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PRIVATE SECTOR
DEVELOPMENT AND EXPORT ACTIVITIES
IN THE REPUBLIC OF CAPE VERDE

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By:

Eileen Evans
Mark Connell
Jose Luis Pinheiro

International Science and Technology Institute, Inc
1129 20th Street, N.W., 8th Floor
Washington, D.C. 20036

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I. EXECUTIVE SUMMARY

This report reviews the status of the private sector in Cape Verde and considers the potential to increase export activity. Sections II, III and IV consider in turn the underlying politico/economic situation, the key business sectors, and the financial markets. The final Section V, provides recommendations for A.I.D. programs to attain the goals of increased investment and production.

The Investment Climate in Cape Verde is in the process of becoming much more liberal. There is an emerging consensus within the government that Cape Verde must adopt an export oriented economic strategy, and that private investment, both domestic and foreign, should be encouraged. This mission occurred at a key point in the development of this consensus, as the country is preparing for the Third Party Congress in November, which is anticipated to formally endorse these measures. While it is impossible to predict the final policies which will be approved in the Congress, the terms of the debate focus on how to liberalize, rather than the question of whether to liberalize.

The Key Economic Sectors of Cape Verde are sharply constrained. As a small island economy Cape Verde must import most of its basic products, which accounted for nearly 90% of its GDP in 1985. To sustain the trade deficit Cape Verde has depended upon external assistance and emigrant remittances, which in 1985 represented nearly 100% of the GDP. However, both of these important sources of funds declined to only 85% of GDP in 1986, which was not enough to cover the import bill. Nevertheless, since independence macroeconomic management has been sound with positive GDP growth and relatively low inflation. Exports were only 4% of GDP in 1985 and have been limited to fish, bananas, pharmaceuticals and textiles to few markets. Cape Verde needs to increase export capacity in the products and services where it has a comparative advantage, and to the markets where it has preferential treatment. The economy is extremely concentrated in services, which constitute over 60% of GDP. Transport services are the most important but have been underutilized, inefficient and vulnerable to exogenous factors. The industrial sector is restricted to a small domestic market. The isolation of Cape Verde and the earlier emphasis on import substitution has left manufacturing companies unprepared to compete in the international markets. While tourism offers significant potential, until now it has not received priority on the national level, mainly due to inadequate infrastructure. Fisheries is an important sector of the economy with regards to export potential, but also is underutilized and subject to poor public administration.

The **Financial Sector** in Cape Verde is quasi-monopolistic. Since independence no foreign banks have been allowed in the country. The Bank of Cape Verde (BCV) is the primary institution with over 85% of credit in the country. With no competition, the BCV operates on its own terms and has been criticized for being very slow to respond and rigid on lending terms. The Investment Department within the BCV began operations three years ago and operates like a commercial bank which lends medium to long term to the private and public sectors. External assistance to the BCV has focused on building up this department and training the staff. Even though there is no credit policy towards the private sector, credit distribution has increased from 51% in 1984 to 68% as of June 1987. Interest rate policy was revised in 1985 such that rates are positive in real terms and the BCV earns a spread between 2-6%, depending upon tenor. Emigrant remittances have been increasing, partially due to the deposit accounts set up by the BCV which offer favorable rates of return. In the future Cape Verde should consider liberalizing its banking laws to allow more competition and the establishment of other financial instruments which attract foreign and emigrant investment.

The recommendations for the **Optimal Responses to Stimulate Private Sector Development and Export Activity** were developed through an iterative process of discussion with A.I.D. Praia, the Government of Cape Verde, and the local private sector. A preliminary draft of the recommendations were discussed at a Business/Government Roundtable sponsored by the Ministry of Planning and Cooperation. This session marks the first time since independence that the private sector has been invited by the government to participate in the process of defining solutions to the challenges confronting the nation.

The program recommendations fall into eight segments; six addressing specific sectors of the economy, and two addressing overall institutional factors. High priority projects have been identified for immediate funding to produce momentum in their development. The specific themes are:

- Develop an integrated transshipment center/free zone in Porto Grande.
- Develop a Teleport facility, and stimulate the emergence of information services industries.
- Provide technical assistance to the Banco de Cabo Verde to develop export finance expertise and improve credit decision making.
- Develop a financing mechanism to attract increased foreign investment and emigrant remittances.

- Conduct feasibility studies to assist the divestment of the fishery sector to private ownership.
- Attract a private developer for a large scale (\$50-100MM) integrated tourism development, which will include the provision of utilities to the local community.
- Assist the emergence of the I.P.U. as an effective information source and investment facilitator, and develop a free zone regulatory package.
- Develop a "Tele-university" system as a training mechanism, and assist development of business and vocational training programs.

This report is based on field work conducted in the Republic of Cape Verde over the period May 6 through May 28 by a three member team composed of Eileen Evans, Mark Connell and Jose Luis Pinheiro. The team wishes to extend its gratitude for the assistance and cooperation shown by A.I.D. in Washington and Praia, the Embassy of Cape Verde in Washington, the Embassy of the United States in Praia, and the many individuals of the Cape Verdean Government and private sector in Santiago, Fogo, Sao Vicente and Sal.

II. INVESTMENT CLIMATE SURVEY

A. POLITICAL BACKGROUND

The Cape Verdean Government is a one party parliamentary democracy, comprised of three branches, legislative, executive and judicial. A unicameral body, the National Popular Assembly constitutes the legislative branch. The National Popular Assembly convenes twice a year to determine policy and legislate political, budgetary, economic, cultural, social and defense issues after committee-commission deliberations. Eighty-three "deputies", popularly-elected every five years, compose the National Popular Assembly. The president is elected by the National Popular Assembly to a five year term.

The Cape Verdean government is directed by the African Party for the Independence of Cape Verde (PAICV) whose chief, the secretary general, is also the current president, Aristides Pereira. President Pereira is a founding member of PAICV as is the prime minister, Pedro Pires. Unlike other African countries where tribal differences have been a major obstacle in creating political consensus, nation building has been easier in Cape Verde where a small and relatively homogenous population exists. PAICV has mobilized the island population according to the principles of democracy, African unity, peace and nonalignment.

The political stability of Cape Verde is unique amongst the former Portuguese colonies. Cape Verde owes much of this political stability to the ideas of the founding leader, Amilcar Cabral - whose legacy is alive in the spirit of the party today - and to the consistent leadership provided by President Pereira.

Adding to this image of political stability and favorable development climate is the opinion held by local and international observers that Cape Verde is minimally corrupt and is considered a frugal and effectively managed country.

B. ECONOMIC DEVELOPMENT SINCE INDEPENDENCE

There have been two distinct stages in Cape Verde's economic development. During the First Phase, running from the time Cape Verde achieved independence from Portugal in 1975 through 1987, the GOCV concentrated its efforts in building a legitimate, well regarded administration, in meeting the immediate needs of the population and starting up the construction of infrastructure. Aware of its highly dependent economy during this period, the GOCV promoted an import substitution program. Several national industries emerged

during this period, such as: Morabeza (apparel), Socal (shoes), Fab. de Tabacos (cigarette factory), Moave (flour production). The majority of these enterprises were parastatal or mixed enterprises with majority public ownership. The cigarette company is 100% privately owned, and was successful in replacing imports via licensing agreement with the Portuguese manufacturer. The factory now produces approximately 96% of local cigarette consumption. Most of the other companies still produce a minor share of local consumption and compete directly with imports. Often they are not competitive in prices and are not producing the quality and quantities that would be required for export markets. Most importantly, they have not provided the industrial base to increase employment, which is the major concern of the GOCV.

Cape Verde is now entering the Second Phase of its economic development with the present formulation of a new export oriented development strategy. The only alternative during this stage is to mobilize the limited resources that the country has to generate export earnings. Due to its extremely poor resource base, it will continue to import most of its basic raw materials and foodstuffs. Cape Verde sustains its trade imbalance with official loans/grants and emigrant remittances. In 1986 GNP was approximately \$130MM, the trade imbalance was \$88MM, and total official debt outstanding and disbursed totaled \$104MM!¹ Even though Cape Verde will continue to depend on official sources, at the inception of Stage II the GOCV recognizes the urgency to create an environment where external funding is diversified with foreign investment oriented towards export activities. A.I.D. is in a position to work closely with the GOCV in formulating and executing the critical aspects of Stage II economic development.

However, there are many constraints to this initiative. Some are obvious, and have already been identified by the GOCV and other studies. Others may be more subjective but resulted after many discussions with government officials, business leaders, entrepreneurs and foreign investors. These constraints are:

Lack of natural resources/infrastructure

- inadequate water supply, electricity, and infrastructure;
- weak transportation system, deficiencies in telecommunications.

¹Sources: A Profile of the Republic of Cape Verde, Economics, Embassy of the Republic of Cape Verde, May 1988. Country Brief Paper, World Bank, May 1988.

High dependency on imports of raw materials, equipment

- non-competitive costs of key production factors such as transportation, energy and water;
- high construction costs for industrial units and problems in the purchasing of land.

Labor Force

- many of the best educated work in government, not in the private sector;
- high unemployment;
- low labor productivity;
- inadequate business and technical training.

Inadequate legal/institutional framework

- archaic tax and customs systems;
- highly bureaucratic trade procedures.

Inadequate financing mechanisms

- lack of export financing structures;
- slow, bureaucratic credit approval process;
- lack of risk capital.

Sociological Resistance

- attitudinal "manual labor is not something that we do.";
- lack of acceptance of returned emigrant;
- lack of entrepreneurial drive;
- resistance to foreign influence.

Market Constraints

- fragmented geography that does not allow economies of scale to develop;
- most of the population (at least 60%), is essentially outside of the cash economy, they live on monetized food aid, subsistence agriculture, low level artisanal production and small street merchant activities
- inadequate educational institutions to train Cape Verdeans in business and vocational areas

C. FUTURE POLITICAL DEVELOPMENTS

The GOCV has been very active in creating a structure to achieve its objectives. In particular, the following general recommendations came out of the March 31, 1988 National Council meeting of Cape Verdeans political party (African Party for the Independence of Cape Verde - PAICV):

- create a clear legal and institutional framework which stimulates and directs foreign investment;
- strengthen the linkages between the national entrepreneurial sector and foreign investors;
- promote the "informal industrial sector" (artisanal popular production);
- create incentives to encourage a stronger participation of emigrants in Cape Verde development;
- expedite the ongoing administrative reform to make it more efficient;
- create financial mechanisms to redistribute income;
- strengthen the union and cooperative movement.

Currently the GOCV is preparing the following major legal documents which will provide the framework for export development and foreign investment policy:

- The Foreign Investment Code (the original draft was considered to restrictive and is being changed following a much more liberal approach);
- A Statement of Industrial Policy (estatuto industrial) which will establish the licensing and registering procedures as well as the package of overall incentives available to the industrial sector;
- The Export Industries Regime (Regime das Industrias de Exportacao) which will establish specific incentives for each group of exports (taxes, customs duties and establishment of preferential exchange rates);
- A Manual of Export Credits which will provide special information on the credit facilities available to the export sector.

The Ministry of Industry is currently promoting a series of inter-ministerial meetings (Industry, Commerce, Finances and Bank of Cape Verde) which will foster close coordination in establishing a new policy framework. This framework will be voted on in the Third Party Congress in November, 1988. Within in this framework, there are several areas of debate and concern, which include the possibility of over-invoicing and capital outflows by joint ventures.

The Industrial Promotion Unit (IPU) in the Ministry of Industry was created in 1985 with technical assistance from the World Bank and the United Nations to identify, prepare and promote industrial projects and to provide technical assistance. IPU is the only institution in Cape Verde that has developed in-house expertise for both project identification and foreign investment promotion that is transferable to other sectors of the economy. The current plan is to transform IPU into an autonomous institute which would be the chief investment promotion unit for all sectors of the economy, for both local and foreign investors. This expanded role would include reviewing proposed export oriented projects and coordinating all required actions within the GOCV, specifically Commerce, Bank of Cape Verde and the Ministry of Finance.

While there are no definitive drafts as yet of any of the above documents defining the industrial/export development policy, all of them are currently being discussed and revised. Below is a brief discussion of IPU's recommendations in establishing this legal framework; which will be decided by Congress this November:

Protection of Goods and Services Purchased with Foreign Capital

Essentially this protection would be in the form of a contract with GOCV guaranteeing against nationalization or expropriation of land/goods/financial resources purchased with foreign capital.

Flexible Government Procedures

Foreign investors require quick turnaround on project proposals. IPU recommends that the GOCV provide administrative approvals for all imports and exports. However, it also recommends expediting the approval process as follows:

- foreign investors deliver their project proposal to IPU for review;

- within thirty (30) days IPU delivers to the foreign investor a statement containing all specific project conditions, namely, requirements and incentives (interest rates, exemptions of customs duties, import taxes, exchange rate conversion, repatriation of profits, wages of foreign employees, etc.)
- the original project proposal, together with IPU's statement, is then submitted to a "national investments commission" (NIC) comprising representatives of Industry, Finance, Commerce, Customs, Transportation, Bank of Cape Verde and other appropriate GOCV authorities. This commission would then review both documents and provide a written "opinion" within fifteen (15) days.
- the original project proposal, IPU's statement and NIC's "opinion" would then be submitted to an interministerial council which would have fifteen (15) days to approve the project.
- once approved the decision is published in the GOCV official gazette. Such decision would then assume the form of a law containing the specific conditions provided; it would also function as a legally binding document which could be used for licensing and registering purposes.

Repatriation of Export Earnings

IPU plans for all foreign companies to be eligible to remit export earnings, as long as their imports and local expenses were effected in hard currency deposited in the Bank of Cape Verde. Regarding joint ventures, IPU recommends caution in developing specific legislation due to sales on the domestic market and eventual illegal capital outflows. A recommendation has been made to define the concept of "nonresident companies" accounts, which will not be compelled to keep the value of exports in country but, would be subject to a tighter government control and obliged to effect all payments in hard currency.

