APPENDIX A: PROJECT DESCRIPTION ARRESTING RURAL POVERTY THROUGH MICRO-FINANCE PROJECT

T. 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.

П. Background

The town of Tamale is the regional capital of the Northern region, one of the most underserved in the country. Located approximately 700 kilometers from Accra, its inhabitants have little to no access to credit that would enable them to start income-generating activities. Commercial banks lack the expertise and structures to reach and retain low-income clients, who require small amounts of capital.

Since 1988, Amasachina Self-Help Association (ASHA) has been providing financial services to poor women organized into solidarity groups of about 25 members. ASHA is one of the few local institutions in the Northern region providing credit and business development services to poor clients. In the Northern region, alone, ASHA has 269 solidarity groups, representing over 21,000 members. Due to insufficient funds, ASHA is only able to meet the needs of 25% of these potential borrowers.

The project will support the Government of Ghana's development strategy of poverty reduction as well as ADF's country strategy of supporting micro- and small enterprises and will result in increased incomes for solidarity group members and their families. With ADF assistance, group members will gain the skills necessary to implement viable microenterprises. The project will also enable ASHA to increase scale and ultimately reach more underserved women in its catchment area.

Ш. **Funding**

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.

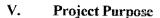
b. Grantee Contribution

ASHA will contribute \$150 million to the project, in addition to its existing credit fund of ¢49.2 million. It will also make available separate office space, specifically for the management of the project.

IV. **Project Goal**

The goal of the project is to improve the socio-economic status of the poor in the West Dagomba and Tolon Kumbungu Districts of the Northern region of Ghana.

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To achieve the above goal, the project seeks to increase the income of the poor, as measured by:

an increase in net income from an equivalent of \$ 123.00 in Year 0 to:

\$417 in Year 1 \$626 in Year 2, \$835 in Year 3,

\$1,043 in Year 4,

\$1,252 in Year 5.

VI. Outputs

There are three anticipated project outputs:

- 1. Access to credit for poor increased.
- 2. Business and management capabilities of borrowers strengthened.
- 3. Improved efficiency and effectiveness of loan portfolio management

Indicators for the above-mentioned outputs are as follows:

Indicators for Output Number 1:

- 1.1 Number of first-time loans disbursed increased from 442 in Year 0 to 652 in Year 1, to 952 in Year 2, to 1532 in Year 3, to 2107 in Year 4, and to 3047 by end Year 5.
- 1.2 Number of clients to whom credit extended is increased from 442 in Year 0 to 952 by Year 2 and to 2605 by EOP.

Activities related to Output Number 1:

Capitalization of Loan Fund

ADF will capitalize ASHA's existing loan fund with 1,195,732,915 cedis, enabling ASHA to expand its client base.

Indicators for Output Number 2

2.1 Number of clients who are keeping accurate records relative to production, sales, profit increased from 242 in Year 0 to 2847 by EOP.

Activities related to Output Number 2:

Training for ASHA clients

ASHA will train clients in credit education and basic business management during a 2-day non-residential training program, before its members start savings contributions or gain access to credit. Training will be conducted, within the communities in which groups are located. ADF funds will be used to finance workshop venue and materials, transportation, and refreshments for the trainees and professional fees and accommodation for the resource persons.

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- 3.1 Field monitoring by ASHA staff increased from once/month per group to once/week per group by end Year 2.
- 3.2 Client- loan officer ratio increased from 201 to 299 by Year 5.
- 3.3 Portfolio-related financials/reports generated by automated MIS on weekly basis at HQ and branch offices by end Year 1 and thereafter.
- 3.4 Operating cost ratio decreased from 272.8% to 19% by EOP.
- 3.5 Loan recovery maintained at 98% during LOP.

Activities related to Output Number 3:

Training in MFI Governance

The course is for ASHA's Board and management and will train them in the principles and practices of good governance of micro finance institutions. The course will provide the participants with high standards of corporate citizenship and business ethics. Five members of $\Lambda SH\Lambda$'s board, the executive director and the finance manager (who are all key players for the success of the project) will attend this course.

