily wage of \$2.75. The only rural job category included in the survey was that of rural worker whose daily wage was only \$1.44. How often a rural worker had the opportunity to actually earn a day's wage was not indicated.

However, there are some indicators available which can be used to measure relative well-being or privation, such as the availability of medical services, incidence of disease, population and growth rate, man/agriculture land ratio, livestock and, employment in public works - the last being the principal source of wage labor for the rural population. The following table summarizes these data by island.

COMPARATIVE ANALYSIS OF RURAL WELL-BEING ON THE
MOST POPULOUS AGRICULTURAL ISLANDS

	Santiago	Santo Antao	Fogo	Sao Nicolau	Brava
Total population 1977	144,000	47,473	29,692	15,237	6,606
<u>Health</u>					
Number of doctors	21	3	3	1	1
Persons per doctor	6,857	15,874	9,897	15,237	6,606
Persons per hospital bed	459	833	366	1,172	1,101
Available surgery	Major	Minor	Minor	None	None
Principal medical problems ^a	Malaria Hookworm	Leprosy Trauma	Leprosy	Hookworm	Hookworm
<u>Agriculture</u>					
Persons per agricultural hectare	4.5	4.7	2.1	9.3	11.6
Persons per irrigated hectare	151	59	4,948	525	270
Goats per family ^b	1.2	0.2	3.3	1.5	15.0
Goats per square kilometer	21	2	38	11	275
Pigs per family ^b	1.3	1.1	1.4	1.0	1.0
<u>Employment in Public Works</u>					
Number employed	17,398	7,598	3,740	1,445	1,500
Percent of island's population	27	34	26	19	47
<u>Demography</u>					
Persons per square kilometer	145	61	62	39	98
Annual growth (%)	1.53	0.75	0.0	-0.98	-2.45

a. Intestinal parasitism is a primary disease common to all islands.

b. Based on 1971 island-by-island census reported by Crespo (1971).
Total populations of goats have declined by 13% and of pigs by 46%.

This measurement would indicate that the people of Santo Antao and Sao Nicolau are, relatively, poorer than those living on the other islands. However, one should be cautious in drawing any hard conclusions from this data. For example, the difference between Santiago on the one hand and Santo Antao and Sao Nicolau on the other, is essentially the factor of employment in public works and in these cases the number employed in public works on each of the three islands is about proportional to the total island population. Also, the data, while the best that is available, omits such vital indicators as access to water for irrigation, yields for major crops, potential groundwater reserves, population distribution by rainfall zone land tenure, nutrition, education and, income from oversease remittances.

SUMMARY: It might be concluded that the poorest of the poor inhabit Santo Antao and Sao Nicolau. The majority of the poor occupy Santiago.

IV. The Causes of Poverty

A. The Drought: The dominant factor presently effecting poverty is the drought, and it is difficult to estimate the drastic effect this has had on the lives of all Cape Verdeans but, particularly on the poorest. However, some indication may be had from the following: in spite of other agricultural constraints such as the system of land tenure, scarcity of viable agricultural lands and

government policies, with "normal" rainfall 70% of Cape Verde's food needs could be met from domestic production. Because of the drought only about 5% of this requirement was met in 1976-1977.

B. Limited Resources: Cape Verde has never intended to be an agricultural producer. It was settled originally to exploit the slave trade and those commercial activities which were possible by virtue of the islands' position on the main shipping lines to Europe. With the abolition of slavery and the opening of the Suez Canal, there was no other viable course left but to turn to agriculture. With only 15% of the total land mass available for agricultural production, the prospects could not have been encouraging. The historic absence of land is matched by an historic lack of water. The present drought is no new phenomenon. Over the past 102 years, 62 years have had less than normal rainfall, and in the last 35 years only 6 years have received the "norm".

