

**APPENDIX A:
PROJECT DESCRIPTION
Small Enterprise Foundation Micro-Finance Project - Tanzania**

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 shall be construed to as an amending any of the definitions, conditions or terms of the Agreement.

II. Background

The Small Enterprise Foundation (SEF) is a community micro-finance institution that grew out of a United Nations Development Program (UNDP) funded project in 1999 to provide savings and lending services to rural women and youth in the Kyela and Sumbawanga districts of Tanzania. In 2001, SEF decided to expand and diversify its client base by offering its services to residents in the semi-urban and urban district of Temeke in the Dar es Salaam region. However, SEF lacks the necessary loan capital to meet the demand for its services in the Temeke District.

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 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 1 of the Agreement.

B. Grantee Contribution

SEF will begin the project with its capital loan fund of TZS 132.0 million, approximately TZS 30.4 million in cash, and its experienced staff (Executive Director, Finance Controller, Program Administrator, and branch staff). Additionally there is office equipment and furniture valued at approximately TZS 22.0 million.

IV. Project Goal

The project goal is to increase the household incomes and standards of living conditions for residents of the Temeke District.

V. Project Purpose

The purpose of the Project is to increase access to loan capital for micro and small entrepreneurs in the Temeke District of Tanzania.

ADF  Grantee _____

1. Average loan size for domestic (4-month) loans will increase from TZS 200,000 in Year I to:
 - TZS 210,000 in Year II,
 - TZS 255,000 in Year III,
 - TZS 285,000 in Year IV, and
 - TZS 300,000 in Year V.
2. Average loan size for group (6-month) loans will increase from TZS 150,000 in Year I, to:
 - TZS 350,000 in Year II, and
 - TZS 400,000 in Year III.
3. The number of sustainable jobs will increase by:
 - 400 in Year I,
 - 750 in Year II,
 - 1,120 in Year III,
 - 1,500 in Year IV, and
 - 1,800 in Year V.
4. The number of MSEs accessing financial and non-financial services will increase from 1,441 to:
 - 1524 in Year I,
 - 1595 in Year II,
 - 1665 in Year III,
 - 1740 in Year IV, and
 - 1,800 in Year V.

VI. Project Outputs

The Project's expected output is increased institutional sustainability of SEF as indicated by the following:

1. Revolving loan fund increased from a baseline of TZS 132.1 million, to:
 - TZS 296.3 million in Year I,
 - TZS 389.4million in Year II,
 - TZS 490.3 million in Year III,
 - TZS 546.6 million in Year IV, and
 - 597.6 million in Year V.
2. Net income from the loan fund increased from TZS 10.5 million to:
 - TZS 38.3 million in Year I,
 - TZS 83.1 million in Year II,
 - TZS 128.1 million in Year III,
 - TZS 160.2 in Year IV, and
 - TZS 186.1million in Year V.
3. Operational sustainability increased from 110percent to:
 - 135 percent in Year I,
 - 205 percent in Year II,
 - 226 percent in Year III,
 - 257 percent in Year IV, and
 - 265 percent at the end of Year V.

4. Financial sustainability increased from 102 percent to:
 - 111 percent in Year I,
 - 158 percent in Year II,
 - 177 percent in Year III, and
 - 195 percent in Year IV.

VII. Major Activities to be Financed under the Agreement

A. Delivery of Financial and Non-Financial Services

This Project will capitalize SEF's revolving loan fund, enabling SEF to expand its provision of services to clients in Mbagala Ward, Keko, Changombe, Buza, Kurasini and Yombo Dovya. SEF will invest Grant funds exclusively in the operational area of its Mgulani-Temeke branch. SEF will continue to operate its other branches, consistent with good business practices.

Individual or domestic lending will be the focus of SEF's market strategy. Individual or domestic lending targets low-income wage earners who supplement their income by operating small family businesses.

SEF will provide business development services (BDS) in conjunction with its financial services. The BDS will include topics in starting a business, costing, record keeping, and marketing principles.

SEF will conduct intensive monitoring and performance evaluation. In addition to the loan capital, the Grant provides funds for SEF to purchase vehicles, equipment, and furniture, and cover administrative costs necessary to extend services and monitor and evaluate the Project's performance.

B. Training and Technical Assistance

SEF will hire consultants to train its clients in business development. Consultants will train selected executive committee members, trustees, and SEF management in micro-finance institutions' best practices in financial management, the role of board members, and governance. Two local micro-finance experts will train SEF management and staff in effective loan portfolio management, including management information systems (MIS) and computerized accounting (Loan Performer software). A technical assistant will assist SEF in institutionalizing the credit management techniques, branch accounts consolidation, and other MIS innovations.

The ADF Country Partner will provide four days training in two different sessions to designated staff and executive committee members on the ADF accounting system, best practices on financial management, and project performance assessment (PPA).

VIII. Roles and Responsibilities of the Parties

SEF is responsible for the proper management and implementation of the Project. The Executive Director and the staff of SEF are responsible for the day-to-day management of the organization.

The ADF partner in Tanzania, the Centre for Strategic Development Initiatives (CSDI), will provide technical and management assistance to SEF during the 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 provide the Partner input for the project monitoring plan, which will include the establishment of annual targets for the performance indicators. 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.

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