Financial Analysis for MFIs

The Financial Analysis course will assist ASHA's management to perform accurate and timely assessment of operations. The course begins with reformatting typical balance sheets and income statements to perform comparative analysis. Staff will be trained to adjust statements to reflect inflation, subsidized cost of funds and in-kind contributions. Staff will then be able to generate financial sustainability, operating efficiency, and portfolio quality ratios.

MFI Accounting

To assist managers at ASHA to understand how financial statements are created, they will be trained in principles of microfinance accounting.

Training in Delinquency Management and Interest Rate Determination

ASHA's executive director, finance manager and credit manager will receive training in Delinquency Management and Interest Rate Determination. This course introduces two important concepts and their relationship to the sustainability of ASHA: delinquency management and interest rate determination.

Training in Loan Tracking Software

ASHA staff will be trained to use Loan Performer loan tracking software to be procured under the project. The training will include portfolio management, accounting, savings, and the generation of reports.

Computer Hardware and accessories

ADF will provide funds to purchase computer hardware and accessories needed for the operation of the loan software. The computer hardware and accessories that will be purchased and installed at ASHA's headquarters include: 3 IBM compatible Personal Computers, 3 700VA Uninterrupted Power Supply Systems, 1 Laser Jet Printer, 1 Photocopier, 1 Money Counting Machine and 1 Safe.

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Loan Performer Procurement and Implementation

ASHA will procure an off-the-shelf loan tracking software and TA will assist ASHA in adapting the software to ASHA's needs. The software components will include (i) application processing; (ii) portfolio management; (iii) compulsory deposits/savings management; (iv) general ledger accounting; (v) client information management; reporting on portfolio and risk management and monitoring; financial reports; client-related reports. A user manual with specific operating procedures will be developed and used as part of the overall training to ASHA. ADF will provide funds for the fees and accommodation for the software developers.

Motor Cycle Procurement

ADF funds will be provided to procure two (2) Yamaha AG100 motorcycles. Loan officers will use the motorcycles to visit clients in the three rural areas as well as attend group meetings to check on group cohesiveness, progress and monitor loans given to them. A vehicle logbook will be used to monitor the use of the vehicle and motorcycles.

VII. Roles and Responsibilities of the Parties

The Grantee will exercise oversight of the project to ensure that:

- All activities to be implemented under this project are carried out in a timely manner.
- A monitoring system is established at the client and ASHA level to provide impact data for indicators detailed above in V and VI.
- All equipment and supplies are procured
- Staff members (and a representative number of clients) are selected to its Monitoring Assessment Committee; members of the committee participate in relevant M&A training; and that the committee is functioning.

The ADF Partner, INPRODEC, will arrange for the requisite financial/bookkeeping training necessary for the Grantee to begin receiving ADF funds. INPRODEC will also provide technical assistance to the Grantee to form the monitoring and assessment committee and will provide appropriate training to its members.

Partner and Grantee will identify consultants and specialists to train appropriate Grantee staff in the implementation and use of loan tracking software, MFI accounting, delinquency management and interest rate determination. TA will also be responsible for providing client-level training to enable potential borrowers and savers to participate more fully in the decision-making processes of ASHA. Sinapi Aba Trust, another ADF grantee with expertise in microfinance, will provide training to clients in credit education and in basic business management. ADF funds will be used to finance workshop venue and materials, transportation, and refreshments for the trainees and professional fees and accommodation for the resource persons.

VIII. 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, which will include the establishment of annual targets for the performance indicators. In addition, during implementation, the committee will have

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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.

IX. Other Implementation Issues

As part of its project reporting requirement, the Grantee will provide in its quarterly reports information on:

- 1. Borrower demographics, including gender, religion, and ethnicity.
- 2. Borrower business performance.
- 3. Ongoing steps to reduce loan-processing time from the current time of three months.

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