C. Population Pressures: In spite of large scale emigration because of drought conditions, the remaining population has put pressure on the available agricultural land to such an extent that many farm families are now farming plots that are too small to provide even a subsistence level of food. In one area on Santo Antao, 40% of the landowners own land of less size than that needed to provide minimum food requirements for an average family and even so, many of these small holdings have been further sub-divided. The government has responded to the exploitive land tenure

system inherited at independence by abolishing share-cropping and placing a minimum on the size of a piece of land that can be rented. However, this minimum is such that there would not be enough viable land in all the country to accomodate those who must rent and, in any case, the minimum size is still inadequate to support a farm family even in a year of good rain. Population pressures on the land have also resulted in a high rate of unemployment and underemployment. As a percentage of the economically active population, unemployment is about 23% and if the underemployed are added to this figure, the rate may be as high as 40%. Population pressures and the consequent unemployment have caused a considerable emigration but this has involved, principally, able bodied males and, particularly, those with some technical skills. As a result, over one-third of rural households are headed by women and the dearth of technicians is such as to seriously limit the capacity of the GOCV to absorb large-scale project assistance.

D. Lack of Alternative to Agriculture: As noted elsewhere, the agricultural and government sectors of the economy account for virtually all of GNP. While the large contribution of agriculture includes processing and other commercial activities concerned with the marketing of agricultural products, this is indicative of the vulnerability of the economy. When agricultural production is depressed, it drags down with it the attendant industrial and commercial activities and there

is virtually no industrial or commercial activity which is independent of the agricultural sector. Consequently, the only alternatives to the agriculturally destructive drought are emigration or employment on public works. The latter depends entirely on foreign aid.

E. Government Policy: The GOCV has had only four years to organize itself and make policy decisions and marshal resources to cope with some of the almost insurmountable problems with which it was faced at independence. It has made some progress in areas such as land reform, short-term public works to meet the unemployment/food deficit problem and on placing highest priority on increased food production. However, there remain some policies and practices which are clearly detrimental to increased production of food crops. Despite current market trends which favor production of food for domestic consumption, policies continue to encourage the production of bananas and sugar cane, both of which involve highly water-intensive methods of cultivation. Still about 9% of all irrigated farmland is used for banana production even though the export price has fallen by over 50% in the past few years. About 58% of irrigated land is used for the production of sugar cane which, in turn, is used to produce "grog" for domestic consumption. Also, by utilizing large State-run farms to provide for much of the urban food needs, the GOCV is preventing the rural

population from enjoying the proprietary benefits of production from this highly valuable irrigated land.

F. Geographical Dispersion: Not only are the islands scattered over a wide area of the Atlantic, but topographical, weather and soil conditions vary from one to the other. This, of course, presents problems of transportation and communication, but has also inhibited the GCCV in the development of really comprehensive planning. Furthermore, conditions vary to such an extent as to prevent replicability in some cases, with the result that an agricultural activity started on one island may produce benefits which can not be shared with other islands.

G. Summary: A consideration of the causes of poverty indicates that the principal factor adversely affecting the poor is the drought and the resulting decrease in food availability. Furthermore, a review of the economy indicates that the keys to resolving the over-all food deficit are water/soil development measures to increase domestic production and the development of additional foreign exchange earning activities to provide for the importation of the balance of the total food requirement. In sum, water development and increased export earnings will respond to the most vulnerable aspects of the economy as well as to the principal causes of poverty.

V. Government Strategy

A. Short-Term: The government's development strategy for the immediate future is to continue to address unemployment, food shortages and other drought related problems through the emergency public-works program which is financed by foreign aid and administered through the non-operational or development budget. Emphasis continues on food production and the Ministries of Agriculture and Fisheries have received almost half of the development budget in 1979.

B. Longer Term: During the period with which this SPSS is concerned, the Government's strategy will not be available until late 1981, and 1982 will be the first Plan year. Thereafter it will establish intermediary strategies and sub-goals every five years and will cover a 20 year period in total.

The Plan is currently in a very preliminary stage of formulation. Each ministry has submitted its proposal to the Ministry of Plan, but these have yet to be reviewed and no work has begun on modifications and integration of the individual submissions. It is likely that the guidelines given to the ministries were only of a very general nature. Consequently, it will be possible to outline the strategy only in broad generalities.

The Plan, during its entire period, will be financed from external resources since it is anticipated that domestic revenues will be able to cover nothing more than government operating costs. These costs will, of course,

be increased to a considerable extent because of projects funded from the development budget.

C. Agriculture: The linch pin of the Plan is heavy emphasis on the food shortage and in this context the most important element is the prevention of further soil erosion and bringing more land into agricultural production through soil and water conservation and ground water exploitation. Reforestation will also be promoted. The Plan goal is to have 100,000 hectares of land in agricultural production with 10,000 hectares irrigated. At present only 2,000 hectares are irrigated.