Customs Facilities

IPU recommends that equipment, utensils, spare parts, raw material and semi-processed products be exempted from import taxes and import duties as long as evidence is shown that such production factors will be used for exports. Naturally, any exports would also be exempted of any tax.

IPU also recommends that the customs services develop a standardized system to handle imports of goods and services that will be processed and exported or re-exported through a temporary imports system, customs controlled warehouses, etc.

Tax Exemption

Currently Cape Verde has the following taxes:

- Customs Duties/Import Taxes

These were recently changed to ad-valorem taxes. They range from three percent (3%) to approximately forty percent (40%) depending upon the product imported (e.g., computers pay 3%; sound equipment pays 40%);

- Consumption Tax

This is also an ad-valorem tax which varies from product to product but averages eighteen (18%) to twenty (20%) percent. It is applied against the CIF price plus customs duties.

- Other Custom Duties (Emolumentos)

Five percent (5%) ad-valorem on all products (over C.I.F. price).

Besides the above three major taxes there are little payments for customs services, warehousing costs, despatching services, etc. Tax exemption usually applies on raw material for investments, national projects and processing equipment for industrial production.

For companies operating in both the domestic and external markets, IPU recommends that a system be initiated whereby the larger the exports, the smaller the taxes. For companies operating exclusively in the external markets, IPU recommends total exemption of corporate tax, income tax and consumption tax.

Financial Incentives

IPU recommends three actions:

- negotiate with international development organizations the establishment of concessional credits for initial investment and exports (manufacture of ordered but not paid merchandise);

- develop export credit insurance mechanisms;
- develop exchange rate losses insurance mechanisms.

Cost of Production Factors

Transport: In view of available capacity in both vessels and airplanes departing Cape Verde for Europe and the U.S.A., IPU proposes that the GOCV negotiate with transportation companies standardized preferential export tariffs.

Energy: In this particular case, IPU recommends that the GOCV negotiate specific tariffs with the major public energy company "Electra". It also recommends that financial and tax incentives be provided to those export companies interested in using their own power supply (e.g., exemption of import taxes and customs duties on petrol).

Water: IPU considers that reductions in price could induce dangerous consumption levels of this very scarce resource in Cape Verde. However, it recommends providing incentives to self-production of desalinated water or development of water sources and distribution systems.

Labor Issues

IPU recommends that proposed labor legislation being studied be as flexible as possible regarding matters such as firing, short term contracting, trial period, social welfare, professional ranking, absence, holidays, leave without payment, etc. IPU also recommends that the hiring of foreigners be made easier to the extent possible while ensuring a fair proportion of jobs for local workers.

Exchange Rate Policy

IPU recommends a cautious policy which takes in account the competitiveness of Cape Verde products in export markets. An over-appreciation of the Cape Verdean Escudo vis a vis the currencies of the export markets should be avoided.

The mission generally supports these recommendations of the IPU so as to foster a favorable investment climate as soon as possible. The GOCV is well aware of the key constraints to industrial/export development and is willing to offset some of these negatives through the establishment of well thought out foreign investment incentives.

III. KEY ECONOMIC SECTORS

A. OVERVIEW

Since independence, the GOCV has sustained economic growth and stability. Under the Second National Development Plan (1986-1990) the stated economic goals are to:

- maintain the budget deficit at three percent (3%) of the GDP;
- keep the level of external reserves at six months of imports equivalent;
- implement monetary and credit policies aimed at reducing internal inflationary pressures;
- implement an exchange rate policy targeted at maintaining Cape Verdean exports competitive.

According to recent international reports, the results have been fairly successful. With an extremely poor resource base and large deficits in the overall budget and resource accounts, the GOCV has become very dependent on emigrant remittances and concessional foreign aid to fill the gap. Both sources represented nearly 100% of GDP in 1985. However, in 1986 and 1987 commitments from official donors were below expectations, and emigrant remittances have declined as well relative to GDP. As a result of these capital inflows the country has sustained positive real growth rates, relatively low inflation, a surplus in the balance of payments and a reasonable level of foreign reserves. Since most of the official credits have been on concessional terms, debt service has been manageable; in 1987 it was 14% of GDP. In terms of economic growth, GDP grew 4.1% on average from 1973-80, and 6.2% from 80-86. Implicit GDP deflator, as one measure of inflation, averaged 9.7%, and 16.0%, respectively, for the same periods.

The structure of Cape Verde's economy is overwhelmingly concentrated in services, (including commerce, transport and public services), which constitute approx. 60% of GDP. This implies that the economy is extremely dependent on full utilization of the service industry. In 1987 this was particularly crucial with the decline in airline traffic through Sal Island. Industrial production accounts for only 20% of GDP, of which manufacturing is merely 4%. Finally, agricultural activity declined from its relative share of 32% of GDP in 1980 to only 19% in 1985. The fisheries sector constituted 4% of GDP in 1985.

Table 1 summarizes the macroeconomic aggregates available at this time.

TABLE 1
MACROECONOMIC AGGREGATES OF CAPE VERDE

| | <u>1980</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> |
|-----------------------|---------------|-------------|-------------|-------------|
| GDP (US\$MM) | 89 | 114 | 142 | 163 |
| Population (Thous.) | | | 309 | 340 |
| GDP per Capita (US\$) | | | 460 | 480 |
| GDI Growth % | 6.2 (1980-86) | | 4.0 | 6.0 |

(As % of GDP)

| | | | | |
|--|-------|---------------|------|------|
| - Agriculture (Fishing) | 31.8 | 19.4 (4.0) | n.a. | n.a. |
| - Industry (Manuf.) | 18.0 | 20.4 (4.0) | n.a. | n.a. |
| - Services | 50.2 | 60.2 | n.a. | n.a. |
| - Consumption | 134.4 | 113.8 | n.a. | n.a. |
| - Gross Domestic Inv. | 42.3 | 51.6 | n.a. | n.a. |
| - Exports (GNFS) | 21.6 | 24.0 | n.a. | n.a. |
| - Imports (GNFS) | 98.2 | 87.3 | n.a. | n.a. |
| - Resource Balance | -76.7 | -63.3 | n.a. | n.a. |
| - LT Debt Out. & Disb. (Official Creditors) | 22.5 | 84.5 | 75.7 | n.a. |
| - Net Factor Income (incl. remittances) | 48.8 | 16.9 | 10.2 | n.a. |
| - Inflation % | | 5.4 | 11.0 | |
| - Exchange Rate CVE/US\$ | | 93.0 | 87.4 | 76.0 |
| - Reserves/Months/Imports | | | 7.2 | 6.1 |

n.a. = not available

Sources: The World Bank the Embassy of Cape Verde, the
International Monetary Fund

Cape Verde is very dependent on imports, as evidenced by the extremely high percentage of GDP. Exports have been increasing but are very concentrated in a few markets, as demonstrated in Table 2.

TABLE 2
COMPOSITION AND DIRECTION OF TRADE

| | 1984 | 1985 | 1986 | Products |
|-----------------------|----------------|------|------|-----------------|
| | (Million US\$) | | | |
| Exports F.O.B. | 3.1 | 5.2 | | |
| (Percentage of Total) | | | | |
| Portugal | 22.9 | 30.2 | 28.3 | Lobster, Tuna |
| Netherlands | 1.6 | 2.3 | 1.2 | Banana, leather |
| Algeria | 21.3 | 38.8 | 19.4 | Tuna, Rocks |
| Angola | | 32.1 | 4.3 | Frozen Fish |
| Italy | | 6.1 | 11.0 | Drugs, Textiles |
| Ivory Coast | 17.8 | | | Tuna, Lobster |
| Spain | 8.2 | | 0.4 | n.a. |
| France | 8.7 | 3.4 | 5.5 | Lobster |
| (Million US\$) | | | | |
| Imports C.I.F. | 85.7 | 83.7 | | |
| (Percentage of Total) | | | | |
| Portugal | 22.9 | 30.2 | 34.4 | |
| Brazil | | 11.2 | 2.4 | |
| West Germany | 18.3 | 5.9 | 5.3 | |
| Netherlands | | 9.9 | 15.7 | |
| Spain | | 3.7 | 1.9 | |
| France | 8.7 | 3.4 | 5.9 | |
| Cuba | | | 1.6 | |
| Algeria | 13.2 | 2.5 | 0.3 | |
| U.S. | | 1.8 | | |

Sources: Boletim trimestral de Comercio Exterior 1986.
U.S. Department of Commerce, Foreign Economic Trends
Cape Verde, March 1988

The GOCV establishes yearly ceilings for the value of imports per each company under a "Platfond" system. Both imports and exports require an approval from the Directorate General for Commerce. Under normal conditions, the process takes eight days between requesting and granting an import license - Boletim de Registo Previo de Importacao/Exportacao. There are four different groups of imports as follows:

| <u>Groups of Imports</u> | <u>1987 CVE\$mm</u> | <u>US\$mm</u> |
|-------------------------------|---------------------|---------------|
| Regular Imports | 3,500 | 50 |
| petrol and shipyard equipment | 1,400 | 20 |
| imports of emigrants | 500 | 7 |
| foreign aid imports | <u>3,800</u> | <u>54</u> |
| Total | 9,200 | 131 |

(CVE \$ 70 = US\$1.00)

Much of the trade activity is carried out by EMPA, the state owned company, and private commercial traders. In most cases EMPA has a monopoly on the market, but individual traders have defined their niches. The traders belong to the two Commercial Associations Leeward (Barlavento-northern or windward islands, and Sotavento-southern or leeward islands). There are more than 120 members in these Associations. They are self sustaining and meet once a week to discuss the needs of the members. At this time the Associations are the only form of business organization for private companies, although a proposal exists to unite and strengthen them into a National Chamber of Commerce. The mission found these Associations to be very encouraging in terms of private sector potential and entrepreneurship in Cape Verde, and encouraged their participation throughout the dialogue with the GOCV.

Cape Verde is a member of the Lome Convention and enjoys preferential benefits exporting to Europe via Portugal. Cape Verde also is a member of ECOWAS, the economic and trade council for Western Africa. At this stage the markets represent a minor share of Cape Verde's exports and only 3% of imports. The council is not fully utilized to facilitate trade between countries, however Cape Verde anticipates potential for expansion in several of the markets.

B. INDUSTRIES

Colonial policy until 1975 systematically neglected the industrial sector. Between independence and 1987 the GOCV undertook a major import substitution effort which, although it fell well short of expectations, induced the creation of a few local industries. As a result, growth in the industrial sector since 1981 has exceeded overall GDP growth by over 3% on average per year.² As of 1985, industrial production equaled CVE 1.9 billion (roughly U.S.\$ 27.14 million at the rate of U.S.\$=CVE 70). The local industry employs roughly three thousand employees (close to 1% of the total population); major products are as follows:

TABLE 3
INDUSTRIAL PRODUCTION BY MAJOR SUBGROUPS

| <u>Groups of Products</u> | <u>No. of Employees</u> | <u>(CVE 000) Production</u> | <u>Percent</u> |
|--|-------------------------|-----------------------------|----------------|
| Marine resources (salt and canning) | 282 | 53,864 | 2.8 |
| Agroindustries food, beverages, tobacco | 871 | 842,844 ³ | 44.5 |
| Building construction | 518 | 310,526 | 16.4 |
| Heavy industry | 800 | 378,048 | 19.9 |
| Other | 440 | 309,788 | 16.3 |
| TOTAL | 2,911 | 1,895,070 | 100.0 |

Source: Ministry of Industry

² Source: Ministry of Industry.

³ Bread and milling alone account for fifty-seven (57%) of the production of this group and twenty-five (25%) of the country's industrial production.

Because most of the Cape Verdean manufacturing enterprises have been conceived as import substituting firms, they are not presently organized to compete in export markets. There are two characteristics which should be noted in this regard: first, there is a tendency to be integrated producers, rather than concentrating production on those stages where Cape Verde can produce the most value-added, and second, there is a lack of market information regarding the operational details of exporting (e.g., preference systems like the Lome Convention or the U.S. "807" program).

The operations of the Morabeza apparel factory illustrate these points⁴. Morabeza is a relatively small plant by international standards, employing between 100 and 300 workers depending on demand. Yet it has a fully integrated production line including the sourcing of material, cutting of fabric, sewing of the pieces into garments, and final pressing and packaging. The factory itself includes a complete suite of executive offices in addition to several plant floors. The production runs are in small lots for various styles of garments, including pants and tops. In contrast, an apparel firm of similar size operating in the Far East, the Caribbean or Mauritius would be limited to assembly of pre-cut pieces, obviating the need for investment in the cutting machinery and training of workers on those machines. The factory would be simply a standard factory building with offices walled off at one end of the plant floor. Production runs would be made as large as possible, with a specialization in one particular category of garment (e.g., men's knit tops) to develop skill and speed in that good.

Morabeza is currently involved in an active marketing effort to break into the European and North American markets. They are confronted with the fact that the global market for apparel operates on tight sets of rules under the Multi-Fiber Arrangement negotiated within the GATT framework, and various sets of special trade preferences granted to the developing world. For example, nearly all garments produced in the Caribbean for the U.S. market are sewn from pieces cut in the United States, which can be reimported to the United States duty-free under the "807" program.

Morabeza has embarked on this "learning by doing" process to gain the "know how" necessary to operate internationally. The entire manufacturing sector within the country must begin confronting these same tasks in order to expand and profit from

⁴ Site visit to the Morabeza plant and discussions with the General Manager, Sr. Antonio P.M. Pereira.

the opportunities in international trade. In addition to effort from the owners and managers of firms, the I.P.U. has an important role to play in offering access to the types of information discussed here.

