

**PROJECT DESCRIPTION****Fami-Picos Micro-Credit Expansion for the Poor****Cape Verde****I. Introduction**

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

**II. Background**

The *Associação de Apoio as Iniciativas de Autopromoção Familiar* (“Fami-Picos”) is a community based organization, established in 1997 and composed of seven mutual and savings associations, three funerary associations, and a total of 2,050 active members. Fami-Picos is the only microfinance institution based outside of the major urban centers of Santiago Island, where 47 percent of the local population is concentrated in rural areas and continues to live below the poverty line. Rural populations are losing traditional income sources as climate change affects the availability of water for agricultural and livestock production. Commercial banks remain inaccessible for these populations due to their urban locations and high transaction costs.

The opportunity therefore exists for Fami-Picos to expand its sustainable microfinance services and thereby increase access to alternative employment and income opportunities for these marginalized, rural populations. Fami-Picos, however, lacks the capital needed to expand and also needs technical assistance to bring the organization into compliance with new laws and regulations governing microfinance institutions in Cape Verde.

**III. Funding****A. ADF Contribution**

The financial plan for ADF’s contribution is set forth in Appendix A.-1 of this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 8 of the Agreement and do not cause ADF’s contribution to exceed the obligated amount specified in Article 4, section 4.1 of the Agreement.

**B. Fami-Picos Contribution**

Fami-Picos will contribute its personnel, equipment, experience and skills to the implementation of the Project.

**IV. Project Goal**

The goal of this Project is to raise the standard of living of people in rural areas of Santiago Island.

**V. Project Purpose**

The purpose of the Project is to increase access to credit for rural residents of Santiago Island, as indicated by the following:

- A. Fami-Picos will give loans through the new branch office to:
  - 1. 120 new clients in Year 2; and
  - 2. 120 new clients in Year 3.
  
- B. The new branch of Fami-Picos will increase the amount of annual loans given from the current baseline of CVE 0 in 2008 to:
  - 1. CVE 6,000,000 in 2011; and
  - 2. CVE 6,000,000 in 2012.

**VI. Project Outputs**

Fami-Picos will improve its capacity to provide microcredit services as indicated by its obtaining certification under the new microfinance laws and regulations by the end of the Project.

**VII. Project Activities**

Fami-Picos will carry out the Project activities with the assistance of consultants and the local ADF Partner.

- A. Fami-Picos will strengthen its institutional and managerial capacity so as to achieve certification under the new microfinance laws through technical assistance and training in the following areas.
  - 1. Revise and update Fami-Picos' internal regulations and policies to comply with the country's new microfinance laws.
  - 2. Revise and update Fami-Picos' Credit Procedures Manual by incorporating lessons learned and microfinance best practices.
  - 3. Revise and update Fami-Picos' Accounting Procedures Manual to be in line with microfinance accounting best practices.
  - 4. Assess, revise and update Fami-Picos' statutes to reflect the organization's new vision, strategy and goals.



5. Develop and install new and integrated financial and accounting software able to provide timely and adequate financial data ensuring portfolio quality.
  6. Establish a Project Steering Committee to oversee overall project implementation.
  7. Design and set up an appropriate procurement policy for Fami-Picos.
  8. Procure an adequate DATA Backup System so as to ensure the security of all Fami-Picos transactions.
- B. Fami-Picos will design and implement a comprehensive outreach and expansion strategy so as to provide access to a wider and poorer rural population through the following activities:
1. design the terms of reference and recruit a consultant to conduct a market study to determine geographic demand for microfinance services, potential partner associations, and the best location for the new branch;
  2. establish the new branch office and procure and purchase all equipment for the new branch; and
  3. design and launch a web-page and other marketing initiatives that reflect the expansion of Fami-Picos' services at the new branch office in accordance with the marketing plan.
- C. Fami-Picos will increase the operational and financial capacity of the new branch office through the following.
1. Training and Technical Assistance
    - a. Design and conduct an on-site training curriculum in the areas of bookkeeping and reporting, leadership, human resource management, portfolio management, risk assessment, and financial analysis.
    - b. Update the strategic business and marketing plan taking into consideration the market study data.
  2. Hire and train a loan officer and assistant to improve microfinance services and that branch operations are carried out efficiently and effectively.
  3. Set up a revolving fund for the new branch office to provide new loans in the targeted rural areas.

**VIII. Roles and Responsibilities**

ADF's Partner in Cape Verde will provide the standard ADF training, which includes such areas as bookkeeping, monitoring and evaluation, and reporting. Fami-Picos is responsible for ensuring the proper management and implementation of the Project.

**IX. Monitoring and Evaluation**

The Project Steering Committee (PSC), which includes the ADF Partner in Cape Verde, will closely monitor the activities of Fami-Picos to ensure proper reporting, adherence to the project implementation plan, and commitment to the project goals and objectives. The PSC will continuously assess the Project risk and take remedial actions as needed. Monitoring by the PSC will be an important aspect of the on-going coaching and advisory service. The Partner will review ADF's quarterly reports and will submit comments and observations to the management of Fami-Picos as part of the on-going performance assessment.