The newly acquired agricultural land will be government owned and will probably be put into production through government organized cooperatives. Whether title to the land will ultimately be given to the cooperatives has not yet been decided. Neither have any preliminary decisions been made as to the general directions of land use. However, it is clear at this time that considerations as to land use will not be confined to crops for domestic consumption. Recognizing that corn, the basic crop, does not do well in Cape Verde and keeping in mind the heavy costs of irrigation, first consideration will be given to crops which could be marketed in Europe at prices well above local production costs. Proceeds could then be used to import corn and other requirements at costs below those of local production.

The Plan will not provide for range development or other activities relating to cattle. However, there will be proposals for increasing hog production.

D. Fisheries: Recognizing the need for foreign exchange as well as domestic production to ease the food shortage, the Plan's second priority will be the development of the fisheries sector. Over the past several years government support has been directed primarily towards the artisanal fishermen of whom there are about 3,000 as compared to the 600 people working in the industrial fishing sector. The plan contemplates shifting the commercial fleet to pursue seine fishing rather than the line and pole method currently used. However, domestic consumption will not be ignored and the plan will provide for interior storage and marketing facilities.

E. Education: This sector, as well as all others except agriculture and fishing, while appearing in the Plan and receiving some allocation from the development budget are of secondary importance in the overall development scheme, at least during the time frame of this SPSS. The center piece of development planning in education continues to be providing for six years of compulsory, free education instead of the current four year level. A secondary effort will be made to move the school curricula from the classical-oriented Portuguese model inherited at independence, to a form more suited to the real needs of Cape Verde. While

plans to build additional school rooms will continue, it is probable that the Plan will make little actual resources allocation for teacher training and the purchasing of teaching equipment.

F. Health: The establishment of a rural health delivery system with the accent on preventive medicine constitutes the core of the Plan for this sector. There are contemplated 338 village health posts to be supported by 70 health stations with both preventive and curative capabilities which, in turn, will be backed up by 17 hospitals - one in each town with population exceeding 17,000. Very little of this structure exists at the present time.

G. Population: A complete census will be conducted in 1980. It is anticipated that it will be available by the end of 1980 and the statistical analysis ought to be available by the end of 1981. On the basis of current information, the population is increasing by about 2.9% a year in spite of a continuing emigration. Several factors inhibit the early development of a nation-wide birth control program, i.e., the prevailing religious belief, communications problems arising from the geographical scatteration of the islands and the absence of even a rudimentary system for delivering health services to the rural population. However, there is a family planning clinic on Sao Vicente and the government plans to replicate it on Santiago. The

fact that the government does not have a population policy per se is not meant to imply that the "no-policy" is, in fact, the policy. It is simply that given the many problems facing the government and limited resources to apply to the resolution of these problems, birth control does not yet have a place among the higher priorities. Again, it should be noted that this country has had only four years of independence. Those have been years of drought with pressing food shortages and this is the hard-core of the situation which has preoccupied the government.

VI. Other Donor Assistance

Below is a summary of bilateral and multilateral donor assistance to Cape Verde.

A. Bilateral

1. The Netherlands -From 1975-1977, Dutch assistance to Cape Verde amounted to \$8.1 million. In 1978, the GOCV requested a variety of projects (e.g. enlargement of a cold storage plant; fishing; rural works project, ground-water exploration and conservation, etc.) totaling \$10.5 million. However, only three projects, livestock, irrigation and training, were financed in 1978 which amounted to approximately \$340,000. The Netherlands' assistance is concentrated on the island of Santo Antao. The Government of the Netherlands is also providing U.S. \$3.4 million to expand freezing chamber capacity at the port of Mindelo.

2. Federal Republic of Germany

In 1978, the FRG's assistance amounted to approximately \$7.0 million, of which \$3.6 million were financial assistance and the remainder in technical assistance. Assistance is concentrated mainly on the islands of Fogo and Brava and is being offered in the fields of agricultural development and biological pest control.

3. France

French assistance is concentrated mainly on the island of Sao Nicolau in such sectors as ground-water research and development, rural reorganization, artisanal fishing, education and training, scientific research, etc. In 1978, French assistance amounted to more than \$4 million.

