

PROJECT DESCRIPTION

NABW Micro Leasing

Malawi

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 National Association of Business Women (NABW) was established in 1990 to contribute towards the socio-economic empowerment of women through the provision of skills training and microfinance to micro, small and medium women-owned enterprises to enable them to become self-reliant. NABW would like to take advantage of increased demand for microfinance loans from female entrepreneurs in Malawi; however, insufficient training in microfinance best practices and the use of loan performance software, inadequate office equipment, and insufficient means of transport prevent the association from capitalizing on the market demand.

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 8 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. Grantee Contribution

NABW will contribute the time and skills of its staff in the implementation of the Project.

IV. Project Goal

The goal of the Project is to improve the standard of living of women in Malawi.

V. Project Purpose

The purpose of the Project is to increase access to loans for NABW's members as follows.

- A. The number of loans disbursed will increase from three loans in the Project's base year to:
1. 50 loans in Year 1;
 2. 370 loans in Year 2; and
 3. 430 loans in Year 3.
- B. The value of the loan portfolio will increase from MWK 2,029,997 in the Project's base year to:
1. MWK 24,000,000 in Year 1;
 2. MWK 54,000,000 in Year 2; and
 3. MWK 78,000,000 in Year 3.
- C. The number of active clients will increase from 21 individuals in the Project's base year to:
1. 191 individuals in Year 1;
 2. 353 individuals in Year 2; and
 3. 567 individuals in Year 3.

VI. Project Outputs

By the end of the Project period, NABW's institutional sustainability will increase as evidenced by the following.

- A. NABW's net income (before taxes and depreciation) will increase from MWK -18,326,458 in the Project's base year to:
1. MWK -9,585,847 in Year 1;
 2. MWK -476,035 in Year 2; and
 3. MWK 14,688,933 in Year 3;
- B. Operational sustainability (earned income divided by the sum of operating expenses, financial costs and provisions) will increase from six percent in the Project's base year to 190 percent in Year 3.
- C. Financial sustainability (earned income divided by the sum of operating expenses (including adjustments for inflation, subsidized loans, and in-kind donations), financial costs and provisions) of 100 percent will be reached by the end of Year 3 of the Project.
- D. The portfolios at risk (greater than 30 days) will be less than ten percent of the average outstanding loan balance for NABW during the Project period.
- E. NABW's loan default rate will not exceed the following:
1. 5 percent in Year 1;
 2. 4.8 percent in Year 2; and
 3. 4.5 percent in Year 3.

VII. Project Activities

NABW will ensure the following major activities are completed with the assistance of consultants where necessary.

Improve the institutional capability and operating procedures of NABW by:

- A. training NABW staff and Governing Council in ADF required financial reporting and monitoring and evaluation;
- B. training three project officers in microfinance best practices;
- C. training project officers in business management to enable them to train potential loan beneficiaries;
- D. training micro leasing beneficiaries in business management skills;
- E. improving communication with members through acquisition of appropriate office equipment for the Lilongwe and Mzuzu offices;
- F. providing micro leasing in maize mills, bakery equipment and sewing/embroidery machines to NABW's members;
- G. acquiring Loan Performance software and training project officers on its use; and
- H. acquiring motorcycles for the project officers in the Lilongwe and Mzuzu offices to enable them to provide loan appraisals and monitoring services.

VIII. Roles and Responsibilities of the Parties

ADF staff has already provided the standard ADF training in bookkeeping, monitoring and assessment. ADF staff is responsible for ensuring the proper management and implementation of the Grant. ADF staff will provide NABW with technical and management assistance during implementation.

IX. Monitoring and Evaluation

ADF staff will closely monitor the activities of the Association to ensure proper reporting, adherence to the Project implementation plan by the Association and movement towards the achievement of Project objectives. ADF staff will continuously assess risks and take remedial action as needed. Monitoring by ADF staff will be an important aspect of the on-going coaching and advisory service. ADF staff will review quarterly reports and will submit comments and observations to the management of the Association as part of the on-going performance assessment.