APPENDIX A

PROJECT DESCRIPTION

SUCLA FISH PRODUCTION AND PROCESSING 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

The two fish canneries in Cape Verde, Sociedade Ultramarina de Conservas Limitada (SUCLA) and FRESCOMAR, S.A. are not able to meet current demand for canned fish in the domestic and international markets. In addition, Cape Verdean companies see a strong potential for increasing exports since: (a) the European Commission lifted the embargo on the importation of Cape Verdean fish and fish products; and (b) the African Growth and Opportunity Act (AGOA) enlarges opportunities for export to the United States.

SUCLA, the first fish cannery in Cape Verde, started its operations in 1931. It would like to capitalize on the growing markets for processed fish products; but to do so, SUCLA must expand its production, strengthen its management capacity, and improve quality control in its production operations.

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

SUCLA will contribute its existing assets, which include the production plant with a covered area of 400,000 square meters and a complete set of fish processing equipment valued at CVE 139,145,862. SUCLA recently expended CVE 2,000 to construct a roof and replace the floor in the production plant. In addition, SUCLA's cash contributions will include approximately CVE 12,385,000 to cover the cost of the following: (a) upgrading the factory to add a fish reception area and a women's closet; (b) training on the quality control system ; (c) construction of a 250 square meter warehouse for raw materials; (d) acquisition of equipment; (e) training on the accounting system; (f) training on production loss reduction; and (g) training on export marketing and drafting of the business strategic plan.

IV. Project Goal

The Project's goal is to improve living standards for residents of S. Nicolau Island in Cape Verde.

V. Project Purpose

The purpose of the Project is to increase SUCLA's net income after tax and its employees' income, as indicated by the following.

A. SUCLA's yearly net income after taxes will increase from current level of CVE 29,978,400 to CVE 64,896,399 in Year I ; CVE 73,228,351 in Year II ; CVE 88,243,386 in Year III ; CVE 102,518,187 in Year IV; and CVE 117,895,325 in Year V of the Project.

B. SUCLA employees' total yearly wage payments will increase from the current level of CVE 6,100,760 to CVE 19,620,000 in Year I; CVE 20,838,960 in Year II; CVE 22,113,400 in Year III; CVE 22,776,802 in Year IV; and CVE 23,406,106 in Year V of the Project.

VI. Project Outputs

The Project will generate the following major outputs in order to attain the Project's purpose.

A. Marketing capacity strengthened, as measured by:

an annual increase in the company's sales from CVE 161,000,000 to CVE 200,321,961 in Year I; CVE 233,134,698 in Year II; CVE 271,322,162 in Year III; CVE 302,035,831 in Year IV and CVE 336,226,287 in Year V of the Project.

B. Technical and management capacity strengthened, as measured by:

1. SUCLA's permanent jobs will increase from the current level of 136 fulltime jobs to 146 in Year II of the Project.
2. SUCLA's performance monitoring plan will be developed in Year I and data on critical project indicators will be collected, analyzed, and reported every three months, thereafter.
3. SUCLA will establish a business plan in Year I and update it at least annually, thereafter.
4. SUCLA will draft a long-term strategic business plan in year III of the Project.

VII. Activities

A. Production Expansion and Improvements

SUCLA will develop and implement a strategy to expand its production. It will make improvements in its plant and equipment as required to expand production. The acquisition of all equipment will conform with the standards of full and open competition.

SUCLA will address bottlenecks in its supply chain by:

- designing and implementing an intensive tuna purchasing and stocking plan;
- training workers in methods to reduce losses;
- improving productivity (through employee incentive schemes);
- introducing melva fish as raw material;
- identifying and adopting improved fishing technology; and
- establishing a permanent dialogue with the General Directorate for Fishing and the Fishing Development Institute to improve access to information on new fishing technology and proposed regulatory norms.

Other activities undertaken by SUCLA will address quality control, and regulatory matters. These activities will include, but are not limited to, the following: (a) introducing a quality control system; and (b) training workers in health and hygiene standards set for the food industry, worker safety, equipment handling and maintenance, and so on.

B. Marketing

SUCLA will develop a marketing plan. This plan will draw on SUCLA's comprehensive assessment of the fish processing industry. The assessment will address the full range of operations from harvesting fish to processing, distribution, and marketing. SUCLA will retain the services of an industry expert to assist in conducting the assessment and formulating the marketing plan.

C. Training and Technical Assistance

SUCLA's officers and staff will receive training in accounting, export marketing, quality control, and production loss reduction. Follow-up technical assistance will be provided on-site, particularly for marketing and financial management to ensure that SUCLA adopts and masters appropriate management systems.

VIII. Roles and Responsibilities of the Parties

SUCLA is responsible for ensuring the proper management and implementation of the Project. The ADF Partner will provide SUCLA technical and management assistance during the implementation of the Project.

The ADF Partner in Cape Verde, SIDEL, Lda., will assist the Grantee to establish a performance monitoring system to provide management with critical information for decision-making and monitoring.

The ADF Partner will also assist SUCLA in hiring technical assistance to draft SUCLA's long-term business strategic plan in Year 3 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 a 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.

X. Other Implementation Issues

SUCLA will establish a new separate bank account to receive ADF funds and make payment for activities funded by the ADF grant.