

**APPENDIX A:**

**PROJECT DESCRIPTION  
NKRB INVENTORY CREDIT AND MICRO ENTERPRISE 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, NKRB mobilizes savings and extends credit and training to this sector. NKRB has developed products to meet the needs of its clients, while still covering its costs. Like many rural banks, NKRB lacks sufficient capital to meet the demands for its loan products. With additional loan capital, NKRB could reach a larger number of clients and make a major contribution to assist small enterprises in increasing income and promoting employments.

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 NKRB to increase scale and ultimately reach more underserved women in its catchment area.

**II. Funding**

**A. ADF Contribution**


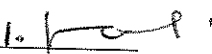
The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

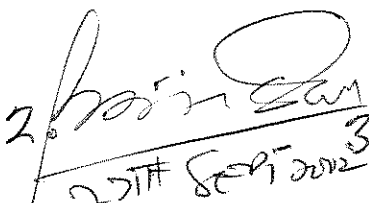
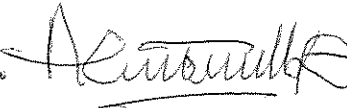
**B. Grantee Contribution**

NKRB will contribute its existing credit fund of 540 million cedis to the project. In addition, it will cover staff salaries, costs of fuel, and bank charges associated with implementation of this project. NKRB will also make its offices and existing equipment available to the project. NKRB will utilize the services of its board and staff not directly associated with the project, as well make its equipment and 3 motor bikes available to the project. In addition, NKRB will utilize its own funds to purchase loan-tracking software.

**III. Project Goal**

The goal of the project is to promote broad-based sustainable development and empowerment of the poor in the Techiman and Nkoranza districts in the Brong-Ahafo region.

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**IV. Project Purpose**

In order to achieve the afore-mentioned goal, the project seeks to increase the income of the poor in the Techiman and Nkoranza districts.

**V. Outputs**

There are three major Outputs expected from this project:

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 accessing business development services (BDS) and credit increased from 561 to 1671 by Year. 5.
- 1.2 Number of first-time borrowers increased from 300 to 1,410 by Year. 5.
- 1.3 Loan Portfolio increased from cedis equivalent of \$256,000 to cedis equivalent of \$410,256 by Year 5.

**Activities related to Output No. 1:**

Capitalization of Loan Fund

ADF will capitalize NKR B's existing loan fund with 1,200,000,000 cedis over the life of the project, enabling NKR B to expand its client base.

**Output No. 2 Indicators:**

- 2.1 Number of NKR B clients keeping basic records on MSE income, profit, inventory, etc. increased from 561 to 1253 by end Year 5
- 2.2 Number of MSE enterprises established and increased in:
  - a) batik, tie and dye increased from 5 to 25 by Year 5.
  - b) Soap making increased from 35 to 50 by Year. 5.
  - c) Honey production from 15 to 30 by Year. 5.
  - d) Gari production from 6 to 66 by Year . 5.
  - e) Inventory credit clients increased from 500 to 1,500 by yr.5

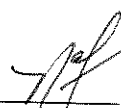
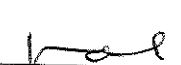
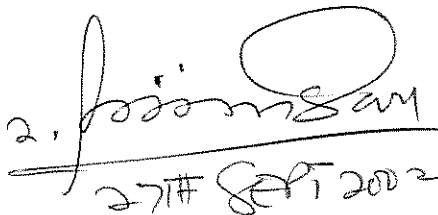

**Activities related to Output No. 2:**

Clients Training in Basic Business Management

Training will be provided to 1100 clients in basic principles of business management, bookkeeping and marketing. The training will enable the clients to manage their businesses effectively.

**Output No. 3 Indicators:**

- 3.1 Staff monitoring of client activities increased from once/month to once/week.
- 3.2 Time to process loan applications decreased from 20 days to 5 days.
- 3.3 Repayment rate maintained at minimum of 98% over LOP.
- 3.4 Full financial sustainability attained by year three and maintained throughout the life of the project.
- 3.5 NKR B fully computerized and generating portfolio-related financials and reports on weekly basis.

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**Activities related to Output No. 3:**

ADF will provide funds to train Board members and staff in governance, credit management, and computer operation. Funds will also be used for client training in business management and record keeping. Other training activities include:

MFI Governance

The course will focus on organizational structure and policies needed to support NKRB's capacity to meet demand for financial services, including how to choose board members, board governance, and mission development. The course will be conducted over a five-day period and will take place in Sunyani during month three of the project implementation. All the seven board members of NRB as well as the NKRB General Manager will attend the course.

Credit Management Training For Staff

Management and staff will be provided training in credit management to enhance their skills in implementing the credit program. The training will be held over a five-day period and will include group and savings mobilization, group dynamics, delinquency management. Fourteen members of staff will be provided with this training.

Computer Training

Basic computer training will be provided to NKRB staff to enable them to effectively use computers. The training will cover: an introduction to PC, Windows, and Microsoft Applications Word, Excel and Access.

TA in Loan processing Assessment

A technical assistance (TA) consultant will assist NKRB in the first year of the project to assess the bank's processes for loan screening, loan monitoring, and loan collection.

Procurement of a Computer

ADF will provide funds to procure 6 IBM-compatible computers and peripherals, which will be installed at the head office and the five branches. The computers will facilitate portfolio monitoring and financial reporting.

Vehicle and Motorcycles


ADF will provide funds for NKRB to purchase a Toyota pick-up truck to be based at the head office.

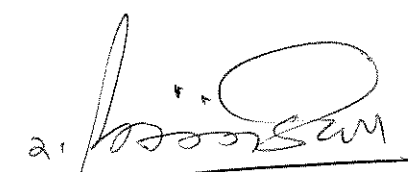
**VI. Roles and Responsibilities of the Parties**


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 NKRB level, to provide impact data for indicators detailed above in V.
- All equipment and supplies are procured
- Staff members (and a representative number of clients) are selected to its monitoring assessment committee and members of the committee participate in relevant M&A training.

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.

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Technical assistance (TA) will assist the Grantee in assessing its processes for loan screening, loan monitoring, and loan collection.

**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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