C. TOURISM

Despite an emphasis in the Second National Development Plan, there has not been a concerted effort to develop the tourism potential in Cape Verde. Promotion to date, has been limited to small arrangements with some European (West German and French) tour operators to bring groups to Sal Island. This has resulted in one to three dozen tourists per week over the winter season. The majority of the guests at the hotels continue to be airline flight crews who are stopping for layovers on Sal Island.

Santa Maria on Sal Island is the only location in the country prepared to attract tourists on a commercial basis. The two hotels, the Morabeza and the Novotel Belorizonte provide attractive accommodations together with good food. Significantly, these hotels also provide recreational activities for guests including scuba diving and wind surfing. The entrepreneurs running these ancillary activities provide world class sporting facilities, which have the potential for drawing tourists specifically to engage in these activities.

A serious limitation on the expansion of tourism on a commercial basis is the infrastructural shortcomings, including a lack of fresh water, electricity and telecommunications. Sources have related incidents where tourists were without water and electricity at the hotels for 2-3 day periods. Although the phone system is due to be improved shortly, at present it provides only one phone circuit to Santa Maria, and this only operates during the times of day when an operator is on hand in Santa Maria.

Tourism on the other islands is currently possible only for the subset of tourists who are adventurous enough to handle minor inconveniences themselves. This is not to ignore the many natural and cultural attractions which exist, but to place them in proper perspective as resources in a tourism program. Given a sufficiently large base of tourism on Sal Island, then day-trip or short excursion programs to other islands would become a possibility.

D. TRANSPORT SERVICES

Merchant Marine

The port facilities, including stevedorage and warehousing services are handled by the port authority, ENAPOR (Empressa Nacional Portuaria). There are two port facilities capable of handling large vessels: Porto Grande, the port located in Mindelo, Sao Vicente Island, and Porto Praia, the port located in Praia, Santiago Island. An additional 7 ports on the other islands handle mainly inter-island routes, with the exception of Porto Palmeira on Sal Island which is one of the major ports for the fishing fleet.

The majority of the activity in the ports is for arriving cargo, with imports exceeding exports by a ratio of 10 to 1 (in terms of weight). Over the past three years there has been a small amount of transshipment activity, but this has largely been on an ad hoc basis.

TABLE 4
USAGE OF PORT FACILITIES FOR INTERNATIONAL CARGO
(in thousands of tons)

| | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> |
|--------------|-------------|-------------|-------------|-------------|-------------|
| PORTO GRANDE | | | | | |
| Unloading | 81 | 107 | 78 | 91 | 89 |
| Loading | 3 | 22 | 24 | 10 | 6 |
| In transit | -- | -- | <u>31</u> | <u>3</u> | <u>1</u> |
| Total | 93 | 129 | 133 | 104 | 96 |

Source: ENAPOR

The merchant marine fleet in Cape Verde comprises three firms, Arca Verde, a state company; C.G.T.M. (Compania Geral do Transportes Maritmas), a mixed enterprise; and Transmar, a private corporation. Arca Verde and C.G.T.M. are in the process of being merged into a single company structured as a mixed enterprise. The capital structure will be:

| | |
|-------------------|-----|
| Government | 51% |
| Private ownership | 40% |
| Management | 9% |

with the senior management of the firm being eligible for ownership shares in the reorganized company. In the past two years C.G.T.M. has acquired two smaller shipping firms.

Several of the importing firms have looked into beginning of private shipping lines to serve their own needs for the importation of commercial goods, and are proceeding with these arrangements. Service provided by these lines, together with that from other countries, results in monthly service by 2 to 3 ships between Cape Verde and Europe (Holland and Portugal), and 2 to 3 ships between Cape Verde and Africa. Arca Verde runs an annual voyage between New Bedford, Mass. and Cape Verde.

TABLE 5
MERCHANT MARINE FLEET

| | <u>Capacity</u> | <u>Age</u> |
|-------------------|------------------|------------|
| <u>ARCA VERDE</u> | | |
| 1 Ship | 5,500 tons | 12 years |
| 1 Ship | 600 tons | 15 years |
| 6 Ships | 40 - 400 tons | |
| <u>C.G.T.M.</u> | | |
| 2 Ships | 3,000 tons | 16 years |
| 1 Ship | 2,500 tons | 16 years |
| 3 Ships | 600 - 1,000 tons | n.a. |
| <u>TRANSMAR</u> | | |
| 1 Ship | 1,500 tons | 12 years |

There is a policy in place to protect the national flag carriers. All importers are required to close contracts on an FOB basis (as opposed to CIF, which would include the shipping arrangements), and hand the shipping arrangements over to agents in Rotterdam, Lisbon or Oporto which deal with Cape Verdean flag vessels. Failure to do so can result in penalties. Another benefit of using CV flag vessels is that payment can be made in CV currency.

Air Transport

International air transport (with the exception of twice weekly flights between Praia and Dakar) is handled through Sal Island. There is a relatively active industry servicing the flights which stopover (and their layover crews) in Sal. South African Airlines formerly was the largest user of these facilities, but with the suspension of SAA landing rights to the United States, they have substantially cut back their operations. The switch to longer range aircraft is also leading SAA to consider future cutbacks in their usage of Sal.

As with the national merchant marine fleet, there are similarly policies in place to give preference to the operations of T.A.C.V., the national airline. Domestic flights are limited to T.A.C.V. only. A recently announced flight by the Brazilian carrier, VARIG, operating between Dakar and Brazil via Sal has been prohibited from carrying passengers between the mainland and Cape Verde. Charter flights have been discouraged or restricted to shift passengers onto T.A.C.V. (Note: Since June, 1988 other flights such as TAGB (Transporter Aereas de Guinea-Bissau) have been initiated to Praia, new routings (Luanda-Sal-Rome) begun for TAAG, and resolution of The Sal-Dakar leg for VARIG is believed to be imminent.)

TABLE 6
INTERNATIONAL FLIGHT USAGE OF SAL ISLAND

| <u>Airline</u> | <u>Weekly Flights</u> |
|---|---------------------------|
| South African Airways | 7 |
| Aeroflot | 4 |
| T.A.C.V. (Transportes Aereos de Cabo Verde) | 2 |
| Cubana | 8 |
| T.A.P. (Transportes Aereos de Portugal) | 2 |
| T.A.A.G. (Transportes Aereos de Angola) | 2 |

E. FISHERIES

Fishery products accounted for 61 percent of the value of Cape Verde's exports of goods in 1986. The largest commodity was tuna, accounting for the majority of both quantity and value. In recent years several entrepreneurs have begun exploiting the market for live lobster, looking both to Europe and the United States.

TABLE 7
FISHERY EXPORTS IN 1986

| | <u>Thousands of Pounds</u> | | <u>Thousands of CV Escudos</u> |
|---------------------------|--------------------------------|-----|------------------------------------|
| Frozen Tuna | 4,068 | } → | 156,371 |
| Live Lobster | 74 | | |
| Canned Fish (mainly tuna) | 385 | | 44,177 |

Source: Boletim trimestral do Comercio Externo, and Ministry of Rural Development and Fisheries

These exports constitute roughly one-half of the catch for tuna, and a somewhat higher percentage for lobster. The total catch for Cape Verde has averaged around 10,000 tons annually over the last seven years compared to estimated potential safe offtake of 50,000 tones. Total catch is lower for the last four years in the time series shown, but this does not appear to be evidence of a decline in the fishery itself. Statistics going back to 1977 show annual catches ranging from 7,500 tons to 8,800 tons through 1981. In the absence of detailed information on the level of fishing effort over this period, these fluctuations in harvest are most probably ascribed to a combination of natural variation and varying levels of effort.

TABLE 8
CAPE VERDE -- TOTAL FISH LANDINGS
(in thousands of tons)

| <u>Year</u> | <u>Total</u> | <u>Tuna</u> | <u>Other</u> | <u>Lobster</u> |
|-----------------------|--------------|-------------|--------------|----------------|
| 1981 | 11,359 | 7,177 | 4,161 | 21 |
| 1982 | 10,839 | 5,595 | 5,217 | 27 |
| 1983 | 14,720 | 6,085 | 8,594 | 41 |
| 1984 | 9,123 | 4,202 | 4,895 | 26 |
| 1985 | 9,707 | 3,965 | 5,695 | 47 |
| 1986 | 6,968 | 4,883 | 2,041 | 44 |
| 1987 | <u>7,112</u> | 4,996 | 2,059 | 57 |
| Total Average = 9,975 | | | | |

IV. THE FINANCIAL SECTOR

A. OVERVIEW

The financial sector in Cape Verde is very small and centralized. There are only two financial institutions, the Bank of Cape Verde ("BCV") and the Caixa Economica Postal ("CEP"). The BCV was formed after independence by the merger of two Portuguese banks, the Banco Ultramarino (Commercial bank) and Banco de Fomento (Development bank). Since that time no foreign banks have been allowed to operate in Cape Verde by law. Today the BCV is the principal financial institution which serves the needs of the government, private companies, and individuals. There is no competition for financial services in Cape Verde, therefore the BCV can react on its own terms and time frame. The BCV is managed by a Board of Directors which consists of the Governor, the Deputy Governor and three other Directors. The Governor reports directly to the Prime Minister.

In February 1985 the BCV was restructured to separate the central, commercial and development finance (investment) functions. Today this separation is nearly complete in practice, although the accounts are still consolidated. Most of the commercial banking functions are carried out by the agencies, which are distributed over all of the islands except Maio and Boa Vista, as shown in Table 9:

TABLE 9
LOCATION AND NUMBER OF BCV AGENCIES

| <u>Islands</u> | <u>No. of Agencies</u> |
|----------------|------------------------|
| Santiago | 3 |
| Santo Antao | 2 |
| Sao Vincente | 1 |
| Fogo | 1 |
| Brava | 1 |
| Sal | 1 |

Source: Bank of Cape Verde

The other financial institution, CEP operates like a savings and loan institution. It is very small in comparison with the BCV in terms of financing. Since 1985, CEP had conceded less than 15% of total financing to the private sector, mainly for

the construction of individual houses. There are approximately 30 employees in CEP. For the purposes of this report, however, the focus will only be on the BCV with specific emphasis on financing to the private sector.

The most recent summary accounts of the BCV are in Table 10.

TABLE 10
BANK OF CAPE VERDE BALANCE SHEET -- 1986

| <u>ASSETS</u> | <u>CVE\$MM</u> | <u>US\$MM</u> |
|--|----------------------|-------------------|
| Domestic | | |
| - Government securities and bonds | 1,281 | 17 |
| - Short term loans | 701 | 9 |
| - Medium and long term (secured) | 3,442 | 45 |
| - Miscellaneous | 46 | .6 |
| Foreign | | |
| - Reserves | 4,262 | 56 |
| - Share holdings intl. financial inst. | 402 | 5 |
| - Investments - Foreign securities | 77 | 1 |
| Other Assets | | |
| - Premises and equipment | 214 | 3 |
| - Miscellaneous | 7,905 | 103 |
| TOTAL ASSETS | <u>18,330</u> | <u>239</u> |
| <u>LIABILITIES</u> | | |
| Domestic | | |
| - Currency in circulation | 1,824 | 24 |
| - Deposits | 5,967 | 78 |
| - Other | 788 | 10 |
| Foreign | | |
| - Foreign currency liabilities | 267 | 3 |
| - Liab. to intl. financial inst. | 393 | 5 |
| Other Liabilities | 6,813 | 89 |
| <u>CAPITAL AND RESERVES</u> | | |
| - Capital | 400 | 5 |
| - Free and Special Reserves | 515 | 7 |
| - Loan loss reserve | 1,109 | 15 |
| - Profit | 255 | 3 |
| | 2,279 | 30 |
| TOTAL LIABILITIES | <u>18,330</u> | <u>239</u> |

Source: Bank of Cape Verde (Year End Exchange Rate CVE 76.56/US\$)

In 1986 the BCV showed a profit of approx. \$3MM on assets totalling approx. \$239MM. The breakdown of the profit by Department was not available. In 1987 the Investment Department recorded a profit of approximately \$526M (at CVE\$76/US\$ as of Dec.31,87), but the data is not finalized. Please bear in mind that many of the figures are unreliable and difficult to interpret due to the consolidation.

B. DISTRIBUTION OF CREDIT BY SECTOR

The Commercial Department was structured to finance all short term transactions, including imports, foreign exchange transactions, and working capital loans up to two years. The Investment Department finances all medium to long term (two to ten years) transactions for both the public and private sector. The main Investment Department is located in Praia, with a second office in Mindelo which directly reports to the main office. Table 11 shows the distribution of credit by sector and by tenor.

TABLE 11
DISTRIBUTION OF CREDIT TO PUBLIC AND PRIVATE SECTORS⁵
(Million Cape Verdean Escudos)

| | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987 (June)</u> |
|---------------|----------------|----------------|----------------|--------------------|
| Short Term | 1,017.0 | 1,279.5 | 1,590.6 | 1,474.7 |
| -Public | 631.9 | 769.3 | 887.7 | 702.5 |
| -Private | 385.1 | 510.2 | 702.9 | 772.1 |
| Med/Long Term | 1,767.3 | 2,313.6 | 2,491.7 | 2,774.5 |
| -Public | 714.2 | 714.1 | 629.5 | 639.5 |
| -Private | <u>1,053.1</u> | <u>1,599.5</u> | <u>1,862.2</u> | <u>2,135.0</u> |
| TOTAL | 2,784.3 | 3,593.1 | 4,082.3 | 4,249.2 |

(As a Percentage of Total Credit)

| | | | | |
|---------------|-------------|-------------|-------------|-------------|
| Short Term | 36.5 | 35.6 | 39.0 | 34.7 |
| -Public | 22.7 | 21.4 | 21.7 | 16.5 |
| -Private | 13.8 | 14.2 | 17.3 | 18.2 |
| Med/Long Term | 63.5 | 64.4 | 61.0 | 65.3 |
| -Public | 25.7 | 19.9 | 15.4 | 15.0 |
| -Private | <u>37.8</u> | <u>44.5</u> | <u>45.6</u> | <u>50.3</u> |
| TOTAL PRIVATE | 51.6 | 58.7 | 62.9 | 68.5 |

Source: Bank of Cape Verde

⁵The private sector includes one parastatal, Morabeza, with 51% public and 49% private ownership.