4. Switzerland

The Swiss have assisted in the development of horticulture, especially vegetable, and soil conservation work. Their assistance is concentrated on the island of Boa Vista. Total aid amounted to \$1.7 million in 1977 and 1978.

5. Belgium

Assistance by the Belgians includes reforestation, survey and management plans for existing plantations, research and trials with drought resistant species and dune stabilization methods, and training of Cape Verdeans.

6. Portugal

Portuguese assistance is being provide mainly in the form of university and trade school training. Portugal also provides 50 "Cooperantes" to Cape Verde. Total assistance amounted to \$7.1 million in 1978.

7. Brazil

Assistance is provided mostly in the training of cadres. However, expanded assistance to the GOCV is currently being developed, providing equipment for water exploration, technical assistance in education, scholarships, etc.

8. USSR

Training of cadres, technical assistance in the health field, as well as the furnishing of equipment is provided. Sixteen Soviet doctors are presently stationed in Cape Verde.

9. People's Republic of China

Technical assistance is being provided in the field of agriculture and irrigation. A \$500,000 loan will be signed in 1979 for agricultural development.

B. Multilateral

1. United Nations

In 1978, the UNDP's assistance totalled approximately \$666,000 in the fields of agriculture, forestry and ground water exploration, fishery, and transportation and communication.

Other U.N. assistance includes the pro-

vision of health training, laboratory experts, purchase of health supplies and equipment by WHO. UNICEF provided funding for windmills for pumping water.

2. CILSS and the Club du Sahel

Assistance is being provided in the agricultural field including design and, eventual financing of projects in (1) reforestation; (2) soil and water conservation; (3) plant protection; (4) hydrology and climatology; (5) animal husbandry; (6) agricultural production and (7) agrometeorology. In health, assistance involves renovation of basic health units; rural water supply; food assistance; health education, etc.

3. African Development Bank

The ADB's assistance includes telecommunications, rural development and an economic study on water and dry dock development at Mindelo. Total assistance in 1978 was \$8.2 million.

4. European Economic Community

The EEC supplied animal rations in 1977 for the Livestock Salvage Program. Other assistance includes environmental sanitation, water supply, hydro-agricultural works and power.

VII. AID Strategy

A. The Objective: As the development plans of the GOCV emerge and assume more definite form, and particularly as they relate the medium term with which this SPSS is concerned, a restatement of AID's program objective is necessary.

The formulation of the program objective is based on the following assumptions:

1. The GOCV's Development Plan will establish the food deficit as their problem of highest priority. This will remain so during the planning period of this SPSS.
2. Even though the GOCV has started to shift its sights to medium and long term planning, the drought is by no means over. Food shortages and high rates of unemployment which provided the rationale for the emergency public works program are still pressing problems which need continued attention.
3. In spite of the high priority being given to agriculture and assistance being applied to increasing food production, the agricultural sector can never be made to provide completely for Cape Verde's basic food needs.

4. The absorptive capacity of the Government, in terms of funding additional recurring costs or providing technicians to complement foreign and technical assistance, is severely strained under the present circumstances. The government has not yet assumed an unmanageable recurring cost burden in respect of its development program and is on guard against doing so.
5. For AID, any acceptable program objective and attendant strategy should be based on the condition and needs of the economy. The strategy should be linked logically with the economy, the situation of the target group and the principal causes of their conditions of poverty.

The objective of the program is to help provide the GCCV with the capability to meet the food deficit without reliance on concessional foreign aid. In order to close the food gap in this manner, there are two requisites: 1) increased domestic production to narrow the gap as much as possible and 2) increased export earnings to provide the foreign exchange to finance the balance of these requirements.

Since there are clearly defined needs in all areas of development, a variety of objectives could be formulated for any development program in Cape Verde. Of these, the food deficit objective is selected because it is so clearly the overriding concern of the GOCV. This Government has no illusions about the magnitude of the problems it faces nor about the paucity of resources it has at its disposal. It can not cope effectively with all of its problems simultaneously and therefore has had to make some hard choices.

Although the GOCV Development Plan will cover all sectors and will outline plans in health, population, education, transportation, etc., the actual implementation of many of the projects in these sectors will be of secondary importance to activities related to the food gap.

