

**APPENDIX A:
PROJECT DESCRIPTION**

MAIO SALT PRODUCTION EXPANSION PROJECT

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

Cooperativa de Produtores de Sal Melhorado para Exportação (CPSM) is a village salt production cooperative based in Vila do Porto Inglês, Maio. Maio is one of the poorest municipalities in Cape Verde, with about 56 percent of its population living below the poverty line. CPSM's main goal is to help increase the incomes of female independent salt producers, thereby increasing the living standard of the entire community. Not only does CPSM provide direct employment, the Cooperative purchases salt from 80 individual women salt producers. CPSM's contribution to poverty reduction among women is substantial, as the Cooperative is the only production unit that buys salt from this group and processes it directly at its facility. By acquiring the necessary working capital to procure more productive equipment and improve its management capacity, CPSM could effectively double its annual production capacity and ensure sustainable incomes and jobs for its members.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.


B. Grantee Contribution

CPSM will contribute its existing assets.

C. Other Contributions

The Ministry of Agriculture and the Municipality of Maio will fund the cleaning of the saline bunks and the construction of the dams.

IV. Project Goal

ADF  Grantee _____

The goal of the Project is to expand CPSM's salt production capacity by cleaning up the saline bunks, purchasing more productive equipment, and adding table salt to its product line.

V. Project Purpose

The purpose of the Project is to increase CPSM's capacity to absorb new capital investments and implement an expansion strategy, as indicated by the following:

- A. the development of a comprehensive five-year business plan that ADF deems suitable for donor funding; and
- B. CPSM's profitability rate (net profit on sales) increased from approximately 15.7 at the end of Project Year 1 to approximately 32.2 by the end of Year 2.

VI. Outputs

- A. CPSM's ability to purchase and procure salt strengthened, as indicated by:
 - 1. volume of salt purchased and processed increases from current 250,000 kilograms to:
 - 493,193 kg in Year 1
 - 567,172 kg in Year 2
 - 652,248 kg in Year 3
- B. CPSM's operational and management capacity is improved, as indicated by the following:
 - 1. CPSM's permanent full-time staff increases from the current 4 employees to 8 by the end of Year 1;
 - 2. CPSM's business plan, including a mission, vision, and strategic investment plan is developed and presented to ADF by month 22 of the Project.
 - 3. administrative and financial system producing monthly statements by Year 1;
 - 4. project performance monitoring plan developed in Year 1 (data collected, analyzed, and reported every three months on critical project indicators);
 - 5. annual sales increased from current CVE 4,950,000 to:
 - CVE 4,931,930 in Year 1
 - CVE 6,278,593 in Year 2
 - CVE 7,725,809 in Year 3

VII. ACTIVITIES

- A. Training and Technical Assistance

CPSM will strengthen its management capacity by providing training for its suppliers, and production and sales teams. These training and consulting activities, which will constitute the main activities of the Project, will cover topics in accounting software and reporting system procedures, organization and management, business management and marketing, and basic hygiene and safety. Opportunities to train in more advanced ways to produce salt will be provided in the form of study tours to Salinas de Pedra de Lume, the oldest saline in Cape Verde which has been sold to a group of Italian investors who have massively invested in its upgrade by introducing modern and productive equipment, packaging materials, and training its staff.

B. Salt Production and Processing Demonstration

CPSM buys salt from the Cooperative's members (and non-members), who extract it from saline beds. At its factory, CPSM grounds and packages the salt for sale. The Grant provides funds for CPSM to adopt improved processing technology and acquire adequate raw materials to test the operational efficiency of the new technology. With funding from the Government of Cape Verde, CPSM will clean up the saline bunks at the Project's extraction site and construct four (4) sea water retention dams. As a result of this activity, the saline surface area will increase to 10,000 square meters, and to reach a production capacity of approximately 100,000 tons of salt production per year.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of CPSM are responsible for the management and the proper implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will work with the Partner to develop the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.