

APPENDIX A:

PROJECT DESCRIPTION

The Mumuadu Micro credit Project

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.

I. Background

Ghana's economy is dominated by small and micro-enterprises in urban, peri-urban, and rural communities. These enterprises are characterized by low productivity, a predominance of women entrepreneurs, and a lack of access to credit. To help address these issues, MRB mobilizes savings and extends credit and training to this sector. MRB has developed products to meet the needs of its clients, while still covering its costs. Like many rural banks, MRB lacks sufficient capital to meet the demands for its loan products. With additional loan capital, MRB could reach a larger number of clients and make a major contribution to assist small enterprises in increasing income and promoting employment.

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 micro enterprises. The project will also enable MRB to increase scale and ultimately reach more underserved women in its catchment area.

II. 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

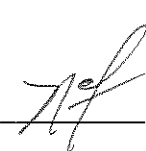
MRB will contribute 411,000,000 cedis to the credit fund. In addition, MRB will contribute 624,000,000 cedis from the total amount it will raise from the issuance of new shares. MRB will also make its office premises available for the project. Lastly, MRB will assume all costs for training related provided to borrowers and a Motorola (voice) communication system.

III. Project Goal

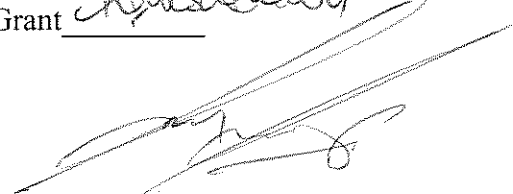
The goal of the project is to advance broad-based sustainable development and empowerment of the poor, especially women, in the Eastern region of Ghana.

IV. Project Purpose

To achieve the above goal, the project seeks to increase income of the poor in the Eastern region of Ghana. It is anticipated that, as a result of this project, average annual net income of clients will increase from an average (cedis equivalent) of:

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Year 1= \$202
Year 2= \$225
Year 3= \$256
Year 4= \$358
Year 5= \$397

V. Outputs

There are three anticipated project outputs:

1. Access to credit for poor increased;
2. Business and management capabilities of borrowers strengthened; and
3. Efficiency and effectiveness of Loan portfolio management improved.

Indicators for the above-mentioned outputs are as follows.

Output No. 1 Indicators:

1.1. Number of clients receiving pre-loan and business development services, as well as credit facilities, from MRB increased from 909 in Year 0 to: 1829 by end Year 1, 2875 by end Year 2, 3287 by end Year 3, 3569 by end Year 4; and 3991 by end Year 5.

Activities related to Output No. 1:

Capitalization of Loan Fund

ADF will capitalize MRB's existing loan fund with 1,350,000,000 cedis over the life of the project. This amount will enable MRB to increase the number of clients to whom it on-lends funds; increase the number of loan products it offers and become financially sustainable.

Output No. 2 Indicators:

- 2.1 Number of clients keeping adequate records relative to production sales and profit increased from 400 in Year 0 to 3482 in Year 5.
- 2.2 Number of client businesses established or expanded increased from 909 in Year 0 to 3991 in Year 5.

Activities related to Output No. 2:


Board and Staff Training

ADF will provide funds to cover the following types of training for MRB staff and Board members: computer training, training of trainers workshop for project staff, and strategic plan development. Funds will also be used to: (i) train appropriate staff in the operation of loan-tracking software for portfolio management, and (ii) procure the technical assistance to develop a business advisory manual to institute state-of-the-art developments in micro-finance.

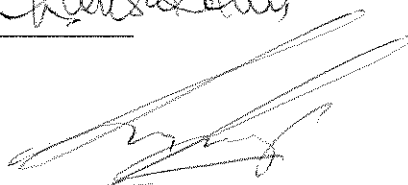
Output No. 3 Indicators:

- 3.1 Frequency of monitoring and reporting by field staff increased from monthly to weekly.
- 3.2 Number of credit officers trained and effectively managing and monitoring projects increased from 4 in Year 1 to 8 in Year 3.
- 3.3 Loan Recovery rate increased from 97% in Year 0 to 98% by end Year 1 and maintained throughout LOP.
- 3.4 Portfolio-related financials/reports generated by automated MIS on weekly basis at HQ and branch offices by end Year 1 and thereafter.
- 3.5 Full financial self-sufficiency attained by end Year 1 and sustained throughout LOP.

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Activities related to Output No. 3:

Software Purchase and Implementation

ADF will provide funds to enable MRB to computerize its portfolio management information system, using banking software (E-Merge) specifically designed for micro-finance institutions. The introduction of the software will improve planning and decision-making by allowing the Grantee to produce reports to test portfolio performance. ADF will also provide funds for the implementation and testing of the system.

Development of a Business Advisory Manual

ADF will fund the development of a business advisory manual to meet the changing trend in micro-finance. The manual will be used as a reference document for MRB's micro-finance sector.

Procurement of Computers

ADF will provide funds to procure 5 IBM-compatible Pentium CPUs and peripherals. The computers will be installed at MRB's head office and the four branch offices.

Vehicle and Motorcycles

ADF will provide funds for MRB to purchase a Toyota double-cabin truck. MRB will use the truck for effective monitoring and supervision of the credit activities. A vehicle logbook will be maintained.

VI. 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 MRB levels, to provide impact data for indicators detailed above in Section V.
- 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 committee functions effectively.

The ADF Partner, INPRODEC, will arrange for the requisite financial/bookkeeping training necessary for the Grantee to be certified and to begin receiving disbursements. INPRODEC will also provide technical assistance to the Grantee in the formation and training of the monitoring and assessment committees.

Technical assistance (Software House) will train appropriate Grantee staff in the implementation and use of loan tracking software. The Partner and Grantee will identify consultants and specialists to provide TA in strategic planning.

VII. 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 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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