B. Alternatives: There is no reason why a program objective need be confined to only one of the variety of development problems in Cape Verde. For example, an objective might embrace both the food deficit and preventive health problems. However, the selection of only the former is based on an assumption that AID funds available during the planning period are not likely to exceed the IPA and this modest amount would hardly provide for much diffusion without becoming ineffective.

Just as one might select from a variety of objectives, so also there are various alternatives for a strategy to achieve the objective. Closing the food gap is a matter of

factors other than just domestic production and importation. The dimension of that gap is also a function of nutrition, education and preventive health, public sanitation, transportation, etc.

Consequently, one strategy to achieve the food-gap objective would be to discontinue our direct food production activities, forego efforts to increase foreign exchange availability and concentrate on the health and education sectors and particularly on those factors which have a bearing on public health, personal hygiene and food selection and preparation. This is not without its attractions, particularly since almost all other donor activity is directed towards the agricultural sector.

In effect, the GOCV has said that health and human resource development needs will simply have to wait until the food shortage is eased. But by adopting this strategy, some assistance could be afforded these sectors now. The real question is how effective could that assistance be in the light of the GOCV's preoccupation with direct food production? There are also the longer term implications to consider. The development of networks of village health posts linked to clinics in the larger towns establishes an open-ended overhead cost in training, staffing and maintenance which the GOCV feels it cannot absorb in the near future. Domestic revenues are already inadequate to cover government operations. There are no other sources of income to cover the costs of a rural health infrastructure.

The government has thus far avoided borrowing trouble in the future by incurring what will become heavy debt financed, recurring costs as a result of its development activities. We would be doing it no real service if we mounted a program at this time which would have that effect.

Furthermore, current food production activities respond, in part, to the drought caused unemployment problem. To discontinue our support now implies that either the problem is no longer there or the program is not working. Neither supposition is valid. These projects involving soil conservation, rain water retention and ground water development do not have a spectacular, over-night pay off. However, they are proceeding well and the earliest of these AID financed activities is now beginning to produce visible results. There ought to be a very strong justification before turning one's back on success. This strategy option would not appear to provide that justification.

While the GOCV would not permit any donor to intervene in a substantive way in school curricula, it is possible that some relatively unobtrusive course dealing with nutrition/hygiene could be introduced. This would not add to government costs nor would it involve additional personnel at post on a long-term basis. On the other hand, it would represent only a very modest effort as a substitute for our current food production activities.

Which brings up a second alternative: the existing food production activities could continue and be augmented by projects in health and/or education.

This option, like the first, has the advantage of dealing, at least in some way, with health and education problems now while not discontinuing activities of proven success or making us appear to be deserting the GOCV's first priority. It also has the limitations of the first option: introducing elements which do not coincide with the government's first priority, leaving unanswered the need for additional sources of foreign exchange and might disregard the GOCV's inability to assume commitments for substantial increases in their operational budget. There is a further constraint which must be considered in any proposal to expand the existing program to other sectors. The Mission simply cannot support logistically any more American staff than is presently aboard (3) or planned (1). This is a minimum staff requirement for the existing projects and PL-480 programs.

Thus, the perimeters of any expansion of the program beyond the soil conservation, water development, energy and PL-480 activities will have to be done without involving the GOCV in heavy recurring costs and should be capable of implementation without requiring the assignment of another person for program management.

From these considerations, it is possible to formulate a final strategy. The activities in soil conservation/water development will continue at most feasible locations in order to increase food production and a new activity will be introduced to increase export earnings so as to improve the capability of the GOCV to finance the importation of the balance of the food requirements. If these activities can be implemented without imposing a heavy recurring cost burden on the GOCV and without requiring the assignment of additional American personnel to the mission on a full time basis, they will circumvent the principal constraints to program expansion while at the same time meshing perfectly with the strategy of the GOCV to resolve the problem to which it has assigned highest priority. However, the new foreign exchange activity will have to be of sufficiently modest cost as not to deplete anticipated total funding availability to a point where the crop production activities become ineffective.

Adopting this strategy means that during the planning period of this SPSS, problems in the health and education sectors would have to go unattended except for small interventions which may be possible through intermediaries and, these supported through CILSS/Club du Sahel mechanism. This is regrettable. However, like the GOCV, we can not address

simultaneously all of the development problems afflicting Cape Verde.

