

PROJECT DESCRIPTION**PADME Credit with Education 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 Support Project for the Development of Micro-Enterprises (PADME) provides accessible and sustainable financial services to micro-enterprises and low income individuals. In 2007, PADME adopted an organizational plan designed to accelerate portfolio growth and improve the quality of its portfolio. A key objective of PADME is to deepen its penetration in underserved rural areas, especially in terms of improving rural women's access to credit.

According to a World Bank report, more than 124,317 economically active women living in Benin's Plateau and Collines Departments have limited access to formal sector financial services. In addition, a survey of these Departments conducted by PADME found that the burden of high medical costs on rural households, particularly on women in the household, was a leading cause of poor repayment rates. To respond to these constraints, PADME must improve its capacity to deliver sustained financial services.

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 4, section 4.1 of the Agreement.

B. Client Contribution

PADME will contribute an estimated CFA 404,765,000 to the Project for loan funds, equipment, operating costs, and technical assistance and training in order to meet the objectives of the Project.

IV. Project Goal

The goal of the Credit with Education (CWE) Project is to improve living conditions of low income rural women and their families in the Plateau and Collines Departments of Benin.

V. Project Purpose

The purpose of the Project is to increase incomes and savings of rural women in four localities of the Plateau and Collines Departments, as demonstrated by the following:

- increase in incomes and savings and strengthening of CWE participants' economic independence as measured by surveys at the end of Year III and Year V of the Project; and
- reduction in the relative share of health-related costs among CWE participants' household expenditures as measured by surveys at the end of Year III and Year V of the Project.

VI. Outputs

The major output of this Project is increased capacity of PADME to provide expanded financial services to low income women in the Plateau and Collines Departments, as measured by the following.

- A. Beginning in Year II, the number of low income rural women in the Plateau and Collines Departments receiving the CWE product will increase from the current 2,000 to:
 - 3,000 in Year II;
 - 5,000 in Year III;
 - 6,500 in Year IV; and
 - 7,500 in Year V.
- B. The geographic coverage of the CWE program will expand from the current 54 to 138 villages by Year V.
- C. The number of production personnel dedicated to the CWE program will increase from ten to:
 - 18 in Year III; and
 - 22 in Year IV.
- D. The portfolio at risk at 30 days will decline from ten percent to no more than five percent by Year II.

- E. On-time repayment rates will improve from 85 percent to not less than 90 percent by Year II and beyond.
- F. The portfolio loss rate will improve from the current rate of 7.0 percent for group credit to no more than:
- 3.0 percent in Year II; and
 - 2.2 percent in Year III and beyond.
- G. The CWE product will attain operational self-sufficiency by Year IV of the Project.
- H. PADME's net income before depreciation will be positive by Year IV and beyond.

VII. Activities

PADME will provide savings and loan services combined with adult education through the CWE loan product. PADME's group leaders will work with women in peer groups (Credit Associations - CAs) of 16-36 members to provide joint group credit on the basis of affinity and confidence. New CAs will meet weekly for five to six weeks, where PADME group leaders will deliver a series of training/information sessions aimed at improving the businesses of their association. The training will focus on financial services such as the repayment of loans, disbursements and savings deposits, and conduct interactive teaching sessions on health, self-esteem, and commercial and financial management. During this period, the women will constitute their savings guarantee, which is equal to one installment of any loan they receive, as well as set up a death guarantee fund equal to one percent of any loan amount received.

The group leaders will deliver a series of training modules on malaria, HIV-AIDS, cough, nausea and stomach problems, and family planning as part of the CWE product. These modules are designed to help address health issues and expenditures associated with malaria, children's diseases, and HIV/AIDS, which have been found to have had significant impacts on the default rates of group loans because of the levels of household expenditures devoted to them by low income women. PADME will also make health products such as low-cost insecticide-impregnated mosquito nets available through the program.

In addition to the health training modules, PADME will provide basic business management training to the CAs as part of its core credit policy. Those sessions ensure client knowledge of eligibility criteria, product features and promotion, geographical coverage, respect of commitments, marketing, and accounting.

After the initial training has been completed, loans will be reviewed and approved by a PADME Credit Officer and loans issued. Payments will be collected weekly by each CA and payment remitted every two weeks to the PADME branch office. The group leaders will continue to visit the CAs at least monthly to follow up on loan repayment and training issues.

PADME will focus on expansion and improvement of its CWE model in the Plateau Department during the first two years of the project. In Year III, PADME will expand its delivery of the CWE product to two new localities in the Collines Department.

During the first six months of Project Year I, PADME will review and update the Project Implementation Plan after signing of Agreement; open a dedicated bank account for receipt of Project funds; introduce the initial disbursement request to strengthen Credit with Education system; and order motorcycles for the field operations.

During the last six months of Year I, PADME will deliver the new motorcycles to the CWE staff; prepare the CWE launching campaign, including initiation and validation of marketing plan, providing CWE staff with refresher training in credit with education criteria and content, and preparing advertising media formats, content, and budget; launch the advertisement campaign; and prepare and submit internal monitoring and evaluation reports to effect supplemental planning for CWE product and management adjustments.

PADME will carry out monitoring and evaluation activities throughout the project life-span after start-up and launching activities. These will include making regular visits to current and new clients, with new satellite locations as a priority; prospecting new clients to replace normal dropouts and increase client numbers; and conducting commercial assessment surveys to enforce information in marketing analysis.

PADME will collect information on the following indicators to assess the performance of the CWE product:

- number of villages covered and geographic location;
- number of groups receiving loans;
- number of members women receiving funds;
- average number of borrowers per group;
- modules/Topics of Education administered;
- number of persons trained per module;
- average rate of member participation in meetings;
- retention rate of borrowers in the program;
- health products purchased by CWE clients through the Project; and
- value of products purchased through the Project.

PADME will carry out mid-term and final evaluations at the end of Year III and Year V, respectively, in collaboration with Freedom from Hunger and ADF to assess the impact of the project on the CWE loan recipients. These evaluations will focus on changes in the relative importance of health-related expenditures in household budgets and incomes,

in addition to other factors influencing the expansion and performance of the CWE loan portfolio as compared to the baseline survey that is currently being conducted by PADME with technical assistance from Freedom from Hunger.

No Reinvestment Commitment (RIC) is required from this Project. However, PADME has indicated that it will provide a contribution of up to CFA 5,500,000 per year during Project Years II-V, for a total of CFA 22,000,000 CFA that can be used to finance health products that are available for purchase by CWE clients through the Project.

VIII. Roles and Responsibilities of the Parties

The Managing Director (PADME), Risk Management Service Director, Accounting and Financial Service Director, Credit Service Director, and Marketing and Development Service Director hold primary responsibility for implementation of the project activities as planned. The ADF Field Office will monitor carefully PADME's progress toward meeting production and training milestones.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Client, working with the ADF Field Office, will form a monitoring and assessment committee composed of a representative cross-section of the Client's organization. The committee will provide 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.

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