

**PROJECT DESCRIPTION****LEAD Microfinance Expansion Project****Liberia****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**

Liberia Entrepreneurial and Asset Development, Inc. (LEAD) is a non-profit corporation established in 2005 that offers loans to microbusinesses in four counties in Liberia. LEAD currently has a total of 1,066 active members.

The rate of unemployment in Liberia is estimated at between eighty and ninety percent of the labor force. With increased access to microfinance, small enterprises can grow and create employment opportunities. However, recent studies indicate that fewer than ten percent of the microbusinesses seeking capital to establish or expand their business are actually able to obtain loans. LEAD seeks to strengthen its microloan program, but lacks the capital needed to expand or obtain the technical assistance and equipment to manage an expanded operation.

**III. Funding****A. ADF Contribution**

The financial plan for ADF's contribution is set forth in Appendix A.-1 of 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. LEAD Contribution**

LEAD will contribute its personnel, equipment, experience and skills, and all operating costs not covered by the Project budget to the implementation of the Project.

#### IV. Project Goal

The goal of this Project is to raise the standard of living of people in Montserrado, Grand Bassa, Bong, Nimba, Margibi, and Bomi Counties in Liberia.

#### V. Project Purpose

The purpose of the Project is to increase access to credit for residents of Montserrado, Grand Bassa, Bong, Nimba, Margibi, and Bomi Counties, as indicated by the following.

- A. The number of clients holding loans increases from a baseline of 750 to:
  1. 1,140 in 2010;
  2. 1,715 in 2011; and
  3. 2,575 in 2012.
- B. The gross outstanding loan portfolio for the Nehemiah Empowerment Initiative (NEI) fund increases from the current baseline of US\$ 120,000 in 2009 to:
  1. US\$ 124,000 in 2010;
  2. US\$ 175,000 in 2011; and
  3. US\$ 255,000 in 2012.
- C. The gross outstanding loan portfolio for the Providence Empowerment Initiative (PEI) fund increases from the current baseline of US\$ 60,000 in 2009 to:
  1. US\$ 69,000 in 2010;
  2. US\$ 119,000 in 2011; and
  3. US\$ 190,000 in 2012.
- D. The gross outstanding loan portfolio for the Agricultural Empowerment Initiative (AEI) fund increases from the current baseline of zero to:
  1. US\$ 4,800 in 2010;
  2. US\$ 11,400 in 2011; and
  3. US\$ 13,500 in 2012.

#### VI. Project Outputs

LEAD's capacity to provide microcredit services improves as indicated by the following.

- A. LEAD's Portfolio at Risk (PAR) rate for loans delinquent greater than thirty days is maintained at less than five percent of the gross outstanding portfolio for its Providence Enterprise Investment (PEI) loans.
- B. LEAD's pilot Agricultural Empowerment Initiative (AEI) loans are tested and maintained with a PAR rate for loans delinquent greater than thirty days of less than nine percent of the gross outstanding portfolio of AEI loans.

## VII. Project Activities

LEAD will carry out the Project activities with the assistance of consultants and the Liberia ADF Partner.

- A. LEAD will strengthen its institutional and managerial capacity in the following areas.
1. Complete installation of Loan Performer loan tracking software, upgrade the current software from a single user to a five user module, and begin using the software's integrated financial and accounting features to provide timely and adequate financial data on portfolio quality, including at least the following indicators: total amount of loans issued during the reporting period disaggregated by loan product, total loans outstanding disaggregated by loan product, on-time repayment rate, portfolio at risk, operating income, operating expenses, operational self sufficiency, financial sustainability, return on assets, total number of clients disaggregated by loan product, and total client savings.
  2. Track the current loan portfolio and produce performance reports using the Loan Performer software.
  3. Draft and adopt a financial and administrative policies and procedures manual to codify LEAD's operating procedure to complement its manual for loan management policies and procedures.
- B. LEAD will open, equip and staff two new branch offices in Margibi, and Bomi Counties to expand its reach to more rural populations. LEAD will recruit and train a program manager, education officer, and program assistant for each of the two new offices.
- C. LEAD will increase the operational and financial capacity of its offices through the following.
1. Procure a vehicle for use by headquarters staff to monitor and manage the overall program, and procure five motorcycles for use by staff from the five branch offices to facilitate their contact with clients for screening, disbursement, monitoring, and collection activities.
  2. Hire and train a management information systems officer to manage the upgraded Loan Performer system to improve microfinance services and ensure that branch operations are coordinated efficiently and effectively.
  3. LEAD will provide two senior staff members with up to two weeks of advanced training in loan management and modeling techniques by industry certified trainers from the subregion.

- D. LEAD will disaggregate the current Providence Empowerment Initiative loan fund from the Nehemiah Empowerment Initiative loan fund using the ADF-provided loan capital to issue repeat loans to current and new PEI clients. LEAD will return the capital recovered from the current PEI clients to the NEI fund, and the two funds will be tracked separately going forward. The PEI loan funds will be used to make four-month loans of up to US\$ 300 to clients who are organized in co-guarantor groups of five and have deposited savings equal to fifteen percent of the requested loan amount as a guarantee.

In addition, LEAD will use ADF-provided loan capital to issue loans under the pilot Agricultural Empowerment Initiative (AEI). These loans will be made available to professional farmers in amounts varying from US\$ 200 to US\$500 for periods up to one year. LEAD will track the AEI fund separately from the NEI and PEI funds to assess the performance of this agricultural loan product.

LEAD will initially use all interest income earned from the loan portfolio to expand its loan fund. By Year 3 of the Project, LEAD may begin to use any interest earnings not needed to maintain the real value of the loan fund to meet operational costs.

LEAD will provide all new PEI and AEI loan recipients with two days of business and financial management training. In addition to basic loan and financial management, these orientation sessions will focus on market research skills.

### VIII. Roles and Responsibilities

LEAD's staff and elected leadership are responsible for the management and the proper implementation of the Project. ADF's Partner in Liberia will provide training in the area of standard ADF bookkeeping, monitoring and assessment. The Partner will also provide technical assistance and management during implementation.

### IX. Monitoring and Evaluation

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