Having outlined this strategy, the real proof of its validity lies in the manner in which it will be implemented.

C. Strategy Implementation: Implementation is concerned with what is going to be done, when it will be done and where it will be done.

The table on page 14 , indicates that the inhabitants of Sao Nicolau and Santo Antao are perhaps the poorest of the population of Cape Verde. Proceeding on this assumption, one method of implementing the strategy would be to select this as the overriding determinant and concentrate all activities on one or both of these islands.

There are some problems with this concept. For one thing, the data on which the determination is based is anything but complete and the case it makes for Sao Nicolau and Santo Antao is not so convincing as to justify overriding all other considerations. Also there are the wishes of the GOCV to consider. While it does not insist on allocating specific islands to individual donors, it does have preferences in the matter. To date, most of AID activities have been in Santiago because the GOCV prefers it and since the majority of the poor live on this island, there has been no basis for AID to object to this arrangement. In any case, the poor living on Sao Nicolau and Santo Antao

are not being neglected. On Sao Nicolau, the French are working in groundwater development and with artisanal fishermen while the Netherlands is concentrating on soil conservation and ground water exploration on Santo Antao.

It would seem that AID programs should be implemented where they can be most effective in reaching the greatest number of the poor. However, all things being equal, preference should be given to Sao Nicolau and Santo Antao.

At the completion of the current phase of the ground water development project in Tarrafal, it is proposed to shift the rig and crew to the Santa Catarina area which is contiguous and holds promise of substantial ground water deposits. This drilling should be complemented by soil and water conservation activities in the same area similar to those which are currently being carried out under the Watershed Management Project, as well as the construction of irrigation facilities to utilize the ground water. Depending on the results of the proposed FY 1980 Tarrafal project, where drilling will have already been completed, involving production of fruits, vegetables and cereals, and reforestation, these activities could be subsequently moved to Santa Catarina.

The proposed energy project will produce a machine shop which will manufacture prototype windmills which can power small water pumps. Thus, this activity will be

directly linked to, and supportive of, the soil/water conservation and drilling activities.

Recognizing a serious unemployment problem which is attendant upon and, continues with the drought, in order to increase total food availabilities, and also to provide resources for damming, terracing and other activities concerned with soil conservation/water utilization in the project area, it is proposed to continue the PL-480 Title II program. This would be in the context of a continuing drought-induced emergency but prompt consideration should be given to converting this to a Title III program.

What is envisaged is a single, multi-faceted agricultural project involving ground water development, soil conservation, fruits, vegetable and cereal production as well as reforestation. The project area would shift at the appropriate times from Tarrafal to Santa Catarina.

Another promising deposit of ground water has been located on Santo Antao which, like the deposits of Tarrafal and Santa Catarina, will require deep wells for exploitation. It is proposed that AID finance a soil and land use analysis of this area in FY 1981. By FY 1982 the site should be ready for drilling and by that time the rig at Santa Catarina should be finished with that area and can be moved to Santo Antao. AID financed soil conservation and reforestation activities would also shift at the appropriate time until the entire, comprehensive agricultural production project

had terminated in Santa Catarina and the shift had been completed to Santo Antao.

Thus, with a single, comprehensive agricultural project, shifting locale as appropriate, AID will support the GOCV's efforts to diminish the food gap through increased domestic food production.

The only area which would be feasible for an AID intervention aimed at increasing export earnings is the fisheries sector. However, here the potential is considerable and it can be realized through support to either the industrial or artisanal sectors. As has been noted elsewhere, the GOCV has been providing its support, for the most part, to artisanal fishermen but is now in the process of shifting to industrial fishing. Nevertheless, some things remain unattended to which could improve the situation of the artisanal fishermen and given AID's concern for the poor and consistent with our interest in easing unemployment and underemployment, our support will be provided to this sector. This is also consistent with the wishes of the GOCV who would view our proposed activities as complementary to their own in the industrial fishing area.

The artisanal fishermen will not venture out of the waters of the continental shelf, but even with this limitation it has been conservatively estimated that their current annual catch of about eight or nine thousand could be doubled. The increased catch would be mostly tuna which

the artisanal fishermen sell to the industrial operators for processing and export.

