

**APPENDIX A:
PROJECT DESCRIPTION
SICR SIMIRI
MICRO CREDIT PROJECT
NIGER**

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 district of Ouallam is located 95 kms northeast of Niamey close to the border of Republic of Mali. Its population is estimated at 200,000 persons. It is composed of three counties—Ouallam, Tondikiwindi and Simiri. The main activities are agricultural production (rain-fed and off season), livestock production, petty trade, and handicrafts. The lack of infrastructure makes trade difficult with the rest of the country. Although Ouallam is less than 100 kilometers from the nation's capital (Niamey), the poor road conditions inhibit regular interactions with Niamey.

According to a national poverty study, Simiri is the poorest of poor areas in the district of Ouallam. According to the study, the near absence of decentralized financial institutions targeting the poor is a major obstacle to development of the area. Currently, the only savings and loan operating in the county, CPEC, lacks sufficient reach and capital to address the credit needs effectively.

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

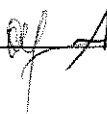
SICR/KOKARI Rural Credit Intermediation Service (SICR) will contribute CFA 11,700,000 for the loan fund. This will be provided in two installments in the second year of the Project. SICR will deliver the training in credit management, group proposals analysis and group dynamics for a total of 60 days (30 days two trainers) without any honorarium for a net contribution estimated at CFA 1,200,000. In addition, beginning in the thirteenth month of the Project, SICR is responsible for the payment of (1) the four credit agents' salaries and social security; (2) associated supervision and monitoring costs; (3) fuel, maintenance and repair of the four motorcycles; and (4) other project-related administrative costs.

C. Other Contributions

ADF _____



Grantee _____



The community-based organizations (CBOs) participating in the Project will contribute a total of CFA 4,595,728 to the construction of the rural banks and will provide the salaries of the eight credit auxiliaries for the duration of the Project. After the first twelve months of the Project, each rural bank will cover its own administrative and operating costs.

IV. Project Goal

The goal of this Project is to improve socio-economic conditions of the rural communities in Simiri county.

V. Project Purpose

The purpose of the Project is to increase access to credit and business development services for SICR clients in Simiri County, as measured by the following indicators.

- The number of groups that receive credit, business support services and training in enterprise management for the first time will increase from 0 before the Project to 39 in the first year of the Project to 49 in year two; 59 in year three; 67 in year four; and 74 in year five.
- The number of individual members who receive credit will increase from 0 before the Project to 1,560 in the first year of the Project to 1,960 in year two, 2,360 in year three, 2,680 in year four and 2,960 in year five.
- The average amount of loans extended per individual member will increase from 0 before the Project to CFA 39,000 in the first year of the Project; CFA 67,901 in year two; CFA 71,705 in year three; CFA 84,659 in year four; and CFA 95,854 in year five.

VI. Outputs

A. Four (4) regional rural banking centers established and credit delivery system functional

- The loan portfolio will increase from 0 before Project funding to CFA 60,840,000 in year 1; CFA 133,087,500 in year 2; CFA 169,225,875 in year 3; CFA 226,888,133 in year 4 and CFA 283,729,581 in year 5.
- The number of group loans extended increased from 0 before project to 39 in year 1; 98 in year 2; 118 in year 3; 134 in year 4; and 148 in year 5.
- Total savings per year increases from 0 before project to CFA 14,040,000 in year 1; FCFA 18,697,500 in year 2; FCFA 25,037,100 in year 3; FCFA 33,582,904 in year 4 and FCFA 44,329,433 in year 5.
- Repayment rate of 98 percent or higher in all years.

B. Business support system at four (4) rural banks in Ouallam region (Simiri) is established and operational

- Branch officers and the SICR manager provide quality credit and business management training and support to 74 client groups over the life of the Project.
- Twelve (12) full time employees will provide services to clients beginning in the first year and continuing over the life of the Project.

- Reporting and management information system will be automated and operational at all 4 rural banks by the end of the first year of the Project.
- SICR will monitor the activities of each rural bank at least once every four months.

VI. ACTIVITIES

The Project activity is the operation of a decentralized credit program. SICR will extend credit to four rural banks that will on-lend to community groups. The rural banks will be community-managed and credit agents will be recruited from the beneficiary community. The credit program will require implementation of the following sub-activities: administration of a loan fund; construction and equipping of the rural banks; purchase of equipment; training and technical assistance; and project administration.

Extension of loans. ADF will provide CFA 70,200,000 as a loan fund to SICR while SICR will contribute CFA 11,700,000 in year 2. Consequently, there will be a total credit fund of CFA 81,900,000 to initially benefit 70 percent of the members of 39 CBO groups. The average loan amount will be CFA 75,000.