Credit to the private sector (both short and long term) has grown substantially from 51.6% in 1984 to 68.5% of total credit by June 1987. Furthermore, credit has been shifting away from the traditional agricultural, commerce and industry loans to construction and tourism sectors, as demonstrated below in Table 12.

TABLE 12
DISTRIBUTION OF CREDIT TO PRIVATE SECTOR BY SUBGROUPS
PERCENT OF TOTAL SHORT, MEDIUM AND LONG TERM

| | <u>1985</u> <u>Percent</u> | <u>1986</u> <u>Percent</u> | <u>1987 (June)</u> <u>Percent</u> |
|--------------|-------------------------------|-------------------------------|--------------------------------------|
| Agriculture | 12 | 9 | 9 |
| Commerce | 14 | 10 | 8 |
| Construction | 18 | 20 | 23 |
| Industry | 43 | 44 | 38 |
| Transport | 10 | 8 | 7 |
| Tourism | -- | 2 | 2 |
| Other | 3 | 7 | 13 |

Source: Bank of Cape Verde

In the Investment Department there is now an emphasis on loan monitoring and maintaining client relationships, however the BCV is not proactive in financing business.

The best measure of private sector financing in the short term is the "Platfond System", which is the import financing ceiling by sector. Table 13 below demonstrates that by March 1988 the private sector's participation in trade activities exceeded that of the public sector for the first time.

TABLE 13
IMPORT FINANCING BY SECTOR AS PER
THE PLATFOND REGISTRY

| | <u>1987</u> | <u>1988</u> (March) |
|---------------------------------|-------------|---------------------|
| <u>Trade</u> | | |
| Public Sector | 39.5 | 31.1 |
| Private Sector | 37.3 | 47.1 |
| <u>Industry</u> | | |
| Public Sector | 5.2 | 6.1 |
| Private Sector | 5.3 | 4.6 |
| <u>Service</u> | | |
| Public Sector | 7.2 | 6.1 |
| Private Sector | .9 | .9 |
| <u>Ministries/Miscellaneous</u> | 4.6 | 3.5 |

C. EXTERNAL ASSISTANCE TO THE BANK OF CAPE VERDE

Both the IMF and World Bank have been involved in strengthening the capabilities of the BCV. Cape Verde is a member of the IMF, but has never borrowed from the Fund for structural adjustment lending since its capital inflows from official sources and emigrant remittances have generally covered the balance of trade deficit. The Fund completed an assessment of Cape Verde in November of 1987.

The World Bank approved an Industrial Finance and Promotion Project in 1985 for SDR 4.1MM (US\$ 4.0MM equivalent). The project including training and the establishment of the Investment Department. It provided training for the credit analysts, and established a line of credit of \$3.3MM to the Bank of Cape Verde to be onlent for small industrial projects.

(This also supported the establishment of the IPU, as previously mentioned.) To date twenty five percent of this line of credit is committed.⁶ The objective of the World Bank assistance was to improve Cape Verde's capacity to identify, appraise and finance small development projects. The BCV has applied for 14 projects, and has received approval from the World Bank on every single request. The line of credit is not fully drawn and will be renegotiated in the fall of 1988. In retrospect, the project was instrumental in establishing the Investment Department, an initial framework for credit decision-making, and additional financing for industry. However, was it necessary for the World Bank to approve each project if the capability exists in the BCV? Now that the credit will be renegotiated, the BCV will ask for more discretion above the lending limits set by the World Bank and more liberal financial criteria for the borrowers.

Also, the World Bank supported a training program for BCV's credit analysts with the Banco de Fomento in Portugal. There are approximately twenty analysts which received basic credit for several months. Discussions are underway to provide advanced training for the analysts with the Banco de Fomento, but the World Bank credit may not cover all of the expenses. One of the constraints in expediting lending is the fact that the credit review process is completed manually.

The African Development Fund (ADF) and International Fund for Agricultural Development have approved an approximate \$14MM line of credit to the BCV for financing artisanal fishing. The project implementation plan is under negotiation and will probably include preferential interest rates similar to those granted in the agricultural sector.

Future assistance by USAID to the BCV should complement and enhance World Bank and African Development Bank projects mentioned above.

D. CREDIT POLICY

Credit Policy guidelines are based on sectoral ceilings set by the BCV. The ceilings are determined annually after assessing credit requirements and foreign reserve constraints. By law government borrowing is limited to 15% of the previous years current revenues, however the BCV can increase its lending on specific development projects. There are no specific ceilings

⁶Interview with Peter Gil, Country Program Officer for Cape Verde, World Bank. April 29, 1988.

for lending to the private sector. At this time the credit policy is currently being written and consolidated into a comprehensive Manual. The Department of Credit is also implementing a system to assess the risk in its loan portfolio.

The Commercial and Investment Departments each have their own Commission ("Commissao de Carteira Commercial and Commissao de Credito Desenvolvimento, respectively,) which can approve credit decisions up to designated limits. For example, the manager of the Investment Bank can approve credits up to approximately CV3,500M, or equivalent US\$51M. The Commercial Department works closely with the Department of Commerce on implementing the guidelines for import financing under the "plafond" system. Both Commissions report to the Administrative Council, ("Conselho de Administracao") which approves credits above the Commission limits. The Administrative Council has discretion over credit allocation and interest rates by sector. The Governor of the Bank of Cape Verde and Administrators comprise the Administrative Council, which meets once a week.

The Bank of Cape Verde will generally finance up to 70% percent of a project's costs. All loans are 100% secured. The current practice for a medium to long term loan to be reviewed and approved is as follows:

- Reviewal Process

Client submits a proposal to the BCV, justifying the need for the loan (e.g. financing import of equipment, new construction, etc.) and demonstrating that he can finance thirty percent of the projects's costs;

A credit analyst will work for up to two weeks to prepare the credit review, (manually) which consists of:

- a. Analysis of the Company
 - Ownership structure
 - Historical financial Performance
- b. Estimate of project costs
- c. Financial Projections
 - Debt servicing
 - Ratio Analysis
 - Internal Rate of Return

- Approval Process

The analyst will submit the review to the Manager of the Investment Department, either in Mindelo or Praia. If the loan falls within the credit limits, the Manager can approve the loan immediately. If not, then the loan will be sent to the Administrative Council for approval.

- Disbursement:

Usually subject to delivery of imported equipment, etc.

Private managers commented how this process at the BCV can take up to two years, and that this is a serious impediment to expanding their businesses. The BCV, on the other hand, stated that the process usually takes no longer than three months until disbursement. The BCV feels that the main reason for this delay can be attributed to the following: lack of financial statements, inability to assess project costs, and lack of complementary financing (30%).

E. INTEREST RATE POLICY

For several years interest rates in Cape Verde were negative in real terms. On January 1, 1985, the basic interest rates were changed following suggestions of the World Bank and IMF. These interest rates remain in practice today, and apply to most activities, except agriculture, emigrants and industrial projects under the World Bank credit. There is some discussion going on about modifying the rates more frequently and to adjusting rates to reflect the creditworthiness of borrowers.

TABLE 14
INTEREST RATE STRUCTURE

A. Basic Fixed Rates

| <u>Loans</u> | | <u>Deposits</u> | |
|-----------------|-------|-----------------|-------|
| Basic Rate | 10.0% | 1 to 90 days | 4.0% |
| 91 to 180 days | 10.5% | 91 to 180 days | 5.5% |
| 181 to 364 days | 11.0% | 181 to 364 days | 8.5% |
| 1 to 5 years | 11.5% | 1+ years | 10.0% |
| 5+ years | 12.5% | | |

B. Agricultural Sector

| <u>Loans</u> | |
|---------------|-------|
| Up to 2 years | 7.0% |
| 2 to 5 years | 8.0% |
| 5+ years | 10.0% |

C. Emigrant accounts

Loans (All tenors-8%)

| <u>Deposit</u> | <u>6 Months</u> | <u>1 Year</u> |
|------------------|-----------------|---------------|
| US\$ | 6.4% | 6.9% |
| Deutsche Mark | 2.5% | 3.0% |
| Dutch Guilders | 3.5% | 4.0% |
| French Francs | 7.0% | 7.5% |
| Domestic (CVE\$) | 10.5% | 12.0% |
| Sight | 4.0% | |

Source: Bank of Cape Verde

F. EMIGRANT REMITTANCES/DEPOSITS

Emigrant remittances are a very important economic source for Cape Verde. In 1986 over 10% of GDP was attributed to remittances. There have been no official studies of this population residing outside of Cape Verde, but unofficially estimates reach 400,000 in the United States alone, or more than the population of Cape Verde itself. In the town of New

Bedford, Massachusetts, there is a large Cape Verdean emigrant community, which together with the Portuguese, constitute well over 70% of the voting public. This political presence has been the driving force between the sister city concept between New Bedford and Mindelo which was established last year, and more recently, although not yet formalized, between Providence and Praia.⁷ The emigrant community is well organized and committed to the development of Cape Verde. In fact, they publish a monthly newspaper, and charter tourist flights from Boston. Individual Cape Verdean/American entrepreneurs are already searching for trade and investment opportunities, particularly in fisheries and tourism. The emigrants can play an extremely important role in investment and promotion activities in the future.

At the present time emigrant remittances provide an important source of funds to the BCV. Three special deposit accounts were established in 1985 for emigrants as an incentive to save and invest in Cape Verde. Since then the emigrant deposits have grown tremendously, as demonstrated below.

TABLE 15
EMIGRANT AND RESIDENT DEPOSITS
(Million Cape Verdean Escudos)

| | <u>1985</u> | <u>1986</u> | <u>1987</u> |
|--|-------------|-------------|-------------|
| Emigrant Deposits | | | |
| -CV escudos | 22.8 | 136.0 | 270.9 |
| -Foreign Exchange | 27.7 | 57.9 | 113.7 |
| Total | 50.5 | 193.9 | 384.6 |
| Resident Deposits | | | |
| -Demand | 2,580.5 | 3,024.8 | 3,081.8 |
| -Term | 790.8 | 1,055.9 | 1,345.3 |
| Total | 3,371.3 | 4,080.7 | 4,427.1 |
| Emigrant Deposits as Percent of Resident Deposits | 1.5% | 4.8% | 8.7% |

Source: Bank of Cape Verde

⁷Interview with Mayor John Bullard, New Bedford, Massachusetts, and several Cape Verde/American entrepreneurs.

The emigrant remittance checks are sent to families in Cape Verde mainly in denominations of \$100-\$200, and are consumed by relatives or used to finance house improvements, etc. The BCV has developed an effective means to distribute the remittance checks on some islands. A truck will visit the villages once a week to distribute and convert the checks into local currency. The spreads on foreign exchange are significant (as high as 10%) and a profitable business for the BCV. While there are no official statistics available on the flow of remittances, it is believed that the stock in deposits is only a minor portion.

Part of the reason that emigrant deposits have grown is the favorable interest rates paid in both foreign and domestic currencies. The deposit rates for foreign exchange accounts vary according to the prevailing rates in the U.S., Germany, Holland and France. The domestic rates for emigrants are substantially higher than the rates for residents. This deposit mechanism was a first step in attracting the emigrant remittances. The emigrant deposits are currently committed with resident deposits, (no distinction is made between the two as a source of credit) and the BCV is not willing to consider alternative uses of the current emigrant deposits.

V. OPTIMAL RESPONSES TO STIMULATE EXPORT ACTIVITY

A. SUMMARY OF RECOMMENDATIONS TO USAID

Cape Verde exists in a very precarious situation where stability is maintained only through the actions of those outside the country, whether emigrants or donors. There appears to be a consensus among both the government and the private sector that the only way to get beyond this point of vulnerability is through increased business activity originating in the private sector and oriented toward export activities.

USAID/Cape Verde is attempting to support these encouraging signs of consensus between the government and the private sector with its proposed "Export Development Services" Project. As outlined above, the most efficient use of the limited resources available in this situation is to play a catalytic role. In practice this means providing technical assistance with the goal of achieving greater capacity utilization of existing resources, securing additional private investment, and developing pragmatic training programs. The overall goal is to secure private sector participation in the strengthening of the economy, not to strengthen the role of government.

The recommendations were developed through an iterative process where the team prepared draft recommendations at the half way point of the mission. These were reviewed with USAID and presented at the Roundtable (see Appendix C). Reactions from the government and the private sector, together with additional field work were incorporated in a second draft of the recommendations which was reviewed with USAID and the government. The recommendations are classified in eight sections on the basis of their central theme. Each of the sections focuses on a key project or in some cases projects, while including additional recommendations which reinforce that central direction.

On the normal A.I.D. schedule funding for this project would not become available until Fiscal Year 1989. This summer and fall is a crucial period in the evolution of the politico/economic structure of Cape Verde as it is the period leading up to the Third Party Congress of the P.A.I.C.V. in November. Prompt action on initiating some of the key recommendations here means that initial results can be available to decision makers as they work to define new directions for the nation. There were four projects identified with this time critical nature:

- TOURISM: Project Identification Mission to Freeport, Bahamas.

- TELEPORT: Market Study of European Information Services Market/Coordination with EPCT Planning Process
- TRAINING: Tele-university Project Identification
- TRANSSHIPMENT CENTER/FREE ZONE: Specific Market Study

B. TRANSSHIPMENT CENTER/FREE ZONE (See Table 16)

Overview and Assessment of Potential

This initiative consists of the development of an integrated transshipment facility at Porto Grande, which would operate under a free zone regime. Combined with the transshipment facilities would be the eventual development of an export processing zone, which would grow out of the opportunities provided by standard factory building/warehouse space adjacent to transport. The physical infrastructure discussed here represents the "hardware" associated with a free zone. The regulatory regime for the free zone, which comprises the "software", is addressed separately in section H, Institutional Development.

