

**APPENDIX A:  
PROJECT DESCRIPTION  
Urban Ministry Micro-credit Project – Nigeria**

**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**

Poverty is endemic in Plateau State. While Jos is a bustling, dynamic commercial city, there are still many poor, unemployed and underemployed people. The situation in this urban center has dramatically worsened in the past year with the ethnic violence of last September, which took the lives of hundreds of people and destroyed thousands of businesses, homes, churches and mosques. Compounding this was the tragic fire in February 2002 that destroyed the modern main market and wiped out billions of Naira of stock of small business people. Moreover, poverty is rapidly increasing in urban areas due to rural – urban migration. Often, young male migrants go back to their rural communities to marry and then bring their wives back to the city with little or no skills in income generating activities. In rural communities in the state, agriculture is the backbone of the agrarian economy. There are few off-farm employment or income opportunities. In both the urban and rural situations, a lack of access to credit and basic enterprise management skills is a serious constraint to development. Instead, there is a heavy dependency on the few privileged members of the community to support the needs of many.

Based on its experience over the past ten years, Urban Ministry has demonstrated that it can break this cycle of poverty and dependence. Its micro-credit loans and basic bookkeeping training have enabled poor people to undertake income-generating activities and begin their own micro-enterprises.

**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.

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## **B. Grantee Contribution**

The Grantee will provide credit funds that it already has on-hand or will be collecting from affiliated groups (estimated N2,900,000) and will cover various operating costs, including the salaries of the three credit officers (third, fourth and fifth years of the project) and accountant and monitoring costs (second through fifth years) and miscellaneous operating costs. The total estimated value for these items during the project is N9,494,000.

## **C. Other Contributions**

None.

## **IV. Project Goal**

To improve the socio-economic status of the people in Urban Ministry's target areas of Plateau State.

## **V. Project Purpose**

To increase income of urban and rural poor in Plateau State. Participants income will increase:

- 10% in the 1<sup>st</sup> year of participation;
- 15% additional in the 2<sup>nd</sup> year of participation;
- 20% additional in the 3<sup>rd</sup> year of participation;
- 20% additional in the 4<sup>th</sup> year of participation; and
- 20% additional in the 5<sup>th</sup> year of participation.

## **VI. Outputs**

The five-year project has the following outputs and performance targets:

- Access to credit increased for urban and rural poor in Plateau State
  - size of accessible loan increased
  - 1,000 first-time borrowers (50 in 1<sup>st</sup> year; 20 in 2<sup>nd</sup> year, and 310 each in 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> years)
  - 3,700 loans extended (250 in 1<sup>st</sup> year; 500 in 2<sup>nd</sup> year, 750 in 3<sup>rd</sup> year, 1,000 in 4<sup>th</sup> year, and 1,200 in 5<sup>th</sup> year)
- Skills enhanced of participating entrepreneurs in micro-credit and enterprise management;
  - 60 group leaders trained in 1<sup>st</sup> year who, in turn, train their members
  - group leaders maintaining loan records of members
  - entrepreneurs maintaining their own business records
- UM's operational efficiency and effectiveness improved

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- 98% loan recovery each year of the project;
- operational sustainability attained by end of 1<sup>st</sup> year and maintained annually thereafter through end of project;
- full financial sustainability attained by end of project;
- UM staff produce quarterly financial reports and auditable annual statement, as well as quarterly loan repayment and aging reports
- Loan officers make monthly visits to every group

## VII. Activities

The following specific activities will be carried out under the project.

- Increasing access to credit through a grant of loan capital to UM
- Strengthening of UM's credit management capacity through funding for:
  - three new credit officers for the first 24 months and for an accountant for 12 months
  - extensive staff and Board training
    - ADF accounting (2)
    - Participatory monitoring and evaluation (10)
    - Credit administration (8)
    - Financial management (5)
    - Organizational management and leadership (16)
    - Computer-based financial management training for the accountant
    - Loan Performer software
  - acquisition of relevant office equipment and furniture
- Developing and printing new savings and loan documents
- Installing new loan tracking system
- Design and implementation of loan impact assessment tool
- Strengthening affiliate groups and their individual members' capacity through pre-loan training in basic loan management and financial record keeping
- Loan monitoring, project evaluation and auditing of organization's accounts and other basic operational expenses.
- Semi-annual workshops with other ADF micro-credit grantees to share experiences and learn about best practices and innovations in the field
- Increasing HIV/AIDS awareness and prevention through training for 200 leaders and affiliated members

UM will introduce a new loan product that better fits the needs of its clients, with an administrative fee that enables the Grantee to make the credit program sustainable.

## VIII. Roles and Responsibilities of the Parties

The Executive Director of UM will oversee the implementation of the project although all members of staff and Board will be involved in its implementation. The Credit Manager will be responsible for the day-to-day management of the project. She will supervise the activities of the 3 credit officers and the accountant. From the outset, UM

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will be responsible for the salary of the Director and any support staff. The organization will assume the accountants salary after the first year of the project and the salary payments of three credit officers after two years.

**Loan review and approval:** The Credit Manager and the credit officers will receive applications for loans. They will collate information on the borrower, which includes past loans, savings, and amount requested in the application. This is submitted to the board, which reviews the short-listed applications. The board approves borrowers and specific loan amounts. The approved list is sent to the secretariat to be implemented by the Executive Director.

**Loan distribution:** The accountant and credit officers will distribute the loans to the clients in their communities in full view of other group members and community/religious leaders. The same procedure applies for individual loans.

**Loan collection:** The three credit officers are responsible for all loan collections. This is to be conducted monthly in the various communities where the clients reside or conduct their economic activity. As payment is made, the amount is recorded and a receipt issued to the payee. The amount is paid to the accountant and the Credit Manager crosschecks the records.

**Training:** The Credit Manager, assisted by the accountant, will coordinate all training for group members.

## **IX. 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 evaluation committee composed of a representative cross-section of the Grantee's organization. The committee will work with the Partner to develop 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 addressed in a timely manner.

The monitoring and evaluation committee, composed of three beneficiaries, three Board members and four staff members (Finance Manager and three credit officers), will conduct the monthly monitoring of the project. The team will be split into 3 groups to ensure effective coverage. These will cover the main locations of UM's operations, namely, Jos North, South and East. Each sub-team will monitor the enterprises within a location that is in close proximity.

The issues to be reviewed with each group include the following:

- Loan repayment in terms of its progress and problems encountered.
- Loan management
- Group dynamics and cohesion

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- Retraining by group leaders of their members and relevance of the training that was provided to the client's enterprise

A UM credit officer will visit each cooperative twice monthly. The first visit, to include the other members of the monitoring committee, is to monitor loan and enterprise management. On the second visit, the credit officer is to collect loan repayments. Experience has shown that during loan collection, the officer hardly has any time to do anything else. Therefore, a separate time to monitor loan and enterprise management is desirable for effective project implementation.

The ADF Partner and ADF Country Representative will routinely examine UM's credit records to assess repayment rates. In addition, they will monitor the training program to ensure that group leaders train their members.

An external evaluator(s) will be engaged at the mid-term of the project to assess progress towards key performance targets and at the end of the project to assess the impact of the project on the Grantee, on its client groups, and on individual members. Urban Ministry monitoring reports and its progress reports to ADF, as well as individual borrower data gathered with the new loan impact assessment tool, will be used in this final evaluation.

#### **X. Other Implementation Issues**

None