The loan fund will be distributed to the four rural banks targeting 39 CBOs in accordance with the SICR policy. SICR will allocate the fund fairly to the rural banks according to the needs expressed by their member CBOs. Loan eligibility and distribution will be in conformity with the loan policy adopted by the rural banks for on-lending. The rural banks will apply the interest margin on the loans they extend to their operating expenses.

Rural banks will repay their loans to SICR after a 6 months period. The CBOs have two modalities for the repayment of their loans to the rural banks depending on the type of activity: bulk repayment after a 6 months period for animal fattening activities and monthly repayment for other activities. The group members of the CBO will meet once a month to make their payments. Two persons appointed by the decision body will be responsible for collecting the funds. In case of reimbursement difficulties, the rural banks credit committee will work with the client to analyze the reason and find a solution.

Monitoring of loans and ongoing training. The credit agents will monitor the loan at the CBO level on a day-to-day basis. The SICR credit agent (supervisor) based at Ouallam will supervise the four hired credit agents twice a month. The SICR credit agents will assist in areas such as loan application, cash flow, etc. SICR headquarters will monitor the Project on a frequent basis in order to:

- follow-up on the credit agents' activities; and
- Assist the different committees set up by the rural banks.

The monitoring schedule will be modified depending on anticipated reimbursements or other factors. At the end of each month, the credit agent supervisor will submit financial and activities reports including:

- a report on the new loans extended by the ADF-financed line of credit, indicating the number of groups, number of persons affected, and the amounts granted, funded activities; and

ADF _____

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Grantee _____

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- a report on any overdue loans, indicating the late payment or payments due, the amount overdue, the reason for lateness as well as the rate of loans which are overdue by 1 to 30 days, 31 to 60 days, 61 to 90 days, and over 90 days overdue.

Verification. The credit agent will routinely establish (after each due date) an activity report for each group for which she is responsible; the status of the group must be discussed among the entire group to determine who is late, what penalties should be applied and above all, to understand the reasons for the delays in payment of loans. At least once a quarter, the SICR Director and the loan advisor will visit a certain number of groups to monitor their activities.

Infrastructure. In each village hosting a rural bank head office, a two-room building will be constructed in local material. One room will serve as office and the second room serves as cash office. The building will have the following specifications: 8.10 meters of length, 7.60 meters of width and 4 meters of height.

Transportation. Four motorcycles and accessories (helmets, etc.) will be purchased and insured to facilitate the credit agents' close monitoring of the loan distribution and recovery.

Equipment for rural banks. Four (4) "Vanguard" 160 kg safes will be purchased to allow the group to secure cash temporarily before their deposit into the bank account. Provision is also made for basic office furniture at each bank (table, chairs etc.).

Training. A variety of training will be undertaken to build SICR and the communities' ability to manage and monitor the development programs. In addition to the required ADF bookkeeping orientation and the monitoring and assessment training conducted by the ADF partner organization, the following training is planned: financial management and basic accounting, credit management and savings collection, proposal development and analysis techniques, democracy and governance, group dynamics and HIV/AIDS awareness education. ADF funds will be used to cover supplies, food for the participants, trainer fees and rental of a training facility and transport.

VII. Roles and Responsibilities of the Parties

SICR has primary responsibility for ensuring that the Project activities are properly implemented. Within SICR, the Board of Directors will be the highest decision making body. It will formulate strategies, which includes supervising and coordinating implementation of the Project.

SICR staff will deliver the training sessions in credit management and savings collection, proposal development and analysis techniques, democracy, governance and group dynamics. They will assist the four rural banks to establish and implement sound credit management procedures.

Particular attention will be given to the training and coaching of the auxiliary credit agents of the rural banks. Regular monitoring visits by headquarters staff, at least once quarterly, plus that of the local credit agents will determine what frequency is needed as skills transfer takes place beginning in the second year.

At the end of each year, SICR will undertake a performance evaluation of the banks and the credit auxiliaries and adjust the level of credit agent monitoring and coaching as needed to ensure positive results.

Prior to final transition of the SICR-managed credit program to an independent rural bank, SICR will assess both the capacity of the auxiliary agents they have trained and mentored and the capacity and credit performance of the local communities.

ADIDB will provide technical support and guidance to SICR in the recruiting of the credit agents and in the bidding process for construction of the facilities as needed.

At the end of the Project, 50 percent of the original credit funds provided by ADF will vest in the four rural banks for use as lending capital. SICR will retain the remaining 50 percent for use in its on-going credit program.

VIII. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADIDB the ADF Niger 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. 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.

SICR will ensure that the rural banks receive adequate monitoring and counseling of rural on their routine activities. SICR will establish a system to evaluate the activities twice a year (internal), at mid-term (external) and at the end of Project. This system will be enhanced by group discussions and internal workshops that focus on the development of skills in analyzing credit systems, management skills, and leadership skills in the rural banks.

ADF



Grantee