There are several objectives to this initiative, including:

- Increase capacity utilization of infrastructure.
- Utilize locational advantage of Cape Verde.
- Stimulate more frequent ship traffic, which will facilitate development of export manufacturing and create broader trading opportunities.
- Initiate a free zone program capable of paralleling the success of Mauritius.

The challenge of achieving greater capacity utilization is a key element in the development of Cape Verde's economy. The marine transport sector has substantial spare capacity which can be put to use in the creation of jobs and the earning of service export revenue. Porto Grande is operating at only 30-35 percent of its capacity. In 1987 a total of 160,000 tons of cargo moved through the port⁸, while one estimate of the

⁸"Movimento Mercadoria", ENAPOR, May 1988.

TABLE 16
USAID PRIVATE SECTOR/EXPORT DEVELOPMENT PROJECT

| PROJECTS (6/88) | TIME | | | | | |
|--------------------------------|--|---|--|-------------------------------|---------------|--|
| | YEAR 1 (6/89) | | YEAR 2 (6/90) | | YEAR 3 (6/91) | |
| Transshipment Center/Free Zone | Specific Market Study • Initial Transshipment | Develop Master Plan | Construct Additional Warehouses/SFBs • Initial Export Manufacturing | | | |
| Teleport | Market Study Euro Info Services | Coordinate with EPCT Planning Process | Install I.B.S. Circuits | | | |
| BCV-Trade Finance | Tech. Assist. to BCV | • Export Credit Manual • In-house Training • Computerization | | | | |
| Investment Funds | | Feasibility Study for Priv. Sect. Devel. Fund Marketing Study For Emigrant Investment Fund | | | | |
| Fisheries | | • Comparative Study of Mauritius Happy World Tuna Co. • Business Plan/Feasibility Study for Pescave • Business Plan/Feasibility Study for Interbase | | • Action on Recommendations | | |
| Tourism | Project I.D. in Freeport, Bahamas | Comparative Analysis & Develop Proposal | Identify & Select Developer | Construction | | |
| | | Wind Surf Speed Record | Wind Surf Competition | | | |
| Institution Building | Transform I.P.U. | Regulatory Package Free Zone "Software" | | | | |
| Training | Business Training | Vocational Training | Teleuniversity Project Identification | Teleuniversity Implementation | | |

present capacity is 500,000 tons annually⁹. The shipyard facilities of Cabnave also operate at less than full capacity. They are currently running at 50 percent capacity, employing only 350 of a potential 700 workers¹⁰. Finally, the national merchant marine fleet (considering BOTH the soon to be merged Arca Verde and C.G.T.M.) operates below capacity with the northbound routes to Europe and the United States almost completely empty.

The strategic mid-ocean location of Cape Verde makes it a gateway to West Africa, and a crossroad for ship traffic. In the past this fact has been used by others to advantage -- the Portuguese used Cape Verde as a jumping off point for Africa and South America and the British used Cape Verde as a coaling station. During the post-war period, there has been a decline in the usage of Cape Verdean port facilities, but this situation can be reversed. The natural attractiveness of Cape Verde as a shipping center can be exploited by Cape Verde through persuading shipping lines of the economic value of its use. (Note: Cape Verde is considering signing contracts with two U.S. firms to increase the volume of transshipping, primarily through Port Grande, Mindelo.)

Stimulation of greater traffic combined with the availability of standard factory building (SFB) shells at, or near, the port provide the infrastructural basis for an emerging export manufacturing sector. There is another opportunity here for the commercial sector to expand their operations to be provisioners to the entire west coast of Africa.

Finally, the creation of a nucleus for free zone activity within the trade/transshipment center can lead to the growth of a national program which could parallel that of Mauritius. Since Mauritius began its program in the late 1960s, this sector has grown to where it now accounts for 80,000 jobs. With this workforce, Mauritius supplies 80 percent of the knitwear imported by the EEC under the Lome Convention¹¹.

⁹"Estudo de Viabilidade do Desenvolvimento do Port Grande, em Sao Vicente como Porto de Transito", study conducted by Planave, S.A. for the Ministerio dos Transportes, Comercio e Turismo, October 1986.

¹⁰Interview with Balthazar Ramos, Cabnave Economist, May 16, 1988.

¹¹ "Export Processing Zone Contributions to Development", Free Zone Authority, 1984.

At the beginning, Mauritius had roughly similar challenges confronting it as does Cape Verde today, but with a further disadvantage of greater distance from potential markets and the lack of a strategic location.

Program Recommendations for a Transshipment Center/Free Zone

- Feasibility Study Developing this project will require the coordination of several initiatives. The existing studies (Africaport/Planave/UN) have identified the basic project potential, the next step is to refine these estimates into quantifiable projections that form the basis for financing and implementation of this development. Initial indications are that a first stage concentrating on increasing shipping traffic at Porto Grande can be followed after several years with a second stage, including export manufacturing facilities (such a phased development could be modeled on the experience of the Port of Kingston/Kingston Free Zone during the 1970s). An additional consideration would be the potential for further free zones or licensed factories not contiguous with Porto Grande. (See Section F below regarding development of "Free Zone Software") The specific actions for development of the "Hardware" include:
 - 1) Market Study: Conducted at the firm level with transport companies to identify their present movements of goods in the area, and level of interest in using Porto Grande.
 - 2) Master Plan: Integrate the demand analysis from above to project the required facilities development. Preliminary indications are that warehouse space must be increased to handle transshipment, as present facilities are at capacity handling goods coming into the country. Possibly additional crane capacity will be required.
 - 3) Engineering Study: To determine design of required infrastructure and determine precise costings.
 - 4) Financial Analysis: Integration of the previous studies to assess the financial viability of the project and enable it to secure funding.

C. TELEPORT

Overview and Assessment of Potential

This initiative comprises the development of a high-speed digital communications facility which will enable Cape Verde to enter the market for offshore information services. The system would also be used to support a teleuniversity program. This initiative concentrates on the hardware needs for the project; for successful implementation the UPI must develop the capability to attract foreign investors in the information services sector and provide assistance to domestic entrepreneurs wishing to enter (see section F below). Similarly, the teleuniversity program outlined in section G must be coordinated with these infrastructural developments.

There are several objectives to this effort, including:

- Utilize a natural advantage of Cape Verde -- an industrious, low-wage labor force -- while avoiding one of the major disadvantages -- an isolated location with difficult transport connections for raw materials and products.
- Develop Cape Verde's strength in an emerging industry which has higher value added segments as skill levels increase.
- Coordinate this with the development of a teleuniversity program to facilitate training.

One of Cape Verde's most important natural advantages is an industrious, low-wage labor force, while one of the biggest disadvantages is that it is very difficult to get the products produced by this labor force out to the world markets. Information service industries (including data entry, CAD processing¹², computer programming, etc.) present an opportunity to utilize the first, while avoiding the second. There are a great many information processing tasks which are highly labor intensive. For example, in data entry operations labor represents 50-65 percent of the total product cost, whereas in apparel manufacturing labor represents 20-35 percent

¹² Computer Assisted Design (CAD) processing is an analogous process to data entry. It involves the transfer of information from a physical format (engineering drawings, architectural plans, maps, etc.) into a computerized format on a CAD workstation. This process, referred to as "digitizing", requires a trained technician who can understand the original plan and accurately transform it into a computerized version.

of the total product cost. In practical terms this means that by cutting wage costs in half, a data entry company can lower their product cost by one-quarter, while an apparel firm can only achieve a cost reduction of one-tenth.

Because the raw material is information, and the final product is information, both can be "imported" and "exported" electronically via a telecommunications system. The import could be accomplished via a Group IV facsimile¹³, the information processed, and the final coded data files transmitted to the customer with a total turnaround time of less than 4 hours. In practical terms this means that a data entry facility in Cape Verde could serve the needs of a firm in London as easily as a data entry facility based in London, with the added benefit of much lower costs.

There are a range of skill levels in the information services market providing applications suitable for a relatively unskilled labor force all the way through highly trained technicians. Data entry work can be done by operators who have relatively little training or experience. For example, one high volume specialization within data entry is the simple compilation of name and address lists. Data entry firms operating in the Caribbean report success in training operators even without a prior knowledge of typing.

A teleport consists of a long distance communications facility, a satellite antenna, combined with a local communications facility which connects the users to the satellite antenna. This separate communications facility can be designed to accommodate specific business needs such as digital transmission, high data speeds, video broadcast, etc. which can not be provided over the existing telephone networks.

¹³ Group IV facsimile machines can transmit up to 20 standard pages per minute over a digital communications line transmitting at 56 KBS (56,000 bits of information per second). They are the next level of technology beyond Group III machines which can transmit up to 2 pages per minute over a normal telephone line. Group IV machines are commercially available for about US\$3,000.

Program Recommendations for a Teleport

- Technical Assistance to the EPCT during their long range planning program (beginning in July/September) to define emerging market segments and what infrastructure EPCT must put in place for them.
- Market Study to identify the potential in the European (and US) markets for information services industries located in Cape Verde. Particular focus on the regulatory constraints imposed by the European PTT's on this sector.

D. BANCO DE CABO VERDE -- TRADE FINANCING MECHANISMS

Overview and Assessment of Potential

In order to address some of the constraints mentioned in financing the private sector and preparing Cape Verde for exports, the first step would be to provide technical assistance to the BCV to improve its capabilities. At some point in the future Cape Verde should consider revising its banking laws to open up its market to foreign banks, and/or encourage the creation of a new capital market institutions. The establishment of these institutions would naturally follow the presence of foreign investors. Competition in the financial services industry would benefit the country just as foreign investors would bring the increased markets for exports. However, the BCV is a very conservative institution and firmly entrenched in Cape Verdean society. The concept of competition may not be well received in the near future. In the near term, therefore, the suggestion here is to build on the base that exists, which is in the BCV.

In particular, the objectives are to:

- Expedite current decision-making processes within the BCV so as to provide financing more quickly to the private sector;
- Introduce new techniques for export financing to coincide with other incentives currently proposed by the government;
- Provide in-house training in both areas above.

Several improvements have already taken place within the BCV. Credit distribution to the private sector has been increasing substantially. The Investment Department has developed an in-house expertise for credit analysis with the advice of Portuguese banks, and, furthermore, it recorded a profit in 1987. The deposit base has increased due to the attractive rates offered to emigrants for depositing in foreign and local currency. Import financing to the private sector exceeded that of the public sector for the first time in history in March 1988.

After several discussions with the Manager of the Investment Department, it was agreed that an advisor would be needed as soon as possible to implement the program below.

Program Recommendations for Banco de Cabo Verde -- Trade Financing Mechanisms

Technical Assistance to Bank of Cape Verde

- Develop a Manual for Export Credits, which specifies credit facilities available by different sectors in the economy, in line with other legislative framework that is being developed for exports.
- Incorporate Manual into overall Credit Policy Guidelines of BCV.
- Work with BCV in finalizing overall Credit Policy Guidelines and introduce criteria for emphasis on financing for the private sector in particular.
- Review foreign bank relationships and existing lines of credit to determine if it is adequate for increased financing needs.
- Consider implementing export insurance mechanisms.
- Introduce foreign exchange loss mechanisms, as appropriate.
- Advise on computerization of credit analysis with standard models.
- Provide in-house training on standard credit approval process with computerized models.
- Provide English language instruction in finance and banking terminology.

E. INVESTMENT FUNDS

Overview and Assessment of Potential

The GOCV has stated that it needs foreign investors to bring capital, technical skills and guaranteed markets. The BCV has stressed that one of the major impediments to financing is the lack of the additional capital (30%) required for bank financing for projects. Many Cape Verdean businessmen are looking for more lenient financing terms than currently offered by the BCV. Many emigrants want to invest in Cape Verde but may not have enough capital unless pooled with other emigrants. Investment funds may be the financial vehicle that could provide additional capital on more attractive terms, and expedite the approval process. The funds would be distinctive depending upon the investor and the project. There are three sources of potential funds: foreign companies/individuals, A.I.D., and future emigrant remittances.

It may be necessary to establish new financial institutions to intermediate these funds. However, it will also be necessary to continue to work with the BCV, for in some cases the BCV could be the administrator of such a fund. In other instances, investment funds may directly compete with services offered by the BCV. The objectives include:

- Diversify and increase the source of funding for the private sector.
- Introduce a mechanism for smaller investors, especially emigrants, to pool their funds and obtain equity ownership.
- Provide an alternative to foreign investors for direct investment.
- Offer more lenient credit terms for private sector in exchange for equity participation.

Program Recommendations for Investment Funds

Business Plan/Feasibility Study to assess the demand for additional debt and/or equity financing in a Private Sector Development Fund. Review the legal and tax structure for such a fund in Cape Verde under the new Foreign Investment Code. Recommend foreign markets where underwriting and placement of shares would best be arranged. Assess the source of supply for capital, including A.I.D. private sector instruments (Revolving Funds may not apply immediately since there are no private financial institutions in Cape Verde), redirection of PL 480 (Section 106) local currency funds, investment institutions, and potential foreign investors.

Business Plan/Marketing Study to assess the possibility of attracting future remittances of Cape Verdean emigrants into productive investments allowed under the new Foreign Investment Code. Conduct marketing study in the U.S. and Europe to determine investor profile and assess investment criteria among Cape Verdean emigrants, and development an information network that lets potential investors know of opportunities in Cape Verde. Coordinate marketing study with proposed World Bank and U.N. Emigrant Studies.

