

**Community Action for Development  
Micro-credit Program**

**Grantee**

Community Action for Development (CAD) was founded in 1984 and is registered with the Registrar General's Department as a non-profit, local non-governmental organization. Located in the Tamale Municipality of the Northern region of Ghana, CAD's overall goal is to alleviate poverty by helping grassroots and community-based organizations, particularly women, empower themselves through income-generating activities.

**PROJECT GOAL**

The goal of the project is to reduce rural poverty in the northern region of Ghana.

**PROJECT PURPOSE**

The project's purpose is to increase access to credit and business development services for targeted women in the Savelugu-Nanton, Tolon-Kumbugu and Nanumba districts as well as in the Tamale municipality.

**PROJECT SUMMARY**

The project will assist CAD to develop a credit and business development services model in the districts of Savelugu-Nanton, Tolon-Kumbugu, and Nanumba and in the Tamale municipality. With ADF assistance, CAD will be able to provide credit and business development services to 2366 first-time borrowers. Over 90% of targeted clients under this project are female. The project has the following components: (1) capitalization of a credit fund; (2) training and technical assistance for staff and clients; (3) establishment of an MIS system and the procurement of loan management software; and (4) developing an effective monitoring system and conducting a client-level impact assessment.

**Credit Fund**

ADF will provide CAD with ₵670,970,500 to capitalize its existing loan fund. ADF will disburse its contribution to CAD in the first year of the project according to a phased schedule, provided that CAD has distributed all funds in each subsequent (or preceding) period to clients.

There are two categories of loans under this project: Rural Group Loans (for borrowers located in the three rural districts under the project) and Urban Group Loans (for those women/micro-entrepreneurs located in the Tamale municipality). Within each category, CAD will extend loans for the following activities:

- sheabutter processing (average amount of first-cycle rural loans is ₵300,000 and ₵500,000 for urban loans)
- groundnut oil extraction (average amount of first-cycle rural loans is ₵400,000 and ₵500,000 for urban loans)
- paddy rice processing and petty trading (average amount of first-cycle rural loans is ₵500,000 and 900,000 for urban loans)

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Each of the loans in both categories is for a six-month period. After successful repayment of each loan, clients may progress to the next cycle with an incremental increase for each subsequent cycle. The interest rate to be charged on both the urban and rural loans is 38% in year 1, with yearly adjustments for inflation. Repayment of principal and interest is to be made on a bi-weekly basis. A grace period of one month is given for each loan cycle.

For both loan categories, a compulsory savings of 10% of the requested loan amount is required before the loan is disbursed. An ongoing savings of 10% of the principal monthly payment is to be made by each borrower during the loan period. An upfront amount of ₪7,000 (covering loan application and training fees) is charged for each loan. This amount is estimated to increase to 5% of the requested loan amount (from year 3 to the end of the project).

### *Loan Monitoring*

Five loan officers, and a senior-level credit manager will assist clients to monitor the use of the loans. Monitoring will begin immediately following disbursement, with the designated loan officer visiting each of his/her groups to see if borrowers are using the credit effectively. Each of the five loan officers will submit a monthly report to the credit manager. The report will provide information on loan use and repayment, growth in client business and the impact of the loan at the individual, enterprise and community levels.

The credit manager will monitor the project through monthly reports submitted by the loan officers. During field visits, the credit manager will verify the loan officers' report and address any problems that may need a managerial decision. The frequent monitoring of loans by the loan officers and the credit manager ensures that any repayment difficulty is realized in sufficient time to be addressed.

In addition to CAD's own monitoring, members of ADF's partner organization, INPRODEC, will assist with the monitoring of the project through CAD's quarterly reports as well as through their own site visits. They will also provide assistance to CAD in the area of monitoring assessment.

### *Training and Technical Assistance*

#### Training in Local Area Network Usage



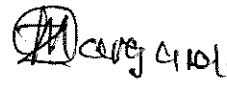
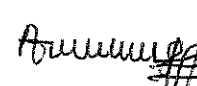
ADF will provide funds to cover the costs of training for CAD staff in network usage. The training for CAD's systems administrator will include configuring, administering and tuning Windows NT/2000 and Windows 9X networks, integrating Windows NT, TCP/IP and accessing resources on Windows 2000 server. The course for all other users of the network (in effective network use) will cover areas such as configuring adapters; protocols and services, monitoring windows network performance and accessing resources on windows 2000 server.

#### Training in MFI Program Management

ADF will provide funds for training in the following areas: MFI Governance, Liquidity Management, Managing Productivity and Cost, Internal Control and Fraud Prevention and Financial Analysis for MFIs. The courses are intended to build CAD's organizational, financial and portfolio management skills.

#### Training in Business Management for Clients

ADF will provide funds to cover the costs of a training venue, accommodations for participants and CAD staff, refreshments for participants, staff, and transportation to and from the training venue. Two members from each of the 79 solidarity groups will participate in this training. They will be selected based on their dynamism and contributions to group discussions (during the group animation and

ADF  Grantee  2  3  ##



Client Impact Assessment

In order to better measure its success as an emerging MFI and go beyond the usual indicators of repayment rates and interest generated, CAD will assure that client impact is also addressed as part of its monitoring and assessment plan. With the ADF Partner's assistance, they may draw from practitioner impact assessment tools such as those designed as part of the PVO-NGO component of the U.S. Agency for International Development's AIMS Project in the design of their own data collection instruments and plan. A small sum of money is included in the budget should there be a need for specific outside expertise in this area.

**Office Supplies/Equipment**

Computer Hardware & Accessories

ADF will provide funds for CAD to procure the following computer hardware and accessories or their equivalent: 1 Compaq Proliant 1600 Server; 4 Gateway Workstations; 1 Merlin Gerin ESV 8 UPS; 4 Serge Arrester 700VA UPS Systems; 1 Hewlett Packard 4050N Laser Jet Printer; 1 Canon fax machine; a money counting machine; an office safe; and network materials.

Loan Performer Software Procurement & Customization

CAD needs information systems that are responsive to the needs of many different kinds of users, capable of managing an array of data, and flexible enough to adjust to changing requirements. ADF will provide CAD with funds to procure an off-the shelf software (Loan Performer) which is widely used by other micro-finance institutions in Ghana and on the Continent. The software package has been well tested and is currently being used by an ADF-funded project in Uganda.

Motor Vehicle and Motorcycles

ADF will provide funds to procure a Toyota Hilux 4WD double-cabin truck, or similar model, and three Yamaha AG100 motorcycles. The credit manager will use the truck to monitor the activities of the loan officers and group-level clients while the loan officers will use the motorcycles to visit clients (attend group meetings to check on group cohesiveness, progress on income-generating activities, and to monitor loans) in the three rural areas.

**Operating Costs**

In order to assist CAD absorb the costs of expansion, ADF will provide funds for one year of project-related operating costs. Funds will cover banking and communication expenses; fuel and maintenance for the motor vehicle and motorcycles; vehicle/motorcycle insurance and road permits; and salaries for the credit manager, 3 entry-level credit officers, the systems administrator and the driver. After the one-year period, CAD will assume these costs from income generated by the loan fund.

**Group Contribution**

CAD has identified a new office apartment, which it has acquired for use. CAD will renovate the newly acquired office at the cost of ₵ 14,600,000 (\$2,086) as part of its contribution to the project. The renovation will cover rent for three years, painting and additional office furniture. In addition, it will contribute its current loan fund of ₵68,000,000 (US\$9,714) as well as an additional amount of ₵25,000,000 (US\$3,571) to capitalize the loan portfolio.

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