

# Expanding Opportunities through Microfinance in Cape Verde

Access to financial services and sustainable financial institutions is necessary for economic growth. In Cape Verde, MCC and its MCA counterpart have initiated a two-part strategy designed to support Cape Verde's long-term economic transformation through programs targeting microfinance development and improved access to credit for farmers. The strategy targets Cape Verdeans living in areas affected by the MCC Compact's Watershed Management and Agricultural Services (WMAS) project. Through its US \$1.9 million Private Sector Development Project, MCC and MCA-Cape Verde are providing existing microfinance institutions (MFI) with technical assistance to increase operational and financial sustainabilities. MFIs that participate in the technical assistance project and have operations in the WMAS watershed intervention areas also gained access to lines of credit for agriculture production and adoption of drip irrigation systems. By designing an integrated approach to improve MFIs' financial service delivery and provide access to lines of credit, the program enhanced MFIs' abilities to deliver rural credit to farmers and agribusinesses.

ASDIS, a Cape Verdean microfinance institution that works with low-income populations involved in the agriculture sector, was one of five MFIs to participate in the MCC-funded technical assistance training and credit line expansion program. With help from the Brazilian microfinance institution PlaNet Finance Brazil, ASDIS improved its microbanking practices and met its goal of becoming financially and operationally sustainable.

ASDIS' participation in the MCC-funded technical assistance and access to credit activities has directly affected the livelihoods of its clients and the economic development of Cape Verde.

Since the start of the Private Sector Development Project, the loan portfolios of ASDIS and the other four assisted



One of the microfinance institutions supported by the MCC compact, ASDIS is now financially and operationally sustainable.



Maria Celina Pereira, mother of 6, used microfinancing to switch from sustaining her family by picking sand to agricultural endeavors.

MFIs grew from a combined US \$1.9 million to US \$3.6 million. At the same time, these portfolios became significantly more stable; percentage of credit more than 30 days overdue dropped from 16 percent to 10.1 percent. As more people honor their microcredit loans, the lending environment improves and a better credit culture emerges. This, in turn, propels the cycle of sustainable economic development: MFIs have more money to lend to current and new clients, more farmers are given access to credit, and more sophisticated financial management allows MFIs to reduce dependence on donor funds.

One of ASDIS clients is Maria Celina Pereira, a 39-year-old single mother of six. Before the MCC Compact began, Maria Celina earned money through grueling work collecting and selling sand from a beach near her home on Santiago Island. Her earnings rarely exceeded US \$2.50 per day.

Maria Celina knew that she needed a more sustainable means of supporting her family. She decided to try selling fruits and vegetables to local consumers; she would sell the produce from a simple basket carried on her head, but she needed access to funds to make the transition into her new business venture. In 2004 Maria Celina started working with Marcelina Furtado, a local credit agent with ASDIS. ASDIS granted Maria Celina a US \$294.00 loan to purchase agricultural products like bananas, manioc, potatoes, and other seasonal products.

After six months of hard work building her business, Maria Celina secured a second loan from ASDIS for US \$588.00 and was able to increase and diversify her products. By the time Maria Celina qualified for her sixth loan of US \$824.00, her life had changed dramatically. She has used her earnings to rebuild her house and update its furnishings. Amenities like new beds for her children, an indoor bathroom, and a refrigerator have reduced inconveniences and improved her family's quality of life.

Maria Celina's good business acumen and support from ASDIS has led her to expand her small business and start selling her products to other islands. She now owns cows, pigs, and chickens, and pays for her eldest son's school tuition and fees to study in Portugal. Maria Celina now earns US \$647.00 per month -- almost ten times the income she earned collecting and selling sand.

Her achievements serve as a model of successful microfinance in action. In August 2010 Maria Celina was named a Laureate in PlaNet Finance's 2010 International Microfinance Awards. She and representatives from ASDIS will travel to Paris, France to meet with the other laureates at PlaNet Finance's headquarters, and they will be recognized at a December 2010 award ceremony.

Not all clients have experienced successes as dramatic as Maria Celina's, but thousands of Cape Verdeans have directly benefited from the MCC Compact through increased institutional sustainability of MFIs and direct application of improved lending practices. These benefits will continue to be felt by Cape Verdeans and their local institutions long after the MCC Compact has ended.