F. FISHERIES

Overview and Assessment of Potential

The most important initiative within the fisheries sector is to get better utilization of the existing capital through an increased involvement by the private sector. In line with the Ministry's (Ministry of Rural Development and Fisheries) intentions, the central effort here would investigate the options for restructuring both Pescave and Interbase, and make recommendations in the form of a business plan for both companies. This analysis focuses on the industrial fishery to the exclusion of the artisanal fishery¹⁴, because this is where the best potential is for increased exports. The limited seaworthiness of the artisanal fleet means that little increase in fishing pressure can be expected, while its disbursed nature renders efficient marketing of the catch more difficult.

The objectives of these studies and recommendations are:

- Increase capacity utilization of the existing infrastructure.
- Maximize usage of the fishery resource.
- Assist development of the private sector fishing companies.

As with the port sector and its associated infrastructure, there are substantial capital investments in the fishery sector which are not being fully utilized. Pescave, the government owned fishing company, has 11 boats of which only 2 were at sea

¹⁴ Where "industrial" refers to boats of about 15 or longer, with "artisanal" referring to the remaining smaller boats. In general, boats in the industrial fishery have a home port at Porto Grande (Sao Vicente), Palmeira (Ilha do Sal) or Porto Praia (Santiago), while the artisanal fleet is disbursed throughout all the islands.

fishing during the course of this mission¹⁵. The explanation for this limited mobilization of the fleet was that Pescave focuses exclusively on tuna, and near Cape Verde the tuna season lasts only for a 3-4 month period from July through October. The 2 boats were fishing off the coast of Senegal (where the season starts earlier) under a recently negotiated treaty which allows 3 Cape Verdean boats to fish in Senegalese waters. In contrast, private sector companies report that while the tuna season is at its height for only 4 months, they keep their boats on the water for a total of 9 months annually¹⁶. The industrial fishing fleet contains 61 boats, of which Pescave accounts for 11, or 18 percent. Roughly one-fourth of the fleet, 15 boats, are steel hulled. Pescave accounts for 10 of these, or 67 percent of the most modern, seaworthy boats in the fleet. Aside from Pescave, the most modern boats in the fleet are two which were built in 1983, all the rest are 10 years or more¹⁷.

TABLE 17
PESCAVE: FISHING BOATS

| <u>Number of Boats</u> | <u>Boats Functioning</u> | <u>Length</u> | <u>Year Built</u> |
|----------------------------|------------------------------|---------------|-----------------------|
| 4 | 4 | 22m | 1986/7 |
| 4 | 4 | 18m | 1986/7 |
| 3 | 1 | 39m | 1973 |

Source: Pescave

¹⁵ Interview with Sr. Alberto Barbosa, Pescave. May 16, 1988.

¹⁶ Interviews with Sr. A.Simoes, owner and manager of J. Nascimento & Flhs, and with Sr. T.Figuereido, owner of Somar. May 1988.

¹⁷ "Estatísticas Pesqueirias", Ministro de Desenvolvimento Rural e Pesca, 1987, pp 71-72.

There is a similar lack of capacity utilization in Interbase, the government owned fish marketing company. Interbase acts as a fish buyer and exporter from facilities in Porto Grande, Sao Vicente and Palmeira, Ilha do Sal. Their facilities in Porto Grande include 6,000 tons of freezer capacity (divided among 4 lockers of 1,500 tons capacity each). Of this, only 25 percent of the total capacity has ever been utilized. One of the four lockers was leased to a Swedish firm at one point, however they have since scaled the arrangement back to an on demand usage of only a portion of that locker. (A Cape Verdian entrepreneur reported frustration in an attempt to arrange a similar facility leasing deal for a portion of the Interbase facilities in Palmeira.) In any case, the difficulties in capacity utilization of these facilities are largely the result of much lower catches than have been projected as possible in various studies.

The fishing sector is far from achieving the maximum sustainable harvest which has been estimated in at least a half dozen studies. Total landings over the last 7 years have averaged 10,000 tons annually, compared to an estimated potential of 51,000 - 59,000 tons annually used by Planave in their review of the sector¹⁸. They made their estimate from an average of the six stock estimates which ranged from 10,000 to 101,000 tons. The crucial variable here appears to be a lack of fishing pressure, rather than the scarcity of resources. Anecdotal evidence indicates several foreign countries utilizing the open ocean waters around Cape Verde for fishing. While the mission was in the field, a distress call was received from a Greek fishing vessel in distress 100 miles west of Cape Verde, indicating a presence. The earlier stock assessment studies have been presumably based on data gathered by Japanese and French fishing fleets operating in Cape Verdian waters.

As discussed above, the private sector firms in the industry have the oldest equipment, but are applying the heaviest amount of effort. There was a general consensus in the meetings with the Ministry and officials from Pesacave and Interbase that increased private sector involvement was crucial, and that privatization of these firms was one option to explore.

Program Recommendations to Develop the Fisheries Sector

- Site Visit to Mauritius to compare the establishment and successful operations of Happy World Tuna Company, with possible applications in Cape Verde. Happy World Tuna is a joint venture consisting of private investment from local and foreign companies, with co-

¹⁸ See Table 8 in Section II.E. for fishery catch statistics.

financing from A.I.D. Private Sector Revolving Funds and OPIC.

- Business Plan/Feasibility Study to assess the potential for divesting the operations of Pescave. Consider various options such as:
 - privatization of the entire company as a single unit,
 - sale of the assets (ie, boats) to existing private fishing companies,
 - participation of the current employees in an employee stock ownership plan (ESOP).

- Business Plan/Feasibility Study to assess the potential for transforming Interbase into a mixed enterprise. Consider various options such as:
 - foreign partners who could provide marketing or other assistance,
 - participation of the private fishing companies via a "cooperative corporation" arrangement.
 - encourage leasing out of unused facilities to entrepreneurs.

- Technical Assistance to the tuna fishing fleet to identify better technologies including:
 - "long lining" vs. the current practice of "chumming",
 - expansion of fishing season through following the tuna over their entire migratory course.

- Project Identification Study to investigate the feasibility of aquaculture enterprises.

- Financing Facility to finance the purchase of larger engines for the currently underpowered boats.

G. TOURISM DEVELOPMENT

Overview and Assessment of Potential

The central thrust of this initiative is to attract a private developer who will commit to large scale investment (\$50-100 million range) including public infrastructure, such as electricity, fresh water and telecommunications. To accomplish this the government must develop a project proposal offering prospective developers certain concessions in return for the extended commitment being requested.

This proposal is part of an integrated concept which targets several objectives:

- Eliminate the "chicken-egg" infrastructure problem currently plaguing tourism development by attracting substantial private investment for a turn-key facility.
- Strengthen negotiating skills with foreign investors through development of a comprehensive proposal with known fall-back positions.
- Attract a wider variety of developer/bidders on the project through providing an up-front assurance of government consensus.
- Provide utilities infrastructure to the public on Ilha do Sal, without the need for additional government expenditure.
- Increase the level of air transport to/from Ilha do Sal for tourism, which will have collateral benefits for industries using air freight.

The lack of infrastructure has bedeviled development of tourism in Cape Verde. Complaints have generally taken the following form: If there were more tourists, then there could be more frequent flights, then it would be possible to install a better desalinization system, electrical system, telephone system, etc. However, the lack of tourists has prevented accomplishment of these tasks, while the absence of these infrastructural elements has contributed to a worsening of the market for tourism. Several sources have related accounts of electrical and water failures on Ilha do Sal lasting over the course of a weekend which have resulted in demands for refunds on a tourism package and insistence on taking the first plane off the island¹⁹. This initiative recognizes the need for a large commitment of funds to infrastructure development which must occur in an integrated fashion if there is to be anything other than halting, incremental development.

A need to strengthen negotiating skills in dealing with foreign companies has been cited by both the private and public sector. This initiative seeks to address this requirement by making a careful assessment of the options open to Cape Verde as the first step, followed by the development of a comprehensive proposal and negotiating strategy as a second step.

¹⁹ Interviews with both Director Geral do Turismo, Olavo Rocha (May 18, 1988) and an advisor to the Ministry, Gottfried Hiltz (May 17, 1988).

To date the selection of tourism developers has occurred on a reactive, ad hoc basis -- there has been no proactive program to identify and approach the many potential investors who might bring an even better investment package to Cape Verde than those who are already interested. What this means is that only developers who, for whatever reasons of their own, have already made a decision to investigate opportunities in Cape Verde are potential investors. Aside from the group who have never even heard of Cape Verde, or considered investment here, there is very likely a group who have considered it, but have declined to proceed because of difficulties in drawing up an investment agreement. Both of these problems -- lack of knowledge, and perceived difficulties in negotiation -- can be resolved from the start by having the government adopt a proactive strategy. The practical result will be a larger number of companies bidding for the right to develop a tourism resort in Cape Verde.

The provision of utilities on Ilha do Sal has previously been considered either the responsibility of the government, or left to the individual hotels to deal with as they see fit. There exists an opportunity to bring in a developer and make it a part of their responsibility to provide a defined level of utilities service to the community as part of their development. There are potentially benefits to all in this mechanism: for the community there is improved utility service and the jobs created by the tourism development; for the developer there is a defined environment from the beginning where they realize which investments and services are their responsibility; finally for the government there is a decreased demand on their resources for the provision of these services.

The final objective is to increase the frequency of air service to Cape Verde through pulling in large numbers of travelers. At present, there is little demand on the routes. With the guaranteed base of travel coming from a large resort complex TACV, as well as other airlines, will find more frequent flights profitable. This, thus provides a collateral benefit in the form of increased capacity and frequency for air freight. To the extent that these new flights are scheduled on "wide body" jets such as DC10s or 747s, with container capacity, the air freight system will be further enhanced.

Program Recommendations to Develop Tourism

Secure Large Scale Resort Developer:

- Project Identification: Initiate tourism/infrastructure development on Sal Island via site visit to Freeport, Bahamas to assess pros/cons of using a private sector developer to construct public infrastructure in the context of a commercial venture.
- Analysis/Develop Proposal: Via comparative analysis of large scale resort projects to identify optimum strategy for Cape Verde. Deliverable: a project proposal wherein Cape Verde grants concessions (e.g., long term leases and options, marketing cooperation, exclusivity, etc.) in return for a large scale investment (\$50-100 million) which includes the development of public infrastructure.
- Identify & Select Investor: Identify qualified firms, select and conclude agreement with the most responsive firm.
- Business Plan: Provides a model for the development and management of "pousadas". The goal is to facilitate the investment by small entrepreneurs in the tourism sector and build infrastructure on other islands. Potential source of capital could come from Cape Verdean emigrants.
- Project Identification: Defines a mechanism to stimulate a handicraft industry providing a supply of indigenous craft items for sale to tourists.

H. INSTITUTIONAL DEVELOPMENT

Overview and Assessment of Potential

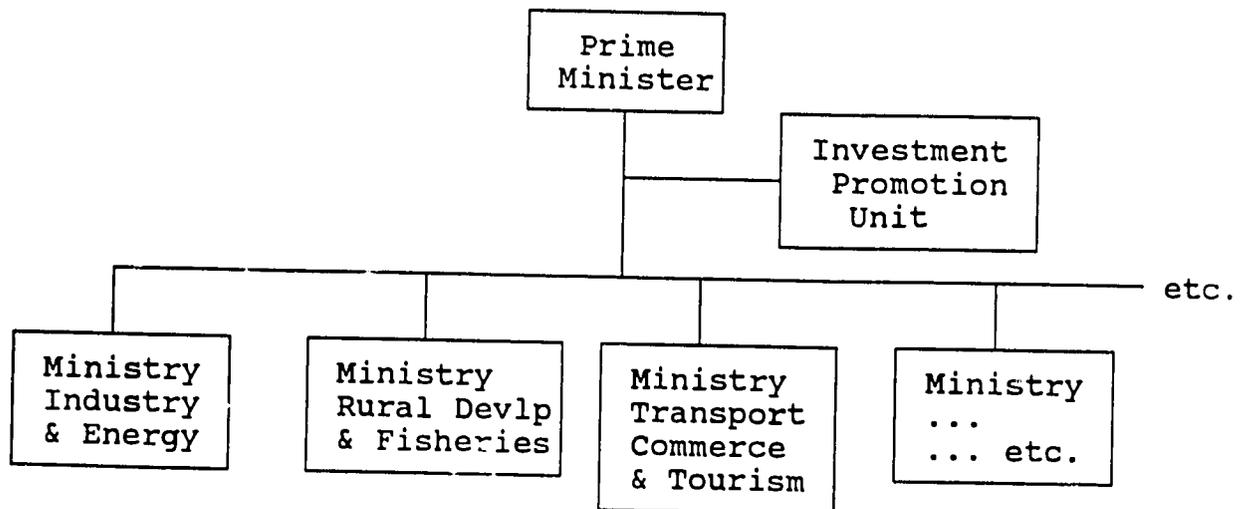
There are two parallel initiatives within the area of institutional development: the first is support to the IPU (Industrial Promotion Unit) to assist in its transformation into a broadly chartered, one-stop investment promotion agency, (an Investment Promotion Unit) and the second is specific advice on the development of a free zone regulatory package flexible enough to address the needs of Cape Verde.

These initiatives were designed to meet several goals, which are:

- Create a single broadly chartered investment promotion agency in Cape Verde.
- Provide a comparative basis for UPI to assess the strengths of other investment promotion programs.
- Assist IPU in developing a stronger presence abroad.
- Draft a free zone regulatory framework that complements the foreign investment code and offers strong incentives for the attraction of foreign investment.