Two limiting factors to the size of the catch are the short fishing season and the cost and scarcity of bait. The season lasts only about six months of the year for the artisanal fishermen because of the unsuitability of their boats to the weather conditions prevailing during the balance of the year. With a larger, better designed boat, the season could be considerably extended and the fishermen would have greater range for staying with the schools of fish as they move through the waters of the shelf. Research is needed to design a boat which is best suited to local conditions and which can be built for a relatively modest amount.

Much of the time of the artisanal fishermen is spent searching for bait which is both scarce and expensive. Not infrequently, when the tuna are running well, the fishermen are unable to take advantage of this because of the lack of bait. A very worthwhile area of investigation is the production of tuna bait through pisciculture. The possibilities of producing crustaceans such as lobster and shrimp through this method should also be investigated. Through such activities, both directly and indirectly, we could assist in increasing the size of tuna exports and foreign exchange earnings which could be used to augment increases in domestic food production to close the food gap.

Exactly where this line of inquiry will lead cannot be determined at the present time. However, to launch this research activity and bring it to a point where definite project interventions can be identified can be done through the temporary assignments of appropriate experts to the mission. If the most promising project possibility would require the full-time presence of a technician at post, consideration should then be given to utilizing an intermediary, such as FAO.

D. Summary: The objective of the AID program is to help provide the GOCV with the capability to meet the food deficit without reliance on concessional foreign aid. After considering various alternatives including expansion into the health and education sectors, the strategy which is selected to achieve the objective is to continue the soil conservation, water development activities at appropriate locations and, start a new activity aimed at increasing foreign exchange earnings. The crop production activities utilizing the results of the project for fruits, vegetables and cereals and reforestation planned for FY - 1980 and the energy project still under design, will be consolidated in a single, comprehensive production project which will move from Tarrafal to Santa Catarina and, eventually, to Santo Antao. The export earnings activity will be in the fisheries sector and will consist, initially, of research in the design of better boats for the artisanal fishermen and the production of tuna bait

and crustaceans through pisciculture. If a project develops from these initial inquiries, it will be carried out through an intermediary such as the FAO.

VIII. Proposed Assistance Planning Levels and Staffing

A. PROPOSED ASSISTANCE PLANNING LEVELS (PAPL)

<u>CATEGORIES:</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>TOTAL</u>
<u>FOOD AND NUTRITION</u>						
Agriculture	2891	3250	3500	3500	3500	16,641
Fishing	1000	1000	1500	1500	1500	6,500
Energy	<u>750</u>	<u>750</u>	<u>1000</u>	<u>1000</u>	<u>1000</u>	<u>4,500</u>
	4641	6000	6000	6000	6000	28,641
PL 480 Title II	5,000 MT					
PL 480 Title III	15,000 MT	15,000 MT	15,000 MT	15,000 MT	15,000 MT	

TOTAL PAPL

The FY IPA for Cape Verde has been established at \$3.0 million pending the promulgation of the Government's Development Plan at which time it will be increased to \$5.0 million. As previously stated, the Development Plan will not be completed until late 1981. However, assuming that the Development Plan will be completed as planned, and given the GOCV's need for AID's resources, it is anticipated that the funds held in escrow will be released for programming. The PAPL provides for a modest increase over the IPA. The increased PAPL will primarily be directed in the fishing sector to complement the Government efforts in the agriculture sector to meet its food deficit without continued reliance on foreign aid.

B. Staffing: AID/Praia U.S. direct hire staff is presently comprised of a Program Officer, Project Officer and a Secretary. An International Development Intern (IDI) is scheduled to arrive at post in January, 1980.

As earlier indicated, this is the minimum staff requirement to carry out existing projects and PL 480 assistance in Cape Verde. Due to several logistical constraints no further increases of American staff is contemplated during the SPSS planning period, FY 1982-1986.

Program expansion in the fishing and energy sectors will be implemented through intermediaries, either PVO's or other donors. For example, the proposed renewable energy project will utilize technicians provided by the Dutch Government and the United Nations. Should a fishing project be developed, the project will be implemented by an FAO technician or, an appropriate intermediary organization. Utilizing the collaborative approach method, we plan to continue the services of Utah State University under a contract with the Consortium for International Development to design and implement the follow-on activities proposed under Terrafal II. Thus, by collaborating with other donors and, utilizing the services of intermediaries, AID/Praia's American staff level will be kept to a minimum.