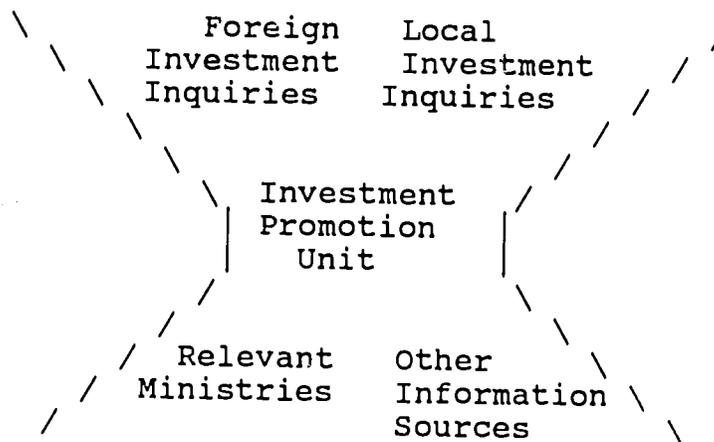
The investment promotion process is a vital function for Cape Verde to attract both foreign and domestic resources to applications within the country. In a system of independent economic actors making their own decisions, as is developing in Cape Verde, the role of an investment promotion agency is to inform prospective developers making decisions, and to facilitate implementation of their decisions to the extent possible.

TABLE 18
PROPOSED ORGANIZATIONAL STRUCTURE OF IPU



To make the most efficient use of personnel, and to avoid duplicating lines of promotional authority, Cape Verde should consider broadening the Industrial Promotion Unit's responsibility to make it the Investment Promotion Unit. Such a change might require, for example removing the I.P.U. from within the Ministry of Industry and Energy and giving it direct access to the Prime Minister's office. Within this revised structure, the I.P.U. would be the first line of communication with investors acting as a funnel to receive all requests. Internally the I.P.U. would have officers responsible for coordination with each of the relevant Ministries, and any other sources of information which could serve investors. The I.P.U. would assist investors in making investment applications and act as advocates for qualified investors before the Interministerial Council which considers the applications.

TABLE 19
INFORMATION FLOW THROUGH THE I.P.U.



The regulatory package developed for the free zone program must be sufficiently robust that it offers potential investors an attractive location for their operations, and it must be sufficiently flexible that it will accommodate manufacturing enterprises already established in the country or which have particular reason for locating outside an established free zone area.

Program Recommendations for Institutional Development

- Transformation of U.P.I. into a one-stop investment promotion agency for all sectors (including industry, tourism, services, etc.) and from all sources (foreign and national). Refer to the experience of other investment promotion agencies (e.g., the Investment Promotion Counsel in Dominican Republic, or the National Investment Promotion Board in Jamaica) as a model for this development. Program development in this area must complement World Bank and UNDP technical assistance, especially regarding trade administration and customs procedures.
- Develop Regulatory Package for Free Zone "Software" which would offer regulatory and tax relief to create an incentive for the attraction of foreign investment into export manufacturing and service industries. Design the package with the flexibility to permit both designated free zone areas and licensed factory operations. Coordinate with the development of the Foreign Investment Code.

I. TRAINING/MANAGEMENT DEVELOPMENT

Overview and Assessment of Potential

Since the early 1980s, the GOCV, with assistance from official sources, emphasized the reduction of illiteracy via increased instruction and the construction of primary schools and cultural centers. The results are dramatic; illiteracy was reduced from 70% in 1982 to less than 30% by 1986. There are only two high schools in Cape Verde, one in Praia and the other in Mindelo. There are over 3,200 enrolled in both and overcrowding is a serious problem. There is one technical school in Mindelo with 700 students which addresses some of the basic business and vocational needs, yet it is not sufficient for the whole country. International agencies have selectively supported individuals in obtaining a college degree in the U.S. and/or Europe, since there are no universities in Cape Verde, however this is very expensive and benefits only a few individuals, when many are in need of higher education. In 1983 there were approximately 1,000 Cape Verdeans pursuing university degrees, and very few of these educational grants were in business or vocational training, but instead public administration.²⁰ The educational structure in Cape Verde is not sufficient to meet the current goals of the GOCV to make the country competitive internationally in the export of goods and services. There have been discussions to establish an

²⁰Cape Verde, 1985, Chapter on Education, World Bank Report.

additional technical and new business school. (In fact a recently approved ADF sector loan provides financing for this.)

The objectives include:

- Introduce solutions to the problem of higher education in Cape Verde by reaching more individuals with practical training programs via tele-university programs.
- Emphasize more vocational training to develop skilled tradesmen such that capacity utilization in the industrial and service sectors can increase.
- Educate a service-oriented class that is prepared to work in the tourism industry.
- Introduce English language training programs for different age groups in Cape Verde, especially in those industries where foreign investors will be involved.

Specific Program Recommendations for Training/Management Development

Business Training Program would include supporting the following groups:

- I.P.U.

Continue to support I.P.U. in practical business and vocational training, and expand the courses to other sectors of the economy as well. Provide technical assistance in international marketing, business negotiation and English in particular.

- Associations of Barlavento and Sotavento

Sponsor members of the local chambers of commerce (Ass. Com. de Barlo/Sotavento) for travel to the United States and Europe, which would facilitate the establishment of overseas business contacts and new ideas for export markets. Combine the Associations into a National Chamber, (as contemplated) with broadened membership appeal, public relations capability, analytical, research and promotional capability.

- Cape Verdean Women's Association

Support the training efforts in:

- Management courses
- Production and marketing for small scale enterprise projects

Vocational Training Program would include supporting:

- Private manufacturers need technical training for staff to keep machines fully serviced and operating at full capacity, including but not limited to:
 - Carpentry
 - Heavy Machine Repair
 - Automechanics
 - Refrigeration
- Hotel Managers need to encourage a "service mentality" and training among the staff so that they are prepared to work with tourists, via training in:
 - English
 - Customer relations
 - Tour guiding
 - Restaurant Management

Tele-university Program which would provide business and technical education courses, via either a satellite link (live or taped) or via video cassettes. Subjects could include: accounting, international marketing, quality control, production engineering, and other requested subjects. Local coordination could involve both the Commercial Associations and the Ministry of Education.

APPENDIX A

MAP OF THE REPUBLIC OF CAPE VERDE

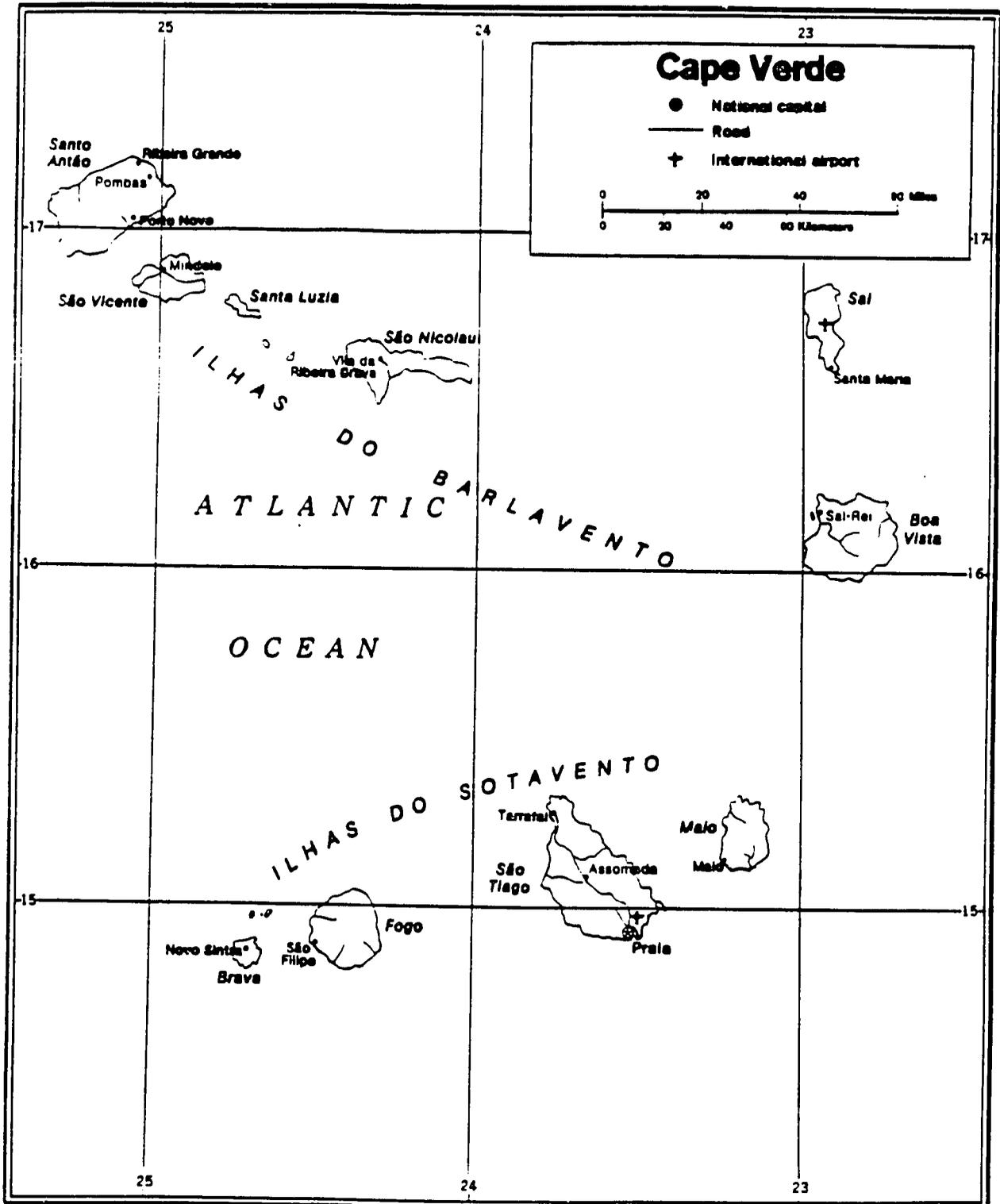


Figure 1. The Cape Verde Islands. From the US Department of State Cape Verde Post Report (April 1982).

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APPENDIX B
COMPANY PROFILES

| COMPANY | DATE ESTABLISHED | PRODUCTS(1/ SALES (000) (CVE000) | ESTIMATED CAPACITY UTILIZATION % | EXPORTS | CAPITAL (CVE 000) | OWNERSHIP | | FINANCING (CVE 000) | LOCATION NO. EMPLOYEES | MAIN ACTIVITIES |
|----------------------------|------------------|--|----------------------------------|--|-------------------|-----------|------------|---------------------|------------------------|------------------------|
| | | | | | | PUBLIC | PRIVATE | | | |
| PUBLIC | | | | | | | | | | |
| CAEMAR | May 1980 | | | | 400,000 | 100 | | | | |
| INTERBASE | | | 25% | | 110,000 | 100 | | | Mindelo | Shipyard Holding Co. |
| EMPROFAC | April 1979 | 20MM-Capsules Medicine | 29%-Capsules 47%-Medicine | 85-US\$600,000 86-US\$ 79,000 87-US\$ 79,000 | 60,000 | 100 | | 147,635 | 140 | Fish Marketing |
| EMPA | | | | | 500,000 | 100 | | | Praia - 109 | Pharmaceuticals |
| ENACOL | | | | | | 100 | | 394,454 | | Basic Goods Importer |
| ENAFOR | | 361,000 | 40-45 | | | 100 | | | | Pet. Distribution |
| MAC | August 1978 | | | | 25,000 | 100 | | US\$ 8MM | | Port Authority |
| QNAVE | October 1978 | | | | 10,000 | 100 | | | Praia | Construction Materials |
| PESCAVE | 1987 | | 40-45 | | | 100 | | | Mindelo | Ship Repair/Metallurgy |
| SONADOR | December 1981 | | | | 60,000 | 100 | | | Praia | Fishing |
| TACV | | | 75 | | | 100 | | | | Auto Repair |
| MIXED ENTERPRISES | | | | | | | | | | |
| CABNAVE | May 1980 | 260,000 | 50 | 80% of Prod. | 80,000 | 33 | 67 Foreign | | Mindelo 250 | Ship Repair |
| CERIS | December 1985 | | | | 180,000 | 30 | 70 | | Praia | Beer, Soft Drinks |
| FAMA | December 1982 | | | | 25,000 | 20 | 80 | | Mindelo | Pasta Factory |
| METALCAVE | December 1985 | 5,492 | | 0 | 19,600 | 45 | 55 | 39,000 | Mindelo 20 | Aluminum Metals |
| MOAVE | January 1978 | | | | 25,000 | 51 | 49 | | Mindelo | Flour Mill |
| MORABEZA | March 1978 | 2,100/per day (shirts, trousers) | 30 | 86-\$1.5MM 87-\$2.5MM (All Angola) | 15,000 | 51 | 49 | | Mindelo 80 | Textiles |
| SITA | October 1963 | | | | 35,000 | 20 | 80 | | Praia | Paint Factory |
| SOCAL | April 1979 | | 30 | | 8,000 | 51 | 49 | 17,000 | Mindelo - 71 | Shoe Manufacturer |
| PRIVATE | | | | | | | | | | |
| AFRIPESCA IDA | 1987 | | | | 3,300 | | 100 | | | Fishing |
| ARCA VERDE | | | | | | | 100 | | | Shipping Line |
| CABTUR | | | | | | | 100 | | | Travel Agency |
| CARLOS VEIGA TRANSMAR | | | | | 15,000 | | 100 | | | Shipping |
| FEL ULIRA de s. NICOLAU | | | | | | | 100 | | | Fishing |
| PESCASUL IDA | 1987 | | | | 1,000 | | 100 | | | Fishing |
| SOCAPESCA | | 200T/year | | 0 | | | 100 | 40,000 | | Fishing |

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APPENDIX C

GOVERNMENT/PRIVATE SECTOR ROUNDTABLE AGENDA

PRELIMINARY RECOMMENDATIONS FOR USAID'S PROGRAMS TO
SUPPORT EXPORT ACTIVITY

A. FREE ZONE/TRANSHIPMENT CENTER

Feasibility Study to define the concrete steps for implementation of the project concepts outlined in the Africaport/Planave studies. The study would address initial development as a transshipment center with the eventual diversification into an export processing zone.

The study would include the following specific elements:

- Market study conducted at the firm level to identify prospective users of the facility and development of absorption projections based on this data,
- Engineering study to specify site plan and infrastructural development with time schedule and costings.

B. TELEPORT

- Technical Assistance to the EPCT during their long range planning program (beginning in July/September) to define emerging market segments and what infrastructure EPCT must put in place for them.
- Market Study to identify the potential in the European (and US) markets for information services industries located in Cape Verde. Particular focus on the regulatory constraints imposed by the European PTT's on this sector.

C. FINANCING MECHANISMS

- Technical Assistance to the BCV in formulating credit policy guidelines to stimulate exports.
- Business Plan/Feasibility Study to assess the demand for additional debt and/or equity financing in the private sector (approx. 30%) to complement BCV Investment Department medium-long term financing (approx. 70%). Review the source of supply for additional funds, including USAID Private Sector Revolving Funds, redirection of PL 480 Funds and interested foreign investors.

- Review and enhancement of IDA Small Industry Credit Facility to ensure sufficient and adequate financing for small businesses. In particular, review credit decision-making process vis a vis the Bank of Cape Verde and the World Bank.
- Business Plan/Feasibility Study to assess the possibility of arranging an investment fund utilizing emigrant remittances for investment into export-oriented activities.

D. FISHERIES

- Project Assessment for Interbase to look at the costs/benefits of installing an industrial scale canning plan in Porto Grande.
- Technical Assistance to the tuna fishing fleet to identify better technologies including:
 - "long lining" vs. the current practice of "chumming",
 - expansion of fishing season through following the tuna over their entire migratory course.
- Business Plan/Feasibility Study to assess the potential for divesting the operations of Pescave. Consider various options such as:
 - privatization of the entire company as a single unit,
 - sale of the assets (ie, boats) to existing private fishing companies,
 - participation of the current employees in an employee stock ownership plan (ESOP).
- Business Plan/Feasibility Study to assess the potential for transforming Interbase into a mixed enterprise. Consider various options such as:
 - foreign partners who could provide marketing or other assistance,
 - participation of the private fishing companies via a "cooperative corporation" arrangement.
- Project Identification Study to investigate the feasibility of aquaculture enterprises.
- Financing Facility to finance the purchase of larger engines for the currently underpowered boats.

E. TOURISM

- Marketing Study to define the tourism market for Cape Verde, and provide a basis for developing promotional themes (e.g., wind surfing/scuba diving water sports, casino location, etc.).
- Feasibility Study to assess the advisability/possibility for securing a private investor to develop a large scale resort project on Sal Island. Particular focus on alleviating infrastructural deficiencies (water, power, telecommunications & airport services) through private investment. Use the Freeport Development Corp. on Grand Bahama Island as a model.
- Tender Document incorporating the results from above. Develop a document which GOCV can use as a basis for initiating discussions with prospective developers.
- Business Plan which provides a model for the development and management of "pousadas". The goal is to facilitate the investment by small entrepreneurs in the tourism sector and build infrastructure on other islands. Potential source of capital could be emigrant remittances.
- Project Identification which defines a mechanism to stimulate a handicraft industry providing a supply of indigenous craft items for sale to tourists.

F. INSTITUTIONAL DEVELOPMENT

- Review of Foreign Investment Code undertaken by a multidisciplinary team of consultants upon completion of a draft by the Government. The goal is to provide an independent assessment to the Government as they proceed with development of the code.
- Strengthening of the U.P.I. to assist in its evolution from a policy development unit into an investment promotion unit for industry. Consider the creation of a separate "one-stop" investment promotion agency, which would assist investment in all sectors and from all sources (foreign and national). Refer to the experience of other investment promotion agencies (eg, the Investment Promotion Counsel in Dominican Republic, or the Jamaica National Investment Promotion in Jamaica) as a model for this development.
- Assessment of the trade administration process, financing and customs clearance procedures to facilitate movement of funds and goods. This would occur in conjunction with the development of the Free Zone.

Strengthening of the Commercial Associations of Barlavento and Sotavento into a national organization with broadened membership appeal, public relations capability, analytical, research and promotional capability.

G. TRAINING/MANAGEMENT DEVELOPMENT

- Exchange Program which would sponsor members of the local chambers of commerce (Ass. Com. de Barlo/Sotavento) for travel to the United States and Europe. Purposes would include:
 - diversification of the local business communities into new areas of productive enterprise,
 - formation of overseas business contacts which could provide market connections.
- Tele-university Program which would provide business and technical education via either a satellite link (live or taped) or via video cassettes, of courses. Subjects could include accounting, international marketing, quality control, production engineering, and other requested subjects. Local coordination could involve both the Commercial Associations and the Ministry of Education.
- Practical Business Training of Cape Verdean Women's Organization in management, production and marketing of small scale projects.
- Market Identification of comparative advantage for Cape Verdean exports vis a vis African, European and U.S. markets, taking into consideration preferential status under ECOWAS, Lome Convention and GSP Agreements.

APPENDIX D

CONTACT LIST

Meetings of the Private Sector Team Consultants

Consultants

Eileen Evans (EE)
 Mark Connell (MC)
 Jose Luis Pinheiro (JLP)

U.S.A.I.D.
 Thomas Luche (TL)
 Jose Goncalves (JG)

| Date | Organization | Contact | Consultant |
|------|--|--|------------|
| 4/24 | A.I.D. Washington | Charles Buchanan Warren Weinstein Luis Werlin Lily Willens | EE, MC |
| 4/28 | Cape Verde Embassy, Washington, D.C. | Jose L.F. Lopes Klaus May Elizabeth Santos | EE, MC |
| 4/29 | Council for Intl. Development | Fernando Cruz-Villalba | EE, MC |
| | The World Bank | Peter Gil Storm Van Leuwen | EE, MC |
| 5/3 | IMF | Jenaro Simpson | EE, MC |
| | Bechtel | Jim Burke Joao Magalhaes | MC |
| 5/4 | ISTI | Nihal Goonewardene President | EE, MC |
| 5/5 | New Bedford, MA | Mayor John Bullard Jaime Diaz Ron Barboza | EE |
| 5/6 | Sal desal. Plant, Electra | Manuel Rosa Neves Balthazar Ramos | EE, MC |
| | Salmar Freezing Facilities | Gonsalvo | EE, MC |
| 5/7 | USAID/Cape Verde | Thomas Luche Willy Saulters | EE, MC |
| 5/9 | Brazilian Embassy | Claudio B. da Silva, Vice consul Rogerio Feitao, commercial attache | EE, MC |
| | Papeleria Academica Cabetur Travel Ag. | Aquilino Camacho Manager, Pres. | EE, MC, TL |

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| Date | Organization | Contact | Consultant |
|------|--|--|-------------|
| 5/10 | In flight | Bemvindo Forte CV emigrant, Mindelo | JLP |
| | CERIS | Lino Monteiro General manager Helder Lopes, Production manager | JLP |
| | Emprofac | Alberto M.M. Coutinho Sub-director | EE, MC |
| | UNDP | Reavis Ward | EE, MC |
| | Min. Desen. Rural e Pesca | Miguel Lima, Secretary of State for Fisheries Jose Azevedo | EE, MC |
| | Banco de Cabo Verde | Antonio H. Cruz Administrador Antonio Neves Dept. Investments | EE, MC |
| 5/11 | Min. Planning and Cooperation | Jose Brito, Deputy Minister Jose L. Rocha, Chief Bilateral Division Manuel Varela Dir. General for Sectoral Planning | EE, MC, TL |
| | U.S. Embassy | Vernon Penner Ambassador | EE, MC |
| | Ass. Comm e Agric de | Jose Lopes Da Silva Pres., Owner Marisol Aquilino Camacho Vice Pres. Luis Lopes de Almeida, Dir. Gen. de Assoc. | EE, MC, JLP |
| 5/12 | Proj. Apoia Pescado Artisanal UNDP/FAO | Jorge G. de la Rocha | MC, JLP |
| | Emp.Pub.de Correios e Telecommunicacoes | Margarida Sagna Directora Geral Antonio Lobo Director Engenheiro | MC, JLP |

| Date | Organization | Contact | Consultant |
|------|--|---|------------------------|
| 5/12 | Inst.Nacional de Apoiar Desenvolv. Informatica | Luis Tolentino, Director | MC, JLP |
| | EEC | Mr. Martino | JLP, TL |
| | Min. Industry | Jorge Borges D. Gen. Industry Madalena Neves D. Gen Indus Planning | MC, JLP |
| | Sao Felipe, Fogo | Delegado Reis Borges | EE |
| | Bank of Cape Verde | Daniel Furtado Norberto Carvalho Julio Rando | EE |
| | Private Breadmaker | Joao Barbosa | EE |
| | Photographer/ Emigrant Community | Daniel Goncalves, | EE |
| | State Fisheries of Fogo/Brava | Ing. Roma Ramos Peter Anderson, adv. to German cooperative | EE |
| 5/13 | Proj Apoio Artisinal FAO fisheries EMPA | Jorge G. de la Rocha Elisa Rodrigues, Director Comercio Externo | MC, JLP MC, JLP |
| | Portugese Embassy | Fernando Fafe, Ambassador | JLP, TL |
| | EPCT-Satellite Earth Station | Antonio Lobo Director Engenheiro | MC |
| | Arca Verde | Karl Steffin technical adviser | MC |
| 5/14 | Min. Comm. Trans. e Tur. | Miguel Monteiro, D. Gen. Comm | EE, MC, JLP |
| | Min. Industry | Jorge Borges Madalena Neves Sr. Mota, tech. adviser | EE, MC, JLP |

| Date | Organization | Contact | Consultant |
|------|--|---|---------------|
| 5/14 | Sotavento Association | Jose Lopes da Silva Salvador Hopffer Jose Izidoro Carvalho | EE, MC |
| | Caixa Economico | Manuel Delgado, Director | JLP |
| 5/15 | Mindelo, Sao Vincente | Bemvindo Forte, returned emigrant | EE, MC |
| | Gabinete do Dept. | Alfredo Ferreira Fortes | EE, MC |
| 5/16 | Bank of Cape Verde | Pedro Monteiro, Superintendente Alexandre Monteiro, Dir. Comm. | EE |
| | Cigarette Factory | Antonio Cardozo Santos | EE |
| | SOCAL (shoe factory) | Ceasria Jesus Almeida | EE |
| | Morabeza | Antonio Pedro Monteiro Pereira | EE, MC |
| | Pescave | Alberto Barbosa Dir. Gen. | MC |
| | ENAPOR | Lucas Santos Dir. Gen. | MC |
| | Interbase | Duarte Monteiro Dir. Tech e Prod. | MC |
| | CABNAVE | Balthazar Ramos, economista | MC |
| | Delegado de Governo | Nelson Santos | EE, MC |
| | Assoc. Comm. e Ind. de Barlavento Customs office | Filintino Joia Martins Sr. Pereira Antonio Sergio, inspector | EE, MC JLP |

| Date | Organization | Contact | Consultant |
|------|--|---|--|
| 5/17 | ENAPOR Dinner Bank of Cape Verde Portugese Embassy | Lucas Santos Gottfried Hilz Tourism Tech. Adviser Oswaldo Sequeira, Manager Antonio Silva, Economic Counselor | MC EE, MC JLP JLP |
| 5/18 | Min. Turism Customs S. E. Marinha Mercante e Portes Moveis Claudio (furniture) Seague, Navigation Agency of Cape Verde | Olava Rocha, Director General of Tourism Omar Lima, Dir. Gen. Humberto Moraeis Minister Transport, Commerce and Tourism Dr. Fonseca Claudio Vicente de Freitas, Owner Cesar Semedo, gen. man | EE, MC MC MC MC JLP JLP |
| 5/19 | Ambassador's Residence | Cocktail Jose Brito, Jose Luis Rocha, Jose Lopes da Silva, Aquilino Camacho, Jose Isidoro, Carvalho Salvador Hopffer, Adao Rocha, Jorge Borges, Miguel Monteiro, Manuel Delgado, Orlando Mascarenhas, Antonio Pedro M. Pereira, Orlando Loff de Brito, Miguel da Graca, Daniel Hirsch, William Saulters, Jose Goncalves, Sarah Luche and Thomas Luche | MC, EE, JLP |

| Date | Organization | Contact | Consultant |
|------|---|---|-----------------------|
| 5/20 | Min Plan. and Coop. | Roundtable Jose Brito, Jose Luis da Rocha, Manuel Varela, Edgard Pinto, Antonio Neves, Orlando Mascarenhas, Jose Lopes da Siva, Claudio Freitas, Antonio Pereira, Jorge Borges, Madalena Neves Judith Lima, Antonio Lobo, Miguel Monteiro | EE, MC, TL |
| 5/21 | Sal Island Dive Cape Verde | Ray Almeida, Cape Verdean- American Entrepreneur | EE, MC |
| | J.A. Nascimento e Filhos (tuna cannery) | Armand Simoes, owner, manager | EE, MC |
| | Funboard Center | Francois Guy | MC |
| | Morabeza Hotel | Mr. "Palone," Manuel Lobo general manager | EE, MC |
| 5/23 | USAID office | H. E. Menking, Foreign Investor | MC |
| 5/25 | UNDP office | Miguel de Graca, Res. Rep Mme. Von Kreotophsky Agnes Deshormes Reavis Ward | EE, MC |
| | Dinner | Jose Lopes da Silva, Marisol Hotel Teofilo Figuerido, Alexandre Figuerido, Empretel Construcao, Aparthotel | EE/MC/TL/JG Penner |
| 5/26 | Final Session | Jose Brito Manuel Varela Jose L. Rocha | EE, MC, TL JG |